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Magnum International Holdings Limited

(incorporated in Bermuda with limited liability)

(Stock code: 305)

DRAGON HILL DEVELOPMENT LIMITED

(incorporated in Samoa with limited liability)

JOINT ANNOUNCEMENT

**(I) Acquisition of controlling interest in
Magnum International Holdings Limited
by Dragon Hill Development Limited;**

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

(III) Capital reduction;

**(IV) Connected transaction in relation to the subscription by
Dragon Hill Development Limited
of convertible preference shares
in Magnum International Holdings Limited;**

**(V) Special deal, very substantial disposal and connected transaction
in relation to the disposal of an indirect wholly-owned subsidiary by
Magnum International Holdings Limited;**

**(VI) Special deal and connected transaction
in relation to the settlement of shareholder's loans to
Magnum International Holdings Limited;**

**(VII) Proposed amendments to the memorandum of association and
bye-laws;**

(VIII) Possible consolidation of the shares; and

(IX) Resumption of trading

**Financial adviser to
Dragon Hill Development Limited**

CAOSH

Celestial Capital Limited

**Financial adviser to
Magnum International Holdings Limited**

**東英 ORIENTAL
PATRON**

Oriental Patron Asia Limited

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



KINGSTON CORPORATE FINANCE LIMITED

Kingston Corporate Finance Limited

SUMMARY

The Share Sale Agreement

The Board and the sole director of the Offeror jointly announce that, on 30 March 2006, the Offeror entered into the Share Sale Agreement with MGL, the existing controlling shareholder of the Company, MCB, the ultimate holding company of MGL, and Mr. Lee, the sole beneficial owner of the Offeror, pursuant to which the Offeror has conditionally agreed to purchase and MGL has conditionally agreed to sell the Sale Shares for a maximum cash consideration of HK\$10,000,519.60 in total (equivalent to approximately HK\$0.03155 per Sale 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 Share Sale Agreement is conditional upon conditions as described in the paragraph headed “Conditions of the Share Sale Agreement” under the section headed “I. The Share Sale Agreement” of this announcement.

The possible Offers

Upon the S&P Completion, the Offeror and parties acting in concert with it will own an aggregate 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. Accordingly, the Offeror will be required under Rule 26.1 and Rule 13 of the Takeovers Code to make mandatory cash offers for all the issued Shares and the outstanding Options (other than those already owned by or agreed to be acquired by the Offeror or parties acting in concert with it). The principal terms of the Offers are set out under the section headed “II. Possible Offers” of this announcement.

The Capital Reduction

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 canceling 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 issued Share will be reduced to HK\$0.001 and the issued share capital of the Company of HK\$61,502,418 shall be reduced by HK\$60,887,394 to HK\$615,024; (ii) the transfer of the credit arising from the cancellation of paid up capital to the contributed surplus account of the Company; and (iii) the subdivision of each unissued share in the Company with the par value of HK\$0.10 into 100 new unissued share in the Company and the par value of which will be HK\$0.001.

The implementation of the Capital Reduction is subject to the conditions as set out in the paragraph headed “Conditions of the Capital Reduction” under the section headed “III. The Capital Reduction” of this announcement.

The Subscription Agreement

On 30 March 2006, the Company, the Offeror, MCB and Mr. Lee entered into the Subscription Agreement, pursuant to which the Company has conditionally agreed to issue and the Offeror has conditionally agreed to subscribe for the Convertible Preference Shares at the Subscription Price of HK\$48,000,170. Assuming exercise in full of the conversion rights attaching to the Convertible Preference Shares at the initial Conversion Price of HK\$0.03155 per Share (subject to adjustment), a total of 1,521,400,000 Shares will be issued. The initial Conversion Price of HK\$0.03155 per Share is approximately the same as the price of each Sale Share under the Share Sale Agreement and equivalent to the offer price per Share under the Share Offer. The Company intends to apply the net proceeds from the issue of the Convertible Preference Shares for repayment of part of the Shareholder's Loan as agreed under the Deed of Settlement. The Subscription Agreement is conditional upon certain conditions as set out in the paragraph headed "Conditions of the Subscription Agreement" under the section headed "IV. The Subscription Agreement" of this announcement.

The Disposal Agreement

On 30 March 2006, Watary, a wholly-owned subsidiary of the Company, and MGL entered into the Disposal Agreement, pursuant to which Watary has conditionally agreed to sell and/or assign and MGL has conditionally agreed to purchase and/or accept the Lismore Share and the Lismore Loan for the Disposal Consideration, being an amount equivalent to the face value of the Lismore Loan (including both principal amounts and accrued interests, if any) as at the Completion Date plus a nominal value of HK\$1 (it is estimated that the Disposal Consideration will be approximately HK\$56.36 million), which will be set off against part of the Shareholder's Loan upon simultaneous completion of the Share Sale Agreement, the Subscription Agreement and the Disposal Agreement. The Disposal Agreement is conditional upon certain conditions as set out in the paragraph headed "Conditions of the Disposal Agreement" under the section headed "V. The Disposal Agreement" of this announcement.

The Deed of Settlement

On 30 March 2006, the Company, the Offeror, MGL, MESB and MIL (all of MGL, MESB and MIL are either directly or indirectly owned by MCB, the ultimate holding company of MGL) entered into the Deed of Settlement, pursuant to which the Company, the Offeror, MGL, MESB and MIL have conditionally agreed that the Shareholder's Loan shall be fully settled in the following manner: (i) the Subscription Price receivable by the Company upon issue of the Convertible Preference Shares under the Subscription Agreement will be paid to MGL as part repayment of the Shareholder's Loan; (ii) the Disposal Consideration payable by MGL pursuant to the Disposal Agreement will be deemed to be set off against part of the Shareholder's Loan; and (iii) as to the balance of the Shareholder's Loan as at the Completion Date will be waived by MGL, MESB and MIL. If the Subscription Completion and the Disposal Completion do not take place on or before the date falling two Business Days after the long stop date of the Subscription Agreement and the Disposal Agreement on 31 July 2006, the Deed of Settlement shall lapse.

Amendments to the memorandum of association and bye-laws of the Company

In order to facilitate the allotment and issue of the Convertible Preference Shares under the Subscription Agreement, it is proposed that the memorandum of association and bye-laws of the Company will be amended to incorporate, among other things, the rights, privileges and restrictions attached to the Convertible Preference Shares.

Possible consolidation of the Shares

The Board proposes to implement a consolidation of the Shares (the trading timetable of which is to be finalised) as soon as practicable after the close of the possible Offers under which every ten Shares of HK\$0.001 each in the issued and unissued share capital of the Company be consolidated into one Share of HK\$0.01 each in the issued and unissued share capital of the Company.

The proposed consolidation of the Shares will only be implemented if the possible Offers are made upon the S&P Completion. Upon implementation of the consolidation of the Shares, change will be made to the board lot size of the Shares. An announcement with full details of the consolidation of the Shares, change of the board lot size and trading arrangement will be made in due course.

General

Each of the Disposal Agreement and the Deed of Settlement 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 at a general meeting of the Company. Pursuant to the Listing Rules, (i) the Subscription Agreement, involving the Offeror which will become the controlling Shareholder upon the S&P Completion, and MCB, the ultimate holding company of MGL which is the existing controlling Shareholder, constitutes a connected transaction for the Company; (ii) the Disposal Agreement constitutes a very substantial disposal for the Company, and as it involves MGL as a purchaser, the Disposal Agreement also constitutes a connected transaction for the Company; and (iii) the Deed of Settlement, involving the Offeror and MGL (together with its associates), constitutes a connected transaction for the Company. Accordingly, the Subscription Agreement, the Disposal Agreement and the Deed of Settlement are required to be approved by the Independent Shareholders voting by way of a poll at a general meeting of the Company. The Capital Reduction is conditional upon approval of the Subscription Agreement, the Disposal Agreement and the Deed of Settlement by the Independent Shareholders. The memorandum of association and bye-laws of the Company will be amended for the purpose of facilitating the allotment and issue of the Convertible Preference Shares under the Subscription Agreement. Therefore, the Capital Reduction and the proposed amendments to the memorandum of association and bye-laws of the Company are also required to be approved by the Independent Shareholders voting by way of a poll at a general meeting of the Company.

The SGM will be convened to approve the Capital Reduction, the Subscription Agreement, the Disposal Agreement, the Deed of Settlement and the amendments to the memorandum of association and the bye-laws of the Company. MGL, parties acting in concert with it and its associates will abstain from voting on the resolutions in respect of the Capital Reduction, the Subscription Agreement, the Disposal Agreement, the Deed of Settlement and the proposed amendments to the memorandum of association and bye-laws of the Company at the SGM.

A circular setting out, inter alia, (i) details of the Share Sale Agreement, the Capital Reduction, the Subscription Agreement, the Disposal Agreement, the Deed of Settlement and the amendments to the memorandum of association and the bye-laws of the Company; (ii) the relevant advice of the Independent Board Committee and Kingston, the independent financial adviser to the Independent Board Committee ; and (iii) a notice of the SGM will be sent to the Shareholders as soon as possible. A composite offer and response document in connection with the Offers setting out, inter alia, details of the Offers (accompanied by the acceptance and transfer form) and incorporating the respective letters of advice from the Independent Board Committee and Kingston on the Offers will be issued and sent by the Offeror and the Company jointly to the Shareholders and the Optionholders in accordance with the Takeovers Code.

