

*The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, 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 announcement.*

*This announcement appears for information purposes only and does not constitute an invitation or offer to acquire, purchase, or subscribe for the securities.*



**MAGICIAN INDUSTRIES (HOLDINGS) LIMITED**  
**通達工業(集團)有限公司\***

*(Incorporated in Bermuda with limited liability)*  
(Stock code: 526)

- (1) Proposed Open Offer of  
434,366,720 Offer Shares of HK\$0.10 each  
at HK\$0.10 per Offer Share  
payable in full on acceptance  
(in the proportion of one Offer Share  
for every two existing Shares held on the Record Date),**
- (2) Application for Whitewash Waiver**
- (3) Special deal in connection with the payment of Subscription Monies  
for Untaken Shares by partial set-off of  
the Big-Max Shareholder Loans, and**
- (4) Resumption of trading**

**Financial Adviser to the Company**

 **Baron Capital Limited**

**Independent Financial Advisers to the**

**Independent Board Committee**

**VEDA | CAPITAL**  
**智略資本**

**Underwriter**

**Big-Max Manufacturing Co., Limited**

**PROPOSED OPEN OFFER**

The Company proposes to raise approximately HK\$43,436,672 before expenses by issuing 434,366,720 Offer Shares at the Subscription Price of HK\$0.10 per Offer Share on the basis of one Offer Share for every two existing Shares in issue on the Record Date.

The Directors intend to use the net proceeds of the Open Offer, being approximately HK\$40.6 million (on the assumption that all Qualifying Shareholders take up their respective entitlement in full under the Open Offer), for repayment of trade payables due to the Group's suppliers, payment of principal and interests arising from the outstanding bank borrowings, and for general working capital.

On the assumption that no Qualifying Shareholders take up his/her/its entitlement under the Open Offer (except for Big-Max and parties acting in concert with it), the Underwriter shall subscribe for all Offer Shares (including the 71,746,000 Offer Shares to which the Underwriter (or its nominee) is entitled and has undertaken to accept under the Open Offer pursuant to the Underwriting Agreement) by way of cash in the sum of HK\$7,174,600 (“the Underwriter Cash Portion”), the net proceeds after deduction of expenses amounts to approximately HK\$4.4 million and is intended to be used for repaying trade payables due to the Group’s suppliers.

The aggregate number of Offer Shares to be issued pursuant to the terms of the Open Offer represents 50.0% of the Company’s existing issued share capital as at the date of this announcement and approximately 33.3% of the Company’s enlarged issued share capital of the Company immediately following the completion of the Open Offer. The Open Offer will not be available to the Excluded Shareholders.

The last day of dealings in Shares on a cum-rights basis is Monday, 19 November 2007. The Shares will be dealt with on an ex-rights basis from Tuesday, 20 November 2007. To qualify for the Open Offer, any transfer of Shares must be lodged for registration with the Company’s branch share registrar in Hong Kong, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong, Hong Kong, by 4:00 p.m. on Wednesday, 21 November 2007.

The Open Offer will be fully underwritten by the Underwriter, on the terms and subject to the conditions set out in the Underwriting Agreement (see the section headed “Underwriting Arrangements” below). As at the date of this announcement, the Underwriter and parties acting in concert with it are together beneficially interested in 143,492,000 Shares, representing approximately 16.52% of the issued share capital of the Company. Under the Underwriting Agreement, the Underwriter has undertaken, and has undertaken that it will procure parties acting in concert with it to undertake, that such 143,492,000 Shares will remain beneficially owned by them and that they will continue to have registered address in Hong Kong from the date of this announcement up to the Record Date, and the Underwriter and parties acting in concert with it will accept on or before the Latest Acceptance Time, and pay for, such number of Offer Shares to be provisionally allotted to them or their respective nominees pursuant to the Open Offer in respect of their or their respective nominees’ existing holdings of 143,492,000 Shares.

**The Open Offer is conditional upon the fulfillment or waiver of the conditions set out under the paragraph headed “Conditions of the Open Offer” below. In particular, it is subject to the Underwriting Agreement not being terminated in accordance with its terms (see the paragraph headed “Termination of the Underwriting Agreement” below). If the Underwriter terminates the Underwriting Agreement, or the conditions of the Open Offer are not fulfilled or waived, the Open Offer will not proceed.**

**Any persons contemplating buying or selling Shares from the date of this announcement up to the date on which all the conditions of the Open Offer are fulfilled or waived, bear the risk that the Open Offer may not become unconditional or may not proceed.**

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Offer Shares.

## **SPECIAL DEAL**

Under the Underwriting Agreement, the Underwriter has conditionally agreed to underwrite all the Offer Shares that are not subscribed for under the Open Offer. The Underwriter has agreed to take up 71,746,000 Offer Shares to which the Underwriter (or its nominee) is entitled and has undertaken to accept under the Open Offer pursuant to the Underwriting Agreement, payment for which will be made from the Underwriter Cash Portion less the commission payable to the Underwriter pursuant to the Underwriting Agreement and the escrow fees (in the sum of HK\$100,000) payable by Big-Max to the escrow agent. In respect of the Untaken Shares (if any), the aggregate Subscription Monies therefor, shall be paid by way of setting off on a dollar-to-dollar basis of the outstanding principal amount of the Big-Max Shareholder Loans to the extent (and only to the extent) of the total principal amount owing thereunder (exclusive of any interest accrued thereon).

