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Magnum International Holdings Limited

(incorporated in Bermuda with limited liability)

(Stock code: 305)

Unichina Enterprises Limited

(incorporated in the British Virgin Islands with limited liability)

JOINT ANNOUNCEMENT

**(I) Acquisition of controlling interest in
Magnum International Holdings Limited
by Unichina Enterprises Limited;**

**(II) possible mandatory unconditional cash offers by
Celestial Capital Limited
on behalf of Unichina Enterprises Limited
for all the issued shares in Magnum International Holdings Limited
(other than those shares already owned by or agreed to be acquired
by Unichina Enterprises Limited and parties acting in concert with it)
and all outstanding share options of
Magnum International Holdings Limited;**

(III) Capital Reduction and increase in authorised share capital;

**(IV) special deal and connected transaction in relation to
the Compromise Deed;**

**(V) connected transaction in relation to the subscription of convertible bond by Unichina Enterprises
Limited; and**

(VI) resumption of trading

**Financial adviser to Magnum International Holdings
Limited**



Financial adviser to Unichina Enterprises Limited

**CASH
Celestial Capital Limited**

Independent financial adviser to the independent board committee of Magnum International Holdings Limited



SUMMARY

The Acquisition and the Offers

The Board and the sole director of Unichina jointly announce that, on 8 April 2005, Unichina entered into the Sale and Purchase Agreement with MGL and MCB, pursuant to which Unichina has conditionally agreed to purchase and MGL has conditionally agreed to sell the Sale Shares for a cash consideration of HK\$15,000,000 (equivalent to approximately HK\$0.04735 per Share). The Sale Shares represent approximately 51.54% of the entire issued share capital of the Company as at the date of this announcement. The Sale and Purchase Agreement is conditional upon certain conditions as described in the paragraph headed “Conditions of the Sale and Purchase Agreement” under the section headed “II. The Sale and Purchase Agreement” of this announcement. Upon S&P Completion, Unichina and parties acting in concert with it will own in aggregate 316,973,680 Shares, representing approximately 51.54% of the entire issued share capital of the Company as at the date of this announcement and will be required under Rule 26.1 and Rule 13 of the Takeovers Code to make mandatory unconditional cash offers for all the issued Shares not already owned or agreed to be acquired by Unichina and parties acting in concert with it and all the outstanding Options. The principal terms of the Offers are set out under the section headed “III. Possible mandatory unconditional cash offers” of this announcement.

The Capital Reduction and increase in authorised share capital

The Directors propose to implement the Capital Reduction which will involve (i) the reduction of the par value of each Share in issue from HK\$0.10 to HK\$0.001 by cancelling the paid up capital to the extent of HK\$0.099 on each Share in issue on the date upon which the Capital Reduction becoming effective, such that the par value of each Share will be reduced to HK\$0.001 and the issued share capital of the Company of approximately HK\$61,502,418 shall be reduced by approximately HK\$60,887,394 to approximately HK\$615,024; and (ii) the transfer of the credit arising from the cancellation of paid up capital to the contributed surplus account of the Company.

Capital Reduction Completion is subject to the conditions as set out in the paragraph headed “Conditions of the Capital Reduction” under the section headed “IV. The Capital Reduction and increase in authorised share capital” below.

The Directors also propose to seek the approval from Shareholders at the SGM to increase the authorised share capital from HK\$100,000,000 to HK\$1,000,000,000 by the creation of an additional 900,000,000,000 new ordinary shares of HK\$0.001 each, such new shares, if issued, shall rank pari passu in all respects upon Capital Reduction Completion with the existing issued shares of new par value of HK\$0.001. The effectiveness of the increase in the authorised share capital will be conditional upon Capital Reduction Completion.

The Compromise Deed

On 8 April 2005, the Company, MGL and Unichina entered into the Compromise Deed, pursuant to which, the Company, MGL and Unichina have agreed that the Shareholder's Loan shall be fully settled in the following manner: (i) as to HK\$35 million payable by Unichina, on behalf of the Company, upon the Subscription Completion to MGL as directed by the Company in writing; (ii) as to the Balance Shareholder's Loan (being approximately HK\$65.8 million as at 8 April 2005) by issuance of the Secured Promissory Note which is repayable after 12 months upon the date of its issuance and to be secured by (a) the grant of the Property Charges in favour of MGL over the Properties (including six commercial units, one residential unit and two car parking spaces) by each of the Property Owners; and (b) the grant of the Share Mortgages in favour of MGL over all of the issued shares in each of the Property Owners; and (iii) as to HK\$15.6 million by issuance of the Unsecured Promissory Note to MGL which is repayable after six months from the date of its issuance and is unsecured. Pursuant to the Compromise Deed, Unichina has also agreed to take relevant steps as set out in the Compromise Deed to facilitate the repayment of the Shareholder's Loan by the Company (details of which are set out under the section headed "V. The Compromise Deed" of this announcement). The Compromise Deed is conditional upon certain conditions as set out in the paragraph headed "Conditions of the Compromise Deed" under the section headed "V. The Compromise Deed" below.

The Subscription Agreement

On 8 April 2005, the Company, Unichina and MCB entered into the Subscription Agreement, pursuant to which, the Company has agreed to issue and Unichina has agreed to subscribe for the Convertible Bond with a face value of HK\$35 million. Assuming exercise in full of the conversion rights attaching to the Convertible Bond at the conversion price of HK\$0.04735 per Share, a total number of 739,176,346 Shares will be issued. The conversion price of HK\$0.04735 per Share is equivalent to the share offer price under the Share Offer. The Company intends to apply the net proceeds from the issuance of the Convertible Bond for repayment of part of the Shareholder's Loan as agreed under the Compromise Deed. The Subscription Agreement is conditional upon certain conditions as set out in the paragraph headed "Conditions of the Subscription Agreement" under the section headed "VI. The Subscription Agreement" below.

General

The Compromise Deed, including the execution of the Security Documents, constitutes a “special deal” under Rule 25 of the Takeovers Code, which requires the consent of the Executive and such consent, if granted, will be conditional upon the approval of the Independent Shareholders voting by way of a poll. Given that MGL is the immediate controlling Shareholder, the entering into of the Compromise Deed by MGL, Unichina and the Company constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules which requires the approval of the Independent Shareholders voting by way of a poll. As Unichina entered into the Sale and Purchase Agreement with MGL and will be the controlling Shareholder upon the S&P Completion while the Subscription Completion will take place simultaneously with the S&P Completion, the issuance of the Convertible Bond to Unichina under the Subscription Agreement will constitute a connected transaction for the Company under Chapter 14A of the Listing Rules which will require the approval of the Independent Shareholders voting by way of a poll. The SGM will be convened to approve the Capital Reduction, the increase of the authorised share capital, the entering into of the Compromise Deed (together with the transactions contemplated thereunder) and the Subscription Agreement. MGL and its associates will abstain from voting on the resolutions in respect of the Compromise Deed and the Subscription Agreement at the SGM.

A circular setting out details of the Sale and Purchase Agreement, the Capital Reduction, the increase in authorised share capital of the Company, the Compromise Deed and the Subscription Agreement and the advice received in respect of the Compromise Deed and the Subscription Agreement from Tai Fook, the independent financial adviser to the independent board committee of the Company, together with a notice of the SGM will be sent to the Shareholders as soon as possible. A composite offer and response document of the Company setting out details of the Offers (accompanied by the acceptance and transfer form) and incorporating the respective letters of advice from the independent board committee of the Company and Tai Fook on the Offers will be sent to the Shareholders and the Optionholders in accordance with the Takeovers Code.

At the request of the Company, trading of the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on Tuesday, 8 February 2005 pending the release of this announcement. Application has been made by Company for the resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 11 April 2005.

The Sale and Purchase Agreement is conditional upon the fulfillment of certain conditions and the Offers will only be made in the event of the occurrence of S&P Completion. Investors are therefore advised to exercise caution in dealing in the Shares.