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 22 March 2006 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 31 March 2006.

The Share Sale Agreement is conditional upon the fulfilment of certain conditions and the Offers will only be made upon the S&P Completion taking place. Shareholders and investors are therefore advised to exercise caution in dealing in the Shares.

I. THE SHARE SALE AGREEMENT

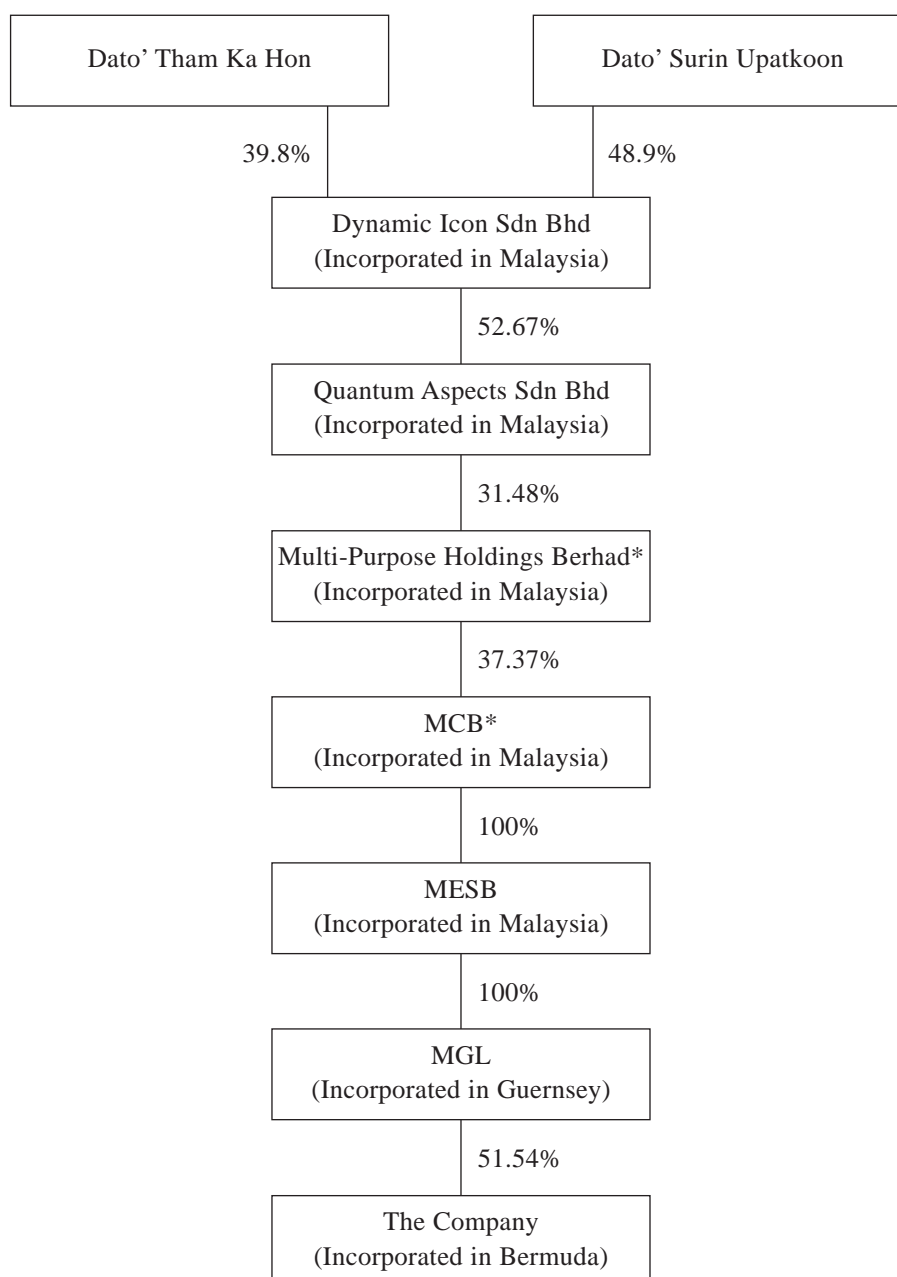
Date of and parties to the Share Sale Agreement

- Date : 30 March 2006.
- Vendor : MGL, the existing controlling Shareholder holding approximately 51.54% shareholding interest in the Company.
- Purchaser : The Offeror, a company incorporated in Samoa with limited liability which is solely and beneficially owned by Mr. Lee. The Offeror and Mr. Lee are (i) parties independent of and not connected with the Company or its subsidiaries, any of their respective directors, chief executive or substantial shareholders or associates of any of them; and (ii) not acting in concert with MGL and parties acting in concert with it. The biography of Mr. Lee is set out in the paragraph headed "Proposed change of composition of the Board" under the section headed "II. Possible Offers" below.
- Warrantor and guarantor (in respect of the performance of MGL's obligations under the Share Sale Agreement) : MCB, which indirectly owns the entire issued capital of MGL. MGL is the immediate holding company of the Company and is wholly, beneficially and indirectly owned by MCB, the Company's ultimate holding company, the shares of which are publicly traded on Bursa Malaysia Securities Berhad and is held as to approximately 37.37% by Multi-Purpose Holdings Berhad, the shares of which are also publicly traded on Bursa Malaysia Securities Berhad.
- Guarantor (in respect of the performance of the Offeror's obligations under the Share Sale Agreement) : Mr. Lee.

Sale Shares

MGL has conditionally agreed to sell and the Offeror has conditionally agreed to purchase the Sale Shares, being 316,973,680 Shares which represent approximately 51.54% of all the Shares in issue as at the date of this announcement, free from all liens, charges and encumbrances and together with all rights attaching thereto as at and after the date of the Share Sale Agreement, including all dividends and distributions that may be declared, made or paid on or after the date of the Share Sale Agreement.

Set out below is the shareholding interest in the Company held by MGL and its immediate and ultimate holding companies as at the date of this announcement:



* Listed in Bursa Malaysia Securities Berhad

Consideration for the Sale Shares

A maximum of HK\$10,000,519.60 (equivalent to approximately HK\$0.03155 per Sale Share), which was negotiated and determined on an arm's length basis between the Offeror and MGL with reference to (i) the recent prices and trading volume of the Shares on the Stock Exchange, (ii) the audited consolidated net loss attributable to the Shareholders of approximately HK\$6.3 million for the year ended 31 December 2004 and the unaudited consolidated net loss attributable to the Shareholders of approximately HK\$7.9 million for the six months ended 30 June 2005, and (iii) the unaudited consolidated net deficit of the Group of approximately HK\$53.2 million as at 30 June 2005. The purchase price of approximately HK\$0.03155 per Sale Share represents:

- (a) a discount of approximately 60.56% to the closing price of HK\$0.08 per Share as quoted on the Stock Exchange on 21 March 2006, being the last trading day prior to the suspension of the trading in the Shares at 9:30 a.m. on 22 March 2006;

- (b) a discount of approximately 54.93% to the average of the closing prices as quoted on the Stock Exchange for the last 10 consecutive trading days prior to the suspension of the trading in the Shares at 9:30 a.m. on 22 March 2006, being approximately HK\$0.07 per Share; and
- (c) a discount of approximately 54.93% to the average of the closing prices as quoted on the Stock Exchange for the last 30 consecutive trading days prior to the suspension of the trading in the Shares at 9:30 a.m. on 22 March 2006, being approximately HK\$0.07 per Share.

The consideration for the Sale Shares will be settled in the following manner:

- (i) a deposit of HK5,000,000 has been paid upon signing of the Share Sale Agreement; and
- (ii) the balance shall be payable on the Completion Date.

If, according to the completion accounts of the Group (excluding the Lismore Group), the consolidated net tangible asset value of the Group (excluding the Lismore Group) as at the Completion Date (“Completion Date NTAV”) is less than the consolidated net tangible asset value of the Group (excluding the Lismore Group) warranted by MGL and MCB in the amount of approximately HK\$15.8 million (“Warranted NTAV”), the consideration for the Sale Shares will be reduced by an amount equal to 51.54% of the difference between the Warranted NTAV and the Completion Date NTAV.