The proposed settlement of the Subscription Monies for the Untaken Shares by partial set-off of the Big-Max Shareholder Loans amounts to repayment of shareholder's loan owing by the Company to Big-Max. Such arrangement constitutes a special deal under Rule 25 of the Takeovers Code. The Directors consider that the special deal in connection with such partial set-off arrangement is fair and reasonable and arrived at after arm's length negotiations.

An application will be made by Big-Max to the Executive for granting the consent to the special deal in connection with the proposed settlement of the Subscription Monies for the Untaken Shares by partial set-off of the Big-Max Shareholder Loans as set out in the above paragraph. The grant of the Executive's consent to such special deal will be subject to (i) Veda Capital's opinion as to the fairness and reasonableness of the terms of such special deal and that the special deal is an arm's length transaction on normal commercial terms and (ii) the approval by Independent Shareholders by way of poll at the SGM.

## **WHITEWASH WAIVER**

In the event that no Qualifying Shareholder (other than the Underwriter and parties acting in concert with it) takes up any Offer Shares under the Open Offer, the Underwriter has agreed to subscribe for and take up 362,620,720 Offer Shares that are not subscribed for under the Open Offer pursuant to the Underwriting Agreement. Accordingly, the subscription for and underwriting of the Offer Shares under the Open Offer by the Underwriter and parties acting in concert with it may result in their aggregate shareholdings in the Company being increased from approximately 16.52% (of the existing issued share capital of the Company) to approximately 44.34% (of the enlarged issued share capital of the Company upon completion of the Open Offer) and will trigger an obligation for the Underwriter and parties acting in concert with it to make a mandatory offer under Rule 26 of the Takeovers Code for all the Shares and securities issued by the Company not already held by the Underwriter and parties acting in concert with it. A formal application will be made by the Underwriter to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval of the Independent Shareholders at the SGM by way of poll. If the Whitewash Waiver is not granted by the Executive, the Open Offer will not proceed.

## **NO EXCESS APPLICATION TO BE SUBJECT TO INDEPENDENT SHAREHOLDERS' APPROVAL**

The Open Offer is fully underwritten by Big-Max, a substantial shareholder of the Company. Under the Open Offer, it is proposed that no Qualifying Shareholder is entitled to apply for any Offer Shares which are in excess to its entitlements. Under Rule 7.26A (2) of the Listing Rules, the absence of the excess application for the Open Offer will be subject to approval by Independent Shareholders. As Big-Max is a connected person of the Company (being a substantial shareholder of the Company) who is the underwriter for the Offer Shares and (subject to approval by Independent Shareholders of the absence of the excess application for the Open Offer pursuant to Rule 7.26A(2) of the Listing Rules) Rule 7.26A(2) of the Listing Rules will be complied with, the transactions entered into between the Company and Big-Max under the Underwriting Agreement and the Supplemental Underwriting Agreement constitute exempted connected transactions pursuant to Rule 14A.31(3) of the Listing Rules.

## **FINANCIAL POSITION OF THE GROUP**

As at 31 March 2007, being the date to which the latest published audited accounts of the Group were made up, the Group had net current liabilities of over HK\$190 million, among which the total outstanding amount of the Big-Max Shareholder Loans was HK\$28 million and trade and other payables were over HK\$86 million. Moreover, as at 31 August 2007, the Group had short-term bank loans of over HK\$110 million (unaudited).

The aging of external debts and payables falling due in the coming 3, 6, 9 months and 1 year (including over 1 year) of the Group as at 31 August 2007 (unaudited) are approximately HK\$206 million, HK\$0.59 million, HK\$0.64 million and HK\$32 million respectively.

## **GENERAL**

The SGM will be held to consider and, if thought fit, passing the ordinary resolutions by way of poll to approve (i) the Open Offer; (ii) the absence of excess application for the Open Offer; (iii) the Whitewash Waiver and (iv) the special deal in connection with the proposed settlement of the Subscription Monies for the Untaken Shares by partial set-off of the Big-Max Shareholder Loans. The Underwriter, parties acting in concert with it and Mr Xu Jin, the executive Director, will abstain from voting on all the above resolutions at the SGM.

The Company has established an Independent Board Committee (which comprises the three independent non-executive Directors) to advise the Independent Shareholders as to whether the terms of the Open Offer, the Whitewash Waiver, the special deal in connection with the proposed settlement of the Subscription Monies for the Untaken Shares by partial set-off of the Big-Max Shareholder Loans and the absence of excess application for the Open Offer are fair and reasonable and whether the Open Offer, Whitewash Waiver and such special deal are in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote, taking into account the recommendations of the independent financial adviser.

