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Magnum International Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock code: 305)

PROPOSED RIGHTS ISSUE ON THE BASIS OF ONE RIGHTS SHARE FOR EVERY TWO EXISTING SHARES HELD ON THE RECORD DATE AND RESUMPTION OF TRADING

Manager to the Rights Issue

CASH

Celestial Capital Limited

PROPOSED RIGHTS ISSUE

The Company proposes to raise approximately HK\$9.7 million, before expenses, by issuing 307,512,087 Rights Shares at a price of HK\$0.03155 per Rights Share by way of the Rights Issue on the basis of one Rights Share for every two Shares held on the Record Date. Qualifying Shareholders are entitled to apply for excess Rights Shares not taken up by other Qualifying Shareholders or transferees of the nil-paid Rights Shares in excess of their respective entitlements under the Rights Issue.

Net proceeds from the Rights Issue, after deduction of expenses, are expected to be approximately HK\$8.8 million and is intended to be applied by the Group as its general working capital and if suitable opportunities arise, for investments in properties in Hong Kong.

Dragon Hill, the controlling Shareholder, has irrevocably undertaken to the Company to take up and pay for its provisional entitlements in respect of 158,740,840 Rights Shares under the Rights Issue, and has agreed to underwrite the remaining Rights Shares, being 148,771,247 Rights Shares. Please refer to the paragraph headed "Underwriting Agreement" below for more details of the underwriting arrangement in relation to the Rights Issue. The Rights Issue will be carried out in compliance with Rule 7.21(1) of the Listing Rules. The Underwriting Agreement constitutes an exempt connected transaction for the Company under Rule 14A.31(3) of the Listing Rules, and is therefore exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Shareholders and potential investors should note that the Rights Issue is conditional upon Dragon Hill not having terminated the Underwriting Agreement in accordance with the terms thereof (a summary of the termination events is set out in the sub-paragraph headed "Termination of the Underwriting Agreement" below). Accordingly, the Rights Issue may or may not proceed.

Shareholders and potential investors should therefore exercise caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers. Shareholders should note that the Shares will be dealt in on ex-entitlement basis commencing from 10 August 2006. The Rights Shares will be dealt in their nil-paid form from 21 August 2006 to 28 August 2006, both days inclusive. Shareholders should note that dealings in the Shares and nil-paid Rights Shares will take place while the conditions to which the Underwriting Agreement is subject remain unfulfilled. Any Shareholder or other person dealing in the Shares and nil-paid Rights Shares up to the date on which all conditions to the Underwriting Agreement are fulfilled (which is expected to be 5 September 2006), will accordingly bear the risk that the Rights Issue may not become unconditional and may not proceed. Any Shareholder or other person contemplating selling or purchasing Shares, who is in any doubt about their position, is recommended to consult their own professional adviser.

GENERAL

Under the Listing Rules, Shareholders' approval is not required for the Rights Issue.

The Company will send the Prospectus Documents to each of the Qualifying Shareholders and, for information only, the Prospectus to each of the Excluded Shareholders (if any) on or about 17 August 2006.

RESUMPTION OF TRADING

At the request of the Company, trading in Shares on the Stock Exchange was suspended from 9:30 a.m. on 28 July 2006 pending the release of this announcement. The Company has made an application to the Stock Exchange for resumption of trading in Shares on the Stock Exchange with effect from 9:30 a.m. on 31 July 2006.

INTRODUCTION

The Company proposes to undertake the Rights Issue at a price of HK\$0.03155 per Rights Share on the basis of one Rights Share for every two existing Shares held on the Record Date.

ISSUE STATISTICS

Basis of the Rights Issue:	One Rights Share for every two Shares held at the close of business on the Record Date
Subscription Price:	HK\$0.03155 per Rights Share
Number of Shares in issue as at the date of this announcement:	615,024,175 Shares
Number of outstanding Convertible Preference Shares as at the date of this announcement:	1,521,400,000 Convertible Preference Shares with an aggregate notional value of HK\$48,000,170, carrying rights to subscribe for 1,521,400,000 Shares at the existing subscription price of HK\$0.03155 per Share (subject to adjustment)

