

IMPORTANT

If you are in any doubt about this circular or as to the action to be taken, you should consult your stockbroker, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Magnum International Holdings Limited (the “Company”), you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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Magnum International Holdings Limited

萬能國際集團有限公司*

(Incorporated in Bermuda with limited liability)

Executive Directors:

Lim Teong Leong (*Chairman*)

Tam Cheok Wing

Ooi Sin Heng

Chan Hon Ming

Registered Office:

Cedar House,

41 Cedar Avenue,

Hamilton HM12,

Bermuda

Independent Non-Executive Directors:

Gan Cheong Ann

Kwan Huey Jin

*Principal place of business
in Hong Kong:*

Unit 1301A, 13th Floor,

Bank of America Tower,

12 Harcourt Road,

Central,

Hong Kong

25 April 2003

To the shareholders

Dear Sir or Madam,

GENERAL MANDATES TO REPURCHASE SHARES AND TO ISSUE NEW SHARES

I. INTRODUCTION

The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“the Listing Rules”) contain provisions to regulate the repurchase by companies with primary listings on the Stock Exchange of their own Shares on the Stock Exchange.

* For identification purpose only

The purpose of this circular is to provide you with information on the ordinary resolutions to be proposed at the forthcoming Annual General Meeting of the Company to be held on 10 June 2003 (the “Annual General Meeting”): (i) to grant to the directors of the Company (the “Directors”) a general mandate to exercise the powers of the Company to undertake repurchases of the Company’s fully paid up shares (the “Shares”) up to a maximum of 10% of the issued share capital of the Company on the date of passing of the relevant ordinary resolution (the “Buyback Mandate”); (ii) to grant a general mandate to the Directors to issue new Shares up to a maximum of 20% of the issued share capital of the Company on the date of passing of the relevant ordinary resolution (the “Issuance Mandate”); and (iii) to extend the Issuance Mandate by the number of shares repurchased.

In accordance with the Listing Rules, this circular also serves as the explanatory statement to provide you with requisite information reasonably necessary to enable you to make an informed decision on whether to vote for or against ordinary Resolutions 4 to 6 to be proposed at the Annual General Meeting of the Company.

II. EXPLANATORY STATEMENT ON PROPOSED GRANTING OF BUYBACK MANDATE

1. Reasons for share buyback

The Directors believe that the proposed granting of the Buyback Mandate is in the interests of the Company and its Shareholders (the “Shareholders”).

At any time in the future when Shares are trading at a discount to their underlying value, the ability of the Company to repurchase Shares will be beneficial to those shareholders who retain their investment in the Company since their percentage interest in the assets of the Company would increase in proportion to the number of Shares repurchased by the Company and thereby resulting in an increase in net assets and/or earnings per share of the Company. Although the Directors have no present intention of repurchasing any Shares, they believe that the flexibility afforded by the Buyback Mandate would be beneficial to the Company and its shareholders.

2. Share capital

As at 22 April 2003, the Latest Practicable Date, the issued share capital of the Company comprised 615,024,175 Shares of HK\$0.10 each.

Subject to the passing of the ordinary resolution no. 4 set out in the notice of the Annual General Meeting and on the basis that no Shares are issued or repurchased by the Company prior to the Annual General Meeting, the Company would be allowed under the Buyback Mandate to repurchase a maximum of 61,502,417 Shares during the period in which the Buyback Mandate remains in force.

3. Funding of repurchases

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with its Memorandum of Association and Bye-laws, the laws of Bermuda and other applicable laws.

Shares shall not be repurchased for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. The Directors propose that repurchases of Shares under the Buyback Mandate in these circumstances would be financed from the Company’s internal resources or existing banking facilities.

There might be material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in the audited accounts contained in the annual report of the Company for the year ended 31 December 2002) in the event that the Buyback Mandate was to be carried out in full at any time during the proposed repurchase period. However, the Directors do not propose to exercise the Buyback Mandate to such extent as would, in the circumstances, have a

material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company. The number of Shares to be repurchased on any occasion and the price and other terms upon which the same are purchased will be decided by the Directors at the relevant time having regard to the circumstances then pertaining.