Conditions of the Share Sale Agreement

The S&P Completion is conditional upon the following conditions being fulfilled or waived (as the case may be) in full:

- (A) (i) the passing by the Independent Shareholders of all necessary resolutions by way of poll at the SGM approving the Subscription Agreement, the Disposal Agreement and the Deed of Settlement, together with the respective transactions contemplated thereunder; and
 - (ii) the Capital Reduction having been approved by the Independent Shareholders at the SGM by way of a special resolution in accordance with the laws of Bermuda;
- (B) the grant by the Executive of his consent in relation to the Disposal Agreement and the Deed of Settlement (which are special deals under the Takeovers Code);
- (C) (i) each of the licences, registrations and approvals maintained or required to be maintained by members of the Group (other than the Lismore Group) and their respective employees to carry on the business of the Group (other than the Lismore Group) pursuant to all applicable laws and regulations in force in Hong Kong not being revoked or suspended on or before the Completion Date and no member of the Group (other than the Lismore Group) not having been notified of such revocation or suspension or of any event which might lead to such revocation or suspension; and
 - (ii) all necessary consents and approvals for the change of ultimate substantial shareholder of MISL having been obtained from SFC and the Stock Exchange;
- (D) the Subscription Agreement and the Disposal Agreement having become unconditional in accordance with the respective terms thereof (other than in connection with the S&P Completion);
- (E) the Capital Reduction having become effective within two Business Days of the Escrow Date;
- (F) a deed of indemnity in relation to indemnification given to the Offeror and the Company having been duly executed by MGL and MCB in the capacity of warrantors to the Share Sale Agreement;
- (G) on or before the Escrow Date, (i) the current listing of the Shares not having been withdrawn and the Shares continuing to be traded on the Stock Exchange (save for any temporary suspension of not more than ten consecutive trading days (as defined in the Listing Rules) pending any

announcement in connection with the execution of the Share Sale Agreement or the transactions contemplated thereunder); (ii) no indication having been received from the Stock Exchange or the SFC to the effect that the listing of the Shares may be withdrawn or objected to; and (iii) no other event having arisen which may adversely affect the listing status of the Company on the Stock Exchange;

- (H) the warranties, representations and/or undertakings given or made by MGL and MCB in the capacity as warrantors remaining true and accurate and not misleading in any material respect as at the Escrow Date;
- (I) all other requisite consents, authorisations and approvals (or, as the case may be, the relevant waiver) in connection with the entering into and performance of the terms of the Share Sale Agreement having been obtained by respective parties to the Share Sale Agreement;
- (J) the Offeror being satisfied that there has been no event, change in or effect on the Group (excluding the Lismore Group) that, individually or in the aggregate, in the reasonable opinion of the Offeror, has had or is reasonably expected to have a material adverse effect on the business, condition (financial or otherwise), results of operations and assets of the Group (excluding the Lismore Group) taken as a whole as at the Escrow Date;
- (K) MGL and MCB in the capacity as warrantors have fulfilled all the obligations and undertakings contained in Share Sale Agreement to the reasonable satisfaction of the Offeror on or before the Escrow Date; and
- (L) the Offeror being satisfied that MISL has at least one responsible officer registered with the SFC and the Stock Exchange and no notice for termination of his service contract by such responsible officer has been given on or before the Completion Date and MISL having approved such responsible officer as may be nominated by the Offeror before the Completion Date.

If any of the conditions of the Share Sale Agreement are not fulfilled (conditions (A) to (E) and (I) must be fulfilled and cannot be waived), or waived (as to conditions (F) to (H) and (J) to (L) only) by written notice by the Offeror in its absolute discretion on or before 31 July 2006 (or such other date as the parties may agree in writing), the Share Sale Agreement shall be automatically terminated immediately and none of the parties thereto shall be bound to proceed with the sale and purchase of the Sale Shares.

The S&P Completion

The S&P Completion shall take place simultaneously with the Subscription Completion and the Disposal Completion on the Business Day following the fulfilment or waiver (as the case may be) of the conditions of the Subscription Agreement (or such other date as the parties shall agree in writing).

The shareholding structure of the Company upon the S&P Completion is set out in the section headed “VIII. Shareholding structure of the Company” below.

II. POSSIBLE OFFERS

Immediately following the S&P Completion, the Offeror and parties acting in concert with it will in aggregate own 316,973,680 Shares, representing approximately 51.54% of the total issued Shares as at the date of this announcement. Under Rule 26.1 and Rule 13 of the Takeovers Code, the Offeror is required to make a mandatory cash offer for all the issued Shares and a comparable offer for all the outstanding Options, other than those already owned by or agreed to be acquired by the Offeror or parties acting in concert with it.

As at the date of this announcement, there are a total of 615,024,175 Shares in issue and outstanding Options entitling the Optionholders to subscribe for an aggregate of 7,200,000 Shares at an exercise price of HK\$0.111 per Share. Accordingly, apart from the Sale Shares, (i) 298,050,495 Shares will be

subject to the Share Offer, and 7,200,000 outstanding Options will be subject to the Option Offer (assuming all outstanding Options granted have not been exercised prior to the close of the Offers); or (ii) 305,250,495 Shares will be subject to the Share Offer (assuming all outstanding Options have been fully exercised prior to the close of the Offers).

Save for the outstanding Options disclosed above and the Convertible Preference Shares conditionally agreed to be issued to the Offeror by the Company pursuant to the Subscription Agreement, there are no outstanding warrants, options, derivatives or securities convertible into Shares as at the date of this announcement.

Save for the Convertible Preference Shares conditionally agreed to be subscribed for by the Offeror pursuant to the Subscription Agreement, the Offeror and parties acting in concert with it do not hold any convertible securities, warrants or options of the Company as at the date of this announcement.

Principal terms of the Offers

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

the Share Offer:

for each Share HK\$0.03155 in cash;

and

the Option Offer:

for each outstanding Option attaching rights to subscribe for one Share HK\$0.001 in cash.

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

Comparison of value

The offer price of HK\$0.03155 per Share under the Share Offer is the same as the maximum price agreed to be paid by the Offeror to MGL for each Sale Share under the Share Sale Agreement and represents discounts to the closing price per Share on 21 March 2006 (the last trading day of the Shares on the Stock Exchange prior to the suspension of the trading in the Shares on 22 March 2006) and the averages of the closing prices of the Shares as quoted on the Stock Exchange up to and including 21 March 2006 as set out in the paragraph headed “Consideration for the Sale Shares” under the section headed “I. The Share Sale Agreement”.

Based on the Company’s interim report for the six months ended 30 June 2005, the unaudited consolidated net deficit of the Group as at 30 June 2005 was approximately HK\$53.2 million, which was equivalent to approximately HK\$0.0865 per Share (based on a total of 615,024,175 Shares then in issue).

All of the outstanding Options entitling the Optionholders to subscribe for Shares at an exercise price of HK\$0.111 per Share. The closing price per Share as quoted on the Stock Exchange on 21 March 2006, being the last trading day prior to the suspension of the trading in the Shares on 22 March 2006, was HK\$0.08. Accordingly, the Options are out-of-the-money. The offer price per Option under the Option Offer is equivalent to the nominal value of each Share upon the Capital Reduction becoming effective.

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 upon the S&P Completion, at the offer price of HK\$0.03155 per Share, the entire issued share capital of the Company with 615,024,175 Shares in

issue is valued at approximately HK\$19.4 million under the Share Offer and all the Shares subject to the Share Offer are valued at approximately HK\$9.4 million. Assuming that all the 7,200,000 outstanding Options at the offer price of HK\$0.001 per Option are surrendered pursuant to the Option Offer, the consideration payable by the Offeror is HK\$7,200.

Assuming that all the outstanding Options, which entitle the holders thereof to subscribe for an aggregate of 7,200,000 Shares, are fully exercised prior to the making of the Offers, there will be 622,224,175 Shares in issue and the entire issued share capital of the Company is valued at approximately HK\$19.6 million under the Share Offer, and all the Shares subject to the Share Offer are valued at approximately HK\$9.6 million. Celestial Capital, as the financial adviser to the Offeror, is satisfied that there are sufficient financial resources available to the Offeror to meet its obligation in case of a full acceptance of the Offers.

Effect of accepting the Offers

If the Offers are made upon the S&P Completion, they will be unconditional. By accepting the Share Offer, Shareholders will sell their Shares to the Offeror free from all encumbrances and together with all rights attaching to the Shares as at the Completion Date or thereafter, including the rights to receive all dividends and distribution declared, made or paid at or after the Completion Date. By accepting the Option Offer, the Optionholders will surrender and give up the subscription rights attaching to the Options. In addition, 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.

Stamp duty

Assuming that the Offers are made upon S&P Completion, (i) seller's ad valorem stamp duty arising in connection with acceptance of the Share Offer amounting to HK\$1 for every HK\$1,000 or part thereof 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, and (ii) the Offeror will bear its own portion of buyer's ad valorem stamp duty amounting to HK\$1 for every HK\$1,000 or part thereof of the amount payable in respect of relevant acceptances and will be responsible to account to the Stamp Office of Hong Kong all the stamp duty payable for the sale and purchase of the Shares which are validly tendered for acceptance under the Share Offer.

Payment

Payment in cash in respect of acceptances of the Offers will be made within 10 days of the date on which the relevant documents of title are received by the Offeror 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 securities dealing and margin finance, money lending, and property investment.

The Group recorded an audited consolidated net loss attributable to the Shareholders of approximately HK\$6.3 million for the year ended 31 December 2004 and an unaudited consolidated net loss attributable to the Shareholders of approximately HK\$7.9 million for the six months ended 30 June 2005. As at 30 June 2005, the unaudited consolidated net deficit of the Group were approximately HK\$53.2 million.

