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## **Magnum International Holdings Limited**

*(incorporated in Bermuda with limited liability)*

**(Stock code: 305)**

### **ANNOUNCEMENT IN RESPECT OF**

#### **(1) CONVERSION OF CONVERTIBLE PREFERENCE SHARES**

#### **(2) PLACING OF EXISTING SHARES BY SUBSTANTIAL SHAREHOLDER**

##### **CONVERSION OF CONVERTIBLE PREFERENCE SHARES**

The Company makes this announcement as per the requirement of the Stock Exchange in respect of the Conversion Shares to be allotted and issued upon the exercise of the conversion rights attached to the Convertible Preference Shares.

On 26 September 2006 Dragon Hill exercised the conversion right attached to the Convertible Preference Shares and 1,300,000,000 Conversion Shares are issued.

##### **PLACING OF EXISTING SHARES BY SUBSTANTIAL SHAREHOLDER**

The Company has been informed by Dragon Hill, which is a substantial shareholder of the Company, that the Placing Agreement has been entered into between Dragon Hill and the Placee pursuant to which the Dragon Hill has agreed to place, subject to the terms and conditions of the Placing Agreement, 110,000,000 Shares to the Placee at a price of HK\$0.039 per Share. The Placing Shares represent approximately 4.95% of the enlarged issued ordinary share capital of the Company immediately after the Conversion. Upon completion of the Placing, Dragon Hill's beneficial interest in the Company will be reduced from 1,776,222,520 Shares to 1,666,222,520 Shares, or from approximately 79.92% to approximately 74.97% of the enlarged issued ordinary share capital of the Company immediately after the Conversion.

### **CONVERSION OF CONVERTIBLE PREFERENCE SHARES**

References are made to (i) the joint announcement made by Magnum International Holdings Limited (the "Company") and Dragon Hill Development Limited ("Dragon Hill") dated 30 March 2006; (ii) the circular issued by the Company dated 29 April 2006 (the "Circular"); and (iii) an announcement made by the Company dated 16 August 2006 ("Adjustment Announcement"). Unless otherwise defined, the terms used in this announcement shall have the same meanings as those defined in the Circular.

The Company makes this announcement as per the requirement of the Stock Exchange in respect of the Conversion Shares to be allotted and issued upon the exercise of the conversion rights attached to the Convertible Preference Shares.

Upon the Subscription Completion which took place on 20 June 2006, 1,521,400,000 Convertible Preference Shares were issued to Dragon Hill. As disclosed in the Adjustment Announcement, the Conversion Price was adjusted to HK\$0.02372 per Share. The number of Shares convertible by the Convertible Preference Shares thus became 2,023,615,935 Shares.

The Directors would like to report that on 26 September 2006 Dragon Hill exercised the conversion right attached to the Convertible Preference Shares and 1,300,000,000 Conversion Shares are issued at the Conversion Price of HK\$0.02372 per Share. Such 1,300,000,000 Conversion Shares represents approximately 58.49% of the enlarged issued share capital of the Company. Accordingly, 723,615,935 Shares are convertible by the remaining Convertible Preference Shares as at 26 September 2006. Information regarding the total issued ordinary share capital of the Company as at 1 September 2006 and 26 September 2006 is set out below:

	<b>Aggregate nominal value of the Shares (HK\$)</b>	<b>Number of Shares</b>
As at 1 September 2006	615,024	615,024,175
Total number of Conversion Shares issued thereby	1,300,000	1,300,000,000
Total number of new Shares issued pursuant to other transactions		
— the Rights Issue	<u>307,512</u>	<u>307,512,087</u>
As at 26 September 2006	<u><u>2,222,536</u></u>	<u><u>2,222,536,262</u></u>

## **PLACING OF EXISTING SHARES BY SUBSTANTIAL SHAREHOLDER**

### **The Placing**

The Company has been informed by Dragon Hill that the Placing Agreement has been entered into on the terms summarized below:

### **Parties**

The parties to the Placing Agreement are:

- (1) Dragon Hill; and
- (2) the Placee

Based on the register kept by the Company pursuant to Part XV of the Securities and Futures Ordinance and after the Conversion, Dragon Hill is beneficially interested in 1,776,222,520 Shares and 544,030,744 Convertible Preference Shares, representing, immediately after the Conversion, approximately 79.92% of the issued ordinary share capital and 100% of the issued preference share capital of the Company, respectively. Upon completion of the Placing, Dragon Hill's beneficial interest in the Company will be reduced to 1,666,222,520 Shares, or approximately 74.97% of the issued ordinary share capital of the Company immediately after the Conversion. There will be no change in Dragon Hill's interest in Convertible Preference Shares. The Convertible Preference Shares are convertible into fully paid Shares at the conversion price of HK\$0.02372 per Share. Conversion of the remaining Convertible Preference Shares in full would result in an increase in Dragon Hill's beneficial interest in the Company to 2,389,838,455 Shares, representing approximately 81.12% of the enlarged issued ordinary share capital of the Company immediately after the Conversion.

## Placee

The Placee is a corporation. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Placee and its ultimate beneficial owner are third parties independent of the Company and connected persons of the Company.

## Placing price

HK\$0.039 per Share, representing a discount of approximately 36.07% to the closing price of HK\$0.061 per Share as quoted on the Stock Exchange on 25 September 2006.

## Number of Placing Shares

110,000,000 Shares, representing approximately 4.95% of the enlarged issued ordinary share capital of the Company immediately after the Conversion.

## Conditions of the Placing

The Placing is conditional upon, inter alia, there having been, prior to completion of the Placing, no breach of the representation, warranties, undertakings, covenants or agreements given by Dragon Hill under the Placing Agreement in any material respect.

## Completion of the Placing

Completion of the Placing is currently expected to take place on 29 September 2006.

## Shareholding structure of the Company

The shareholding structure of the Company (a) immediately before the Conversion; (b) immediately after the Conversion but before completion of the Placing and (c) after Conversion and completion of the Placing, are as follows:

	Immediately before the Conversion		Immediately after the Conversion but before completion of the Placing		After Conversion and completion of the Placing	
	<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	476,222,520	51.62%	1,776,222,520	79.92%	1,666,222,520	74.97%
Public	<u>446,313,742</u>	<u>48.38%</u>	<u>446,313,742</u>	<u>20.08%</u>	<u>556,313,742</u>	<u>25.03%</u>
Total	<u>922,536,262</u>	<u>100.00%</u>	<u>2,222,536,262</u>	<u>100.00%</u>	<u>2,222,536,262</u>	<u>100.00%</u>

The minimum public float requirement under the Listing Rules, being 25%, is complied with by the Company.

## Definition

“Conversion” the issue of 1,300,000,000 Conversion Shares upon partially exercise of the conversion right attached to the Convertible Preference Shares by Dragon Hill on 26 September 2006

“Convertible Preference Shares” the convertible preference shares of par value of \$0.001 each in the share capital of the Company carrying rights to subscribe for the Shares at the conversion price of \$0.02372 per Share

“Placee”	as at the date of this announcement a third party independent of the Company and connected persons of the Company
“Placing”	the placing of the Placing Shares in accordance with the Placing Agreement
“Placing Agreement”	the placing agreement dated 26 September 2006 between Dragon Hill and the Placee
“Placing Shares”	110,000,000 Shares beneficially owned by Dragon Hill which is placed to the Placee
“Rights Issue”	the issue of 307,512,087 new Shares by the Company at a price of \$0.03155 per new Share by way of rights issue on the basis of one new Share for every two Shares held on 16 August 2006 and the completion of such rights issue took place on 5 September 2006

By order of the Board  
**Magnum International Holdings Limited**  
**Lee Shing**  
*Chairman*

Hong Kong, 26 September 2006

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

*Executive Directors:*

Mr. Lee Shing

Ms. Liu Yaling

Mr. Wang Shaohua

Mr. Pei Qingrong

*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**.*