In this connection, the Company has appointed Veda Capital as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Open Offer, the Whitewash Waiver, the special deal in connection with the proposed settlement of the Subscription Monies for the Untaken Shares by partial set-off of the Big-Max Shareholder Loans and the absence of excess application for the Open Offer are fair and reasonable and whether the Open Offer, the Whitewash Waiver, the said special deal and the absence of excess application for the Open Offer are in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote. The Independent Board Committee has approved the appointment of Veda Capital as the independent financial adviser.

A circular containing, among other things, details of the Open Offer, the Whitewash Waiver and the special deal in connection with the proposed settlement of the Subscription Monies for the Untaken Shares by partial set-off of the Big-Max Shareholder Loans, the recommendation of the Independent Board Committee and the letter from Veda Capital to the Independent Board Committee and Independent Shareholders together with a notice convening the SGM will be despatched to the Shareholders as soon as practicable.

The Open Offer Documents setting out details of the Open Offer will be despatched to the Qualifying Shareholders as soon as practicable, subject to the conditions of the Open Offer being satisfied.

#### **SUSPENSION AND RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:30 a.m. on 9 October 2007 pending the release of this announcement. The Company has applied to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 22 October 2007.

#### **PROPOSED OPEN OFFER**

##### **Issue statistics**

Basis of the Open Offer: One Offer Share for every two existing Shares held on the Record Date

Number of existing Shares in issue as at the date of this announcement: 868,733,440 Shares

Number of Offer Shares: 434,366,720 Offer Shares

Number of Offer Shares that the Underwriter has undertaken, and has undertaken to procure parties acting in concert with it to undertake, to take up The Underwriter has undertaken, and has undertaken to procure parties acting in concert with it to undertake, that they will accept on or before the Latest Acceptance Time, and pay for, 71,746,000 Offer Shares to be provisionally allotted to them or their respective nominees pursuant to the Open Offer in respect of their or their respective nominees' existing holdings of 143,492,000 Shares.

No share options have been granted by the Company under the share options scheme since adoption. As at the date of this announcement, the Company has outstanding Convertible Bonds in the principal amount of HK\$26,000,000, which (upon exercise (if so exercised) of the conversion rights attached thereto in accordance with the terms and conditions of the instrument dated 1 August 2007 and executed by the Company by way of a deed poll constituting the Convertible Bonds) may be converted into 173,333,333 Shares. The conversion rights attached to the Convertible Bonds are not exercisable for the period commencing on the date of issue of the Convertible Bonds (i.e. 1 August 2007) and expiring on the date falling six months thereafter (i.e. 31 January 2008) and therefore, the Open Offer will not be available to holder of the Convertible Bonds. Save as aforesaid, the Company has no derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Shares as at the date of this announcement.

### **Subscription Price**

The Subscription Price for the Offer Shares is HK\$0.10 per Offer Share, payable in full when a Qualifying Shareholder accepts his/her/its provisional allotment under the Open Offer.

#### The Subscription Price

- represents a discount of approximately 79.8% to the closing price of HK\$0.495 per Share as quoted on the Stock Exchange on the Last Trading Date;
- represents a discount of approximately 79.5% to the average closing price of HK\$0.487 per Share for the five (5) consecutive trading days up to and including the Last Trading Date;
- represents a discount of approximately 79.8% to the average closing price of HK\$0.495 per Share for the ten (10) consecutive trading days up to and including the Last Trading Date;
- represents a discount of approximately 72.5% to the theoretical ex-rights price of HK\$0.363 per Share based on the closing price as quoted on the Stock Exchange on the Last Trading Date; and
- represents a premium of approximately 214.3% over the audited consolidated net tangible assets value per Share of approximately HK\$0.032 (calculated by dividing the latest published audited net tangible assets value of the Group as at 31 March 2007 by the 868,733,440 Shares in issue as at the date of this announcement).

The Subscription Price was arrived at after arm's length negotiation between the Company and the Underwriter with reference to the then market environment, prevailing Share prices and the recent financial conditions of the Group. The Directors consider these factors are important for the Shareholders to assess before subscribing for the Offer Shares. Taking into account the aforesaid and the theoretical ex-rights price per Share (which takes into account the allotment ratio of the Open Offer), and the discounts of the Subscription Price to the closing prices of the Shares in the recent trading days may encourage the Shareholders to participate in the Open Offer without exerting excessive financial burden on the part of the Shareholders, the Directors consider that the discount on the Subscription Price to the current

market price of the Shares as proposed is appropriate. Each Qualifying Shareholder is entitled to subscribe for the Offer Shares at the same price in proportion to his/her/its shareholding in the Company held on the Record Date. The Directors consider that the terms of the Open Offer are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **Status of the Offer Shares**

The Offer Shares, when allotted and fully-paid, will rank *pari passu* with the then existing Shares in issue on the date of allotment of the Offer Shares in fully-paid form. Holders of such Offer Shares will be entitled to receive all future dividends and distributions which are declared after the date of allotment and issue of the Offer Shares.

### **Fractions of the Offer Shares**

The Company will not provisionally allot fractions of Offer Shares in nil-paid form. The fraction of Offer Shares to which the Shareholders would otherwise have been entitled to under the Open Offer will be taken up by the Underwriter.