As at 31 December 2005, the Shareholder's Loan due by the Group amounted to approximately HK\$121.20 million. The Group has entered into the Subscription Agreement, the Disposal Agreement and the Deed of Settlement (details of which are set out below) for the purpose of settlement and waiver of the Shareholder's Loan in full. Upon the Disposal Completion and close of the Offer, the Group will not have any investment in properties.

Information on the Offeror and its intention regarding the Group

The Offeror is an investment holding company incorporated in Samoa with limited liability on 1 April 2004 and its entire issued share capital is beneficially owned by Mr. Lee. Mr. Lee is also the sole director of the Offeror. Other than the proposed acquisition of the Sale Shares and the proposed subscription of the Convertible Preference Shares, the Offeror has not engaged in any other business.

None of the Offeror, 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 Share Sale Agreement and up to the date of this announcement, save for the entering into of the Share Sale Agreement, the Subscription Agreement and the Deed of Settlement by the Offeror.

The Offeror intends to continue the existing businesses of the Group and has no intention to dispose of the Group's businesses after completion of the Offers. The Offeror 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, the Offeror has no immediate plan of injecting any of its assets into the Group upon the S&P Completion.

The Offeror is independent of and not acting in concert with the previous offeror and parties acting in concert with it in relation to the possible conditional general offers for the Shares and Options which were announced lapsed by the Company and the previous offeror jointly on 20 July 2005.

Proposed change of composition of the Board

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, and all of the existing independent non-executive Directors, namely Mr. Wong Ming Shiang and Mr. Lim Eng Ho, will resign and such resignation will take effect on the closing date of the Offers in compliance with Rule 7 of the Takeovers Code. However, Mr. Ooi (who, save for his indirect interest in the Shares held by MCB through his shareholding in MCB, does not hold any Shares and Options) will cease to be a Director and general manager of the Company as a result of change in the controlling Shareholder but he will remain as a Responsible Officer (as defined under the SFO) of MISL in respect of the business of MISL under a new service contract (the monthly salary payable to Mr. Ooi under the existing service contract and the new service contract will be the same). The Offeror at present intends to nominate Mr. Lee as the executive Director.

Mr. Lee, aged 49, has more than 20 years' experience in trading as well as property and industrial investment in both Hong Kong and the PRC. For examples, Mr. Lee controls a PRC company in Jilin, the PRC, namely 吉林市吉山汽車部件製造有限公司 (Jilin City Jishan Car Spare Parts Manufacturing Limited), which is principally engaged in the manufacturing of car spare parts, and a Hong Kong company, namely Dragon Hill Development Limited, which has invested in a property development project in Dongguan, the PRC and which used to be engaged in trading of papers, construction materials, plastic and car spare parts. Mr. Lee is the Hong Kong representative in the Committee of The Chinese People's Political Consultative Conference of Liujiang County, Liuzhou, Guangxi Province, the PRC.

Further announcement(s) will be made by the Company and the Offeror jointly on further appointment of Directors. The appointment of Directors nominated by the Offeror will not take effect earlier than the date of posting of the composite offer and response document to be issued by the Offeror and the Company jointly in connection with the Offers in compliance with Rule 26.4 of the Takeovers Code.

Listing status of the Company

The Offeror 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 sole director of the Offeror 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.

III. THE CAPITAL REDUCTION

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 canceling 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 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;

(b) the subdivision of each unissued share in the Company with the par value of HK\$0.10 into 100 new unissued share in the Company and the par value of which will be HK\$0.001; and

(c) transfer the credit arising from the cancellation of paid up capital in the amount of approximately HK\$60,887,394 to the contributed surplus account of the Company.

Conditions of the Capital Reduction

The implementation of the Capital Reduction 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 passing by the Independent Shareholders of all necessary resolutions by way of poll at the SGM approving the Subscription Agreement, the Disposal Agreement and the Deed of Settlement, together with the respective transactions contemplated hereunder;

(c) the Listing Committee of the Stock Exchange having grant the listing of, and permission to deal in, the Shares in issue with a par value of HK\$0.001 each following the Capital Reduction becoming effective; and

(d) compliance with all applicable laws,

and will become effective upon fulfilment of all of the above conditions within two Business Days from the Escrow Date.

As the Capital Reduction is conditional upon approval of the Subscription Agreement, the Disposal Agreement and the Deed of Settlement by the Independent Shareholders, it is also required to be approved by the Independent Shareholders voting by way of a poll at a general meeting of the Company. MGL, parties acting in concert with it and its associates will abstain from voting on the resolution in respect of the Capital Reduction at the SGM.

Impact of the Capital Reduction

As stated in 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 Shares. 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 but before the Subscription Completion, and on the basis of 615,024,175 Shares in issue as at the date of this announcement, the share capital of the Company will be as follows:

Authorised share capital : HK\$100,000,000 divided into 100,000,000,000 Shares of HK\$0.001 each

Issued share capital : HK\$615,024.175 divided into 615,024,175 Shares of HK\$0.001 each

Unissued share capital : HK\$99,384,975.825 divided into 99,384,975,825 shares in the Company 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 21 March 2006 (being the last full trading date prior to the publication of this announcement) was HK\$0.08, which is lower than the existing nominal value per Share of HK\$0.10. The Directors expect that the Capital Reduction will give the Company greater flexibility in pricing any issue of new Shares in future when suitable opportunities arise by taking into account the prevailing market price per Share, which has been lower than the existing nominal value of each Share since August 2005.

IV. THE SUBSCRIPTION AGREEMENT

Date of and parties to the Subscription Agreement

Date : 30 March 2006.

Issuer : The Company.

Subscriber : The Offeror.

Warrantor : MCB.

Guarantor : Mr. Lee.

Convertible Preference Shares

The Offeror has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 1,521,400,000 Convertible Preference Shares at the Subscription Price of HK\$48,000,170 (equivalent to HK\$0.03155 per Convertible Preference Share), which is the same as the Notional Value of the Convertible Preference Shares. The terms, including the rights and privileges, of the Convertible Preference Shares were negotiated between the Company and the Offeror on an arm's length basis. Principal terms of the Convertible Preference Shares which are summarised below:

Number and Notional Value of Convertible Preference Shares : 1,521,400,000 Convertible Preference Shares with an aggregate Notional Value of HK\$48,000,170 (equivalent to HK\$0.03155 per Convertible Preference Share).

Dividend : The Convertible Preference Shareholders shall not be entitled to any dividend distribution whether in cash or otherwise.

Capital : On a return of capital on liquidation or otherwise (but not on conversion) the Convertible Preference Shareholders shall have the right to be paid, in priority to any return of assets in respect of any other class of shares in the capital of the Company up to an amount equal to the aggregate Notional Value.

Redemption and purchase : Save as conversion into Conversion Shares, the Convertible Preference Shares are not redeemable.

Subject to the applicable laws, rules, regulations and the memorandum of association and/or the bye-laws of the Company, the Company or any of its subsidiaries may at any time purchase any of the Convertible Preference Shares in the open market or by tender at any price. Any Convertible Preference Shares so purchased or otherwise acquired by the Company or any of its subsidiaries may not be resold and in case such Convertible Preference Shares are purchased or otherwise acquired by the Company, such Convertible Preference Shares are to be cancelled, provided it shall not prohibit transfers of Convertible Preference Shares from any subsidiary of the Company to any other subsidiary of the Company.

Conversion rights : Each Convertible Preference Shareholder shall have the rights to convert at any time any Convertible Preference Shares, which shall be deemed to have a value equal to the Notional Value thereof, into Shares at the Conversion Price.

Conversion Price : Initially HK\$0.03155 per Share (subject to adjustment).

The Conversion Price 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.

No conversion of the Convertible Preference Shares shall take place if it will result in the Conversion Shares being issued at a price below their nominal value as at the applicable Conversion Date.

Conversion period : At any time immediately upon allotment and issue of the Convertible Preference Shares and until conversion of all the Convertible Preference Shares into Conversion Shares in full.

Conversion Shares : The number of Conversion Shares to be issued on each conversion shall be determined by dividing the aggregate Notional Value of the relevant Convertible Preference Shares by the Conversion Price applicable on Conversion Date.

Assuming exercise in full of the conversion rights attaching to all of the 1,521,400,000 Convertible Preference Shares with an aggregate Notional Value of HK\$48,000,170 at the initial Conversion Price of HK\$0.03155 per Share, a total number of 1,521,400,000 Shares will be issued, representing approximately 247.4% and 71.2% of the Shares in issue as at the date of this announcement and the total number of issued Shares as enlarged by the issue of the Conversion Shares respectively (assuming no new Share will have been issued other than the Conversion Shares).

The Conversion Shares shall rank pari passu in all respects with all other Shares in issue at the time of the issue of the Conversion Shares and shall entitle the holders thereof to all distributions paid or made on the Shares by reference to a record date falling after the relevant Conversion Date, provided that if a record date after the Conversion Date is in respect of any distribution in relation to any financial period of the Company ended prior to such Conversion Date, the holders of the Conversion Shares will not be entitled to the relevant distribution.

Transferability : The Convertible Preference Shares may be freely transferable subject to the provision of the Company's bye-laws relating to the transfer of shares and share certificates.

