



Magnum International Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 305)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31ST DECEMBER 2005

RESULTS

The Directors of Magnum International Holdings Limited (the “Company”) announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31st December 2005 together with the comparative figures for the previous year as follows:

Consolidated Income Statement

	<i>Notes</i>	2005 HK\$	2004 HK\$ <i>(Restated)</i>
REVENUE	4	12,310,910	21,913,149
Other income and gains		236,873	261,884
Cost of trading equity investments sold		(5,000,826)	(12,721,750)
Administrative expenses		(14,157,260)	(12,065,515)
Other operating expenses		(2,428,747)	(3,013,170)
Unrealised gains/(losses) on equity investments at fair value through profit or loss/short term investments		443,365	(719,000)
Changes in fair value of investment properties		10,630,000	6,280,000
Write-back of/(charge to) provision for doubtful debts		(1,622,788)	962,514
Impairment of intangible assets		(2,336,028)	(702,055)
Finance costs	6	(6,506,291)	(6,426,706)
LOSS BEFORE TAX	7	(8,430,792)	(6,230,649)
Tax	8	(325,598)	(112,927)
LOSS FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		<u>(8,756,390)</u>	<u>(6,343,576)</u>
LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	9		
Basic		<u>(1.42 cents)</u>	<u>(1.03 cents)</u>
Diluted		<u>N/A</u>	<u>N/A</u>

Consolidated Balance Sheet

	<i>Notes</i>	2005 <i>HK\$</i>	2004 <i>HK\$</i> <i>(Restated)</i>
NON-CURRENT ASSETS			
Property, plant and equipment		151,189	103,076
Investment properties		43,920,000	33,290,000
Intangible assets		827,246	3,135,479
Total non-current assets		44,898,435	36,528,555
CURRENT ASSETS			
Loans receivable		14,969,290	19,402,017
Accounts receivable	10	1,196,327	5,213,721
Prepayments, deposits and other receivables		2,405,800	1,555,428
Equity investments at fair value through profit or loss/short term investments		1,910,949	1,420,287
Client trust bank accounts		2,797,641	4,106,932
Cash and cash equivalents		7,581,554	12,257,012
Total current assets		30,861,561	43,955,397
CURRENT LIABILITIES			
Accounts payable	10	3,643,550	5,534,910
Other payables and accruals		51,560,285	45,373,516
Bank overdrafts, secured		—	588,573
Tax payable		52,034	52,034
Total current liabilities		55,255,869	51,549,033
NET CURRENT LIABILITIES		(24,394,308)	(7,593,636)
TOTAL ASSETS LESS CURRENT LIABILITIES		20,504,127	28,934,919
NON-CURRENT LIABILITIES			
Amount due to the immediate holding company		42,999,147	42,999,147
Amount due to an intermediate holding company		30,920,000	30,920,000
Deferred tax liabilities		411,507	85,909
Total non-current liabilities		74,330,654	74,005,056
Net liabilities		(53,826,527)	(45,070,137)
DEFICIENCY IN ASSETS			
Issued capital		61,502,418	61,502,418
Reserves		(115,328,945)	(106,572,555)
Total deficiency in assets		(53,826,527)	(45,070,137)

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which also include Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the investment properties and equity investments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars.

2. IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The following new and revised HKFRSs affect the Group and are adopted for the first time for the current year’s financial statements:

HKAS 1	Presentation of Financial Statements
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39	Transition and Initial Recognition of Financial Assets and Financial Liabilities
Amendment	
HKAS 40	Investment Property
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations
HK(SIC)-Int 21	Income Taxes — Recovery of Revalued Non-depreciable Assets
HK-Int 4	Leases — Determination of the Length of Lease Term in respect of Hong Kong Land Leases

Except for HKASs 24, 32, 38, 39, 40, HKFRS 2 and HK(SIC)-Int 21 as stated below, the adoption of the above has had no material impact on the accounting policies of the Group and the Company and the methods of computation in the Group’s and the Company’s financial statements.