### **No Application for excess Offer Shares**

Under the Open Offer, no Qualifying Shareholder is entitled to apply for any Offer Shares which are in excess to its entitlements.

### **Share certificates for the Offer Shares**

Subject to the fulfillment of the conditions of the Open Offer, certificates for all fully-paid Offer Shares are expected to be posted to Qualifying Shareholders who have accepted and applied for (where appropriate), and paid for the Offer Shares by ordinary post at their own risk.

### **Qualifying Shareholders**

The Company will send (i) the Open Offer Documents to the Qualifying Shareholders; and (ii) the Prospectus, for information only, to the Excluded Shareholders. To qualify for the Open Offer, the Shareholder must be registered as a member of the Company on the Record Date; and must not be an Excluded Shareholder.

In order to be registered as a member of the Company on the Record Date, the Shareholders must lodge any transfers of Shares (with the relevant Share certificate(s)) with the Company's branch share registrar in Hong Kong by 4:00 p.m. on Wednesday, 21 November 2007. The last day of dealings in Shares on a cum-rights basis is therefore expected to be Monday, 19 November 2007. The Shares will be dealt with on an ex-rights basis from Tuesday, 20 November 2007.

The Company's branch share registrar in Hong Kong is Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

It is intended that the Company's register of members will be closed from Thursday, 22 November 2007 to Wednesday, 28 November 2007, both dates inclusive, for the purpose of, among other things, establishing entitlements to the Open Offer. No transfer of Shares will be registered during this period.

The invitation to apply for the Offer Shares is not transferable or capable of renunciation and there will not be any trading in nil-paid entitlements of the Offer Shares on the Stock Exchange.

The Company will send the provisional allotment letters in respect of the Offer Shares to the Qualifying Shareholders only.

### **Excluded Shareholders**

If, based on legal opinions to be provided by legal advisers to the Company (which will be sought by the Company after the Record Date in case there is any Shareholders with registered addresses as shown in the register of members of the Company on the Record Date which are outside Hong Kong), the Directors consider that it is necessary or expedient not to extend the Open Offer to the Excluded Shareholders on account either of the legal restrictions under the laws of the place of his/her/its registered address or the requirements of the relevant regulatory body or stock exchange in that place, the Open Offer will not be available to the Excluded Shareholders. The Company will send the Prospectus to the Excluded Shareholders for their information only. The Company will not send forms of application for Offer Shares to the Excluded Shareholders. The Excluded Shareholders will be entitled to attend and vote at the SGM.

The Open Offer Documents are not intended to be registered and/or filed under the applicable securities legislation of any jurisdiction other than Hong Kong and Bermuda.

### **Application for listing of the Offer Shares on the Stock Exchange**

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Offer Shares.

### **Conditions of the Open Offer**

The Open Offer is conditional upon the following conditions being fulfilled (“Conditions Precedent”):

- (a) the Company despatching a circular to the Shareholders containing, among other matters, details of the Open Offer and the Whitewash Waiver together with proxy form and notice of the SGM;
- (b) the passing by the Independent Shareholders (or, where appropriate, Shareholders) at the SGM by way of poll of ordinary resolutions to approve the Open Offer (including, but not limited to the absence of excess application for the Open Offer), the special deal in connection with the proposed settlement of the Subscription Monies for the Untaken Shares by partial set-off of the Big-Max Shareholder Loans and the Whitewash Waiver by no later than the date on which the Prospectus is despatched;
- (c) the filing and registration of one copy of each of the Open Offer Documents certified by two Directors (or their agents duly authorized in writing) after having been approved by resolutions of the Board, which are required to be filed or registered with the Registrar of Companies in Hong Kong, together with all documents required to be annexed thereto in accordance with Section 342C of the Companies Ordinance by no later than 4:00 p.m. on the Business Day before the date on which the Prospectus is despatched and delivery of a letter to the solicitors of the Underwriter from the Registrar of Companies in Hong Kong confirming such registration;