- Meetings and voting : The Convertible Preference Shareholders shall not have the right to receive notice of, or to attend and vote at, a general meeting of the Company, unless a resolution (the “Resolution”) is to be proposed at a general meeting of the Company for winding up the Company or which if passed would vary or abrogate the rights or privileges of the Convertible Preference Shareholders, in which event the Convertible Preference Shareholders shall have the right to receive notice of, and to attend and vote at, that general meeting, save that they may not vote upon any business dealt with at such general meeting except the election of a chairman, any motion for adjournment and the Resolution.
- Listing : No application will be made for the listing of the Convertible Preference Shares on the Stock Exchange. An application will be made to the Stock Exchange for the listing of the Conversion Shares to be issued upon exercise of the conversion rights attaching to the Convertible Preference Shares.

The initial Conversion Price of HK\$0.03155 per Share (subject to adjustment), which was arrived at after arm’s length negotiation between the Company and the Offeror, is approximately the same as the maximum price of each Sale Share under the Share Sale Agreement and the same as the offer price per Share under the Share Offer, and represents respective discounts to the closing price per Share on 21 March 2006 (the last trading day prior to the suspension of the trading in the Shares on 22 March 2006) and the averages of the closing prices of the Shares as quoted on the Stock Exchange up to and including 21 March 2006 as set out in the paragraph headed “Consideration for the Sale Shares” under the section headed “I. The Share Sale Agreement” above.

The shareholding structure of the Company upon the full conversion of the Convertible Preference Shares by the Offeror are set out in the section headed “VIII. Shareholding structure of the Company” below.

Conditions of the Subscription Agreement

The Subscription Completion shall be subject to the satisfaction of, inter alia, the following conditions:

- (A) (i) the passing by the Independent Shareholders of all necessary resolutions by way of poll at the SGM approving the Subscription Agreement, the Disposal Agreement and the Deed of Settlement, together with the respective transactions contemplated thereunder (including the re-designation and re-classification of authorised share capital for the issue of the Convertible Preference Shares, and the issue of the Convertible Preference Shares and the Conversion Shares upon exercise of the conversion rights attaching to the Convertible Preference Shares pursuant to the terms of the Subscription Agreement);
- (ii) the Capital Reduction having been approved by the Independent Shareholders at the SGM by way of a special resolution in accordance with the laws of Bermuda; and
- (iii) the amendments to the memorandum of association and bye-laws of the Company incorporating, among other things, the rights, privileges and restrictions attached to the Convertible Preference Shares having been approved and adopted by the Independent Shareholders at the SGM by way of a special resolution in accordance with the Company’s existing bye-laws and the laws of Bermuda;
- (B) the grant by the Executive of his consent in relation to the entering into of the Disposal Agreement and the Deed of Settlement (which are special deals under the Takeovers Code);

- (C) the Stock Exchange having grant the listing of, and permission to deal in, (i) the Shares in issue with a par value of HK\$0.001 each following the Capital Reduction becoming effective; and (ii) the Conversion Shares which may be issued upon the exercise of the conversion rights attaching to the Convertible Preference Shares, and such permission and listing not subsequently being revoked prior to the delivery of the certificates relating to Convertible Preference Shares;
- (D) the Bermuda Monetary Authority granting permission for the issue of the Convertible Preference Shares and the Conversion Shares (or the Company having received the written advice from its Bermuda legal counsel that such permission is unnecessary);
- (E) the Share Sale Agreement and the Disposal Agreement having become unconditional in accordance with the respective terms thereof (other than conditions in connection with Subscription Completion);
- (F) the Capital Reduction having become effective within two Business Days of the Escrow Date;
- (G) (i) the resumption of trading in Shares on the Stock Exchange pending publication of this announcement; and (ii) the current listing of the Shares not having been withdrawn and the Shares continuing to be traded on the Stock Exchange; no indication having been received from the Stock Exchange or the SFC to the effect that the listing of the Shares may be withdrawn or objected to; and no other event having arisen which may adversely affect the listing status of the Company on the Stock Exchange (please refer to the condition (g) set out in the paragraph headed “Conditions of the Share Sale Agreement” under the section headed “I. The Share Sale Agreement” for details);
- (H) the warranties, representations and/or undertakings given or made by the Company and MCB in the capacity as warrantors to the Subscription Agreement remaining true and accurate and not misleading in any respect as at the Escrow Date and there being no event existing or having occurred and no condition being in existence which would (if after the issue of the Convertible Preference Shares) constitute a breach of such warranties, representations and/or undertakings;
- (I) all other requisite consents, authorisations and approvals (or, as the case may be, the relevant waiver) in connection with the entering into and performance of the terms of the Subscription Agreement having been obtained by respective parties to the Subscription Agreement; and
- (J) the Offeror being satisfied that there has been no event, change in or effect on the Group (excluding the Lismore Group) that, individually or in the aggregate, in the reasonable opinion of the Offeror, has had or is reasonably expected to have a material adverse effect on the business, condition (financial or otherwise), results of operations and assets of the Group (excluding the Lismore Group) taken as a whole as at the Escrow Date.

If any of the conditions of the Subscription Agreement are not fulfilled (conditions (A) to (F) and (I) must be fulfilled and cannot be waived), or waived (as to conditions (G), (H) and (J) only) by the Offeror in its absolute discretion, on or before 31 July 2006 or such later date as may be agreed between the Offeror and the Company, the Subscription Agreement shall be automatically terminated immediately, and the parties to the Subscription Agreement shall have no claim against each other arising out of or in connection therewith (save in respect of claims arising out of any antecedent breach of the Subscription Agreement).

Subscription Completion

The Subscription Completion shall take place on the Business Day following the date of fulfilment or waiver (as the case may be) of the conditions of the Subscription Agreement in full (or such other date as the parties shall agree in writing). The Subscription Completion shall take place simultaneously with the S&P Completion and the Disposal Completion. Upon the Subscription Completion, the

Company shall apply the Subscription Price to repay part of the Shareholder's Loan according to the Deed of Settlement, details of which are set out in the paragraph headed "Settlement of the Shareholder's Loan" under the section headed "VI. Deed of Settlement"

Dilution effect on Shareholders

In view of the future dilution of existing Shareholders on the exercise of the conversion rights attaching to the Convertible Preference Shares, the Company will keep the Shareholders informed of the level of dilution and details of conversion as follows:

- (a) the Company will make a monthly announcement (the "Monthly Announcement") on the website of the Stock Exchange. Such announcement will be made on or before the tenth Business Day following the end of each calendar month and will include the following details in a table form:
 - (i) whether there is any conversion of the Convertible Preference Shares during the previous calendar month. If there is a conversion, details thereof including the conversion date, number of Conversion Shares issued and Conversion Price for each conversion. If there is no conversion during the previous calendar month, a negative statement to that effect;
 - (ii) the number of outstanding Convertible Preference Shares after the conversion, if any;
 - (iii) the total number of new Shares issued pursuant to other transactions during the previous calendar month, including new Shares issued pursuant to exercise of options under any share option scheme(s) of the Company; and
 - (iv) the total issued share capital of the Company as at the commencement and the last day of the previous calendar month; and
- (b) in addition to the Monthly Announcement, if the cumulative amount of Conversion Shares issued pursuant to the conversion of the Convertible Preference Shares reaches 5% of the issued share capital of the Company as disclosed in the last Monthly Announcement or any subsequent announcement made by the Company in respect of the Convertible Preference Shares (as the case maybe be) (and thereafter in a multiple of such 5% threshold), the Company will make an announcement on the website of the Stock Exchange including details as stated in (a) above for the period commencing from the date of the last Monthly Announcement or any subsequent announcement in respect of the Convertible Preference Shares (as the case may be) up to the date on which the total amount of Conversion Shares issued pursuant to the conversion amounted to 5% of the issued share capital of the Company as disclosed in the last Monthly Announcement or any subsequent announcement made by the Company in respect of the Convertible Preference Shares (as the case may be).

Connected transaction

As the Offeror has conditionally agreed to acquire the Sale Shares, which represent approximately 51.54% of the total number of issued Shares as at the date of this announcement, pursuant to the Share Sale Agreement, it will become the controlling Shareholder upon the S&P Completion and the Subscription Completion which will take place simultaneously. Mr. Lee is the sole beneficial owner and sole director of the Offeror. MCB is the ultimate holding company of MGL, the existing controlling Shareholder holding approximately 51.54% shareholding interest in the Company. Accordingly, the entering into the Subscription Agreement among the Company, the Offeror, Mr. Lee and MCB, together with the issue of the Convertible Preference Shares to the Offeror 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 at a general meeting of the Company. MGL, parties acting in concert with it and its associates will abstain from voting on the resolution in respect of the Subscription Agreement at the SGM which will be convened and held to approve, inter alia, the Subscription Agreement and the transactions contemplated thereunder.

V. THE DISPOSAL AGREEMENT

Date of and parties to the Disposal Agreement

Date : 30 March 2006.

Vendor : Watary, a wholly-owned subsidiary of the Company.

Purchaser : MGL.