I. BACKGROUND

On 18 February 2005, Unichina, MGL and MCB entered into a sale and purchase agreement (the “Previous Sale and Purchase Agreement”) whereby MGL agreed to sell and Unichina agreed to purchase the Sale Shares (being 316,973,680 Shares) at a consideration of HK\$15,000,000 (being approximately HK\$0.04735 per Sale Share) upon and subject to the terms and conditions of the Previous Sale and Purchase Agreement. On the same date, the Company, Unichina and MGL entered into certain agreements (together with the Previous Sale and Purchase Agreement, the “Previous Agreements”) in respect of the arrangements for settling the Shareholder’s Loan. After further negotiation among, and as mutually agreed by, the respective parties to the Previous Agreements, the Previous Agreements were terminated by entering into of the respective deeds of termination on 8 April 2005 by the relevant parties immediately before the entry into of the Transaction Documents. Following termination of the Previous Agreements, no party has any further obligations or any claims against any other party under each of the Previous Agreements. The reason for entering into the termination deed for the Previous Sale and Purchase Agreement and the entering into the Sale and Purchase Agreement was to facilitate the arrangements (i.e. the Subscription Agreement and the Compromise Deed) for settlement of the Shareholder’s Loan. Save for those terms relating to the structuring of the repayment of the Shareholder’s Loan, the terms of the Previous Sale and Purchase Agreement are substantially the same as those of the Sale and Purchase Agreement including the sale price (being HK\$15,000,000) and the number of the Sale Shares (being 316,973,680 Shares).

II. THE SALE AND PURCHASE AGREEMENT

Date of and parties to the Sale and Purchase Agreement

Date: 8 April 2005

Vendor: Magnum (Guernsey) Limited, a company incorporated in Guernsey with limited liability, which is wholly, beneficially and indirectly owned by MCB. MCB, which is a company incorporated in Malaysia with limited liability and the shares of which are publicly traded on Bursa Malaysia, is held as to approximately 33.83% by Multi-Purpose Holdings Berhad (the shares of which are publicly traded on Bursa Malaysia) as at 7 April 2005.

Purchaser: Unichina Enterprises Limited, a company incorporated in the British Virgin Islands with limited liability which is wholly and beneficially owned by Mr. Wong Kwong Miu. Unichina and Mr. Wong Kwong Miu are third parties independent of the Company and its connected persons. The biography of Mr. Wong Kwong Miu is set out in the paragraph headed “Proposed change of Board composition of the Company” under the section headed “III. Possible mandatory unconditional cash offers” below.

Guarantor of the Vendor: Magnum Corporation Berhad, a company incorporated in Malaysia with limited liability, the shares of which are publicly traded on Bursa Malaysia

Sale Shares

MGL has conditionally agreed to sell and Unichina has conditionally agreed to purchase the Sale Shares, representing approximately 51.54% of the entire issued share capital of the Company as at the date of this announcement. At S&P Completion, the Sale Shares to be acquired by Unichina, which

MGL has agreed to sell, shall be free from all claims, charges, liens, encumbrances and other third parties' rights together with all rights (including all dividends or distributions which may be paid, declared or made) attached to the Sale Shares as at the date of the S&P Completion.

Consideration for the Sale Shares

HK\$15,000,000 (equivalent to approximately HK\$0.04735 per Sale Share), which was negotiated and determined on an arm's length basis between Unichina and MGL. The purchase price of approximately HK\$0.04735 per Sale Share represents:

- (a) a discount of approximately 56.2% to the closing price of HK\$0.108 per Share as quoted on the Stock Exchange on 7 February 2005, being the last full trading day prior to the suspension of the trading in the Shares at 9:30 a.m. on 8 February 2005;
- (b) a discount of approximately 42.6% to the average closing price of HK\$0.0825 per Share as quoted on the Stock Exchange for the last ten consecutive full trading days prior to the suspension of the trading in the Shares at 9:30 a.m. on 8 February 2005; and
- (c) a discount of approximately 40.4% to the average closing price of HK\$0.0795 per Share as quoted on the Stock Exchange for the last 30 consecutive full trading days prior to the suspension of the trading in the Shares at 9:30 a.m. on 8 February 2005.

Based on the Company's interim report for the six months ended 30 June 2004, the unaudited consolidated net liabilities of the Company as at 30 June 2004 were approximately HK\$45,150,000, which were equivalent to approximately HK\$0.0734 per Share (based on 615,024,175 Shares then in issue).

The consideration for the Sale Shares has been paid by Unichina to a deposit escrow agent and will be released to MGL upon S&P Completion.

Conditions of the Sale and Purchase Agreement

The Sale and Purchase Agreement is conditional upon the following conditions being fulfilled:

- (i) the passing of resolutions of the board of directors of MGL approving the transactions contemplated under the Sale and Purchase Agreement and those resolutions not being amended or revoked;
- (ii) the passing by the Shareholders at the SGM to be convened of (a) an ordinary resolution for the purpose of approving the increase in the authorised share capital of the Company; and (b) a special resolution for the purpose of approving the Capital Reduction;
- (iii) the passing by the Independent Shareholders (by way of a poll) of ordinary resolutions at the SGM to be convened for the purpose of approving the transactions contemplated under the Subscription Agreement and the Compromise Deed;
- (iv) the receipt of approval from the SFC for the proposed change in the ultimate substantial shareholder of MISL;
- (v) the receipt of approval from Hong Kong Exchanges and Clearing Limited to the proposed change of control of MISL;
- (vi) the repayment of the overdraft banking facilities made available by lending banks to the Group which are secured by charges granted over certain of the Properties, and the release of such security;
- (vii) the Compromise Deed having become unconditional in all respects;

- (viii) if necessary, the Bermuda Monetary Authority approving or agreeing to approve (a) the Capital Reduction; (b) the issue of the Convertible Bond pursuant to the Subscription Agreement; and (c) the allotment, issue and subsequent transfer of the Shares upon exercise of the conversion rights attaching to the Convertible Bond;
- (ix) all necessary consents, authorisations or other approvals (or, as the case may be, any relevant waiver) of any kind in connection with the entering into and performance by Unichina or MGL of the terms of the Sale and Purchase Agreement or otherwise affecting the Company as a result of the transactions contemplated by the Sale and Purchase Agreement which may be required under the Listing Rules, by the Stock Exchange or any regulatory authority having been obtained; and
- (x) the current listing of the Shares not having been withdrawn, the Shares continuing to be traded on the Stock Exchange following the issue of this announcement and prior to S&P Completion (save for any temporary suspension not exceeding ten consecutive trading days pending clearance of any other announcement in connection with the Capital Reduction, the Sale and Purchase Agreement, the Subscription Agreement, the Compromise Deed and/or the Offers) and the SFC and the Stock Exchange not having indicated that the listing of the Shares on the Stock Exchange will be withdrawn or objected to and no circumstances existing based on which the SFC could exercise its powers under Rule 8 of the Securities and Futures (Stock Market Listing) Rules 2003 as amended.

If any of the conditions to the Sale and Purchase Agreement has not been fulfilled, or waived by Unichina (as to conditions (i) and (x) only) in its absolute discretion on or before 31 July 2005 (which may be extended for a further period of not less than 60 days by Unichina in writing), the Sale and Purchase Agreement shall from such date be null and void and have no effect and no party shall have any obligations and liabilities to the other party thereunder (without prejudice to the rights of any party in respect of antecedent breaches).

S&P Completion

S&P Completion will take place (i) on the seventh Business Day after the satisfaction (or waiver) of the conditions to the Sale and Purchase Agreement; or (ii) at such other date as mutually agreed among the parties to the Sale and Purchase Agreement, and simultaneously with the Subscription Completion and the Compromise Deed Completion.

