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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Magician Industries (Holdings) Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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**MAGICIAN INDUSTRIES (HOLDINGS) LIMITED**

**通達工業（集團）有限公司\***

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 526)

**(A) PROPOSED ISSUE AND PLACING OF UP TO HK\$26,000,000  
ZERO-COUPON CONVERTIBLE BONDS DUE 2009  
(B) GRANT OF SPECIAL MANDATE  
(C) NOTICE OF SPECIAL GENERAL MEETING**

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A notice convening a special general meeting of Magician Industries (Holdings) Limited to be held at Flat A, 2nd Floor, Yeung Yiu Chung (No.6) Industrial Building, 19 Cheung Shun Street, Cheung Sha Wan, Kowloon, Hong Kong at 10:00 a.m. on 24 July 2007 is set out on pages 17 and 18 of this circular. Whether or not you intend to attend the meeting, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same with Magician Industries (Holdings) Limited at its principal place of business in Hong Kong at Flat A, 2nd Floor, Yeung Yiu Chung (No.6) Industrial Building, 19 Cheung Shun Street, Cheung Sha Wan, Kowloon, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the meeting or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

\* For identification purpose only

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions have the following meanings:*

“associates”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Bondholder(s)”	holder(s) of the Convertible Bonds
“Business Day”	any day (excluding Saturday) on which banks in Hong Kong are open for business throughout their normal business hours
“Bye-laws”	Bye-laws of the Company
“Company”	Magician Industries (Holdings) Limited, a company incorporated in Bermuda with limited liability and the Shares of which are listed on the main board of the Stock Exchange
“Connected Person(s)”	has the meaning ascribed to it under the Listing Rules
“Conversion Price”	HK\$0.15 per Share
“Conversion Right”	the right of holder(s) of the Convertible Bonds to convert the whole or part of the principal amount of the Convertible Bonds into Shares subject to the terms and conditions of the Placing
“Conversion Share(s)”	Share(s) which may be allotted and issued on the exercise of the Conversion Right attached to the Convertible Bonds
“Convertible Bonds”	the HK\$26,000,000 zero-coupon convertible bonds of the Company due upon the expiry of eighteen months from the Issue Date to be issued pursuant to the Placing Agreement or, as the context may require, those outstanding principal amounts thereof for the time being or any number of them
“Director(s)”	the director(s) of the Company
“Existing General Mandate”	the general mandate granted to the Board at the annual general meeting of Company on 27 September 2006 to allot, issue and otherwise deal in up to 173,746,688 Shares
“Group”	the Company and its subsidiaries
“HK\$”	the lawful currency for the time being of Hong Kong

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## DEFINITIONS

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“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	such person(s) who is/are independent of and not connected nor acting in concert with the directors, chief executive, management shareholders or substantial shareholders of the Company or its subsidiaries, or any of their respective associates
“Issue Date”	the date of first issue of the Convertible Bonds or, as the case may be and as regards to each Placee, the date of allotment and issue of the relevant amount of the Placing Bonds to such Placee
“Latest Practicable Date”	5 July 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Maturity Date”	the maturity date of the Convertible Bonds, which shall be the date falling eighteen months after the Issue Date or, as the case may be, the date of allotment and issue, of the relevant principal amount of the Convertible Bonds to such Bondholder (or, if that is not a Business Day, the first Business Day thereafter)
“Placee(s)”	professional, institutional or private investor(s) procured by or on behalf of the Placing Agent to subscribe for any of the Placing Bonds pursuant to the Placing Agreement
“Placing”	the offer by way of private placement of the Placing Bonds by or on behalf of the Placing Agent to the selected Placees pursuant to the Placing Agreement
“Placing Agent”	IBTS Asia (HK) Limited, a licensed corporation permitted to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Placing Agreement”	the conditional placing agreement dated 27 June 2007 entered into between the Company and the Placing Agent in respect of the Placing
“Placing Bonds”	the Convertible Bonds with the maximum principal amount of HK\$26,000,000 to be placed pursuant to the Placing
“SGM”	the special general meeting of the Company to be convened for the purpose of considering (among other things), and if thought fit, approving the issue of the Convertible Bonds

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## DEFINITIONS

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“Shareholder(s)”	the holder(s) of the Shares
“Share(s)”	ordinary share(s) of HK\$0.10 each in the capital of the Company
“Special Mandate”	a special mandate to allot and issue Shares to be sought from the Shareholders at the SGM to satisfy any Shares which will fall to be allotted and issued upon conversion of the Convertible Bonds
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed thereto under the Listing Rules
“%”	per cent.