Assets to be disposed of under the Disposal Agreement

Pursuant to the Disposal Agreement, (i) Watary has conditionally agreed to sell and MGL has conditionally agreed to purchase the Lismore Share, being the entire issued share capital of Lismore, an indirect wholly-owned subsidiary of the Company; and (ii) Watary has conditionally agreed to sell and assign and MGL has conditionally agreed to purchase and accept the Lismore Loan, which amounted to approximately HK\$56.36 million as at 31 December 2005.

Disposal Consideration

Being an amount equal to the face value of the Lismore Loan (including both principal amounts and accrued interests, if any) as at the Completion Date plus a nominal value of HK\$1. The Disposal Consideration, which is expected to be approximately HK\$56.36 million, was negotiated and determined on an arm's length basis between the Company and MGL with reference to the unaudited consolidated net deficit value of the Lismore Group of approximately HK\$23.11 million as at 31 December 2004 and the face value the Lismore Loan amounted to approximately HK\$56.36 million as at 31 December 2005.

The Disposal Consideration shall be deemed to have been paid and satisfied by MGL upon the Disposal Completion by way of set-off of part of the Shareholder's Loan pursuant to the Deed of Settlement, details of which are set out in the paragraph headed "Settlement of the Shareholder's Loan" under the section headed "VI. Deed of Settlement" below.

Conditions of the Disposal Agreement

The Disposal Completion is subject to the fulfilment of the following conditions:

- (a) the passing by the Independent Shareholders of all necessary resolutions by way of poll at the SGM approving the Subscription Agreement, the Disposal Agreement and the Deed of Settlement, together with the transactions contemplated thereunder;
- (b) the grant by the Executive of his consent in relation to the entering into of the Disposal Agreement and the Deed of Settlement (which are special deals under the Takeovers Code);
- (c) the full release or discharge of the Properties from the mortgages over the Properties; and
- (d) the simultaneous completion of the Share Sale Agreement, the Subscription Agreement, the Disposal Agreement and the Deed of Settlement.

If the conditions precedent to the Disposal Agreement are not fulfilled on or before 31 July 2006 or such later date as may be agreed between the parties, the Disposal Agreement will lapse.

As at the date of this announcement, there is no outstanding mortgage loan, and the Company does not envisage accrual of any mortgage loan before the Completion Date in relation to the Properties. The Company expects that all mortgages over the Properties will be released before the Completion Date.

Disposal Completion

The Disposal Completion shall take place simultaneously with the S&P Completion and the Subscription Completion on the Business Day following the fulfilment or waiver (as the case may be) of the conditions of the Subscription Agreement (or such other date as the parties shall agree in writing).

Information on the Lismore Group

Lismore was incorporated in the British Virgin Islands on 12 February 1992 with limited liability. Its entire issued share capital is held by Watary, a wholly-owned subsidiary of the Company. Accordingly, Lismore is an indirect wholly-owned subsidiary of the Company. Its principal activity is property and investment holding and it currently beneficially holds the entire issued share capital of three companies incorporated in the British Virgin Islands, namely Ongreat Properties Limited, Continuous Gain Limited and Wolston Limited. The only recurring source of income of the Lismore Group is property rental income.

The principal assets of the Lismore Group are the Properties, which are all investment properties of the Group. Particulars of the Properties are as follows:

Properties	Property Owner	Existing use
1. (a) Workshops 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	Industrial
(b) Workshops 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	
2. (a) Unit A, 7th Floor, Front Block, Wing Tai Centre, No. 12 Hing Yip Street, Kwun Tong, Kowloon	(a) Lismore	Industrial
(b) Unit B, 7th Floor, Front Block, Wing Tai Centre, No. 12 Hing Yip Street, Kwun Tong, Kowloon	(b) Lismore	
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 Bock A, Chung Mei Centre, No. 15 Hing Yip Street, Kwun Tong, Kowloon	Lismore	Industrial
5. (a) Apartment A on 20th Floor, South Bay Towers, No. 59 South Bay Road, South Bay, Island South, Hong Kong	(a) Lismore	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	N/A

Properties	Property Owner	Existing use
6. Car Parking Space No. 1 on Ground Floor, King Yip Factory Building, No. 59 King Yip Street, Kwun Tong, Kowloon	Lismore	N/A

Save for holding and leasing of the Properties, the Lismore Group does not have any other business or assets. The unaudited consolidated net loss before taxation and the unaudited consolidated net loss after taxation of Lismore Group for the year ended 31 December 2003 were approximately HK\$1.63 million and HK\$1.73 million respectively. The unaudited consolidated net profit before and after taxation of Lismore Group for the year ended 31 December 2004 were both approximately HK\$6.02 million. The unaudited consolidated net deficit value of Lismore Group as at 31 December 2004 was approximately HK\$23.11 million. The market value of the Properties owned by the Lismore Group, as valued by Vigers Hong Kong Limited, an independent valuer to the Group, on an open market value and existing use basis, was approximately HK\$43.92 million as at 31 December 2005.

All unaudited financial information on the Lismore Group are set out herein in compliance with the Listing Rules. Shareholders and investors should not rely on such unaudited financial information as they have not been audited. The Company will issue a circular containing, among other things, information on the Disposal Agreement and the Lismore Group, including the audited financial information on the Lismore Group.

Below sets out an analysis of the relative materiality of the Lismore Group to the Group as a whole in terms of revenue, assets and net results:

		2004	2003
Revenue			
Lismore Group (HK\$'000) (unaudited)	(a)	2,093	2,334
The Group (HK\$'000) (audited)	(b)	9,453	8,463
	(a)/(b)	22.14%	27.58%
Assets			
Lismore Group (HK\$'000) (unaudited)	(c)	34,092	28,065
The Group (HK\$'000) (audited)	(d)	80,484	95,906
	(c)/(d)	42.36%	29.26%
Net profit/(loss) after tax (excluding revaluation surplus/deficit on investment properties)			
Lismore Group (HK\$'000) (unaudited)	(e)	(264)	(610)
The Group (HK\$'000) (audited)	(f)	(12,538)	(10,476)
	(e)/(f)	2.11%	5.82%
Net profit/(loss) after tax (including revaluation surplus/deficit on investment properties)			
Lismore Group (HK\$'000) (unaudited)	(g)	6,016	(1,730)
The Group (HK\$'000) (audited)	(h)	(6,258)	(11,596)
	(g)/(h)	N/A	14.92%

Note

Revaluation surplus/(deficit) on investment properties for each of the two years ended 31 December 2003 and 2004 amounted to approximately (HK\$1.12 million) and HK\$6.28 million respectively.

As shown in the above analysis, save for its relative asset size in 2004 (in which year there was material surplus in revaluation of the investment properties), the Group will be able to maintain its existing business operations in all material aspects.

Upon the Disposal Completion, the members of the Lismore Group will cease to be subsidiaries of the Company.

As mentioned in the paragraph headed “Information on the Offeror and its intention regarding the Group” under the section headed “II Possible Offers”, the Offeror intends to continue the existing businesses of the Group, which shall include its business in property investment. In addition, a more detailed review of the operations of the Group will be conducted by the Offeror after completion of the Offers, with a view to developing a corporate strategy to enhance its existing securities dealing and brokerage and money lending businesses and asset base and broaden its income stream by various measures, which may include further investing in and expansion of the businesses of the Group and the property investment business may resume if favourable opportunities arise. The Directors consider that the Disposal Agreement, which is entered into for the purpose of realising all the investment properties currently held by the Group to reduce its liabilities and borrowings, will not result in a discontinuation of the Group’s business in property investment. Due to the facts that the Group is in a net deficit position and the Properties generate rental income that is less than the interest expenses, the Offeror does not have any objection to the transactions contemplated under the Disposal Agreement.

Special deal and connected transaction

The Disposal Agreement 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 at a general meeting of the Company. Pursuant to Rule 14.06 of the Listing Rules, the Disposal Agreement constitutes a very substantial disposal for the Company. As MGL is the existing immediate controlling Shareholder, the Disposal Agreement entered into among Watary and MGL constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. According to the Listing Rules, the Disposal Agreement and the transactions contemplated thereunder are required to be approved by the Independent Shareholders by way of poll at a general meeting of the Company. The SGM will be convened to approve, inter alia, the Disposal Agreement and the transactions contemplated thereunder. MGL, parties acting in concert with it and its associates will abstain from voting on the resolution in respect of the Disposal Agreement at the SGM.

VI. DEED OF SETTLEMENT

Date of and parties to the Deed of Settlement

Date : 30 March 2006.

Parties : The Company;
the Offeror;
MGL*;
MESB*; and
MIL*.

(all of MGL, MESB and MIL are either directly or indirectly owned by MCB, the ultimate holding company of MGL)*

Settlement of the Shareholder's Loan

As at 31 December 2005, the Shareholder's Loan due by the Group to MGL, MESB and MIL, together with the interest accrued thereon, amounted to approximately HK\$121.20 million, comprising principal amount and accrued interest payable of approximately HK\$73.92 million and HK\$47.28 million respectively. Out of the loan principal, approximately HK\$2.02 million are interest free and the balance of HK\$71.9 million are interest-bearing at interest rates ranging from 6.5% to 8.09% per annum. Save for the Shareholder's Loan, as at 31 December 2005 (i) there is no other outstanding loan due by the Group, and (ii) the other unaudited liabilities of the Group amounted to approximately HK\$9 million.