III. POSSIBLE MANDATORY UNCONDITIONAL CASH OFFERS

Immediately following S&P Completion, Unichina and parties acting in concert with it will be the holders of 316,973,680 Shares, representing approximately 51.54% of the entire issued share capital of the Company as at the date of this announcement (not taking into account the Shares held for the account of non-discretionary clients by the brokerage division of a fellow subsidiary of Celestial Capital). Under Rule 26.1 of the Takeovers Code, Unichina is required to make a mandatory unconditional cash offer for all the issued Shares other than those Shares already owned by it and parties acting in concert with it. Under Rule 13 of the Takeovers Code, Unichina is also required to make a comparable offer for all the outstanding Options.

As at the date of this announcement, the Company has 615,024,175 Shares in issue and outstanding Options entitling the Optionholders to subscribe for an aggregate of 20,100,000 Shares at an exercise price of HK\$0.111 per Share. Accordingly, apart from the Sale Shares, (i) 298,050,495 Shares (assuming all outstanding Options granted have not been exercised prior to the close of the Offers) will be subject to the Share Offer, and all outstanding Options

(if not exercised) will be subject to the Option Offer; or (ii) 318,150,495 Shares (assuming all outstanding Options have been fully exercised prior to the close of the Offers) will be subject to the Share Offer.

Save for the outstanding Options disclosed above, there are no outstanding warrants, options, derivatives or securities convertible into Shares as at the date of this announcement.

Principal terms of the Offers

Upon S&P Completion, Celestial Capital, on behalf of Unichina, will make mandatory unconditional cash offers for all the issued Shares (other than those already owned or agreed to be acquired by Unichina and parties acting in concert with it) and all the outstanding Options on the following basis:

The Share Offer for each Share. HK\$0.04735 in cash

The Option Offer for each outstanding Option to acquire one Share. HK\$0.001 in cash

Unichina is required under the Takeovers Code to make a comparable offer for all the outstanding Options as part of the Offers. Unichina offers to pay the Optionholders in cash on the basis set out above in respect of every Option in consideration of the surrender by the Optionholders of all their rights in respect of such Options. The Optionholders have not given any undertaking to accept or not to accept the Option Offer.

According to the share option scheme adopted by the Company on 11 June 2002, the Options shall lapse automatically (to the extent not already exercised) on the date on which the Option Offer closes.

The Sale and Purchase Agreement is conditional upon the fulfillment of certain conditions and the Offers will only be made in the event of the occurrence of S&P Completion. Investors are therefore advised to exercise caution in dealing in the Shares.

Comparison of value

The offer price of HK\$0.04735 per Share under the Share Offer is approximately the same as the price agreed to be paid by Unichina to MGL for each Sale Share under the Sale and Purchase Agreement and represents:

- (a) a discount of approximately 56.2% to the closing price of HK\$0.108 per Share as quoted on the Stock Exchange on 7 February 2005, being the last full trading day prior to the suspension of the trading in the Shares at 9:30 a.m. on 8 February 2005;
- (b) a discount of approximately 42.6% to the average closing price of HK\$0.0825 per Share as quoted on the Stock Exchange for the last ten consecutive full trading days prior to the suspension of the trading in the Shares at 9:30 a.m. on 8 February 2005; and
- (c) a discount of approximately 40.4% to the average closing price of HK\$0.0795 per Share as quoted on the Stock Exchange for the last 30 consecutive full trading days prior to the suspension of the trading in the Shares at 9:30 a.m. on 8 February 2005.

Based on the Company's interim report for the six months ended 30 June 2004, the unaudited consolidated net liabilities of the Company as at 30 June 2004 were approximately HK\$45,150,000, which were equivalent to approximately HK\$0.0734 per Share (based on 615,024,175 Shares then in issue).

The option offer price under the Option Offer is equivalent to the nominal value of each Share upon Capital Reduction Completion.

Total consideration

Assuming that there is no change in the issued share capital of the Company as a result of the exercise of any Options prior to the making of the Offers, at a price of HK\$0.04735 per Share, the entire issued share capital of the Company with 615,024,175 Shares in issue is valued at approximately HK\$29,121,395 under the Share Offer and all the Shares subject to the Share Offer are valued at approximately HK\$14,112,691. Assuming that all the 20,100,000 outstanding Options at a price of HK\$0.001 per Option to acquire one Share are tendered, the consideration payable by Unichina under the Option Offer is HK\$20,100.

Assuming that all the outstanding Options for the issue of an aggregate of 20,100,000 Shares are fully exercised prior to the making of the Offers, there will be 635,124,175 Shares in issue and the entire issued share capital of the Company is valued at approximately HK\$30,073,130 under the Share Offer, and all the Shares subject to the Share Offer are valued at approximately HK\$15,064,426. Celestial Capital, as the financial adviser to Unichina, is satisfied that there are sufficient financial resources available to Unichina to meet its obligation in case of a full acceptance of the Offers.

Effect of accepting the Offers

By accepting the Share Offer and upon the Share Offer becoming unconditional, Shareholders will sell their Shares to Unichina free from all liens, charges, claims, encumbrances and any third party rights together with all rights attaching to them, including the rights to receive all dividends and distribution declared, made or paid at or after the date on which the Offers are made, i.e. the date of posting of the composite document to be issued by Unichina and the Company jointly in connection with the Offers. By accepting the Option Offer, the Optionholders will surrender and give up the subscription rights attaching to the Options.

Stamp duty

Seller's ad valorem stamp duty arising in connection with acceptance of the Share Offer amounting to 0.1% of the amount payable in respect of the relevant acceptance will be deducted from the amount payable to the Shareholders who accept the Share Offer. Unichina will bear its own portion of buyer's ad valorem stamp duty at the rate of 0.1% of the amount payable in respect of relevant acceptances and will be responsible to account to the Stamp Office of Hong Kong the stamp duty payable for the sale and purchase of the Shares.

Payment

Payment in cash in respect of acceptances of the Offers will be made within ten days of the date on which the relevant documents of title are received by Unichina to render each such acceptance complete and valid, or of the Offers become unconditional, whichever is later.

Information on the Group

The Company is a company incorporated in Bermuda with limited liability and has been listed on the main board of the Stock Exchange since 23 November 1992. The Group is principally engaged in investment holding, property investment, securities dealing and brokerage, money lending and margin finance.

Information on Unichina and its intention regarding the Group

Unichina is an investment holding company incorporated in the British Virgin Islands with limited liability on 2 January 2002 and the entire issued share capital of which is owned by Mr. Wong Kwong Miu. Mr. Wong Kwong Miu is also the sole director of Unichina.

None of Unichina, its beneficial owner and parties acting in concert with any of them has dealt in any Shares or any options, warrants, derivatives or securities convertible into Shares during the period commencing on the date falling six months prior to the date of the Sale and Purchase Agreement and up to the date of this announcement, save for (i) the entering into of the Sale and Purchase Agreement and the Subscription Agreement by Unichina; and (ii) the entering into of the Previous Agreements, which were subsequently terminated on 8 April 2005; and (iii) dealings in the Shares for the account of non-discretionary clients by the brokerage division of a fellow subsidiary of Celestial Capital.

Unichina intends to continue the existing businesses of the Group and will, following the S&P Completion, conduct a more detailed review of the operations of the Group with a view to developing 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. However, Unichina has no immediate plan of injecting any of its assets into the Group upon S&P Completion.

In light of the terms of settlement of the Shareholder's Loan that have been agreed under the Compromise Deed, the Company has undertaken to MGL to raise additional funds within six months after Compromise Deed Completion, including but without limitation, raise fund in the equity market when market conditions allow or secure third party commercial borrowings, for settlement of the Secured Promissory Note and the Unsecured Promissory Note.