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## LETTER FROM THE BOARD

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MAGICIAN INDUSTRIES (HOLDINGS) LIMITED

通達工業(集團)有限公司\*

(Incorporated in Bermuda with limited liability)

(Stock Code: 526)

*Execution Director:*

Mr Xu Jin (*Chairman*)

*Non-executive Director:*

Mr Lau Kin Hon

*Independent non-executive Directors:*

Mr He Chengyin

Mr Chan Man Sum Ivan

Mr Cheung Kiu Cho Vincent

*Registered office:*

Clarendon House

Church Street

Hamilton HM 11

Bermuda

*Principal place of business in*

*Hong Kong:*

Flat A, 2nd Floor

Yeung Yiu Chung (No.6) Industrial Building

19 Cheung Shun Street

Cheung Sha Wan

Kowloon

Hong Kong

6 July 2007

*To the Shareholders*

Dear Sir/Madam,

**(A) PROPOSED ISSUE AND PLACING OF UP TO HK\$26,000,000  
ZERO-COUPON CONVERTIBLE BONDS DUE 2009  
(B) GRANT OF SPECIAL MANDATE  
(C) NOTICE OF SPECIAL GENERAL MEETING**

### **I. INTRODUCTION**

Reference is made to the announcement made by the Company dated 28 June 2007 relating to, among other matters, the Placing Agreement, the creation and issue of the Convertible Bonds and the seeking of the grant of the Special Mandate from the Shareholders for the allotment and issue of Shares upon exercise of the Conversion Right attached to the Convertible Bonds.

### **II. PLACING AGREEMENT**

Date: 27 June 2007

Placing Agent: The Placing Agent has been appointed by the Company as its placing agent in relation to the Placing, which is to be undertaken on a best effort basis and is not underwritten by the Placing Agent.

\* For identification purpose only

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## LETTER FROM THE BOARD

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To the best knowledge of the Directors, the Placing Agent and its ultimate beneficial owner are Independent Third Parties.

Placees: The Placing Bonds will be placed to not less than six Placees.

To the best knowledge of the Directors, the Placees and their respective ultimate beneficial owners are Independent Third Parties and not Connected Persons of the Company and none of the Placees will become substantial shareholders of the Company immediately following the Placing.

To the best knowledge of the Directors, no Connected Person of the Company has any material interest in the Placing.

As at the date of this circular, the Placing Agent confirmed to the Company that it had received confirmations from the Placees to subscribe for the Placing Bonds in the aggregate principal amount of approximately HK\$25,500,000. Further announcement on the amount of the Placing Bonds actually placed through the Placing Agent will be made by the Company after completion of the Placing.

Placing Bonds: The Convertible Bonds with an aggregate principal amount of up to HK\$26,000,000.

Placing Price: The face value of the principal amount of the Placing Bonds.

Placing commission: The Company will pay to the Placing Agent a placing commission of 1% of the aggregate Placing Price of the Placing Bonds placed by the Placing Agent as at the completion date of the Placing (which was determined by agreement after arm's length negotiation between the Company and the Placing Agent based on the size of the Placing and the general market conditions).

Completion: Completion of the Placing Agreement will take place on or before the third Business Day after satisfaction (or, if applicable, waiver) of all the conditions listed under the paragraph headed "V. Conditions for completion of the Placing Agreement" below, or such later date as may be agreed by the Company and the Placing Agent.

Reason for the Placing: The Directors consider that the Placing will increase the capital base of the Company and strengthen its financial position for future development of the business and operation of the Group.

The Directors consider that the terms of the Placing Agreement (including the placing commission payable to the Placing Agent thereunder), which were arrived at after arm's length negotiation between the Company and the Placing Agent, are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

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## LETTER FROM THE BOARD

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### III. PRINCIPAL TERMS OF THE CONVERTIBLE BONDS

The principal terms of the Convertible Bonds were determined after arm's length negotiations between the relevant parties and are summarized below:

**Principal amount:**

Up to the aggregate principal amount of HK\$26,000,000 (which, if the Conversion Right attaching to the Convertible Bonds are exercised in full at the Conversion Price, may result in the issue of 173,333,333 Shares, representing:

- (i) about 19.95% of the existing issued share capital of the Company;
- (ii) about 16.63% of the enlarged issued share capital of the Company assuming full exercise of the Convertible Bonds,

and the impact on the shareholding structure of the Company are set out in the paragraph headed "VII. Shareholding structure of the Company" below.

