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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 11 October 2006 Dragon Hill exercised the conversion right attached to the Convertible Preference Shares and 723,615,935 Conversion Shares are issued. Accordingly, all the Convertible Preference Shares issued on 20 June 2006 have been converted into Conversion Shares on 11 October 2006.

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 Agreements have been entered into between Dragon Hill and the Placees pursuant to which the Dragon Hill has agreed to place, subject to the terms and conditions of the Placing Agreements, 200,000,000 Shares to the Placees at a price of HK\$0.045 per Share. The Placing Shares represent approximately 6.79% 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 2,389,838,455 Shares to 2,189,838,455 Shares, or from approximately 81.12% to approximately 74.33% 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"); (iii) an announcement made by the Company dated 16 August 2006 ("Adjustment Announcement"); and (iv) an announcement made by the Company dated 26 September 2006 ("Conversion 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. On 26 September 2006 Dragon Hill exercised the conversion right attached to the Convertible Preference Shares and 1,300,000,000 Conversion Shares were issued at the Conversion Price of HK\$0.02372 per Share as disclosed in the Conversion Announcement.

The Directors would like to report that on 11 October 2006 Dragon Hill exercised the conversion rights attached to the Convertible Preference Shares and 723,615,935 Conversion Shares are issued at the Conversion Price of HK\$0.02372 per Share. Such 723,615,935 Conversion Shares represents approximately 24.56% of the enlarged issued share capital of the Company. Accordingly, all the Convertible Preference Shares issued on 20 June 2006 have been converted into Conversion Shares on 11 October 2006. Information regarding the total issued ordinary share capital of the Company as at 1 October 2006 and 11 October 2006 is set out below:

	Aggregate nominal value of the Shares (HK\$)	Number of Shares
As at 1 October 2006	2,222,536	2,222,536,262
Total number of Conversion Shares issued thereby	<u>723,616</u>	<u>723,615,935</u>
As at 11 October 2006	<u><u>2,946,152</u></u>	<u><u>2,946,152,197</u></u>

PLACING OF EXISTING SHARES BY SUBSTANTIAL SHAREHOLDER

The Placing

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

Parties

The parties to the respective Placing Agreements are:

- (1) Dragon Hill; and
- (2) the respective Placees

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 2,389,838,455 Shares, representing, immediately after the Conversion, approximately 81.12% of the issued ordinary share capital of the Company. Upon completion of the Placing, Dragon Hill's beneficial interest in the Company will be reduced to 2,189,838,455 Shares, or approximately 74.33% of the issued ordinary share capital of the Company immediately after the Conversion.

Placees

The Placees are two individual persons. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, both Placees are third parties independent of the Company and connected persons of the Company.

Placing price

HK\$0.045 per Share, representing a discount of approximately 29.69% to the closing price of HK\$0.064 per Share as quoted on the Stock Exchange on 10 October 2006.

Number of Placing Shares

200,000,000 Shares, representing approximately 6.79% 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 16 October 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	
	Number of Shares	Approximate percentage	Number of Shares	Approximate percentage	Number of Shares	Approximate percentage
Dragon Hill	1,666,222,520	74.97%	2,389,838,455	81.12%	2,189,838,455	74.33%
Public	<u>556,313,742</u>	<u>25.03%</u>	<u>556,313,742</u>	<u>18.88%</u>	<u>756,313,742</u>	<u>25.67%</u>
Total	<u><u>2,222,536,262</u></u>	<u><u>100.00</u></u>	<u><u>2,946,152,197</u></u>	<u><u>100.00%</u></u>	<u><u>2,946,152,197</u></u>	<u><u>100.00%</u></u>

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

Definition

“Conversion”	the issue of 723,615,935 Conversion Shares upon complete exercise of the conversion right attached to the Convertible Preference Shares by Dragon Hill on 11 October 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
“Placees”	as at the date of this announcement both two individual persons are third parties independent of the Company and connected persons of the Company
“Placing”	the placing of the Placing Shares in accordance with the Placing Agreements

“Placing Agreements”	the respective placing agreement dated 11 October 2006 between Dragon Hill and respective Placee
“Placing Shares”	200,000,000 Shares beneficially owned by Dragon Hill which are placed to the Placees
“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, 11 October 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**.*