Pursuant to the Deed of Settlement, the Company, the Offeror, MGL, MESB and MIL have agreed that subject to and at the Subscription Completion and the Disposal Completion,

- (i) the Subscription Price of HK\$48,000,170 to be paid by the Offeror to MGL as part repayment of the Shareholders' Loan;
- (ii) the Disposal Consideration which is expected to be approximately HK\$56.36 million payable by MGL to the Company shall be deemed to be set off pro tanto against part of the Shareholder's Loan; and
- (iii) upon payment of the Subscription Price by the Offeror referred to in (i) above and the set-off of the Disposal Consideration referred to in (ii) above, each of MGL, MESB and MIL shall be deemed to have irrevocably and unconditionally waived the balance of the Shareholder's Loan as at the Completion Date and thereafter.

If the Subscription Completion and the Disposal Completion do not take place on or before the date falling two Business Days after the long stop date of the Subscription Agreement and the Disposal Agreement on 31 July 2006, the Deed of Settlement shall lapse.

Special deal and connected transaction

The Deed of Settlement 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 at a general meeting of the Company. Given that MGL is the existing immediate controlling Shareholder, and the Offeror will become the controlling Shareholder upon the S&P Completion, the entering into of the Deed of Settlement among the Company, the Offeror, MGL, MESB and MIL constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. Pursuant to the Listing Rules, the Deed of Settlement is required to be passed by the Independent Shareholders and voted by way of a poll at a general meeting of the Company. The SGM will be convened to approve, inter alia, the Deed of Settlement. MGL, parties acting in concert with it and its associates will abstain from voting on the resolution in respect of the Deed of Settlement at the SGM.

VII. REASONS FOR THE ENTERING INTO OF THE SUBSCRIPTION AGREEMENT, THE DISPOSAL AGREEMENT AND THE DEED OF SETTLEMENT

The Group recorded net loss attributable to Shareholders for each of the six years ended 31 December 2004 and the six months ended 30 June 2005, and has recorded net deficit since 31 December 2001. The total unaudited liabilities of the Group as at 30 June 2005 amounted to approximately HK\$125.8 million, of which approximately HK\$117.9 million were advances from MGL, MESB and MIL. As at 31 December 2005, the Shareholder's Loan amounted to approximately HK\$121.20 million. Along with the change in controlling stake in the Company from MGL to the Offeror upon the S&P Completion, MCB (as the ultimate controlling shareholder of MGL) has indicated that it will request the Company to settle the Shareholder's Loan. After arm's length negotiation among the relevant

parties, the Subscription Agreement, the Disposal Agreement and the Deed of Settlement were entered into pursuant to which the Company shall apply the Subscription Price and the Disposal Consideration in repayment/setting off against part of the Shareholder's Loan in order to obtain the agreement of MGL, MESB and MIL to waive the balance of the Shareholder's Loan. Based on (i) the Shareholder's Loan of approximately HK\$121.20 million as at 31 December 2005, (ii) the Subscription Price of HK\$48,000,170, and (iii) the Disposal Consideration which is estimated to be approximately HK\$56.36 million, the balance of the Shareholder's Loan to be waived by MGL, MESB and MIL pursuant to the Deed of Settlement is estimated to be approximately HK\$16.84 million as at the Completion Date. Thus, upon settlement and waiver of the Shareholder's Loan in full, the total liabilities of the Group will decrease to approximately HK\$9 million (based on the unaudited liabilities as at 31 December 2005) and as a result of such waiver of Shareholder's Loan, an estimated gain of approximately HK\$16.84 million will be accounted for the year ending 31 December 2006. The Directors therefore consider that it is beneficial to and in the interest of the Company to enter into the Subscription Agreement, the Disposal Agreement and the Deed of Settlement although upon the Disposal Completion, the Group will not have any investment in properties. The Board has considered various fund raising activities, such as bank borrowings, rights issue and open offer, to repay the Shareholder's Loan. However, the Board considers that such other methods of financing would be less preferable and effective in view of the net deficit financial position of the Group, the size of the funds to be raised, the relative higher cost and longer time involved.

Given (i) the Group's current financial position and the thin trading volume of the Shares (the average daily trading volume for March 2006 (up to and including 21 March 2006, being the last trading day of the Shares on the Stock Exchange prior to suspension of the trading therein) was approximately 0.13% of the number of Shares held by the public and approximately 0.06% of the total issued Shares as at the date of this announcement), (ii) the properties investments under the Lismore Group are the assets of the Group that can be realised to settle part of the Shareholder's Loan while the assets under the securities dealing and brokerage and money lending businesses of the Group cannot be disposed of without disrupting the normal operations of such businesses, and (iii) other methods of financing would be less preferable and effective in view of the net deficit financial position of the Group, the size of the funds to be raised, the relative higher cost and longer time involved, the Directors consider that the entering into of Subscription Agreement, the Disposal Agreement and the Deed of Settlement are appropriate steps to raise funds, reduce the Group's borrowings and to improve the financial position of the Group. The Directors consider that the respective terms of the Subscription Agreement (together with the Convertible Preference Shares to be issued thereunder and the Conversion Shares to be issued upon exercise of the conversion rights attaching to the Convertible Preference Shares), the Disposal Agreement and the Deed of Settlement 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 (i) immediately before the S&P Completion (assuming that no outstanding Options are exercised prior to the S&P Completion) (based on the information received by the Company and notified pursuant to Part XV of the SFO as at the date of this announcement); (ii) immediately upon the S&P Completion (assuming that no outstanding Options are exercised prior to the S&P Completion and that no exercise of the conversion rights attaching to the Convertible Preference Shares); and (iii) upon the full conversion of the Convertible Preference Shares by the Offeror:

Shareholder	Before the S&P Completion*		Upon the S&P Completion**		Upon full conversion of the Convertible Preference Shares by the Offeror	
	(Shares)	(%)	(Shares)	(%)	(Shares)	(%)
MGL	316,973,680	51.54	—	—	—	—
The Offeror	—	—	316,973,680	51.54	1,838,373,680	86.05
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>13.95</u>
Total	<u>615,024,175</u>	<u>100.00</u>	<u>615,024,175</u>	<u>100.00</u>	<u>2,136,424,175</u>	<u>100.00</u>

* assuming that no outstanding Options are exercised prior to the S&P Completion

** assuming that no outstanding Options are exercised prior to the S&P Completion and that no exercise of the conversion rights attaching to the Convertible Preference Shares

The Offeror has undertaken to the Company that it will not convert or procure not to convert any part of the Convertible Preference Shares 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 not being maintained.

In accordance with Rule 3.8 of the Takeovers Code, (i) the respective associates of the Company and the Offeror are hereby reminded to disclose their dealings in the Company pursuant to the requirements of the Takeovers Code; and (ii) reproduced below is the full text of Note 11 to Rule 22 of the Takeovers Code:

“Responsibilities of stockbrokers, banks and other intermediaries

Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates and other persons under Rule 22 and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant Rules. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7 day period is less than \$1 million.

This dispensation does not alter the obligations of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.

Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.”

IX. POSSIBLE CONSOLIDATION OF THE SHARES

The Board proposes to implement a consolidation of the Shares (trading timetable of which is to be finalised) as soon as practicable after the close of the possible Offers under which every ten Shares of HK\$0.001 each in the issued and unissued share capital of the Company be consolidated into one Share of HK\$0.01 each in the issued and unissued share capital of the Company.

The proposed consolidation of the Shares will only be implemented if the possible Offers are made upon the S&P Completion. Upon implementation of the consolidation of the Shares, change will be made to the board lot size of the Shares. An announcement with full details of the consolidation of the Shares, change of the board lot size and trading arrangement will be made in due course.

X. 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.

XI. AMENDMENTS TO THE MEMORANDUM OF ASSOCIATION AND BYE-LAWS OF THE COMPANY

In order to facilitate the allotment and issue of the Convertible Preference Shares under the Subscription Agreement, a resolution will be proposed at the SGM in relation to the amendments to the memorandum of association and bye-laws of the Company incorporating, among other things, the rights, privileges and restrictions attached to the Convertible Preference Shares which have to be passed by Independent Shareholders by way of a special resolution in accordance with the Company's existing bye-laws and the laws of Bermuda.

XII. GENERAL

Celestial Capital has been appointed as the financial adviser to the Offeror. Oriental Patron has been appointed as the financial adviser to the Company.

Reference is made to the announcement of the Company dated 2 March 2006. It was mentioned in that announcement that the Board currently comprises four executive Directors and two independent non-executive Directors, and the audit committee of the Company comprises the two independent non-executive Directors. Accordingly, the Company is not able to meet the requirements of Rules 3.10(1) and 3.21 of the Listing Rules. Further announcement will be made by the Company upon appointment of an additional independent non-executive Director. The Independent Board Committee comprising the independent non-executive Directors has been established to consider and advise the Independent Shareholders as to the fairness and reasonableness of the terms of the Capital Reduction, the Subscription Agreement, the Disposal Agreement, the Deed of Settlement and the proposed amendments to the memorandum of association and bye-laws of the Company. The Independent Board Committee will also consider the terms of the Offers and advise the Shareholders and Optionholders as to whether to accept the Offers or not. Kingston has been appointed to act as the independent financial adviser to the Independent Board Committee on the terms of Capital Reduction, the Subscription Agreement, the Disposal Agreement, the Deed of Settlement and the proposed amendments to the memorandum of association and bye-laws of the Company and the Offers. The appointment of Kingston has been approved by the Independent Board Committee.