**Non-Interest bearing:**

No interest shall accrue or be payable on the Convertible Bonds under any circumstance.

**Redemption right of the Company:**

If the Convertible Bonds or any part thereof are not converted into Shares, the Company shall have the right at any time during the period commencing from the date immediately following the Issue Date and expiring on the Maturity Date to redeem the whole or part of the outstanding Convertible Bonds at a premium at the rate of 10% of the principal amount of the Convertible Bonds to be redeemed.

**Maturity Date:**

The date falling eighteen months after the Issue Date or, as the case may be, the date of allotment and issue of the relevant amount of the Convertible Bonds to such Bondholder(s).

**Conversion Right:**

The Convertible Bonds are convertible in whole or in part into new Shares at any time during the period commencing from the first Business Day falling six months following the Issue Date up to 4:00 p.m. on the second Business Day before the Maturity Date (excluding the Maturity Date), at the Conversion Price, subject to adjustment as set out in the sub-paragraph "Conversion Price" below. Any conversion shall be made in amounts of not less than a whole multiple of HK\$500,000 and no fraction of a Share shall be issued on conversion.

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## LETTER FROM THE BOARD

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### Conversion Price:

The conversion price at which each Share shall be issued upon exercise of the Conversion Right shall be HK\$0.15 (subject to adjustment for, among other matters, subdivision or consolidation of Shares, bonus issues, capital reduction, rights issue and other events which have diluting effects on the issued share capital of the Company). The Company shall instruct an approved merchant bank to consider whether any adjustment should be made to the Conversion Price in order to fairly and appropriately reflect the relative interests of the Company and the Bondholders.

The Conversion Price was arrived at after arm's length negotiations between the relevant parties and with reference to the financial situation of the Company.

The Conversion Price represents (collectively, the "Benchmarked Price"):

- (a) a discount of approximately 50% to the closing price of the Shares of HK\$0.3 per Share as quoted on the Stock Exchange on 26 June 2007, being the last trading day immediately before the date of the Placing Agreement;
- (b) a discount of approximately 51.6% to the average closing price of the Shares of HK\$0.31 per Share for the 5 trading-day period ended on 26 June 2007 (inclusive); and
- (c) a discount of approximately 44.4% to the closing price of the Shares of HK\$0.27 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Directors are of the view that taking into account that the Group is currently in tight cashflow position, the new Shares which will fall to be allotted and issued upon conversion of the Convertible Bonds shall be allotted and issued at a price representing a discount of 20% or more to the Benchmarked Price of the Shares. Brief details are set out as follows:

1. as at 30 September 2006, the Group had trade payables of over HK\$53.9 million (unaudited); of which \$24.3 million (unaudited) was due for over 3 months. The credit terms enjoyed by the Group from the suppliers were between 0 to 80 days in general. Moreover, the Group had bank loans of HK\$133 million (unaudited) and advance and borrowings from Shareholders of over HK\$29.8 million (unaudited) as at 30 September 2006;
2. as at 31 May 2007, an aggregate amount of about HK\$16.8 million (unaudited) being trade payables of two subsidiaries of the Company were already due for over 3 months. Some suppliers have ceased to supply materials to the Group and notified the Group that supply will be made only after settlement of the outstanding trade payables. There are other suppliers who had raised their concerns on the long overdue payment verbally;
3. by 18 May 2007, an aggregate amount of about HK\$35.8 million (unaudited) being loans from Shareholders would have been overdue and the Company was only able to reach agreements with such Shareholders for extension of repayment of such loans to September 2007;

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## LETTER FROM THE BOARD

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4. although the Group is able to generate sufficient cashflow to cover its production costs and daily expenses, the long subsisting loans and the interests accrued on them exerted great pressure over the Group;
5. the Group intends to exploit the forthcoming peak trading season from July through September by taking increased amount of sales orders. On the other hand, the proposed expansion of sales volume requires corresponding procurement of production materials from suppliers and their continuous support. To secure the continuous support from suppliers, the suppliers' concern over the trade payables overdue has to be resolved.

Save as disclosed in this circular above, to the best knowledge of the Directors, there are no other factors and situations which materially and adversely affect the financial position of the Company since its publication of the last interim financial result as at 30 September 2006.