Number of Rights Shares proposed to be issued:	307,512,087 Rights Shares (based on the number of Shares in issue as at the date of this announcement and the undertaking from Dragon Hill, holder of the Convertible Preference Shares, that no part of the conversion rights attaching to the Convertible Preference Shares will be exercised on or before the Record Date)
Number of Rights Shares undertaken to be taken up by Dragon Hill:	158,740,840 Rights Shares (based on the number of Shares held by Dragon Hill as at the date of this announcement)
Number of Rights Shares underwritten by Dragon Hill:	148,771,247 Rights Shares are fully underwritten by Dragon Hill in the capacity of underwriter pursuant to the Underwriting Agreement

As at the date of this announcement, Dragon Hill is interested in 317,481,680 Shares, representing approximately 51.62% of the existing issued share capital of the Company, and the Convertible Preference Shares. Pursuant to the Underwriting Agreement, Dragon Hill (i) has irrevocably undertaken to the Company to take up and pay for its provisional entitlements under the Rights Issue, being 158,740,840 Rights Shares (based on the number of Shares held by Dragon Hill as at the date of this announcement), and (ii) has agreed to underwrite the remaining Rights Shares, being 148,771,247 Rights Shares. Please refer to the paragraph headed “Underwriting Agreement” below for more details of the underwriting arrangement in relation to the Rights Issue.

Dragon Hill and Mr. Lee have undertaken not to exercise the conversion rights attaching to the Convertible Preference Shares held by Dragon Hill on or before the Record Date.

Save for the Convertible Preference Shares, there are no outstanding options, warrants or securities which confer rights to subscribe for, convert or exchange into Shares as at the date of this announcement.

SUBSCRIPTION PRICE

HK\$0.03155 per Rights Share, which is payable in full when a Qualifying Shareholder accepts the provisional allotment of Rights Shares or applies for excess Rights Shares or when a transferee of nil-paid Rights Shares subscribes for the relevant Rights Shares.

The Subscription Price:

- (i) is equivalent to the purchase price per Share for the 316,973,680 Shares acquired by Dragon Hill as announced by the Company on 31 March 2006 and the conversion price per Share, subject to adjustments, of the Convertible Preference Shares;
- (ii) represents a discount of approximately 75.54 % to the closing price of HK\$0.129 per Share as quoted on the Stock Exchange on 27 July 2006 (being the last trading day before the date of this announcement);
- (iii) represents a discount of approximately 67.31% to the theoretical ex-entitlement price of approximately HK\$0.0965 per Share based on the closing price per Share on 27 July 2006;
- (iv) represents a discount of approximately 69.87% to the average of the closing prices as quoted on the Stock Exchange for the last ten consecutive trading days up to and including 27 July 2006, being approximately HK\$0.1047 per Share; and
- (v) represents a discount of approximately 9.60% to the unaudited pro forma consolidated net asset value per Share of approximately HK\$0.0349, which is calculated based on (i) the unaudited pro forma consolidated net asset value of the Group upon completion of the allotment and issue of the Convertible Preference Shares, the disposal of certain then wholly-owned subsidiaries of the Company, and waiver and settlement of loans due by the Group to the then controlling Shareholder as

set out in appendix II to the circular issued by the Company dated 29 April 2006 (completion of such transactions took place in June 2006), being approximately HK\$21.49 million; and (ii) a total 615,024,175 Shares in issue as at the date of this announcement.

The Subscription Price has been determined based on arm's length negotiations between the Company and Dragon Hill, the controlling Shareholder and the underwriter of the Rights Issue with reference to, among other things, the prevailing market prices of the Shares and the unaudited pro forma consolidated net asset value per Share as set out above. Having taken into account the factors set out in the paragraph headed "Reasons for the Rights Issue and use of proceeds" below, the Directors consider the terms of the Rights Issue, including the Subscription Price, are fair and reasonable and the Rights Issue is in the interests of the Company and the Shareholders as a whole.

QUALIFYING SHAREHOLDERS AND EXCLUDED SHAREHOLDERS

The Rights Issue is only available to the Qualifying Shareholders. The Company will send the Prospectus Documents to Qualifying Shareholders and, for information only, the Prospectus to the Excluded Shareholders (if any).

To qualify for the Rights Issue, a Shareholder must at the close of business on the Record Date be registered member of the Company and not be an Excluded Shareholder.