A circular setting out, inter alia, (i) details of the Share Sale Agreement, the Capital Reduction, the Subscription Agreement, the Disposal Agreement, the Deed of Settlement and the amendments to the memorandum of association and bye-laws of the Company; (ii) the respective letters of advice from the Independent Board Committee and Kingston in respect of the Capital Reduction, the Subscription

Agreement, the Disposal Agreement, the Deed of Settlement and the proposed amendments to the memorandum of association and the bye-laws of the Company; and (iii) 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 relevant 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 the Offeror for the Executive's consent under Rule 8.2 of the Takeovers Code to extend the deadline for the despatch of a composite offer and response document to be issued by the Offeror and the Company jointly in connection with the Offers which will set out, inter alia, details of the Offers (accompanied by the acceptance and transfer form) and incorporating the respective letters of advice from the Independent Board Committee and Kingston on the Offers to within 7 days of fulfilment of conditions of the Share Sale Agreement, which is expected to be around 15 June 2006.

Trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 22 March 2006 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 31 March 2006.

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 and Mr. Lim Eng Ho as independent non-executive Directors.

XIII. DEFINITIONS

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

“associates”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“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 involving the reduction of the nominal value of the issued and unissued Share from HK\$0.10 each to HK\$0.001 each to effect a reduction the issued share capital of the Company, and to transfer the credit arising therefrom to the Company's contributed surplus account
“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 the Offeror
“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
“Completion Date”	the date of simultaneous completion of the Share Sale Agreement, the Subscription Agreement and the Disposal Agreement

“Conversion Date”	being the business day immediately following the date of the delivery by a Convertible Preference Shareholders of the relevant conversion notice and all necessary documents in relation to the exercise of the conversion rights attaching to the Convertible Preference Shares
“Conversion Price”	the price per Share at which Shares shall be issued by the Company upon exercise of the conversion rights attaching to the Convertible Preference Shares, being initially HK\$0.03155 per Share (subject to adjustment)
“Conversion Shares”	the new Shares to be issued by the Company upon exercise of the conversion rights attaching to the Convertible Preference Shares
“Convertible Preference Shares”	a total of 1,521,400,000 convertible non-redeemable preference shares of HK\$0.001 each in the capital of the Company to be issued by the Company to the Offeror under the Subscription Agreement
“Convertible Preference Shareholder(s)”	the holder(s) of the Convertible Preference Shares
“Deed of Settlement”	the Deed of Settlement dated 30 March 2006 entered into between the Company, the Offeror, MGL, MESB and MIL in respect of the settlement of the Shareholder’s Loan
“Directors”	the directors of the Company
“Disposal”	the sale and/or the assignment of the Lismore Share and the Lismore Loan by the Group pursuant to the Disposal Agreement
“Disposal Agreement”	the conditional agreement dated 30 March 2006 entered into between Watary and MGL in relation to the sale and purchase of the Lismore Share and Lismore Loan
“Disposal Completion”	completion of the Disposal Agreement
“Disposal Consideration”	an amount equivalent to the face value of the Lismore Loan (including both principal amounts and accrued interests, if any) owing by the Lismore Group as at the Completion Date plus a nominal value of HK\$1 payable by MGL to Watary for the Lismore Share and the Lismore Loan pursuant to the Disposal Agreement
“Escrow Date”	the date when the Subscription Price is remitted by the Offeror to the solicitors of Offeror to be held in escrow pending implementation of the Capital Reduction and Subscription Completion, such date shall fall on the first Business Day after fulfillment of certain conditions precedent to the Subscription Agreement as at such date
“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

“Independent Board Committee”	the independent board committee of the Company comprising the two independent non-executive Directors, namely Mr. Wong Ming Shiang and Mr. Lim Eng Ho
“Independent Shareholders”	Shareholders other than MGL and its associates and parties acting in concert with any of them
“Kingston”	Kingston Corporate Finance Limited, a corporation licensed to carry on type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser to the independent board committee of the Company
“Lismore”	Lismore Properties Limited, an indirect wholly-owned subsidiary of the Company which was incorporated in the British Virgin Islands on 12 February 1992
“Lismore Group”	Lismore and its subsidiaries, namely Ongreat Properties Limited, Continuous Gain Limited and Wolston Limited which were incorporated in the British Virgin Islands
“Lismore Loan”	(i) a shareholder’s loan due from Lismore to Watary (following assignment to Watary of loans owing from members of the Lismore Group to other members of the Group on a dollar-to-dollar basis, which will become effective immediately before the Disposal Completion) and (ii) immediately before the said arrangements being effected, all obligations, liabilities and debts owing or incurred by members of the Lismore Group to Watary and other members of the Group on or at any time prior to the Disposal Completion
“Lismore Share”	1 share with a nominal value of US\$1 in the share capital of Lismore, representing the entire issued share capital of Lismore as at the date of the Disposal Agreement
“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 Securities Berhad (formerly known as Malaysia Securities Exchange Berhad)
“MESB”	Magnum Enterprise Sdn Bhd, a company incorporated in Malaysia with limited liability, which is a wholly-owned subsidiary of MCB
“MGL”	Magnum (Guernsey) Limited, a company incorporated in Guernsey with limited liability, which is the immediate holding company of the Company and is wholly, beneficially and indirectly owned by MCB
“MIL”	Magnum Investment Limited, a company incorporated in Hong Kong with limited liability, which is a wholly-owned subsidiary of MESB
“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

“Mr. Lee”	Mr. Lee Shing, the sole beneficial owner and the sole director of the Offeror
“Notional Value”	the value of HK\$48,000,170 attributed to all of the Convertible Preference Shares (equivalent to HK\$0.03155 for each Convertible Preference Share)
“Offeror”	Dragon Hill Development Limited, a company incorporated in Samoa with limited liability on 1 April 2004 and the entire issued share capital of which is owned by Mr. Lee.
“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 possible mandatory cash offer for all outstanding Options to be made by Celestial Capital on behalf of the Offeror in accordance with the Takeovers Code
“Oriental Patron”	Oriental Patron Asia Limited, a corporation licensed to carry on, inter alia, type 6 (advising on corporate finance) regulated activities under the SFO and the financial adviser to the Company
“PRC”	the People’s Republic of China
“Properties”	the properties (as detailed in the table under the section headed “V. The Disposal Agreement” in this announcement) held by the Lismore Group
“S&P Completion”	completion of the Share Sale Agreement
“Sale Share(s)”	a total of 316,973,680 Shares to be acquired by the Offeror pursuant to the Share Sale Agreement
“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 Independent Shareholders’ approval in respect of the Capital Reduction, the Subscription Agreement, the Disposal Agreement, the Deed of Settlement (together with all transactions contemplated thereunder, including (but not limited to) the issue of the Convertible Preference Shares pursuant to the Subscription Agreement and the allotment and issue of the Conversion Shares upon conversion of the Convertible Preference Shares) and the proposed amendments to the memorandum of association and the bye-laws of the Company

“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company (which, following the Capital Reduction becoming effective, shall become Share(s) of HK\$0.001 each)
“Shareholder(s)”	holder(s) of the Share(s)
“Shareholder’s Loan”	all the outstanding loans or advances extended by MGL, MESB and MIL to the Group and interest thereon on the Completion Date, which amounted to approximately HK\$121.20 million as at 31 December 2005
“Share Offer”	the possible mandatory cash offer for all the issued Shares not already owned or agreed to be acquired by the Offeror or parties acting in concert with it at HK\$0.03155 per Share to be made by Celestial Capital on behalf of the Offeror in accordance with the Takeovers Code
“Share Sale Agreement”	the conditional Share Sale the agreement dated 30 March 2006 entered into by the Offeror, the MGL, MCB and Mr. Lee in relation to the sale and purchase of the Sale Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreement”	the conditional subscription agreement dated 30 March 2006 entered into among the Company, the Offeror and MCB in relation to the subscription by the Offeror of the Convertible Preference Shares to be issued by the Company
“Subscription Completion”	completion of the Subscription Agreement
“Subscription Price”	HK\$48,000,170, which is the same as the aggregate Notional Value of the Convertible Preference Shares
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Watary”	Watary Investment Limited, a wholly-owned subsidiary of the Company which was incorporated in the British Virgin Islands on 24 January 1992

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

By order of the sole director of
Dragon Hill Development Limited
Lee Shing
Sole director

Hong Kong, 30 March 2006

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 the Offeror and its associates) 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 the Offeror accepts full responsibility for the accuracy of the information contained in this announcement (other than information relating to the Group, MCB, MGL, MESB and MIL and their respective associates) 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 Standard**.*