### **Conversion Shares:**

The Conversion Shares will be issued free from any encumbrances or third party rights of any kind and will rank *pari passu*, in all respects with the existing issued Shares together with all rights to dividends and other distributions declared, made or paid on or after the date of the exercise of the Conversion Right.

### **Mandatory Redemption:**

The instrument constituting the Convertible Bonds contained an events of default provision which provides that on the occurrence of certain events of default specified therein (including, among other things, default be made by the Company in the performance of the instrument constituting the Convertible Bonds; dissolution of the Company; disposal of all or substantially all of the assets by the Company; a receiver is appointed of or a distress is levied on the assets of the Company; or the Shares are suspended for a certain period specified therein), the Bondholder may, unless such event of default has been waived in writing by it, by notice in writing require the Company to redeem the whole (but not part) of the outstanding principal amount of the Convertible Bonds at the redemption amount which is 110% of the principal amount of the outstanding Convertible Bonds.

### **Final redemption and repayment:**

Unless the Conversion Right attaching to the Convertible Bonds have been exercised during the conversion period in accordance with its terms, the Company is obliged to make any redemption, in cash, of the principal amount of the Convertible Bonds which remain outstanding by 4:00 p.m. (Hong Kong time) on the Maturity Date at the redemption amount which is 110% of the principal amount of the outstanding Convertible Bonds.

### **Voting:**

Each Bondholder shall not be entitled to receive notice of, attend or vote at any general meeting of the Company by reason only of its being a Bondholder.

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## **LETTER FROM THE BOARD**

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### **Transferability:**

The Convertible Bonds may not be assigned or transferred in whole or in part to any third party without the prior written consent of the Company (such consent not to be unreasonably withheld or delayed).

The Directors consider that the terms of the Convertible Bonds, which were arrived at after arm's length negotiation between the Company and the Placing Agent and are on normal commercial terms, are fair and reasonable and are in the interests of the Company and its Shareholders as a whole.

The Company and its Directors undertake to the Stock Exchange that they will notify the Stock Exchange any dealings by the Connected Persons of the Company in the Convertible Bonds from time to time immediately upon the Company becoming aware of it.

### **IV. REASONS FOR THE ISSUE OF THE CONVERTIBLE BONDS**

The Directors have considered various means available to raise funds in the capital market or obtaining loans and other general banking facilities from the banks and financial institutions but are of the view that the issue of the Convertible Bonds is an appropriate means of raising additional capital for the Company since (i) it will not have an immediate dilution effect on the shareholding of the existing Shareholders of the Company; (ii) no interest shall accrue or be payable on the Convertible Bonds under any circumstance; and (iii) if the Conversion Right attached to the Convertible Bonds are exercised, the financial position of the Group will be strengthened with the conversion of debt into further equity capital.

### **V. CONDITIONS FOR COMPLETION OF THE PLACING AGREEMENT**

The Placing is conditional on the following conditions being fulfilled:

- (1) the Listing Committee of the Stock Exchange having granted listing of and permission to deal in the Shares to be issued upon the exercise of Conversion Right attaching to the Convertible Bonds (including the Placing Bonds);
- (2) none of the warranties, representations, undertakings and agreements made by the Company and set out in the Placing Agreement having been breached in any material respect (or, if capable of being remedied, has not been remedied), or is misleading or untrue in any material respect; and
- (3) the Board approving and authorising the execution and completion of the Placing Agreement and the instrument constituting the Convertible Bonds, the creation and issue of the Convertible Bonds (including the Placing Bonds) and the allotment and issue of Shares on the exercise of the Conversion Right attaching to the Convertible Bonds (including the Placing Bonds).

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## LETTER FROM THE BOARD

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If any of the above conditions are not fulfilled or as to those under items (2) and (3) above being waived by the Placing Agent by 5:00 p.m. (Hong Kong time) on or before 30 days from the date of the Placing Agreement or such other date as the Company and the Placing Agent shall agree in writing, the Placing Agreement shall terminate and the respective obligations of the parties under the Placing Agreement shall forthwith cease and terminate and none of the Company or the Placing Agent shall have any claim against the other of them (save for any antecedent breaches).