4. Market prices of shares

The highest and lowest market prices for Shares recorded on the Stock Exchange during each of the twelve months preceding the Latest Practicable Date were as follows:

	Shares	
	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
2002:		
April	0.103	0.102
May	0.134	0.111
June	0.133	0.100
July	0.121	0.104
August	0.120	0.110
September	0.110	0.096
October	0.107	0.096
November	0.100	0.100
December	—	—
2003:		
January	—	—
February	—	—
March	0.096	0.096

5. Disclosure of interest

The Directors have undertaken to the Stock Exchange to exercise the power of the Company to make purchases under the Buyback Mandate in accordance with the Listing Rules and laws of Bermuda.

If as a result of a repurchase of Shares, a shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. As a result, a shareholder, or group of shareholders acting in concert, depending on the level of such increase, could increase, obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

As at 22 April 2003, the Latest Practicable Date, to the best of the knowledge and belief of the Directors, Magnum (Guernsey) Limited held approximately 51.54% of the issued Shares. In the event that the Directors exercise in full the Buyback Mandate in relation to Shares, the aggregate shareholding of Magnum (Guernsey) Limited in the Company would increase to approximately 57.26% of the issued Shares. The directors consider that such an increase would not give rise to an obligation on the part of Magnum (Guernsey) Limited to make a mandatory offer under Rule 26 of the Takeovers Code. Besides, the Directors have no intention to exercise the Buyback Mandate to such an extent as will result in the number of Shares in the hands of the public falling below the prescribed minimum aggregate percentage (under the Listing Rules) of 25%.

None of the Directors, and to the best of their knowledge having made all reasonable enquiries, nor any associates of the Directors, have any present intention to sell Shares to the Company in the event that the Buyback Mandate is approved by shareholders.

The Company has not been notified by any connected persons (as defined in the Listing Rules) of the Company that they have a present intention to sell any Shares to the Company, or that they have undertaken not to sell any Shares held by them to the Company, in the event that the Buyback Mandate is approved by its shareholders.

6. Share repurchases made by the company

No repurchase of Shares has been made by the Company (whether on the Stock Exchange or otherwise) during the last six months immediately preceding the Latest Practicable Date.

III. RESOLUTIONS TO BE PROPOSED AT THE ANNUAL GENERAL MEETING

Set out below are resolutions to be proposed at the Annual General Meeting.

The Ordinary Resolution 4 relates to the granting of a general mandate to the Directors of the Company to repurchase, on the Stock Exchange, shares up to a maximum of 10% of the issued share capital of the Company at the date of the resolution.

The Ordinary Resolution 5 relates to the granting of a general mandate to the Directors of the Company to issue new shares up to a maximum of 20% of the issued share capital of the Company at the date of the resolution.

The Ordinary Resolution 6 relates to the extension of the general mandate to be granted to the Directors to issue new shares during the relevant period by adding to it the number of shares repurchased under the Repurchase Proposal, if any.

The authority conferred on the Directors of the Company by these mandates will continue in force until the conclusion of the next annual general meeting of the Company; the revocation or variation of the authority by ordinary resolution of the shareholders in general meeting; and the expiration of the period within which the next annual general meeting of the Company is required by the Company's Bye-laws or any applicable laws to be held, whichever is the earlier.

IV. PROXY ARRANGEMENT

A form of proxy for use at the Annual General Meeting is enclosed with the Annual Report for the year ended 31st December, 2002. To be valid, the form of proxy must be completed in accordance with the instructions printed thereon and deposited, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney or authority at the Company's Hong Kong share registrars, Tengis Limited, G/F Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting. Completion and delivery of the form of proxy will not prevent you from attending and voting at the Annual General Meeting.

V. RECOMMENDATION

The Directors consider that the Repurchase Mandate and the granting of a general mandate to issue new shares are in the best interests of the Company and its shareholders and accordingly recommend that all shareholders should vote in favour of the Ordinary Resolutions 4, 5 and 6 to be proposed at the Annual General Meeting.

Yours faithfully
By Order of the Board
Lim Teong Leong
Chairman