Proposed change of Board composition of the Company

It is expected that all of the existing executive Directors, namely, Mr. Lim Teong Leong, Mr. Tam Cheok Wing, Mr. Ooi Sin Heng and Mr. Chan Hon Ming will resign and such resignation will take effect on the closing date of the Offers in compliance with Rule 7 of the Takeovers Code. It is expected that the existing independent non-executive Directors will remain on the Board. In addition, Unichina at present intends to nominate two new executive Directors, namely Mr. Wong Kwong Miu and Mr. Wong Kwong Lung, Terence. The appointment of additional Directors by Unichina will not take effect earlier than the date of posting of the composite document to be issued by the Company and Unichina jointly in connection with the Offers in compliance with Rule 26.4 of the Takeovers Code. A further announcement will be made by the Company and Unichina on any further proposed change of the composition of the Board and new appointment of Directors.

The following is the brief information on the proposed executive Directors as currently intended to be nominated by Unichina:

Mr. Wong Kwong Miu, aged 35, has 20 years of experience in property development and investment in Hong Kong and the PRC. Mr. Wong is a member of the National Committee of the Chinese People's Political Consultative Conference and a member of the Shenzhen City Political Consultative Standing Committee. Mr. Wong was the chairman of Asia Resources Holdings Limited, the shares of which are listed on the Stock Exchange.

Mr. Wong Kwong Lung, Terence, aged 42, has over 14 years of experience in property development and investment in Hong Kong and the PRC. Mr. Wong was an executive director of Asia Resources Holdings Limited, an independent non-executive director of renren Holdings Limited, and a sales director of Midland Realty (Holdings) Limited, the shares of each of these companies are listed on the Stock Exchange.

Listing status of the Company

Unichina intends that the Company will remain listed on the Stock Exchange after the close of the Offers and does not intend to exercise any rights to compulsorily acquire all the Shares. The directors of Unichina and the new Directors to be appointed will jointly and severally undertake to the Stock Exchange to take appropriate steps following the close of the Offers to ensure that the minimum public float requirement under the Listing Rules is complied with by the Company.

The Stock Exchange has stated that if, at the close of the Offers, less than the minimum prescribed percentage applicable to the Company, being 25%, of the Shares are held by the public, or if the Stock Exchange believes that:

- (a) a false market exists or may exist in trading of the Shares; or
- (b) there are insufficient Shares in public hands to maintain an orderly market,

it will consider exercising its discretion to suspend dealings in the Shares. The Stock Exchange will also closely monitor all acquisitions or disposals of assets by the Company. Under the Listing Rules, the Stock Exchange has the power pursuant to the Listing Rules to aggregate a series of transactions and any such transactions may result in the Company being treated as if it were a new listing applicant and subject to the requirement for new applicants as set out in the Listing Rules.

IV. THE CAPITAL REDUCTION AND INCREASE IN AUTHORISED SHARE CAPITAL

The proposal for the Capital Reduction

The Directors intend to put forward a proposal to the Shareholders to effect the Capital Reduction which will involve:

- (a) the reduction of the par value of each Share in issue from HK\$0.10 to HK\$0.001 by cancelling the paid up capital to the extent of HK\$0.099 on each Share in issue on the date upon which the Capital Reduction becomes effective such that the par value of each issued share of the Company will be reduced to HK\$0.001 and the issued share capital of the Company of approximately HK\$61,502,418 shall be reduced by approximately HK\$60,887,394 to HK\$615,024;
- (b) the reduction of the nominal value of all unissued Shares from HK\$0.10 to HK\$0.001 each; and
- (c) transfer the credit arising from the cancellation of paid up capital to the contributed surplus account of the Company.

Conditions of the Capital Reduction

Capital Reduction Completion is conditional on the following conditions being fulfilled:

- (a) the passing by the Shareholders of a special resolution to approve the Capital Reduction at the SGM;
- (b) the Listing Committee granting the listing of, and permission to deal in, the Shares of new par value in issue following the Capital Reduction becoming effective;
- (c) the Bermuda Monetary Authority approving or agreeing to approve the Capital Reduction and the publication of a notice of the Capital Reduction in Bermuda; and
- (d) compliance with all applicable laws,

and will become effective upon fulfillment of all of the above conditions on or before S&P Completion.

Impact of the Capital Reduction

As stated in the sub-paragraphs (a) and (c) under the paragraph headed “The proposal for the Capital Reduction” above, the Capital Reduction will involve the reduction of the issued share capital of the Company by approximately HK\$60,887,394 so that a credit of such amount will arise following the reduction in par value of the issued share capital of the Company. Such credit amount will be transferred to the contributed surplus account of the Company and as a result, the Company’s contributed surplus account will increase by approximately HK\$60,887,394 upon the Capital Reduction becoming effective.

Upon the Capital Reduction becoming effective and on the basis of 615,024,175 Shares in issue at that time, the authorised share capital of the Company will be HK\$100,000,000 divided by 100,000,000,000 Shares of HK\$0.001 each and its issued share capital will be HK\$615,024 divided into 615,024,175 Shares of par value of HK\$0.001 each.

Other than the expenses to be incurred in relation to the Capital Reduction itself, the implementation of the Capital Reduction will not, in itself, alter the underlying assets, business operations, management or financial position of the Company or affect the proportionate interests of the Shareholders.

Reason for the Capital Reduction

Immediately upon the Capital Reduction becoming effective, the par value of each of the issued and unissued Shares will be reduced from HK\$0.10 to HK\$0.001 per Share. The closing price per Share as at 7 February 2005 (being the last full trading date prior to the publication of this announcement) was HK\$0.108. The Directors expect that the Capital Reduction will give the Company greater flexibility in pricing any issue of new Shares in future.

The proposal for increase in authorised share capital

The Directors also propose to seek the approval from Shareholders at the SGM to increase the authorised share capital from HK\$100,000,000 to HK\$1,000,000,000 by the creation of an additional 900,000,000,000 new Shares of HK\$0.001 each, such new shares, if issued, shall rank pari passu in all respects with the existing issued Shares of new par value of HK\$0.001 upon Capital Reduction Completion. The effectiveness of the increase in the authorised share capital will be conditional upon Capital Reduction Completion. Capital Reduction Completion will take place on the date on which all conditions set out under the paragraph headed “Conditions of the Capital Reduction” above being fulfilled on or before S&P Completion.

V. THE COMPROMISE DEED

Date of and parties to the Compromise Deed

Date: 8 April 2005
Parties: The Company
MGL
Unichina

Pursuant to the Compromise Deed, the Company, MGL and Unichina have agreed that the Shareholder's Loan (being all the outstanding shareholder's loan (including accrued interest thereon) extended by MGL to the Company or owing by the Company to MGL immediately before repayment of HK\$35 million by the Company to MGL (as detailed below) as at the date of the Compromise Deed Completion) shall be fully settled in the following manner:

- (i) as to HK\$35 million payable by Unichina, on behalf of the Company, upon the Subscription Completion to MGL as directed by the Company in writing;
- (ii) as to the Balance Shareholder's Loan (being approximately HK\$65.8 million as at 8 April 2005), by issuance of the Secured Promissory Note with a face value equivalent to the Balance Shareholder's Loan to MGL, which is repayable by the Company after 12 months upon its issuance and carries an interest rate of Hong Kong Prime Rate per annum and to be secured by (a) the grant of the Property Charges over each of the Properties (as detailed under the paragraph headed "The Property Charges and the Share Mortgages" below) by each of the Property Owners in favour of MGL; and (b) the grant of the Share Mortgages in favour of MGL over all of the issued shares in each of the Property Owners; and
- (iii) as to HK\$15.6 million, by issuance of the Unsecured Promissory Note with a face value of HK\$15.6 million to MGL, which is interest-free, unsecured and is repayable after six months upon its issuance.