- (d) the delivery to and filing with the Stock Exchange of one copy of each of the Open Offer Documents certified by two Directors (or their agents duly authorized in writing) after having been approved by resolutions of the Board, and the issue by the Stock Exchange of a certificate of authorization for registration of the Open Offer Documents pursuant to Section 342C of the Companies Ordinance by no later than 2:00 p.m. on the Business Day before the date on which the Prospectus is despatched;
- (e) the posting of the Open Offer documents to Qualifying Shareholders on the date on which Prospectus is despatched;
- (f) the Executive granting (i) the Whitewash Waiver to Big-Max and parties acting in concert with it and (ii) consenting to the special deal in connection with the proposed settlement of the Subscription Monies for the Untaken Shares by partial set-off of the Big-Max Shareholder Loans and the satisfaction of all conditions (if any) attached to the Whitewash Waiver granted and to such special deal;
- (g) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the approval for the listing of, and permission to deal in, all the Offer Shares (in their fully-paid form) by no later than 9:00 a.m. on the expected date of commencement of dealings in the Offer Shares on the Stock Exchange;
- (h) the Bermuda Monetary Authority granting consent to (if required) the issue of the Offer Shares by no later than the date on which Prospectus is despatched;
- (i) compliance with and performance by the Company of all the undertakings and obligations of the Company under the terms of the Underwriting Agreement (other than those obligations and undertakings of the Company to be performed or carried out after the fulfilment of the Conditions Precedent);
- (j) (where required) the delivery and filing with the Registrar of Companies in Bermuda one copy of each of the Open Offer Documents after having been approved by the resolutions of the Board together with all the documents required by the Companies Act 1981 of Bermuda to be annexed thereto by no later than the date on which the Prospectus is despatched;
- (k) compliance with and performance by Big-Max and the relevant persons (if any) named in the Underwriting Agreement of all of its obligations and undertakings under the terms of the Underwriting Agreement (other than those obligations and undertakings of the Underwriter to be performed or carried out after the fulfilment of the Conditions Precedent);
- (l) the Underwriting Agreement has not been rescinded or terminated in accordance with the provision thereof on or before the Latest Time for Termination; and
- (m) all requirements and conditions imposed by the Stock Exchange or under the Listing Rules or otherwise in connection with the transactions contemplated by the Underwriting Agreement having been fulfilled or complied with by not later than the Latest Time for Termination (or such other date as may be agreed between the Company and the Underwriter).

If any of the conditions of the Open Offer are not fulfilled or waived (in respect of only conditions (i), (k) and/or (l)) by the dates specified therein or if not so specified, by the Latest Time for Termination (or such other time and/or date as the Company and the Underwriter may determine in writing), the Underwriting Agreement shall terminate (save in respect of the clauses stipulated therein and any rights and obligations which may accrue under the Underwriting Agreement prior to such termination) and neither the Company nor the Underwriter shall have any claim against the other party for costs, damages, compensation or otherwise and the Open Offer will not proceed.

#### **FINANCIAL POSITION OF THE GROUP AND REASONS FOR THE OPEN OFFER AND THE USE OF THE PROCEEDS**

The Group is currently in tight cashflow position, in particular, as at 31 March 2007, being the date to which the latest published audited accounts of the Group were made up, the Group had net current liabilities of over HK\$190 million, among which the total outstanding amount of the Big-Max Shareholder Loans was HK\$28 million and trade and other payables were over HK\$86 million. Moreover, as at 31 August 2007, the Group had short-term bank loans of over HK\$110 million (unaudited).

The majority of the net current liabilities comprise bank loan of HK\$110 million which was resulted from the renewal of the bank loans borrowed in 2003 (HK\$165 million); since 2003 the performance of the Company has slowed down drastically. The major factors attributable to such slow-down included continuous increase in production costs, sluggish demands for household goods and fierce competition in the industry. Further, frequent changes of management in 2004 and 2005, as disclosed in the Company's announcements made between October 2004 and September 2005, also affected the Group's performance slightly during such period as it took time for new management personnel to comprehend the structure and business of the Group and adapt to the management culture.

The aging of external debts and payables falling due in the coming 3, 6, 9 months and 1 year (including over 1 year) of the Group as at 31 August 2007 (unaudited) are set out as follows:–

	<b>3 months</b>	<b>6 months</b>	<b>9 months</b>	<b>1 year</b>	<b>Sub-total</b>
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>and over</i>	<i>HK\$ million</i>
				<i>HK\$ million</i>	
Bank Loan	110.00	–	–	–	110.00
Payables of the Group	95.69	0.59	0.64	31.85	128.77
	<i>(Note)</i>				
<b>Total</b>	<b>205.69</b>	<b>0.59</b>	<b>0.64</b>	<b>31.85</b>	<b>238.77</b>

*Note:* including HK\$28 million being part of the Big-Max Shareholder Loans

For further details of the Big-Max Shareholder Loans, please refer to the paragraph headed “Background of the Underwriter” below.

As at the date of this announcement, neither the Company nor any of its subsidiaries has received any written claims from its creditors or banks nor 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 with any creditors or banks.

In order to improve the financial position and the performance of the Group, the following actions have been taken by the Group:–

1. the Group has been in negotiation with some banks for the refinancing of the existing bank loan. On 15 October 2007, the Group obtained an in-principle approval of a 3-year term loan facility in the amount of Renminbi 120 million (equivalent to approximately HK\$123 million) at the interest rate of 105% of the base lending rate published by the People Bank of China from a PRC bank for the purpose of refinancing the entire existing bank loan of around HK\$110 million (outstanding as at 31 August 2007, unaudited). The said loan would be granted to the Group subject to completion of the pledge of certain assets of the Group in favour of the said PRC bank. Such assets had a value of approximately HK\$178 million (as at 31 March 2007) which are fixed assets located in the PRC, which accommodate certain production facilities of the Group. As the existing bank loans to be refinanced by this new loan were also provided in the PRC, the loans would not be transferred outside of the PRC;
2. the Group intends to settle the existing external bank loans in the principal amount of around HK\$110 million (outstanding as at 31 August 2007, unaudited) by the loan to be obtained from a PRC bank for refinancing purpose as mentioned above. With respect to the trade and other payables (in the sum of around HK\$96 million, including HK\$28 million being part of the Big-Max Shareholder Loans (as at 31 August 2007, unaudited)), the Group would settle the same by fund generated from daily operation.<sup>Note 1</sup> The Directors would consider obtaining further equity and/or debt financing from the market in case further funds are needed <sup>Note 2</sup>;
3. since the change of management in March 2006, the Group has been committing substantial effort in improving production efficiency, cost effectiveness and sales. It is noted from the audited financial report of the Company for the year ended 31 March 2007 that the losses were narrowed to HK\$22.8 million in 2007 from HK\$47.0 million in 2006. Recently, sale effort has been stepped up by hiring new sales management staff and by further exploring the non-US markets.