In order to be registered as members of the Company on the Record Date, Shareholders must lodge any transfers of Shares (with the relevant share certificate(s)) with the Company's branch share registrar in Hong Kong, Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by 4:00 p.m. on 11 August 2006. It is expected that the last day of dealings in Shares on a cum-entitlement basis will be 9 August 2006, and the Shares will be dealt with on an ex-entitlement basis from 10 August 2006.

The Prospectus Documents will not be registered or filed under the applicable securities or equivalent legislation of any jurisdictions other than Hong Kong and Bermuda. Based on the register of members of the Company, as at 24 July 2006, there were seven Overseas Shareholders whose registered addresses as shown in the register of members of the Company are outside Hong Kong. In determining which Overseas Shareholders will be the Excluded Shareholders, the Directors, in accordance with Rule 13.36(2)(a) of the Listing Rules, will make enquiries regarding the legal restrictions under the laws of the relevant jurisdictions outside Hong Kong and the requirements of the relevant regulatory bodies or stock exchanges in those jurisdictions and will only exclude an Overseas Shareholder for the Rights Issue if they consider such exclusion to be necessary or expedient. The Company will include such information in the Prospectus.

Arrangements will be made for the Rights Shares which would otherwise have been provisionally allotted to the Excluded Shareholders to be sold in the open market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses, of more than HK\$100 will be paid pro rata to the relevant Excluded Shareholders in Hong Kong dollars. The Company will retain individual amounts of HK\$100 or less for its own benefit. Any unsold Rights Shares to which the Excluded Shareholders would otherwise have been entitled will be made available for excess application by the Qualifying Shareholders.

APPLICATION FOR EXCESS RIGHTS SHARES

A Qualifying Shareholder may apply for any unsold entitlements of the Excluded Shareholders and any Rights Shares provisionally allotted but not accepted by other Qualifying Shareholders or otherwise subscribed for by transferees of nil-paid Rights Shares. Application can be made by completing the EAF and lodging the same with remittance for the excess Rights Shares being applied. The Directors will allocate the excess Rights Shares at their discretion on a fair and equitable basis but preference will be given to topping-up odd lots to whole board lots of Shares. Shareholders with their Shares held by nominee

companies should note that the Directors will regard a nominee company as a single Shareholder according to the register of members of the Company; hence the aforesaid arrangement in relation to the topping-up of odd lots for allocation of excess Rights Shares will not be extended to the ultimate beneficial owners individually. Any Shareholder with his/her/its Shares held by a nominee company is advised to consider whether he/she/it would like to arrange for the registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date to increase the chance of allotment of the excess Rights Shares to him/her/it.

Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares, if any, are expected to be posted by 8 September 2006 by ordinary post to the relevant unsuccessful applicants at their own risk.

STATUS OF THE RIGHTS SHARES

The Rights Shares, when allotted, fully paid and issued, will rank *pari passu* in all respects with the Shares in issue on the date of allotment and issue of the Rights Shares. Holders of the fully-paid Rights Shares will be entitled to receive all future dividends and distributions which are declared, made or paid on or after the date of allotment and issue thereof.

The Rights Shares in both the nil-paid and fully-paid forms will be traded in board lot of 2,000 Shares. Dealings in the nil-paid and fully-paid Rights Shares will be subject to the payment of stamp duty, Stock Exchange trading fee, SFC transaction levy and other applicable fees and charges in Hong Kong.

Necessary arrangement will be made by the Company to provide matching services for the odd lots of the Shares after completion of the Rights Issue. Further details of such arrangement, if any, will be disclosed in the Prospectus.

FRACTIONAL ENTITLEMENT TO THE RIGHTS SHARES

The Company will not provisionally allot and issue and will not accept application for any fraction of the Rights Shares. Rights Shares representing the aggregate of fractions of Rights Shares (rounded down to the nearest whole number) will be provisionally allotted to a nominee appointed by the Company and, if a premium (net of expenses) can be obtained, will be sold in their nil-paid form by the Company or its appointed nominee and the net proceeds of sale will be retained by the Company for its own benefit. Any such unsold Rights Shares will be available for excess application.

APPLICATION FOR LISTING

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms. Dealings in the Rights Shares in their nil-paid and fully-paid forms will be subject to the payment of stamp duty in Hong Kong.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 14 August 2006 to 16 August 2006, both days inclusive, for the purpose of determining entitlement to the Rights Issue. No transfer of Shares will be registered during this period.