Pursuant to the Compromise Deed, Unichina has also agreed/undertaken to take relevant steps to facilitate the Compromise Deed Completion, among others, as follows:

- (a) to pay the subscription price of the Convertible Bond to MGL on behalf of the Company as directed by the Company (as detailed in the section headed "VI. The Subscription Agreement" below);
- (b) to procure the Company to use its best efforts to make repayment of the Secured Promissory Note as soon as possible before the actual date for repayment;
- (c) no payment shall be made by the Company to Unichina until all sums owing to MGL under each of the Secured Promissory Note and the Unsecured Promissory Note have been paid in full, and the Company, MGL and Unichina shall enter into the Subordination Deed to record such agreement; and
- (d) for so long as the Secured Promissory Note and Unsecured Promissory Note remain outstanding, and the Company is unable to raise additional funds or secure third party borrowings, to provide funding to the Company, at an interest rate no higher than the interest rate presently payable on the Shareholder's Loan, to provide the Company with, on demand, working capital for its day-to-day normal and usual business operations and to ensure full repayment of the amounts owing under the Secured Promissory Note and Unsecured Promissory Note.

The Secured Promissory Note

The terms of the Secured Promissory Note were negotiated between the Company and MGL on an arm's length basis and the principal terms of which are summarised below:

- | | |
|-------------------|--|
| Principal amount: | Balance Shareholder's Loan (being approximately HK\$65.8 million as at 8 April 2005) |
| Interest: | The Secured Promissory Note will carry an interest rate equal to the Hong Kong Prime Rate per annum. |
| Security: | (i) Property Charges; and |

(ii) Share Mortgages

- Repayment: MGL shall be entitled to demand in writing payment of all or any part of the amounts outstanding (including the interest accrued thereon) at any time after twelve months from the date of the issuance of the Secured Promissory Note in its discretion, whereupon all amounts demanded shall become due and payable on the third Business Day after the written demand.
- Early repayment: In the event that MGL receives from the Company the sum of HK\$32 million (together with all interest accrued thereon) for value on or before the date that falls within six months after the date of issuance of the Secured Promissory Note, MGL will accept the sum of HK\$32 million (plus interest accrued thereon) as full and final settlement of the entire sum due and owing under the Secured Promissory Note (including interest accrued thereto).
- Default of payment: In the event the Company defaults in the payment of any sum due and payable under the Secured Promissory Note, the Company shall pay default interest on such sum to MGL from the due date to the date of actual payment in full calculated at the rate of 12% per annum, which shall accrue on a daily basis.

The Secured Promissory Note will be issued upon the Compromise Deed Completion.

The Unsecured Promissory Note

The terms of the Unsecured Promissory Note were negotiated between the Company and MGL on an arm's length basis and the principal terms of which are summarised below:

- Principal amount: HK\$15,600,000
- Interest: No interest will be charged on the Unsecured Promissory Note
- Security: No security
- Repayment: MGL shall be entitled to demand in writing payment of all or any part of the amounts outstanding at any time after six months from the date of issuance of the Unsecured Promissory Note in its discretion, whereupon all amounts demanded shall become due and payable on the third Business Day after the written demand.
- Default of payment: In the event the Company defaults in the payment of any sum due and payable, the Company shall pay default interest on such sum to MGL from the due date to the date of actual payment in full calculated at the rate of 12% per annum, which shall accrue on a daily basis.

The Unsecured Promissory Note will be issued upon Compromise Deed Completion.

Conditions of the Compromise Deed

The Compromise Deed is conditional upon the following conditions being fulfilled:

- (i) the grant by the Executive of his consent pursuant to Note 4 to Rule 25 of the Takeovers Code in relation to the arrangements contemplated by the Compromise Deed for the repayment of the Shareholder's Loan;

- (ii) the passing by the Independent Shareholders (by way of a poll) of an ordinary resolution at the SGM to be convened for the purpose of approving the transactions contemplated by the Compromise Documents convened in accordance with the requirements of the Listing Rules and the Company's Bye-laws;
- (iii) all other requisite consents or approvals which are required for the entry into, and implementation of, the Compromise Documents having been obtained by the Company; and
- (iv) the satisfaction of each of the conditions precedent of the Sale and Purchase Agreement (save for the condition relating to the fulfillment of the conditions under the Compromise Deed).

MGL may waive any of the above conditions (except conditions (i) and (ii) above) to the extent it is capable of waiving at any time before the Compromise Deed Completion by notice in writing to Unichina and the Company. If any of these conditions has not been fulfilled or waived by MGL on or before 31 July 2005 (which may be extended for a further period of not less than 60 days by MGL in writing), the Compromise Deed shall from such date be null and void and have no effect and no party shall have any obligations and liabilities to the other party under the Compromise Deed (without prejudice to the rights of any party in respect of antecedent breaches).

The Property Charges and the Share Mortgages

To facilitate the Compromise Deed Completion, the Property Owners shall execute the Property Charges in favour of MGL by way of security for the repayment of the sums due under the Secured Promissory Note. Particulars of the Properties (which are all investment properties of the Group) to be secured by the Property Charges are as follows:

Properties	Property Owner	Existing use
1. (a) Workshop A of 4th Floor and Flat Roof appurtenant thereto, Front Block, Wing Tai Centre, No. 12 Hing Yip Street, Kwun Tong, Kowloon	(a) Ongreat Properties Limited	Commercial
(b) Workshop B of 4th Floor and Flat Roof appurtenant thereto, Front Block, Wing Tai Centre, No. 12 Hing Yip Street, Kwun Tong, Kowloon	(b) Continuous Gain Limited	Commercial
2. (a) Unit A, 7th Floor, Front Block, Wing Tai Centre, No. 12 Hing Yip Street, Kwun Tong, Kowloon	(a) Lismore Properties Limited	Commercial
(b) Unit B, 7th Floor, Front Block, Wing Tai Centre, No. 12 Hing Yip Street, Kwun Tong, Kowloon	(b) Lismore Properties Limited	Commercial
3. Office 1 on 1st Floor, Tesbury Centre, No. 28 Queen's Road East, Wanchai, Hong Kong	Wolston Limited	Commercial
4. 4th Floor and Portions of Flat Roof on 4th Floor of Block A, Chung Mei Centre, No. 15 Hing Yip Street, Kwun Tong, Kowloon	Lismore Properties Limited	Commercial
5. (a) Apartment A on 20th Floor, South Bay Towers, No. 59 South Bay Road, South Bay, Island South, Hong Kong	(a) Lismore Properties Limited	Residential
(b) Car Parking Space No. 172 on 1st Floor, South Bay Towers, No. 59 South Bay Road, South Bay, Island South, Hong Kong	(b) Lismore Properties Limited	N/A
6. Car Parking Space No. 1 on Ground Floor, King Yip Factory Building, No. 59 King Yip Street, Kwun Tong, Kowloon	Lismore Properties Limited	N/A

In addition, the registered and beneficial owners of the Property Owners, all are wholly-owned subsidiaries of the Company, shall execute the Share Mortgages in favour of MGL by way of security for the repayment of the sums due under the Secured Promissory Note. Particulars of the issued shares in each of the Property Owners to be secured by the Share Mortgages are as follows:

Name of the Property Owner	Registered and beneficial owners	Place of incorporation/ registration	Nominal value of issued share capital	Percentage of indirect equity attributable to the Company (%)
Lismore Properties Limited	Watary Investments Limited	British Virgin Islands	US\$1	100
Ongreat Properties Limited	Lismore Properties Limited	British Virgin Islands	US\$1	100
Continuous Gain Limited	Lismore Properties Limited	British Virgin Islands	US\$1	100
Wolston Limited	Lismore Properties Limited	British Virgin Islands	US\$1	100

Currently, the Group has pledged certain Properties (including items 1 to 5 in the table above) to its lending banks as collateral security for obtaining bank facilities. As at the date of this announcement, the Group drew down bank overdrafts of approximately HK\$600,000 under such bank facilities. These bank overdrafts carry interest rates of either (i) Hong Kong Prime Rate plus 1.75% to 2% per annum; or (ii) the bank's cost of fund plus 1.75% per annum. In order to discharge the Properties as collaterals for the bank facilities from the banks so as to facilitate the execution of the Security Documents for the Compromise Deed Completion, the Group intends to repay the existing bank overdrafts by its internal resources. Other than the Shareholder's Loan, only trade and sundries creditors are left with the Group upon repayment of the bank overdrafts. Based on the Group's management accounts, the Group has a cash and bank balance of approximately HK\$16.4 million as at 31 January 2005 and as such, the Directors consider that the Group has sufficient internal resources for repayment of the bank overdrafts. The Directors also confirm that the Group will have no other bank creditor upon repayment of such bank overdrafts.