Notes:

1. *For the year ended 31 March 2007, the Group incurred expenses in relation to litigation and staff redundancies amounted to HK\$7.1 million and HK\$1.6 million (audited) respectively. The Company believes expenses of similar natures and magnitude would not recur in the current year. Moreover, with the increased effort in sales and product development, the Company expects there would be some increases in sales turnover. Coupled with the additional US\$1 million of trade finance facilities granted to the Group during the current year, the Company considers it feasible to have the trade and other payables settled by fund generated from daily operations.*

2. *Taking into account the fact that (1) the existing bank loan of HK\$110 million would be refinanced as set out above and (2) a majority part of the Big-Max Shareholder Loans would be settled pursuant to the underwriting arrangement as disclosed in this announcement, the Directors are of the view that the financial position of the Group would be improved. It would therefore be feasible for the Group to consider further equity and/or debt financing in case additional funds are needed.*

In consideration of the current financial situation of the Group, the Directors are of the view that the Group is in urgent need of financial support from its Shareholders and the Open Offer is hence proposed.

The net proceeds under the Open Offer are expected to amount to approximately HK\$40.6 million. The Company intends to use the proceeds for the following purposes:

On the assumption that all Qualifying Shareholders take up their respective entitlement in full under the Open Offer:–

- (1) as to HK\$20 million for repaying trade payables due to the Group's suppliers;
- (2) as to HK\$5 million for paying principal and interests arising from the outstanding bank borrowings; and
- (3) as to the remaining balance of HK\$15.6 million (or any greater amount due to the reason abovementioned under item (2)) for general working capital.

On the assumption that no Qualifying Shareholders take up his/her/its entitlement under the Open Offer (except for Big-Max and parties acting in concert with it), the Underwriter shall subscribe for all the Offer Shares (including the 71,746,000 Offer Shares to which the Underwriter (or its nominee) is entitled and has undertaken to accept under the Open Offer pursuant to the Underwriting Agreement) by way of cash in the sum of HK\$7,174,600 (the "**Underwriter Cash Portion**"), the net proceeds after deduction of expenses amounts to approximately HK\$4.4 million and is intended to be used for repaying trade payables due to the Group's suppliers. As at the date of this announcement, the Company was indebted to Big-Max in the total amount of approximately HK\$39.9 million (i.e. the principal amount of the Big-Max Shareholder Loans and interest accrued thereon up to 31 August 2007, unaudited), among which HK\$36.3 million would be set-off by the remaining balance of the Subscription Monies for the Untaken Shares (on the assumption that no Qualifying Shareholders take up his/her/its entitlement under the Open Offer (except for Big-Max and parties acting in concert with it)). After the partial offset pursuant to the terms of the Underwriting Agreement as disclosed in this announcement, the outstanding amount of the Big-Max Shareholder Loans together with interest accrued thereon as at 31 December 2007 are estimated to be approximately HK\$4.4 million.

The Directors are of the view that the set-off (or partial set-off) of the Big-Max Shareholder Loans is fair and reasonable in the sense that by capitalizing the loan owing to Big-Max (by way of its taking up of the Offer Shares pursuant to the Underwriting Agreement), the financial position of the Company will be strengthened as its liabilities will decrease, while the equity capital will increase.

Further, in case loans (or a part thereof) of Big-Max will be set-off, in terms of the amounts of loans being set-off, the capacity of Big-Max will change from a creditor to a shareholder of the Company. The position of a creditor is generally favourable than a shareholder, in terms of the relative certainty of the creditor's right to payment of interest (as opposed to shareholder's to dividend payment) and right to assets of the Company upon winding up (as opposed to shareholder's right to surplus assets (if any) upon liquidation). In view of the above, the Directors are of the view that the position of Big-Max is not better off under the current underwriting arrangement and, as a matter of fact, Big-Max is assisting the Company to undergo the fund-raising activity by way of Open Offer.

#### **FUND RAISING ACTIVITIES OF THE COMPANY WITHIN 12 MONTHS TO THE DATE OF THIS ANNOUNCEMENT**

<b>Date of announcement</b>	<b>Event</b>	<b>Net proceeds raised</b>	<b>Proposed use of the net proceeds</b>	<b>Actual use of the net proceeds</b>
28 June 2007	Issue and placing of up to HK\$26 million zero-coupon Convertible Bonds due 2009	HK\$25.4 million	HK\$5 million for repayment of bank loan and HK\$20.4 million for repayment of the overdue trade payables to suppliers	HK\$5 million as to repayment of bank loan and HK\$15.3 million as to repayment of overdue trade payables to suppliers. The balance being unutilized.