### VI. USE OF PROCEEDS

Subject to completion of the Placing and assuming the Placing Bonds are subscribed for full, the estimated net proceeds expected to be raised from the issue of the Convertible Bonds is approximately HK\$25.4 million, after deducting professional fees and all related expenses (the net proceeds expected to be raised therefrom will be HK\$0.147 per Conversion Share, assuming full exercise of the Convertible Bonds at the conversion price of HK\$0.15 per Share after deduction of all related expenses). The Company will use the estimated net proceeds as to approximately HK\$5 million for repayment of bank loan and as to the remaining amount for repayment of the overdue trade payables to suppliers.

### VII. SHAREHOLDING STRUCTURE OF THE COMPANY

As at the date of this circular, there are a total of 868,733,440 Shares in issue. There are no outstanding options nor convertible securities of the Company as at the date of this circular.

The following table summarises the Company's existing shareholding structure and the shareholding structure assuming and immediately after issue of Shares upon full conversion of the Convertible Bonds at the Conversion Price:

Shareholder(s)	Existing shareholdings as at the date of this circular <i>(Note 1)</i>		Immediately after issue of Shares upon the exercise of the Conversion Right attached to the Convertible Bonds in full at the Conversion Price	
	<i>No. of Share(s) held</i>	<i>Shareholding (%)</i>	<i>No. of Share(s) held</i>	<i>Shareholding (%)</i>
Xu Jin	253,837,198	29.22	253,837,198	24.36
Transpac Nominees Pte Ltd. <i>(Note 2)</i>	138,881,577	15.99	138,881,577	13.33
Big-Max Manufacturing Co., Limited <i>(Note 3)</i>	143,492,000	16.52	143,492,000	13.77
Silvermark International Limited <i>(Note 4)</i>	55,657,926	6.41	55,657,926	5.34
<b>Public (other than Placees)</b>	276,864,739	31.86	276,864,739	26.57
<b>Placees</b>	nil	nil	173,333,333	16.63
<b>Public – subtotal</b>	276,864,739	31.86	450,198,072	43.20
<b>Total</b>	<b><u>868,733,440</u></b>	<b><u>100.00</u></b>	<b><u>1,042,066,773</u></b>	<b><u>100.00</u></b>

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## LETTER FROM THE BOARD

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*Notes:*

1. The number of existing Shares held by the Shareholders is based on the register of members of the Company as at 5 July 2007. Percentage shareholdings as shown above added up together for certain items may not be equal to the total figures due to rounding approximation.
2. Transpac Nominees Pte Ltd. is a wholly-owned subsidiary of Transpac Capital Pte Ltd., a private equity investment firm incorporated in Singapore. Transpac Capital Pte Ltd., is deemed to have beneficial interest in 155,795,577 Shares of the Company through Transpac Nominees Pte Ltd.
3. Mr Li Li Xin is deemed to have a beneficial interest in 143,492,000 Shares of the Company through Big-Max Manufacturing Co., Limited, 90% of its issued share capital is beneficially owned by Mr Li Li Xin. Ms Jin Ya Er, being the spouse of Mr Li Li Xin, is deemed to have a beneficial interest in 143,492,000 Shares of the Company.
4. Ms Zhou Hui Lian is deemed to have a beneficial interest in 55,657,926 Shares of the Company through Silvermark International Limited, the entire issued share capital of which is beneficially owned by Ms Zhou Hui Lian.

To the best knowledge, information and belief of the Directors, the issue of the Convertible Bonds by itself will not introduce any new substantial shareholder assuming the Convertible Bonds are converted in full at the Conversion Price as at the date of this circular.

### **VIII. FUND RAISING ACTIVITIES BY THE COMPANY DURING THE PAST 12 MONTHS**

The Company has not undertaken any equity fund raising activities within the 12 months immediately prior to the date of this circular.

### **IX. APPLICATION FOR LISTING**

No application will be made by the Company for listing of the Convertible Bonds on any stock exchanges.

Application will be made by the Company to the Stock Exchange for the grant of listing of and permission to deal in the Conversion Shares.

### **X. EXISTING GENERAL MANDATE AND SPECIAL MANDATE**

The Board was granted the Existing General Mandate at the annual general meeting of the Company held on 27 September 2006 to allot, issue and otherwise deal in up to 173,746,688 Shares, representing 20% of the share capital of the Company in issue on the date of the aforementioned annual general meeting. The Directors have not, prior to the date of this circular, exercised any of their powers conferred by such general mandate. However, as the Conversion Price at which each Share shall be issued upon exercise of the Conversion Right represents a discount of 20% or more to the Benchmarked Price of the Shares, the Shares which will fall to be allotted and issued upon conversion of the Convertible Bonds will not be issued under the Existing General Mandate, but the Company will seek the grant of a Special Mandate (which is in addition to, and will not prejudice nor revoke the Existing General Mandate) to allot and issue the Shares to satisfy the exercise of the Conversion Right attached to the Convertible Bonds at the SGM to be convened and held by the Company.