The Subordination Deed

In addition to the Property Charges and the Share Mortgages, the Company will also enter into the Subordination Deed with Unichina and MGL for facilitation of the Compromise Deed Completion. Pursuant to the Subordination Deed, Unichina agrees that, inter alia,

- (i) the Subordinated Indebtedness shall remain subordinated and the repayment thereof deferred to all and any rights, claims and actions which MGL may have against the Company in respect of the Company's indebtedness under the Secured Promissory Note and the Unsecured Promissory Note;
- (ii) it shall not claim, request, demand, sue for, take or receive any money or other property in respect of the Subordinated Indebtedness or any part thereof; and
- (iii) if any monies or other property are received in respect of the Subordinated Indebtedness by or on behalf of Unichina from the Company, Unichina shall forthwith refund the same to the Company whereupon the Company shall forthwith pay or transfer the same to MGL and MGL may apply the same in or towards satisfaction of the Company's indebtedness under the Secured Promissory Note and the Unsecured Promissory Note.

provided, however, Unichina shall be entitled to exercise its rights of conversion under the Convertible Bond.

Special deal and connected transaction

The Compromise Deed, including the execution of the Security Documents, constitutes a “special deal” under Rule 25 of the Takeovers Code, and therefore requires the consent of the Executive and such consent, if granted, will be conditional upon the approval of the Independent Shareholders voting by way of a poll. Given that MGL is the immediate controlling Shareholder, the entering into of the Compromise Deed (including the execution of the Security Documents) among MGL, Unichina and the Company constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. The SGM will be convened to approve the entering into of the Compromise Deed and the transactions contemplated thereunder. By virtue of the Listing Rules, the resolution for the connected transaction is required to be passed by the Independent Shareholders and voted by way of a poll. MGL and its associates will abstain from voting on the resolution in respect of the Compromise Deed at the SGM.

VI. THE SUBSCRIPTION AGREEMENT

Date of and parties to the Subscription Agreement

Date:	8 April 2005
Issuer:	The Company
Subscriber:	Unichina
Guarantor:	MCB
Subject:	The Company has agreed to issue to Unichina and Unichina has agreed to subscribe for the Convertible Bond
Completion date:	The seventh Business Day following the date on which the conditions precedent to the Subscription Agreement are fulfilled and simultaneously with the S&P Completion and the Compromise Deed Completion, or such other date as the Company and Unichina may agree for the issue of the Convertible Bond.

The Convertible Bond

The terms of the Convertible Bond were negotiated between the Company and Unichina on an arm’s length basis and the principal terms of which are summarised below:

Principal amount:	HK\$35,000,000
Interest:	1% per annum on the principal amount outstanding from time to time, payable annually in arrear.
Maturity:	The Company shall repay the principal amount outstanding under the Convertible Bond to the Bondholder(s) on the day which is three years from the date of issue of the Convertible Bond.

Conversion price:	<p>HK\$0.04735 per new share of the Company, which was arrived at after arm's length negotiation between the Company and Unichina and is equivalent to the share offer price under the Share Offer.</p> <p>The conversion price of the Convertible Bond is subject to adjustment provisions which are standard terms for convertible securities of similar type. The adjustment events will arise as a result of certain change in the share capital of the Company including consolidation or sub-division of shares, capitalisation of profits or reserves, capital distributions in cash or specie or subsequent issue of securities in the Company.</p> <p>If the Company determines that any adjustment to the conversion price of the Convertible Bond should be made as a result of one or more events or circumstances other than those mentioned above or mentioned in the conditions of the Convertible Bond, the Company shall request the Company's auditors to determine as to what adjustment (if any) to the conversion price is fair and reasonable to take account thereof and the date on which such adjustment should take effect and upon such determination such adjustment shall be made and shall take effect in accordance with such determination. The Company will comply with the disclosure requirement under the Listing Rules should there be any adjustment of the conversion price of the Convertible Bond.</p>
Conversion Shares:	<p>Assuming exercise in full of the conversion rights attaching to the Convertible Bond at the conversion price of HK\$0.04735 per Share, a total number of 739,176,346 Shares will be issued, which represents approximately 120.2% and 54.6% of the Shares in issue as at the date of this announcement and the total number of issued Shares as enlarged by the issuance of the Conversion Shares respectively.</p>
Conversion period:	<p>The Bondholder(s) will have the right to convert the whole or part (in an amount or integral multiple of HK\$1,000,000) of the outstanding principal amount of the Convertible Bond into new Shares at any time and from time to time following the date of issue of the Convertible Bond up to the third anniversary of the issue of the Convertible Bond in amounts of not less than HK\$1,000,000 on each conversion, save that if at any time, the principal outstanding amount of the Convertible Bond is less than HK\$1,000,000, the whole (but not part only) of the principal amount of the Convertible Bond may be converted.</p>
Redemption:	<p>The outstanding amount under the Convertible Bond may be repaid or redeemed by the Company.</p>
Ranking of the Conversion Shares:	<p>Shares to be issued upon conversion shall rank pari passu in all respects with all other existing Shares outstanding at the date of the conversion notice and be entitled to all dividends and other distributions the record date of which falls on a date on or after the date of the conversion notice.</p>
Transferability:	<p>The Convertible Bond may be freely transferable subject to compliance with all applicable laws and regulations.</p>

- Voting: The Bondholder(s) will not be entitled to attend or vote at any meeting of the Company by reason of being the Bondholder(s).
- Listing: No application will be made for the listing of the Convertible Bond on the Stock Exchange. An application will be made to the Stock Exchange for the listing of the Conversion Shares to be issued on exercise of the conversion rights attaching to the Convertible Bond.

The conversion price of HK\$0.04735 per Conversion Share under the Convertible Bond is approximately the same as the price agreed to be paid by Unichina to MGL for each Sale Share under the Sale and Purchase Agreement and the same as the share offer price under the Share Offer, and represents:

- (a) a discount of approximately 56.2% to the closing price of HK\$0.108 per Share as quoted on the Stock Exchange on 7 February 2005, being the last complete trading day prior to the suspension of the trading in the Shares at 9:30 a.m. on 8 February 2005;
- (b) a discount of approximately 42.6% to the average closing price of HK\$0.0825 per Share as quoted on the Stock Exchange for the last ten consecutive complete trading days prior to the suspension of the trading in the Shares at 9:30 a.m. on 8 February 2005; and
- (c) a discount of approximately 40.4% to the average closing price of HK\$0.0795 per Share as quoted on the Stock Exchange for the last 30 consecutive complete trading days prior to the suspension of the trading in the Shares at 9:30 a.m. on 8 February 2005.

The shareholding structure of the Company upon full conversion of the Convertible Bond by Unichina is set out in the section headed “VIII. Shareholding structure of the Company” below.