SHARE CERTIFICATES AND REFUND CHEQUES

Subject to fulfillment of the conditions of the Rights Issue, share certificates for the fully-paid Rights Shares and refund cheques in respect of wholly or partly unsuccessful applications for excess Right Shares, if any, are expected to be posted to those entitled thereto at their own risk on or before 8 September 2006.

UNDERWRITING AGREEMENT

On 28 July 2006, the Company as issuer and Dragon Hill as underwriter entered into the Underwriting Agreement pursuant to which Dragon Hill has agreed to underwrite in the capacity of underwriter a total of 148,771,247 Rights Shares. Dragon Hill is the controlling Shareholder holding 317,481,680 Shares, representing approximately 51.62% shareholding interest in the Company, and the Convertible Preference Shares. Under the Underwriting Agreement, Dragon Hill has also undertaken to the Company to take up and pay for its provisional entitlements under the Rights Issue, being 158,740,840 Rights Shares and not to exercise any conversion rights attaching to the Convertible Preference Shares to subscribe for Shares on or before the Record Date.

Dragon Hill does not underwrite issues of securities in its normal course of business. Dragon Hill acts as the underwriter of the Rights Issue as this enables the Company to plan on the basis of assured funds. The Company will pay to Dragon Hill an underwriting commission of 1.25% of the gross proceeds in respect of the Rights Shares underwritten by Dragon Hill under the Underwriting Agreement. The commission payable to Dragon Hill was determined after arm's length negotiations between the Company and Dragon Hill, and the Directors consider that it is on normal commercial terms and is comparable with the market rate. The Directors consider that the terms of the Underwriting Agreement are fair and reasonable.

TERMINATION OF THE UNDERWRITING AGREEMENT

Dragon Hill may terminate the Underwriting Agreement at any time if prior to 4:00 p.m. on the date of allotment of the Rights Shares (in their fully paid form), that is expected to be 5 September 2006:

- 1. the occurrence of the following events would, in the reasonable opinion of Dragon Hill, materially and adversely affect the business, financial or trading position or prospects of the Group as a whole or otherwise makes it inexpedient or inadvisable for the Company or Dragon Hill to proceed with the Rights Issue:**
 - (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever; or**
 - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic, currency or other nature (whether or not sui generis with any of the foregoing or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict); or**
 - (c) the occurrence of any change in market conditions or combination of circumstances in Hong Kong (including without limitation suspension or material restriction on trading in securities);**
- 2. any change occurs in the circumstances of the Company or any member of the Group which would materially and adversely affect the prospects of the Group as a whole;**
- 3. the Company commits any breach of or omits to observe any of the obligations or undertakings expressed to be assumed by it under the Underwriting Agreement;**
- 4. Dragon Hill shall receive notification pursuant to the Underwriting Agreement or shall otherwise become aware of, the fact that any of the representations or warranties contained in the Underwriting Agreement was, when given, untrue or inaccurate or would in any respect be untrue or inaccurate if repeated as provided in the Underwriting Agreement and Dragon Hill shall in its reasonable opinion determine that any such untrue representation or warranty**

represents or is likely to represent a material and adverse change in the business, financial or trading position or prospects of the Group as a whole or is otherwise likely to have a material and adverse effect on the Rights Issue; or

5. the Company shall, after any matter or event referred to in the Underwriting Agreement has occurred or come to the attention of Dragon Hill, fail promptly to send out any announcement or circular (after the despatch of the Prospectus Documents), in such manner (and as appropriate with such contents) as Dragon Hill may reasonably request for the purpose of preventing the creation of a false market in the securities of the Company.

Upon the giving of notice by Dragon Hill pursuant to the Underwriting Agreement, all obligations of Dragon Hill under the Underwriting Agreement shall cease and determine and (save for any antecedent breaches thereof) no party shall have any claim against any other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement.