No shareholder will be required to abstain from voting at the SGM under the Listing Rules or the Bye-laws of the Company.

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## LETTER FROM THE BOARD

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### **XI. SGM**

The SGM will be convened and held to approve (i) the Placing Agreement, (ii) the creation and issue of the Convertible Bonds and (iii) the allotment and issue of the Company's Shares that are required to satisfy the exercise of the Conversion Right attaching to the Convertible Bonds.

Notice of the SGM is set out on pages 17 and 18 of this circular.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend, you are requested to complete and return the enclosed form of proxy, in accordance with the instructions printed thereon and deposit the same with Magician Industries (Holdings) Limited at its principal place of business in Hong Kong at Flat A, 2nd Floor, Yeung Yiu Chung (No.6) Industrial Building, 19 Cheung Shun Street, Cheung Sha Wan, Kowloon, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the meeting or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

### **XII. RIGHT TO DEMAND A POLL**

Bye-law 66 provides that a resolution put to the vote of a meeting shall be decided on a show of hands unless voting by way of poll is required by the Listing Rules on (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded:

- (a) by the chairman of such meeting; or
- (b) by at least three members present in person (or in the case of a member being a corporation by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or
- (c) by a member or members present in person (or in the case of a member being a corporation by its duly authorised representative) or by proxy and representing not less than one-tenth of the total voting rights of all members having the right to vote at the meeting; or
- (d) by a member or members present in person (or in the case of a member being a corporation by its duly authorised representative) or by proxy and holding Shares in the Company conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all Shares conferring that right; or
- (e) if required by the rules of the Designated Stock Exchange (as defined in the Bye-laws), by the chairman of the meeting and/or the Director or Directors who, individually or collectively, hold proxies in respect of shares representing five per cent or more of the total voting rights of all the members having the right to vote at the meeting.

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## LETTER FROM THE BOARD

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A demand by a person as proxy for a member or in the case of a member being a corporation by its duly authorised representative shall be deemed to be the same as a demand by a member.

Bye-law 67 provides that unless a poll is duly demanded and the demand is not withdrawn, a declaration by the chairman that a resolution has been carried, or carried unanimously, or by a particular majority, or not carried by a particular majority, or lost, and an entry to that effect made in the minute book of the Company, shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded for or against the resolution.

### **XIII. BUSINESS OF THE GROUP**

The Group is principally engaged in the manufacture and trading of plastic and metal household products.

### **XIV. ADDITIONAL INFORMATION**

Your attention is also drawn to the additional information as set out in the appendix to this circular and the notice of the SGM.

Yours faithfully  
By Order of the Board  
**MAGICIAN INDUSTRIES (HOLDINGS) LIMITED**  
**Xu Jin**  
*Chairman*

## 1 RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular concerning the Company and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts not contained in this circular the omission of which would make any statement herein misleading.

## 2. SHARE CAPITAL

As at the Latest Practicable Date, the authorised and issued share capital of the Company were as follows:

<i>Authorised:</i>	<i>HK\$</i>
<u>4,000,000,000</u> ordinary shares of HK\$0.10 each	<u>400,000,000.00</u>
<i>Issued and fully paid:</i>	<i>HK\$</i>
<u>868,733,440</u> ordinary shares of HK\$0.10 each	<u>86,873,344</u>

All the existing issued Shares rank pari passu in all respects including all rights as to dividends, voting and return of capital.

## 3. INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVES IN SHARES

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executives of the Company and their respective associates in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the director is taken or deemed to have under such provisions of the SFO), (b) the Model Code for Securities Transactions by Directors of Listed Issuers or (c) which were required to be entered into the register pursuant to section 352 of the SFO were as follows:

Long positions in the Shares in the Company

<b>Name of Director</b>	<b>Capacity</b>	<b>Number of issued Shares held</b>	<b>Percentage of the issued share capital of the Company</b>
Xu Jin	Beneficial owner	253,837,198	29.22

Saved as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executives of the Company and their respective associates had any interests and short positions in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), the Model Code for Securities Transactions by Directors of Listed Issuers and where were required to be entered into the register required to be kept under section 352 of the SFO.