Save as disclosed above, the Company did not carry out any other equity fund raising activities within the past 12 months prior to the date of this announcement.

#### **UNDERWRITING ARRANGEMENTS**

Underwriting Agreement

Date: 8 October 2007

Supplemental Underwriting Agreement

Date: 20 October 2007

Underwriter: Big-Max, a substantial shareholder of the Company

#### **Major terms of the Underwriting Agreement and the Supplemental Underwriting Agreement**

Number of Underwritten Shares: 362,620,720 Offer Shares, being the 434,366,720 Offer Shares less 71,746,000 Offer Shares which Big-Max has undertaken to accept or procure acceptance according to its and its nominee's entitlement under the Open Offer.

Commission: 3% of the total Subscription Price of the Offer Shares underwritten by the Underwriter. The commission to be received by the Underwriter will be approximately HK\$1.09 million. The commission payable to the Underwriter was determined after arm's length negotiations between the Company and the Underwriter. The Directors (including the independent non-executive Directors) consider that such amount is fair and reasonable and on normal commercial terms and is comparable with market rate taking into account the underwriting commission charged under the recent open offer/rights issue cases.

Payment arrangement Under the Underwriting Agreement, the Underwriter has conditionally agreed to underwrite all the Offer Shares that are not subscribed for under the Open Offer. The Underwriter has agreed to take up 71,746,000 Offer Shares to which the Underwriter (or its nominee) is entitled and has undertaken to accept under the Open Offer pursuant to the Underwriting Agreement, payment for which will be made from the Underwriter Cash Portion less the commission payable to the Underwriter pursuant to the Underwriting Agreement and the escrow fees (in the sum of HK\$100,000) payable by Big-Max to the escrow agent. In respect of the Untaken Shares (if any), the aggregate Subscription Monies therefor, shall be paid by way of setting off on a dollar-to-dollar basis of the outstanding principal amount of the Big-Max Shareholder Loans to the extent (and only to the extent) of the total principal amount owing thereunder (exclusive of any interest accrued thereon).

### **Special Deal**

The proposed settlement of the Subscription Monies for the Untaken Shares by partial set-off of the Big-Max Shareholder Loans amounts to repayment of shareholder's loan owing by the Company to Big-Max. Such arrangement constitutes a special deal under Rule 25 of the Takeovers Code. The Directors consider that the terms of such special deal in connection with such partial set-off arrangement is fair and reasonable and arrived at after arm's length negotiations.

An application will be made by Big-Max to the Executive for granting the consent to the special deal in connection with the proposed settlement of the Subscription Monies for the Untaken Shares by partial set-off of the Big-Max Shareholder Loans. The grant of the Executive's consent to the special deal in connection with the proposed settlement of the Subscription Monies for the Untaken Shares by partial set-off of the Big-Max Shareholder Loans will be subject to (i) Veda Capital's opinion as to fairness and reasonableness of the terms of such special deal and that the special deal is an arm's length transaction on normal commercial terms and (ii) the approval of such special deal by Independent Shareholders by way of poll at the SGM.

If by the Latest Acceptance Time, any of the Underwritten Shares have not been accepted in accordance with the terms of the Open Offer Documents, the Company shall on or before 6:00 p.m. on the first Business Day after the Latest Acceptance Time notify or procure its branch share registrar in Hong Kong on behalf of the Company to notify the Underwriter in writing of the number of the Untaken Shares and the Underwriter shall subscribe for the Untaken Shares and pay the relevant Subscription Monies not later than 5:00 p.m. on the third Business Day after (but not including) the Latest Acceptance Time.

#### **Termination of the Underwriting Agreement**

**The Underwriting Agreement contains provisions granting the Underwriter, by notice in writing, the right to terminate the Underwriter's obligations thereunder on the occurrence of certain events. The Underwriter may terminate the Underwriting Agreement on or before the Latest Time for Termination if prior to the Latest Time for Termination:**

- (a) in the sole and reasonable opinion of the Underwriter, the success of the Open Offer would be materially and adversely affected by:**
  - (i) the introduction of any new regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Open Offer; or**
  - (ii) 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 hereof), of a political, military, financial, economic or other nature or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or**
  - (iii) any outbreak of epidemic including but not limited to SARS, H5N1 or other types of avian flu, natural disasters such as earthquake, tsunami, flooding, typhoon, fire; or**

- (iv) any materially adverse change in the business or in the financial or trading position or prospectus of the Group as a whole; or
- (b) any material adverse change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities, and a change in currency conditions for the purpose of this paragraph includes a change in the system under which the value of the Hong Kong currency is pegged with that of the currency of the United States of America) occurs which in the reasonable opinion of the Underwriter makes it inexpedient or inadvisable to proceed with the Open Offer; or
- (c) the circular or the prospectus in connection with the Open Offer when published contain information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the Listing Rules or any applicable regulations) which has not prior to the date hereof been publicly announced or published by the Company and which may in the reasonable opinion of the Underwriter is material to the Group as a whole and is likely to affect materially and adversely the success of the Open Offer or might cause a prudent investor not to accept the Offer Shares provisionally allotted to it.