CONDITIONS OF THE UNDERWRITING AGREEMENT

The Underwriting Agreement is subject to, inter alia, the following conditions being fulfilled:

1. the delivery to the Stock Exchange and filing and registration with the Registrar of Companies in Hong Kong respectively of one copy of each of the Prospectus Documents each duly certified by two Directors (or by their agents duly authorised in writing) in compliance with the Companies Ordinance (and all other documents required to be attached thereto) and otherwise complying with the requirements of the Companies Ordinance and the Listing Rules;
2. the posting of copies of the Prospectus Documents to the Qualifying Shareholders;
3. compliance by the Company with all its obligations under the terms of the Underwriting Agreement;
4. compliance by Dragon Hill and Mr. Lee of the terms of the irrevocable undertaking given by Dragon Hill on or before the Acceptance Date; and
5. the Listing Committee of the Stock Exchange (a) agreeing to grant the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms either unconditionally or subject to such conditions which Dragon Hill and in their reasonable opinion accept and the satisfaction of such conditions (if any); and (b) not having withdrawn or revoked such listing and permission on or before 5 September 2006.

If the above conditions are not satisfied and/or waived in whole or in part by Dragon Hill in writing on or before 27 October 2006 (or such other date as the Company and Dragon Hill may mutually agree in writing) or if the Underwriting Agreement shall be terminated as described above, all obligations and liabilities of the parties thereto shall cease and determine (save for any antecedent breach thereof). The Rights Issue is subject to the Underwriting Agreement becoming unconditional and not being terminated in accordance with its terms.

EXEMPT CONNECTED TRANSACTION

Dragon Hill, the underwriter in relation to the Rights Issue, is a controlling Shareholder and is therefore a connected person (as defined in the Listing Rules) of the Company. The Rights Issue will be carried out in compliance with Rule 7.21(1) of the Listing Rules. The Underwriting Agreement constitutes an exempt connected transaction for the Company under Rule 14A.31(3) of the Listing Rules, and is therefore exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

WARNING OF RISKS OF DEALING IN SHARES

Shareholders and potential investors should note that the Rights Issue is conditional upon Dragon Hill not having terminated the Underwriting Agreement in accordance with the terms thereof (a summary of the termination events is set out in the sub-paragraph headed "Termination of the Underwriting Agreement" above). Accordingly, the Rights Issue may or may not proceed.

Shareholders and potential investors should therefore exercise caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers. Shareholders should note that the Shares will be dealt in on ex-entitlement basis commencing from 10 August 2006. The Rights Shares will be dealt in their nil-paid form from 21 August 2006 to 28 August 2006, both days inclusive. Shareholders should note that dealings in the Shares and nil-paid Rights Shares will take place while the conditions to which the Underwriting Agreement is subject remain unfulfilled. Any Shareholder or other person dealing in the Shares and nil-paid Rights Shares up to the date on which all conditions to the Underwriting Agreement are fulfilled (which is expected to be 5 September 2006) will accordingly bear the risk that the Rights Issue may not become unconditional and may not proceed. Any Shareholder or other person contemplating selling or purchasing Shares, who is in any doubt about their position, is recommended to consult their own professional adviser.

EXPECTED TIMETABLE

The expected timetable for the Rights Issue is set out below for indicative purposes only and it has been prepared on the assumption that all the conditions of the Rights Issue will be fulfilled.

2006

Last day of dealings in Shares on cum-entitlement basis	Wednesday, 9 August
First day of dealings in Shares on ex-entitlement basis	Thursday, 10 August
Latest time and date for lodging transfers of Shares to qualify for the Rights Issue	4:00 p.m. on Friday, 11 August
Register of members for Shares closes (both dates inclusive)	Monday, 14 August to Wednesday, 16 August
Record Date	Wednesday, 16 August
Despatch of the Prospectus Documents	Thursday, 17 August
Register of members re-opens	Thursday, 17 August
First day of trading in nil-paid Rights Shares	Monday, 21 August
Latest time for splitting nil-paid Rights Shares	4:00 p.m. on Wednesday, 23 August
Last day of trading in nil-paid Rights Shares	Monday, 28 August
Latest time for acceptance of and payment for Rights Shares and for application and payment for excess Right Shares	4:00 p.m. on Thursday, 31 August
Latest time for the termination of the Underwriting Agreement and for the Rights Issue to become unconditional	4:00 p.m. on Tuesday, 5 September
Announcement of results of the Rights Issue	Friday, 8 September
Refund cheques in respect of wholly or partly unsuccessful applications for excess Rights Shares expected to be dispatched on or before	Friday, 8 September
Share certificates in respect of fully-paid Rights Shares expected to be posted on or before	Friday, 8 September
Commencement of dealings in fully-paid Rights Shares	Tuesday, 12 September

Times and dates stated in this announcement for events in the timetable are indicative only and may be extended or varied. Any changes to the anticipated timetable for the Rights Issue will be announced appropriately.