#### 4. INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to the Directors and the chief executives of the Company, the following persons (other than a Director or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the Shares and underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or recorded in the register kept by the Company pursuant to Section 336 of the SFO, or who were, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of the Group.

Name	Note	Number of Shares	Approximate % of shareholding
Transpac Nominees Pte Ltd	1	138,881,577	15.99
Big-Max Manufacturing Co., Limited	2	143,492,000	16.52

*Note:*

1. Transpac Nominees Pte Ltd. is a wholly-owned subsidiary of Transpac Capital Pte Ltd., a private equity investment firm incorporated in Singapore. Transpac Capital Pte Ltd., is deemed to have beneficial interest in 155,795,577 Shares of the Company through Transpac Nominees Pte Ltd.
2. Mr Li Li Xin is deemed to have a beneficial interest in 143,492,000 Shares of the Company through Big-Max Manufacturing Co., Limited, 90% of its issued share capital is beneficially owned by Mr Li Li Xin. Ms Jin Ya Er, being the spouse of Mr Li Li Xin, is deemed to have a beneficial interest in 143,492,000 Shares of the Company.

Save as disclosed above, the Directors and the chief executive of the Company were not aware that there was any person other than a Director or chief executive of the Company who, as at the Latest Practicable Date, had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group.

#### 5. COMPETING BUSINESS

As at the Latest Practicable Date, so far as the Directors are aware of, none of the Directors and management shareholders (as defined in the Listing Rules) of the Company or their respective associates had any interests in any business which competes or may compete with the business in which the Group is engaged.

**6. SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had a service contract with any member of the Group which is not determinable within one year without payment of compensation (other than statutory compensation).

**7. LITIGATION**

Magician Industrial Company Limited (“MICL”), a wholly owned subsidiary of the Company, was named as a defendant in Hong Kong District Court Civil Action No.4640 of 2006. The claim was for a sum of HK\$144,000 being consultancy fee allegedly payable by MICL to the plaintiff. MICL has been advised that it has reasonable ground to defend the case and has filed its defence. The matter is pending preparation for trial.

Various ex-employees of Jinda Plastic Metal Products (Shenzhen) Co. Ltd. (“Jinda”), a wholly owned subsidiary of the Company, have lodged claims against Jinda in the PRC courts relating to labour dispute totaling about RMB5.98 million. Jinda is actively defending the claims.

Jinda was named as a defendant in a PRC action relating to a claim for RMB132,500 being outstanding rental allegedly payable by Jinda. Jinda is seeking legal advice on defending the claim.

Jinda has initiated claims in the PRC courts against various PRC customers for outstanding purchase price totaling about RMB2.05 million. The claims are under process.

Save as disclosed above, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration or claims of material importance which is known to the Directors to be pending or threatened by or against either the Company or any of its subsidiaries as at the Latest Practicable Date.

**8. MISCELLANEOUS**

- (a) The registered office of the Company is located at Clarendon House, Church Street, Hamilton HM 11, Bermuda.
- (b) The principal place of business of the Company in Hong Kong is at Flat A, 2nd Floor, Yeung Yiu Chung (No.6) Industrial Building, 19 Cheung Shun Street, Cheung Sha Wan, Kowloon, Hong Kong.
- (c) The Hong Kong branch share registrar and transfer office of the Company is Secretaries Limited, 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong.
- (d) The secretary to the Company is Mr Lau Kin Hon, a solicitor admitted in Hong Kong.
- (e) The qualified accountant of the Company is Mr Tong Kam Lung, a fellow of the Hong Kong Institute of Certified Public Accountants.
- (f) The English text of this circular shall prevail over their Chinese text in case of inconsistencies.