Conditions of the Subscription Agreement

Subscription Completion will occur simultaneously with the S&P Completion and the Compromise Deed Completion. Subscription Completion shall be subject to the satisfaction of the following conditions:

- (i) the passing of resolutions of the Board approving the terms and execution of the Subscription Agreement, the issue and allotment of all the Conversion Shares that may be required to be issued pursuant to the Subscription Agreement, and those resolutions not being amended or revoked;
- (ii) the passing of resolutions of the board of directors of Unichina approving the transactions contemplated under the Subscription Agreement, and those resolutions not being amended or revoked;
- (iii) the passing of resolutions of the board of directors of MCB approving the terms and execution of the Subscription Agreement, and those resolutions not being amended or revoked;
- (iv) the passing by the Independent Shareholders (by way of a poll) of ordinary resolutions at the SGM approving the transactions contemplated under the Subscription Agreement and the Compromise Deed in accordance with the requirements of the Listing Rules and the Company’s memorandum and bye-laws;
- (v) the receipt of approval from the SFC for the proposed change in the ultimate controlling shareholder of MISL;
- (vi) the receipt of approval from Hong Kong Exchanges and Clearing Limited to the proposed change of control of MISL;

- (vii) the repayment of the overdraft banking facilities made available by lending banks to the Group which are secured by charges granted over certain of the Properties, and the release by the lending banks such security;
- (viii) the Sale and Purchase Agreement and the Compromise Deed having become unconditional in all respects;
- (ix) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Conversion Shares which may be issued or required to be issued pursuant to the Convertible Bond, and such permission and listing not subsequently being revoked;
- (x) if necessary, the Bermuda Monetary Authority approving or agreeing to approve (a) the Capital Reduction; (b) the issue of the Convertible Bond; and (c) the allotment, issue and subsequent transfer of the Conversion Shares upon exercise of the Convertible Bond;
- (xi) the Capital Reduction having become unconditional in all respects; and
- (xii) all other requisite consents or approvals of any government and/or regulatory authorities in Hong Kong or elsewhere which are required or appropriate for the entry of and implementation of the Subscription Agreement having been obtained by the Company.

If the conditions precedent to the Subscription Agreement are not fulfilled on or before 31 July 2005 or such later date as may be agreed between Unichina and the Company, the Subscription Agreement will lapse and become null and void and the parties to the Subscription Agreement will be released from all obligations thereunder (without prejudice to the rights of any party in respect of antecedent breaches). Pursuant to the Subscription Agreement, the Subscription Agreement shall terminate at any time on or before its completion in the event that the Sale and Purchase Agreement and/or the Compromise Deed are/is terminated pursuant to the terms therein.

Connected transaction

As Unichina entered into the Sale and Purchase Agreement with MGL and will be the controlling Shareholder upon the S&P Completion while the Subscription Completion will take place simultaneously with the S&P Completion, the issuance of the Convertible Bond under the Subscription Agreement will constitute a connected transaction for the Company under Chapter 14A of the Listing Rules which requires the approval of the Independent Shareholders voting by way of a poll, MGL and its associates will abstain from voting on the resolution in respect of the Subscription Agreement at the SGM.

VII. REASONS FOR THE ENTERING INTO OF THE COMPROMISE DEED AND THE SUBSCRIPTION AGREEMENT

The Group recorded net loss attributable to Shareholders for each of the five years ended 31 December 2003 and the six months ended 30 June 2004, and has recorded net liabilities since 31 December 2001. The total unaudited liabilities of the Group as at 31 January 2005 amounted to approximately HK\$127.9 million, of which approximately HK\$115.2 million were intercompany advances from MGL, the immediate controlling Shareholder. As at the date of this announcement, the Shareholder's Loan amounted to approximately HK\$116,414,639. The interest rates payable on the Shareholder's Loan are based on the lender's cost of funds, which range from approximately 6.5% to 8% per annum presently. MGL has provided financial support to the Group to enable it to operate as a going concern. Along with the change in controlling stake in the Company from MCB to Unichina pursuant to the Sale and Purchase Agreement, MCB (as the ultimate controlling shareholder of MGL) requested the Company to settle the Shareholder's Loan. Based on the Balance Shareholder's Loan as at the date of

this announcement, the Company will record a gain of approximately HK\$33.8 million for the year ending 31 December 2005 in the event that the Company repays the indebtedness under the Secured Promissory Note on or before the date falling six months after the issuance of the Secured Promissory Note (which is expected to be issued on or before 30 June 2005). The Directors consider that it is beneficial to and in the interest of the Company to enter into the Compromise Deed for the purpose of settlement of the Shareholder's Loan, which are interconditional with the Sale and Purchase Agreement and the Subscription Agreement. Given the Group's current financial position and the thin trading volume of the Shares (the average daily trading volume for the month up to and including 7 February 2005 was approximately 0.03% of the total issued Shares as at the date of this announcement), the Directors consider that the entering into of the Compromise Deed together with the issue of the Convertible Bond to Unichina by the Group under the Subscription Agreement, is an appropriate way for settlement of the Shareholder's Loan. The Directors believe that the terms of the Compromise Deed (together with the Secured Promissory Note and the Unsecured Promissory Note to be issued thereunder) and the Subscription Agreement (together with the Convertible Bond to be issued thereunder) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

VIII. SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structure of the Company (based on the information received by the Company and notified pursuant to Part XV of the SFO as at the date of this announcement) (i) immediately before S&P Completion; (ii) upon S&P Completion (assuming that there are no changes other than those contemplated in the Sale and Purchase Agreement); and (iii) upon the full conversion of the Convertible Bond by Unichina:

Shareholder	Before S&P Completion		Upon S&P Completion		Upon full conversion of the Convertible Bond by Unichina	
	(Shares)	(%)	(Shares)	(%)	(Shares)	(%)
MGL	316,973,680	51.54	—	—	—	—
Unichina	—	—	316,973,680	51.54	1,056,150,026	77.99
Public	<u>298,050,495</u>	<u>48.46</u>	<u>298,050,495</u>	<u>48.46</u>	<u>298,050,495</u>	<u>22.01</u>
Total	<u>615,024,175</u>	<u>100.00</u>	<u>615,024,175</u>	<u>100.00</u>	<u>1,354,200,521</u>	<u>100.00</u>

Unichina has undertaken to the Company that it will not convert or procure not to convert any part of the Convertible Bond into new Shares if such conversion would result in the minimum public float of the Shares on the Stock Exchange as required under the Listing Rules will not be maintained.

IX. FUND RAISING IN THE PAST TWELVE MONTHS

The Company has not carried out any fund raising activities within the last 12 months prior to the date of this announcement.

X. GENERAL

Dao Heng Securities Limited has been appointed as the financial adviser to the Company and Celestial Capital has been appointed as the financial adviser to Unichina. An independent board committee comprising the independent non-executive directors of the Company will be established to consider the terms of the Compromise Deed and the Subscription Agreement and advise the Independent Shareholders as to the fairness and reasonableness of the terms of the Compromise Deed and the Subscription Agreement. The independent board committee of the Company will also consider the terms of the Offers and advise the Shareholders and Optionholders as to whether or not to accept the Offers. Tai Fook has been appointed to act as the independent financial adviser to the independent board committee of the Company on the terms of the Compromise Deed, the Subscription Agreement and the Offers.

A circular setting out details of the Sale and Purchase Agreement, the Capital Reduction, the increase in authorised share capital of the Company, the Compromise Deed, the Subscription Agreement and the advice in respect of the Compromise Deed and the Subscription Agreement from Tai Fook together with a notice of the SGM will be sent to the Shareholders as soon as possible.

Rule 8.2 of the Takeovers Code provides that an offer document should normally be posted by or on behalf of the offeror within 21 days of the date of announcement of the offer. Pursuant to Note 2 to Rule 8.2 of the Takeovers Code, Executive's consent is required if the making of an offer is subject to the prior fulfilment of a pre-condition and the pre-condition cannot be fulfilled within the time period contemplated by Rule 8.2 of the Takeovers Code. Application will be made by Unichina for the Executive's consent under Rule 8.2 of the Takeovers Code to extend the deadline for the despatch of the relevant offer document within 7 days of fulfilment of conditions of the Sale and Purchase Agreement.

A composite offer and response document of the Company setting out details of the Offers (accompanied by the acceptance and transfer form) and incorporating the respective letters of advice from the independent board committee of the Company and Tai Fook on the Offers will be sent to the Shareholders and the Optionholders in accordance with the Takeovers Code.

Trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on Tuesday, 8 February 2005 at the request of the Company pending the release of this announcement. Application has been made by the Company for the resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 11 April 2005.

As at the date of this announcement, the Board 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, Mr. Lim Eng Ho and Mr. Soo Tho Him Yip as independent non-executive Directors.

XI. DEFINITIONS

In this announcement, the following terms have the following meanings:

“Acquisition”	the acquisition by Unichina of the Sale Shares pursuant to the Sale and Purchase Agreement
“associates”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Balance Shareholder’s Loan”	being the balance of the Shareholder’s Loan as at the date of the Compromise Deed Completion after deduction of HK\$35 million to be payable by Unichina on behalf of the Company upon the Subscription Completion to MGL as directed by the Company in writing and HK\$15.6 million to be settled by issuance of the Unsecured Promissory Note by the Company to MGL under the terms of the Compromise Deed
“Bondholder(s)”	the person(s) who is/are for the time being the holder(s) of the Convertible Bond
“Bursa Malaysia”	Bursa Malaysia Securities Berhad (formerly known as Malaysia Securities Exchange Berhad)
“Business Day”	a day (excluding Saturday and any day on which a tropical cyclone warning no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “Black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for business
“Capital Reduction”	the proposal to effect a reduction of the issued share capital of the Company and to transfer the credit arising therefrom to the Company’s contributed surplus account
“Capital Reduction Completion”	the time at which the Capital Reduction becomes effective
“Celestial Capital”	Celestial Capital Limited, a corporation licensed under the SFO to conduct types 1 (dealing in securities) and 6 (advising on corporate finance) regulated activities under the SFO and the financial adviser to Unichina
“Company”	Magnum International Holdings Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the main board of the Stock Exchange

“Compromise Deed”	the conditional compromise deed dated 8 April 2005 entered into between the Company, MGL and Unichina in respect of the settlement of the Shareholder’s Loan
“Compromise Deed Completion”	completion of the Compromise Deed
“Compromise Documents”	collectively the Compromise Deed, the Secured Promissory Note, the Unsecured Promissory Note and the Security Documents
“Conversion Shares”	the new Shares to be issued by the Company upon exercise by the Bondholder(s) of the conversion rights attaching to the Convertible Bond
“Convertible Bond”	the convertible bond of HK\$35,000,000 to be issued by the Company to Unichina
“Directors”	the directors of the Company
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Prime Rate”	the best lending rate as quoted by The Hongkong and Shanghai Banking Corporation Limited from time to time
“Independent Shareholders”	Shareholders other than MGL and its associates and parties acting in concert with any of them
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MCB”	Magnum Corporation Berhad, a company incorporated in Malaysia with limited liability, the shares of which are publicly traded on Bursa Malaysia
“MGL”	Magnum (Guernsey) Limited, a company incorporated in Guernsey with limited liability
“MISL”	Magnum International Securities Limited, a wholly-owned subsidiary of the Company, which is a licensed corporation under the SFO and is the holder of a trading right on the Stock Exchange
“Offers”	the Share Offer and the Option Offer

“Option(s)”	option(s) which were granted to the directors and employees of the Company pursuant to the share option scheme of the Company adopted on 11 June 2002 and remain outstanding as at the date of this announcement, entitling the holders thereof to subscribe for new Shares at an exercise price of HK\$0.111 per Share
“Optionholder(s)”	holders of the Option(s)
“Option Offer”	the mandatory unconditional cash offer for all outstanding Options to be made by Celestial Capital on behalf of Unichina in accordance with the Takeovers Code
“PRC”	the People’s Republic of China
“Properties”	The properties (as detailed in the table under the section headed “V. The Compromise Deed” in this announcement) to be pledged to MGL by execution of the Property Charges by each of the Property Owners pursuant to the Compromise Deed
“Property Charges”	the first charges over each of the Properties to be granted in favour of MGL by each of the Property Owners pursuant to the Compromise Deed
“Property Owners”	collectively Lismore Properties Limited, Wolston Limited, Ongreat Limited and Continuous Gain Limited, which are the owners of the Properties and are indirect wholly-owned subsidiaries of the Company
“S&P Completion”	completion of the Sale and Purchase Agreement
“Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 8 April 2005 entered into by MGL, Unichina and MCB in relation to the Acquisition
“Sale Share(s)”	a total of 316,973,680 Shares to be acquired by Unichina pursuant to the Sale and Purchase Agreement
“Secured Promissory Note”	the promissory note with a face value equivalent to the Balance Shareholder’s Loan to be issued by the Company to MGL at Compromise Deed Completion pursuant to the Compromise Deed
“Security Documents”	collectively the Property Charges, the Share Mortgages and the Subordination Deed
“SFC”	Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Cap. 571), Laws of Hong Kong

“SGM”	a special general meeting of the Company to be convened to seek (i) Shareholders’ approval for the Capital Reduction and the increase of the Company’s authorised share capital; and (ii) Independent Shareholders’ approval for the entering into of the Subscription Agreement, together with the issue of the Convertible Bond and the allotment and issue of the Conversion Shares upon conversion of the Convertible Bond and the Compromise Deed (together with the transactions contemplated thereunder)
“Share(s)”	share(s) of HK\$0.10 each in the share capital of the Company (which following Capital Reduction Completion shall become Share(s) of HK\$0.001 each)
“Shareholder(s)”	holder(s) of the Share(s)
“Shareholder’s Loan”	all the outstanding shareholder’s loan (including accrued interest thereon) extended by MGL to the Company or owing by the Company to MGL immediately before repayment of HK\$35 million by the Company to MGL as at the date of the Compromise Deed Completion, which amounted to approximately HK\$116,414,639 as at the date of this announcement
“Share Mortgages”	the share mortgages to be granted by the registered and beneficial owners of the Property Owners, all are wholly-owned subsidiaries of the Company, in favour of MGL over all of the issued shares in each of the Property Owners pursuant to the Compromise Deed
“Share Offer”	the mandatory unconditional cash offer for all the issued Shares not already owned or agreed to be acquired by Unichina or parties acting in concert with it at HK\$0.04735 per Share to be made by Celestial Capital on behalf of Unichina in accordance with the Takeovers Code
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subordinated Indebtedness”	an indebtedness of HK\$35 million together with all interest accrued thereon to be owed by the Company to Unichina under the Convertible Bond and any other sums to be owed by the Company to Unichina
“Subordination Deed”	the deed of subordination to be entered into among the Company, MGL and Unichina relating to the subordination of the Subordinated Indebtedness to the Company’s indebtedness under the Secured Promissory Note and the Unsecured Promissory Note
“Subscription Agreement”	the conditional subscription agreement dated 8 April 2005 entered into among the Company, Unichina and MCB in relation to the subscription of the Convertible Bond
“Subscription Completion”	Completion of the Subscription Agreement

“Tai Fook”	Tai Fook Capital Limited, a corporation licensed to carry on type 6 (advising on corporate finance) regulated activity under the SFO and the independent financial adviser to the independent board committee of the Company
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Transaction Document(s)”	each of the Sale and Purchase Agreement, the Subscription Agreement and the Compromise Deed
“Unichina”	Unichina Enterprises Limited, a company incorporated in the British Virgin Islands with limited liability, which is wholly and beneficially owned by Mr. Wong Kwong Miu
“Unsecured Promissory Note”	the promissory note with a face value of HK\$15,600,000 to be issued by the Company to MGL pursuant to the Compromise Deed

By order of the board of directors of
Magnum International Holdings Limited
Ooi Sin Heng
Director

By order of the sole director of
Unichina Enterprises Limited
Wong Kwong Miu
Sole Director

Hong Kong, 8 April 2005

The directors of the Company jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than information relating to Unichina) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statement in this announcement misleading.

The sole director of Unichina accepts full responsibility for the accuracy of the information contained in this announcement (other than information relating to the Company, MCB and MGL) and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statement in this announcement misleading.

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