Note: If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong on the latest date for acceptance for the offer of Rights Shares at any time between 12:00 noon and 4:00 p.m., the latest acceptance time for the Rights Shares will be postponed to the next Business Day which does not have either of those warnings in force in Hong Kong at any time between 12:00 noon and 4:00 p.m..

SHAREHOLDING STRUCTURE OF THE COMPANY

Based on the existing shareholding structure of the Company and the undertaking from Dragon Hill that (i) it will take up and pay for its provisional entitlements under the Rights Issue, being 158,740,840 Rights Shares (based on the number of Shares held by Dragon Hill as at the date of this announcement), and (ii) it will not exercise any conversion rights attaching to the Convertible Preference Shares to subscribe for Shares on or before the Record Date, the shareholding structure of the Company immediately before and after completion of the Rights Issue is as follows:

	Immediately before completion of the Rights Issue		Immediately after completion of the Rights Issue (assuming all Qualifying Shareholders take up their respective entitlements under the Rights Issue)		Immediately after completion of the Rights Issue (assuming no Qualifying Shareholders (other than Dragon Hill) take up their entitlement under the Rights Issue)	
	<i>Number of Shares</i>	<i>Approximate percentage</i>	<i>Number of Shares</i>	<i>Approximate percentage</i>	<i>Number of Shares</i>	<i>Approximate percentage</i>
Dragon Hill	317,481,680	51.62	476,222,520	51.62	624,993,767	67.75
Public	297,542,495	48.38	446,313,742	48.38	297,542,495	32.25
Total	<u>615,024,175</u>	<u>100.00</u>	<u>922,536,262</u>	<u>100.00</u>	<u>922,536,262</u>	<u>100.00</u>

REASON FOR THE RIGHTS ISSUE AND USE OF PROCEEDS

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 for each of the two years ended 31 December 2005 of approximately HK\$6.3 million and HK\$8.8 million respectively. As at 31 December 2005, the audited consolidated net deficit of the Group was approximately HK\$53.83 million. As set out in appendix II to the circular issued by the Company dated 29 April 2006, the unaudited pro forma consolidated net asset value of the Group upon completion of the allotment and issue of the Convertible Preference Shares, the disposal of certain then wholly-owned subsidiaries of the Company and waiver and settlement of loans due to the then controlling Shareholder (completion of such events took place in June 2006) was approximately HK\$21.49 million.

Having considered the financial position of the Group as stated above, the Directors are of the view that it is in the interest of the Group and the Shareholders as a whole to strengthen the Group’s financial position, and they further consider that the Rights Issue provides an appropriate means for the Group to raise additional funds for such purpose. In addition, the Shareholders are allowed to participate in the Rights Issue in proportion to their shareholdings and in the business growth of the Group.

Based on the 307,512,087 Rights Shares proposed to be issued at the price of HK\$0.03155 per Rights Share, the net proceeds to be raised from the Rights Issue is currently expected to be approximately HK\$8.8 million, which will be used as the Group's general working capital and if suitable opportunities arise, for properties investments in Hong Kong.

FUND RAISING ACTIVITY OF THE COMPANY IN THE PAST 12 MONTHS

The fund raising activity of the Company in the past 12 months immediately preceding the date of this announcement is set out below:

Date of announcement	Description	Net proceeds	Intended use of net proceeds as announced	Actual use of net proceeds
30 March 2006	Allotment and issue of the Convertible Preference Shares at the aggregate subscription price of HK\$48,000,170	HK\$48,000,170	Settlement of the loans due by the Group to the then controlling Shareholder	Settlement of the loans due by the Group to the then controlling Shareholder

Save for the allotment and issue of the Convertible Preference Shares as mentioned above, the Company has not carried out any fund raising activities within the last 12 months prior to the date of this announcement.