(a) HKAS 24 — Related Party Disclosures

HKAS 24 has expanded the definition of related parties and affected the Group's related party disclosures.

(b) HKAS 32 and HKAS 39 — Financial Instruments

In prior years, the Group classified its investments in listed equity securities for trading purposes as short term investments, which were stated at their fair values on an individual basis with gains and losses recognised in the income statement. Upon the adoption of HKAS 39, these securities held by the Group at 1st January 2005 in the amount of HK\$1,420,287 are classified as equity investments at fair value through profit or loss under the transitional provisions of HKAS 39 and are also stated at fair value with gains or losses being recognised in the income statement.

The adoption of HKAS 39 has not resulted in any change in the measurement of these equity securities. Comparative amounts have been reclassified for presentation purpose. The effects of the above changes are summarised in Note 3 below.

(c) HKAS 38 — Intangible Assets

In prior years, the Group's intangible assets were amortised on the straight-line basis over their estimated useful lives of 10 years, less any impairment losses.

Upon the adoption of HKAS 38, the Group's eligibility rights to trade on or through The Stock Exchange of Hong Kong Limited and The Philippines Stock Exchange, Inc. are permitted to be regarded as having indefinite lives, which should not be amortised and are subject to annual impairment tests. Under the transitional provision of HKAS 38, this change in accounting policy has been applied prospectively and therefore comparative amounts have not been restated.

(d) HKAS 40 — Investment Property

In prior years, changes in the fair values of investment properties were dealt with as movements in the asset revaluation reserve. If the total of this reserve was insufficient to cover a deficit, on a portfolio basis, the excess of the deficit was charged to the income statement. Any subsequent revaluation surplus was credited to the income statement to the extent of the deficit previously charged.

Upon the adoption of HKAS 40, gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

The adoption of HKAS 40 has had no impact on the amounts disclosed in the financial statements.

(e) HKFRS 2 — Share-based Payment

In prior years, no recognition and measurement of share-based payment transactions in which employees (including directors) were granted share options over shares in the Company were required until such options were exercised by employees, at which time the share capital and share premium were credited with the proceeds received.

Upon the adoption of HKFRS 2, when employees (including directors) render services as consideration for equity instruments ("equity-settled transactions"), the cost of the equity-settled transactions with employees is measured by reference to the fair value at the date at which the instruments are granted.

The main impact of HKFRS 2 on the Group is the recognition of the cost of these transactions and a corresponding entry to equity for employee share options.

The Group has adopted the transitional provisions of HKFRS 2 under which the new measurement policies have not been applied to (i) options granted to employees on or before 7th November 2002; and (ii) options granted to employees after 7th November 2002 but which had vested before 1st January 2005.

As the Group did not have any employee share options which were granted during the period from 7th November 2002 to 31st December 2004 but had not yet vested as at 1st January 2005, the adoption of HKFRS 2 has had no impact on the accumulated losses as at 31st December 2003 and at 31st December 2004.

(f) HK(SIC)-Int 21 — Income Taxes — Recovery of Revalued Non-depreciable Assets

In prior periods, deferred tax arising on the revaluation of investment properties was recognised based on the tax rate that would be applicable upon the sale of the investment properties.

Upon the adoption of HK(SIC)-Int 21, deferred tax arising on the revaluation of the Group's investment properties is determined depending on whether the properties will be recovered through use or through sale. The Group has determined that its investment properties will be recovered through use and, accordingly the profits tax rate has been applied to the calculation of deferred tax.

The effects of the above changes are summarised in Note 3 below. The change has been adopted retrospectively from the earliest period presented and comparative amounts have been restated.

3. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES

(a) Effect on the consolidated balance sheet

At 1st January 2005	Effect of adopting		Total HK\$
	HKASs 32# & 39*	HK(SIC)-Int 21# Deferred tax Change in classification of investment properties	
Effect of new policies (Increase/(decrease))	investments HK\$	on revaluation of investment properties HK\$	
Assets			
Equity investments at fair value through profit or loss	1,420,287	—	1,420,287
Short term investments	(1,420,287)	—	<u>(1,420,287)</u>
			<u>—</u>
Liabilities			
Deferred tax liabilities	—	(265,598)	<u>(265,598)</u>

* Adjustments taken effect prospectively from 1st January 2005

Adjustments/presentation taken effect retrospectively

At 31st December 2005	Effect of adopting		Total HK\$
	HKASs 32 & 39	HK(SIC)-Int 21 Deferred tax Change in classification of investment properties	
Effect of new policies (Increase/(decrease))	investments HK\$	on revaluation of investment properties HK\$	
Assets			
Equity investments at fair value through profit or loss	1,910,949	—	1,910,949
Short term investments	(1,910,949)	—	<u>(1,910,949)</u>
			<u>—</u>
Liabilities			
Deferred tax liabilities	—	60,000	<u>60,000</u>

(b) Effect on the balances of equity at 1st January 2004 and at 1st January 2005

Effect of new policies	Effect of adopting HK(SIC)-Int 21 Deferred tax on revaluation of investment properties HK\$
1st January 2004	
Decrease in accumulated losses	<u><u>351,507</u></u>
1st January 2005	
Decrease in accumulated losses	<u><u>265,598</u></u>

(c) Effect on the consolidated income statement for the years ended 31st December 2005 and 2004

Effect of new policies	Effect of adopting HK(SIC)-Int 21 Deferred tax on revaluation of investment properties
Year ended 31st December 2005	
Increase in tax and loss for the year	<u><u>HK\$ 325,598</u></u>
Increase in basic loss per share	<u><u>HK 0.05 cents</u></u>
Year ended 31st December 2004	
Increase in tax and loss for the year	<u><u>HK\$ 85,909</u></u>
Increase in basic loss per share	<u><u>HK 0.01 cents</u></u>

4. REVENUE AND SEGMENT INFORMATION

The current year's revenue represents commission and interest income from securities dealing and margin finance, interest income from consumer finance, property rental income and proceeds from the sale of equity investments at fair value through profit or loss.

An analysis of revenue is as follows:

	Group	
	2005	2004
	HK\$	HK\$
		<i>(Restated)</i>
Revenue		
Commission and interest income from securities dealing and margin finance	4,224,393	5,218,636
Interest income from consumer finance	825,753	703,493
Property rental income	2,156,084	2,092,770
Proceeds from the sale of equity investments at fair value through profit or loss/short term investments	<u>5,104,680</u>	<u>13,898,250</u>
	<u>12,310,910</u>	<u>21,913,149</u>

(a) Business segments

The following table presents revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments.

	Securities dealing and margin finance				Securities investment		Consumer finance		Property holding		Intersegment sales elimination		Consolidated	
	2005		2004		2005		2004		2005		2004		2005	
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Segment revenue:														
Services provided to external customers	4,249,628	5,253,382	5,104,680	13,898,250	825,753	703,493	2,156,084	2,092,770	(25,235)	(34,746)	12,310,910	12,310,910	21,913,149	
Other revenue	92,056	103,295	40,884	109,589	—	—	—	400	—	—	132,940	132,940	213,284	
Segment revenue	<u>4,341,684</u>	<u>5,356,677</u>	<u>5,145,564</u>	<u>14,007,839</u>	<u>825,753</u>	<u>703,493</u>	<u>2,156,084</u>	<u>2,093,170</u>	<u>(25,235)</u>	<u>(34,746)</u>	<u>12,443,850</u>	<u>12,443,850</u>	<u>22,126,433</u>	
Segment results	<u>(8,901,151)</u>	<u>(6,510,943)</u>	<u>287,980</u>	<u>293,412</u>	<u>(1,021,990)</u>	<u>1,438,697</u>	<u>10,752,471</u>	<u>6,052,733</u>	<u>—</u>	<u>—</u>	<u>1,117,310</u>	<u>1,117,310</u>	<u>1,273,899</u>	
Unallocated revenue and gains													103,933	48,600
Unallocated expenses													(3,959,479)	(1,964,108)
Finance costs													(5,692,556)	(5,589,040)
Loss before tax													(8,430,792)	(6,230,649)
Tax													(325,598)	(112,927)
Loss for the year													<u>(8,756,390)</u>	<u>(6,343,576)</u>