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## NOTICE OF THE SPECIAL GENERAL MEETING

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### MAGICIAN INDUSTRIES (HOLDINGS) LIMITED

通達工業(集團)有限公司\*

(Incorporated in Bermuda with limited liability)

(Stock Code: 526)

**NOTICE IS HEREBY GIVEN** that a special general meeting of Magician Industries (Holdings) Limited (通達工業(集團)有限公司) (“**Company**”) will be held at Flat A, 2nd Floor, Yeung Yiu Chung (No.6) Industrial Building, 19 Cheung Shun Street, Cheung Sha Wan, Kowloon, Hong Kong on 24 July 2007 at 10:00 a.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolutions as ordinary resolutions:

#### ORDINARY RESOLUTIONS

- (1) “**THAT** the creation and issue by the Company of the zero-coupon convertible bonds of the Company due 2009 in the aggregate principal sum of up to HK\$26,000,000 (the “**Convertible Bonds**”), convertible into new shares (the “**Shares**”) of HK\$0.10 each in the capital of the Company on the terms and conditions (“**Bond Conditions**”) contained in Schedule 1 to the conditional placing agreement dated 27 June 2007 (“**Placing Agreement**”) (a copy of which has been produced to this Meeting marked “A” and initialled by the chairman of the Meeting for the purpose of identification) between the Company and IBTS Asia (HK) Limited (“**Placing Agent**”) in connection with the offer by the Company by way of private placement of the Convertible Bonds with the maximum principal amount of HK\$26,000,000 to be placed by the Placing Agent on a best effort basis to professional, institutional or private investor(s) procured by or on behalf of the Placing Agent be and is hereby generally and unconditionally approved in all respects.”
  
- (2) “**THAT** conditional on the passing of resolution numbered (1) above (to the extent of the Convertible Bonds agreed to be placed under the Placing Agreement being approved to be created and issued), the Placing Agreement and all the transactions contemplated thereunder and all other matters of and incidental thereto or in connection therewith, be and are hereby generally and unconditionally approved in all respects and that the directors (“**Directors**”) of the Company be and they are hereby generally and unconditionally authorised to issue such corresponding principal amount of the Convertible Bonds on and subject to the respective terms of the Placing Agreement, to do all such further acts and things and to sign and execute all such other or further documents and to take all such steps which, in the opinion of the Directors, may be necessary, appropriate, desirable or expedient to implement and/or give effect to the terms of, or the transactions contemplated by, the Placing Agreement and to agree to such variation, amendments or waiver or matters relating thereto (including any variation, amendments or waiver of the Bond Conditions, which are not fundamentally different from those as provided under the Placing Agreement) as are, in the opinion of the Directors, in the interest of the Company and its shareholders as a whole.”

\* For identification purpose only

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## NOTICE OF THE SPECIAL GENERAL MEETING

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- (3) “**THAT** the Directors of the Company be and they are hereby generally and specifically authorised to allot and issue such number of new Shares (“**Special Mandate**”) as may be required to be allotted and issued upon the exercise of the conversion right attaching to the Convertible Bonds approved to be issued under resolution numbered (1) above (or to the extent necessary) on and subject to the terms and conditions of the Placing Agreement and the Bond Conditions and that the Special Mandate shall be in addition to, and shall not prejudice nor revoke the existing general mandate granted to the Directors by the shareholders of the Company in the annual general meeting of the Company held on 27 September 2006 or such other general or special mandate(s) which may from time to time be granted to the Directors prior to the passing of this Resolution.”

By Order of the Board  
**MAGICIAN INDUSTRIES (HOLDINGS) LIMITED**  
**Xu Jin**  
*Chairman*

Date: 6 July 2007

*Registered office:*  
Clarendon House  
Church Street  
Hamilton HM 11  
Bermuda

*Principal place of business in Hong Kong:*  
Flat A, 2nd Floor  
Yeung Yiu Chung (No.6) Industrial Building  
19 Cheung Shun Street  
Cheung Sha Wan  
Kowloon  
Hong Kong

*Notes:*

- 1 A member of the Company entitled to attend and vote at the meeting convened by the above notice is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy need not be a member of the Company. A form of proxy for use at the meeting is enclosed herewith.
- 2 To be valid, the form of proxy together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority must be deposited with the Company’s principal office at Flat A, 2nd Floor, Yeung Yiu Chung (No.6) Industrial Building, 19 Cheung Shun Street, Cheung Sha Wan, Kowloon, Hong Kong not later than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
3. Completion and return of the accompanying form of proxy will not preclude members of the Company from attending and voting in person at the meeting or any adjournment thereof should they so wish.

*As at the date of this notice, the Board comprises Mr Xu Jin (Chairman), being executive Director, Mr Lau Kin Hon being non-executive Director, Mr He Chengying, Mr Chan Man Sum Ivan and Mr Cheung Kiu Cho Vincent being independent non-executive Directors.*