ADJUSTMENTS TO THE CONVERTIBLE PREFERENCE SHARES

The Rights Issue will cause adjustments to the subscription price and the number of Shares to be issued upon exercise of the conversion rights attaching to the Convertible Preference Shares. The Company will engage professional accountants or merchant bank to review and certify the basis of such adjustments pursuant to the subscription agreement in relation to the Convertible Preference Shares. Details of the adjustment will be disclosed in an announcement published in the newspapers and in the Prospectus. The adjustment, if any, will take effect from the commencement of the date next following the Record Date. The Company will inform Dragon Hill, the holder of the Convertible Preference Shares, of such adjustments accordingly by written notice to it.

GENERAL

Under the Listing Rules, Shareholders' approval is not required for the Rights Issue.

The Company will send the Prospectus Documents to each of the Qualifying Shareholders and, for information only, the Prospectus to each of the Excluded Shareholders (if any) on or about 17 August 2006.

RESUMPTION OF TRADING

At the request of the Company, trading in Shares on the Stock Exchange was suspended from 9:30 a.m. on 28 July 2006 pending the release of this announcement. The Company has made an application to the Stock Exchange for resumption of trading in Shares on the Stock Exchange with effect from 9:30 a.m. on 31 July 2006.

DEFINITIONS

“Acceptance Date”	31 August 2006 or such other date as Dragon Hill may agree in writing with the Company as the latest date for acceptance of, and payment of, the Rights Shares
“Board”	the board of the Directors
“Company”	Magnum International Holdings Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Stock Exchange
“Convertible Preference Shares”	the 1,521,400,000 Convertible Preference Shares with an aggregate notional value of HK\$48,000,170, carrying rights to subscribe for Shares at the subscription price of HK\$0.03155 per Share (before adjustment)
“Director(s)”	the director(s) of the Company, including the independent non-executive directors of the Company
“Dragon Hill”	Dragon Hill Development Limited, (i) a company incorporated in Samoa which is solely owned by Mr. Lee and (ii) the controlling Shareholder
“EAF(s)”	the form(s) of application for use by the Qualifying Shareholders who wish to apply for excess Rights Shares, being in such usual form as may be agreed between the Company and Dragon Hill in the capacity of underwriter in relation to the Rights Issue
“Excluded Shareholder(s)”	Overseas Shareholders whose names appear on the register of members of the Company on the Record Date and whose addresses as shown on such register are outside Hong Kong where the Directors, after making enquiries by the Company, consider it necessary or expedient on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place not to offer the Rights Shares to such Shareholders
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Lee”	Mr. Lee Shing, the sole shareholder of Dragon Hill and a Director
“Overseas Shareholder(s)”	Shareholder(s) whose name(s) appear(s) on the register of members of the Company on the Record Date and whose registered address(es) on that date is/are in (a) place(s) outside Hong Kong
“PALs”	the provisional allotment letters being issued to Qualifying Shareholders in respect of their provisional entitlement under the Rights Issue

“PRC”	the People’s Republic of China, for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region and Taiwan
“Prospectus”	the prospectus to be despatched to the Qualifying Shareholders in connection with the Rights Issue
“Prospectus Documents”	the Prospectus, the PALs and the EAFs
“Qualifying Shareholder(s)”	the person(s) shown on the register of members of the Company on the Record Date, other than the Excluded Shareholders
“Record Date”	16 August 2006 or such other date as Dragon Hill in the capacity of underwriter may agree in writing with the Company for the determination of the entitlements under the Rights Issue
“Rights Issue”	the proposed offer of the Rights Shares at the Subscription Price upon the terms and conditions mentioned in the Underwriting Agreement
“Rights Shares”	the new Shares to be issued on the basis of one new share for every two Shares in issue on the Record Date pursuant to the Rights Issue
“Share(s)”	ordinary share(s) of HK\$0.001 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$0.03155 per Rights Share pursuant to the Rights Issue
“Underwriting Agreement”	the underwriting agreement dated 28 July 2006 entered into between the Company and Dragon Hill in the capacity of underwriter of the Rights Issue
“HK\$”	Hong Kong dollars, the legal currency in Hong Kong
“%”	per cent.

By order of the Board
Magnum International Holdings Limited
Lee Shing
Executive Director

Hong Kong, 28 July 2006

As at the date of this announcement, the Board comprises:

Executive Directors:

Mr. Lee Shing
Ms. Liu Yaling

Independent non-executive Directors:

Mr. Yu Xiumin
Mr. Zuo Duofu
Mr. Cheng Kin Wah, Thomas

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