	Securities dealing											
	and margin finance		Securities investment		Consumer finance		Property holding		Elimination		Consolidated	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
	<i>(Restated)</i>											
Assets and liabilities												
Segment assets	28,957,750	43,607,731	2,539,878	1,924,268	17,059,240	18,074,840	45,201,183	34,092,450	(18,718,878)	(17,854,614)	75,039,173	79,844,675
Unallocated assets											720,823	639,277
Total assets											75,759,996	80,483,952
Segment liabilities	9,108,348	15,240,378	134,869	153,464	33,370,211	33,363,821	1,350,233	1,365,570	(31,644,099)	(36,048,585)	12,319,562	14,074,648
Unallocated liabilities											117,266,961	111,479,441
Total liabilities											129,586,523	125,554,089
Other segment information:												
Capital expenditures	650	740	—	—	—	—	100,038	21,220				
Amortisation	—	505,910	—	—	—	—	—	—				
Depreciation	5,135	99,314	—	—	—	—	46,364	109,982				
Unrealised gains/(losses) on equity investments at fair value through profit or loss	—	—	443,365	(719,000)	—	—	—	—				
Charges to/(write-back of) provision for doubtful debts	797,035	389,443	—	—	825,753	(1,737,296)	—	385,339				
Changes in fair value of investment properties	—	—	—	—	—	—	10,630,000	6,280,000				
Impairment of intangible assets recognised in the income statement	2,336,028	702,055	—	—	—	—	—	—				

(b) Geographical segments

The following table presents revenue and certain asset and expenditure information for the Group's geographical segments.

	Hong Kong		Philippines		Elimination		Consolidated	
	2005	2004	2005	2004	2005	2004	2005	2004
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
	<i>(Restated)</i>							
Segment revenue:								
Services provided to external customers	12,310,910	21,913,149	—	—	—	—	12,310,910	21,913,149
Other revenue	216,614	152,295	20,259	109,589	—	—	236,873	261,884
Segment revenue	12,527,524	22,065,444	20,259	109,589	—	—	12,547,783	22,175,033
Other geographical information:								
Segment assets	73,735,233	78,955,281	8,489,573	7,639,245	(6,464,810)	(6,110,574)	75,759,996	80,483,952
Capital expenditure	100,688	23,560	—	—	—	—	100,688	23,560

In previous years, gains arising from trading in securities was classified as other income and included in "Securities dealing and margin finance" in segment information. During the current year, the Group considered it more appropriate to reclassify its proceeds from the trading in securities and related cost under revenue and cost of equity investments sold, respectively, and to present the related financial information under a separate segment of "Securities investment" to better reflect the

underlying nature of these balances and allow a more appropriate presentation of the Group's results. Accordingly, the comparative amounts of revenue and cost of equity investments sold, and segment information have been restated to conform with the current year's presentation.

5. RELATED PARTY TRANSACTIONS

(a) The Group had the following transactions with related parties during the year:

	Group	
	2005	2004
	<i>HK\$</i>	<i>HK\$</i>
Interest expense charged by the immediate holding company	3,008,689	3,059,286
Interest expense charged by an intermediate holding company	3,485,587	3,266,807
Management fee income charged to a fellow subsidiary	48,600	48,600
	<u>6,542,876</u>	<u>6,374,693</u>

(b) The Group had the following outstanding balances with related parties as at the balance sheet date:

	Group	
	2005	2004
	<i>HK\$</i>	<i>HK\$</i>
Due to the immediate holding company	65,418,436	62,409,747
Due to an intermediate holding company	55,531,255	52,045,668
Due to a fellow subsidiary	246,457	246,457
	<u>121,196,148</u>	<u>114,701,872</u>

6. FINANCE COSTS

	Group	
	2005	2004
	<i>HK\$</i>	<i>HK\$</i>
Interest on bank overdrafts wholly repayable within five years	12,015	100,613
Interest expense on amounts due to holding companies and a fellow subsidiary	6,494,276	6,326,093
	<u>6,506,291</u>	<u>6,426,706</u>

7. LOSS BEFORE TAX

This is arrived at after charging:

	Group	
	2005	2004
	HK\$	HK\$
Amortisation of intangible assets	—	505,910
Auditors' remuneration	750,000	680,000
Depreciation	52,575	219,262
Employee benefits expense (including directors' remuneration):		
Wages and salaries	7,063,026	7,246,872
Pension scheme contributions	297,433	276,541
Termination benefits	236,721	—
	<u>7,597,180</u>	<u>7,523,413</u>
Foreign exchange losses, net	—	62,750
Minimum lease payments under operating leases in respect of land and buildings	<u>1,392,886</u>	<u>1,324,355</u>
and after crediting:		
Gross rental income	2,156,084	2,092,770
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties	<u>(112,192)</u>	<u>(95,196)</u>
Net rental income	<u>2,043,892</u>	<u>1,997,574</u>
Bank interest income	120,124	8,772
Interest income for loans receivable	<u>2,501,438</u>	<u>2,720,008</u>
	<u>2,621,562</u>	<u>2,728,780</u>
Gain on disposal of equity investments at fair value through profit or loss/short term investments	103,854	1,176,500
Gain on disposal of items of property, plant and equipment	<u>—</u>	<u>400</u>

8. TAX

No provision for Hong Kong profits tax has been made for the current and prior years as the Group has available tax losses brought forward from prior years to offset the estimated assessable profits arising in Hong Kong during the two years. Tax charge in the prior year represented underprovision for Hong Kong profits tax in prior years.

	2005	2004
	HK\$	HK\$
		<i>(Restated)</i>
Underprovision for Hong Kong profits tax in prior years	—	27,018
Deferred tax	<u>325,598</u>	<u>85,909</u>
Tax charge for the year	<u><u>325,598</u></u>	<u><u>112,927</u></u>

9. LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of basic loss per share amounts is based on the loss for the year attributable to equity holders of the Company of HK\$8,756,390 (2004: HK\$6,343,576 (Restated)) and the weighted average number of 615,024,175 (2004: 615,024,175) ordinary shares in issue throughout the year.

Diluted loss per share amounts for the years ended 31st December 2005 and 2004 have not been disclosed, as the share options outstanding during these years had anti-dilutive effects on the basic loss per share amounts for these years.

10. ACCOUNTS RECEIVABLE/ACCOUNTS PAYABLE

Accounts receivable and accounts payable are arising from the Group's securities dealing and brokerage business with settlement terms of two days after the trade date.

(a) Details of the accounts receivable of the Group as at the balance sheet date, based on the transaction date and net of provisions, are as follows:

Accounts receivable:

	Group	
	2005	2004
	HK\$	HK\$
Not yet due	1,083,493	3,431,749
0 – 30 days	<u>112,834</u>	<u>1,781,972</u>
	<u><u>1,196,327</u></u>	<u><u>5,213,721</u></u>

The accounts receivable are non-interest-bearing. Overdue balances are reviewed regularly by senior management. In view of the fact that the Group's accounts receivable relate to a large number of diversified customers, there is no significant concentration of credit risk.

(b) Details of the accounts payable of the Group as at the balance sheet date are as follows:

Accounts payable:

	Group	
	2005	2004
	<i>HK\$</i>	<i>HK\$</i>
Not yet due	1,013,054	1,586,196
0 – 30 days	424,543	1,442,426
Over 30 days	2,205,953	<u>2,506,288</u>
	<u>3,643,550</u>	<u>5,534,910</u>

Accounts payable are non-interest-bearing.

11. COMPARATIVE FIGURES

Certain comparative figures presented in these consolidated financial statements have been restated to comply with the relevant new and revised HKFRSs.

DIVIDEND

At the balance sheet date, the Company did not have any reserves available for cash/in specie dividend distributions (2004: Nil).

BUSINESS REVIEW

For the year ended 31st December 2005, the Group recorded a revenue of HK\$12.3 million and a loss before tax of HK\$8.4 million. The revenue of the Group decreased by HK\$9.6 million as compared to the year ended 31st December 2004, of which HK\$8.8 million was for the securities investment and HK\$1 million was for the securities dealing and margin finance revenue.

The loss before tax for the year increased from HK\$6.2 million in 2004 to HK\$8.4 million in 2005. Such increase in loss before tax was mainly due to the loss arising from the impairment in value of trading right for Hong Kong Exchange of HK\$2.3 million. The loss before tax in current year mainly comprises administrative and operating expenses and financial cost on borrowings.

POST BALANCE SHEET EVENT AND FUTURE PROSPECTS

The Group announced on 30th March 2006 the proposed change of controlling shareholder of the Company together with certain restructuring. The new controlling shareholder intends to continue the existing business of the Group and will conduct a more detailed review of the operations of the Group with a view to develop a corporate strategy to enhance its existing businesses and asset base and broaden its income stream by various measures, which may include further investing in and expansion of existing businesses into or divesting of loss-making operations of the Group should appropriate opportunities arise.

For detail of subsequent event of the proposed change of shareholder of the Company together with the restructuring, please refer to the detail announcement dated 30th March 2006 and the Annual Report.

MANAGEMENT DISCUSSION AND ANALYSIS

Comment on segment information

During the year under review, revenue of the securities brokering business accounted for over 34% of the revenue of the Group. All the revenue was generated by businesses in Hong Kong.

Liquidity and capital structure

Total borrowings of the Group as at 31st December 2005 amounted to HK\$73.9 million, which were intercompany advances from Magnum Corporation Berhad Group in Malaysia. No bank borrowings as at 31st December 2005 when compared to the amount of HK\$0.6 million as at 31st December 2004. Cash and cash equivalents as at 31st December 2005 were held in Hong Kong dollars, United States dollars and Philippines pesos.

The Company's holding companies, including Magnum Corporation Berhad, have agreed in writing to provide adequate financial support to the Group to enable it to operate as a going concern.

The carrying values of investment properties as at 31st December 2005 amounted to HK\$43.9 million, of which HK\$43.6 million were subject to legal charges to banks. No bank facilities were utilised as at 31st December 2005.

The main funding of the Group is from intercompany advances. The interest rates are charged at rates lower than the interest rates charged by the banks of the Group.

The gearing ratio is calculated by dividing the long-term debts by the amount of equity. The gearing ratio at the balance sheet date was approximately negative 1.37.

Significant investment held

The Group holds some investments in Hong Kong and Philippines listed shares. As at 31st December 2005, such investments amounted to HK\$1.9 million.

Acquisition and disposal

There was no acquisition or disposal of any subsidiaries of the Group during the year under review.

Exposure to fluctuation in exchange rates

Since the Group's main business is securities brokering in Hong Kong, its exposure to fluctuations in exchange rates and currencies is minimal.

Remuneration of employees

As at the balance sheet date, the Group had approximately 10 full-time employees who were all based in Hong Kong. The remuneration of employees is reviewed annually. Staff benefits include a medical scheme, provident fund, a share option scheme and a discretionary bonus based on performance.

On 11th June 2002, the Company adopted a new share option scheme and 3,000,000 and 18,900,000 share options were granted to directors and employees, respectively, on 8th July 2002 at an exercise price of HK\$0.111 per share. No share options were exercised during the year under review. As at 31st December 2005, 11,250,000 share options were outstanding.

PURCHASE, REDEMPTION AND SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of Company will be closed from 18th May 2006 to 23rd May 2006, both days inclusive, during which period no transfer of shares will be registered.

CORPORATE GOVERNANCE

During the year, the Company has applied the Principles and the Code Provisions as set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and complied with most of the Code Provisions save for the Code Provisions on internal controls which are to be implemented for accounting periods commencing on or after 1st July 2005 pursuant to the CG Code and certain deviations from the Code Provisions in respect of A.2.1, A.4.1 and A.4.2.

Code Provision A.2.1

Code Provision A.2.1 stipulated that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual.

Mr Lim Teong Leong is the Chairman of the Company. He also shares the role of the Chief Executive Officer of the Company. The Board believes that vesting the roles of both Chairman and Chief Executive Officer in the same person provides the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies.

The Board also considers that the current structure of vesting the roles of Chairman and Chief Executive Officer in the same person will not impair the balance of power and authority between the Board and the management of the Company.

Code Provision A.4.1

Code Provision A.4.1 stipulated that non-executive directors should be appointed for a specific term, subject to re-election.

The terms of appointment of the independent non-executive directors of the Company are such that their terms of office will expire when they are required to retire by rotation in accordance with the Company's bye-laws.

Code Provision A.4.2

Code Provision A.4.2 stipulated that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

The Company's Bye-laws deviate from Code Provision A.4.2 of the CG Code which provides that one-third of the directors for the time being (save for the Chairman/Managing Director), or if their number is not three nor a multiple of three, then the number nearest to one-third, shall retire from office and being eligible, offer themselves for re-election at annual general meetings and that any new director appointed by the Board during the year shall hold office until the next following annual general meeting after appointment, when he/she shall be eligible for re-election.

The Board is of the opinion that the members of the Company give the power to the Board to fill up the casual vacancy is to enable the Board to run the Company more efficiently. It is adequate for the person filling up the casual vacancy be retired and to be elected at the next Annual General Meeting because should there be any Special General Meeting other than Annual General Meeting, the Board should be focusing on the issue at hand for the Special General Meeting instead of diverting its attention to academic issue i.e. the election of the person appointed for the casual vacancy.

The Company is ultimately owned as to approximately 51.54% by Magnum Corporation Berhad ("MCB"). As such, MCB being the controlling shareholder of the Company can decide if the Chairman and Managing Director of the Company should continue in office irregardless of they are subject to retirement or not.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted its own code on no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers ("the Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") in respect of the dealings in securities of the Company by directors. Based on specific enquiry of the Company's directors, all directors have complied with the required standard set out in the Model Code and its own code throughout the year ended 31st December 2005.

AUDIT COMMITTEE

The Company has an audit committee which was established in compliance with the Rule 3.2.1 of the Listing Rules applicable to the current year, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee during the year comprises the three independent non-executive directors of the Company, namely, Mr Wong Ming Shiang, Mr Lim Eng Ho, and Mr Soo Tho Him Yip. Following the director resignation of Mr. Soo Tho Him Yip effective from 2nd March 2006, the audit committee currently comprises two independent non-executive directors.

The audit financial statements for the year ended 31st December 2005 have been reviewed by the Audit Committee.

PUBLICATION OF ANNUAL RESULTS ON THE STOCK EXCHANGE'S WEBSITE

All information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange in due course.

By Order of the Board
Lim Teong Leong
Chairman

Hong Kong, 25th April 2006

As at the date of this announcement, the Board of Directors of the Company comprises Mr. Lim Teong Leong, Mr. Tam Cheok Wing, Mr. Ooi Sin Heng and Mr. Chan Hon Ming as executive directors and Mr Wong Ming Shiang and Mr Lim Eng Ho as independent non-executive directors.

*Please also refer to the published version of this announcement in **The Standard**.*