If the Underwriting Agreement is terminated by the Underwriter on or before the aforesaid deadline or does not become unconditional, the Underwriting Agreement shall terminate (save in respect of any rights and obligations which may accrue under the Underwriting Agreement prior to such termination) and neither the Company nor the Underwriter shall have any claim against the other party for costs, damages, compensation or otherwise and the Open Offer will not proceed.

Pursuant to the Underwriting Agreement, the Underwriter is entitled by notice in writing to rescind the Underwriting Agreement if prior to the Latest Time for Termination:

- (a) any material breach of any of the warranties or undertakings contained in the Underwriting Agreement comes to the knowledge of the Underwriter; or
- (b) any event occurring or matter arising on or after the date of the Underwriting Agreement and prior to the Latest Time for Termination which if it had occurred or arisen before the date of the Underwriting Agreement would have rendered the warranties or representations contained in the Underwriting Agreement untrue or incorrect in any material aspect comes to the knowledge of the Underwriter.

#### **WARNING OF THE RISK OF DEALING IN THE SHARES**

The Shares will be dealt in on an ex-rights basis from Tuesday, 20 November 2007. If the conditions of the Open Offer are not fulfilled and/or waived on or before the Latest Time for Termination (or such other time and/or date as the Company and the Underwriter may determine in writing), or the Underwriting Agreement is terminated by the Underwriter, the Open Offer will not proceed and the Open Offer will lapse.

**Any person contemplating buying or selling Shares from the date of this announcement up to the date on which all the conditions of the Open Offer are fulfilled or waived, bear the risk that the Open Offer may not become unconditional or may not proceed.**

**Any Shareholder or other persons contemplating dealing in the Shares are recommended to consult their own professional advisers.**

## **CHANGES IN SHAREHOLDING STRUCTURE**

Set out below is the shareholding structure of the Company as at the date of this announcement and immediately after completion of the Open Offer assuming that there is no change in the shareholding structure of the Company and no Share will be issued from the date of this announcement to the Record Date:

Name of Shareholder	Existing shareholding structure		Immediately after the Open Offer and assuming that no Qualifying Shareholder takes up his/her/its entitlement under the Open Offer (except for Big-Max and parties acting in concert with it)		Immediately after the Open Offer and assuming that all Qualifying Shareholders take up their respective entitlement in full under the Open Offer	
	No. of Shares held	%	No. of Shares held	%	No. of Shares held	%
Big-Max and parties acting in concert with it ( <i>Note 1</i> )	143,492,000	16.52	577,858,720	44.34	215,238,000	16.52
Mr Xu Jin ( <i>Note 2</i> )	253,837,198	29.22	253,837,198	19.48	380,755,797	29.22
Public	471,404,242	54.26	471,404,242	36.18	707,106,363	54.26
<b>Total</b>	<b><u>868,733,440</u></b>	<b><u>100</u></b>	<b><u>1,303,100,160</u></b>	<b><u>100</u></b>	<b><u>1,303,100,160</u></b>	<b><u>100</u></b>

*Notes:*

1. Mr Li Li Xin (“**Mr Li**”) is deemed to have a beneficial interest in 143,492,000 Shares through Big-Max, 90% of its issued share capital is beneficially owned by Mr Li.
2. Mr Xu Jin (“**Mr Xu**”) is a Director. As at the date of this announcement, Mr Xu has not indicated to the Company as to whether he would take up his entitlements of the Offer Shares pursuant to the Open Offer.

## EXPECTED TIMETABLE

The expected timetable for the Open Offer set out below is indicative only and it has been prepared on the assumption that the Whitewash Waiver will be approved by the Independent Shareholders at the SGM. The expected timetable is subject to change, and any changes will be announced in a separate announcement by the Company as and when appropriate.

**2007**

Despatch of the Company's circular with notice of SGM .....	Monday, 12 November
Last day of dealings in Shares on a cum-rights basis .....	Monday, 19 November
First day of dealings in Shares on an ex-rights basis .....	Tuesday, 20 November
Latest time for lodging transfer of Shares in order to qualify for the Open Offer .....	4:00 p.m. on Wednesday, 21 November
Register of members of the Company closes (both dates inclusive) .....	Thursday, 22 November to Wednesday, 28 November
Date of SGM .....	10:00 a.m. on Wednesday, 28 November
Record Date .....	Wednesday, 28 November
Announcement of results of SGM .....	by 11:00 p.m. on Wednesday, 28 November
Register of members re-opens .....	Thursday, 29 November
Despatch of the Open Offer Documents .....	Monday, 3 December
Latest time for payment and acceptance of Offer Shares .....	4:00 p.m. on Monday, 17 December
Latest time for the Offer Shares to become unconditional .....	4:00 p.m. on Wednesday, 19 December
Announcement of results of acceptance of the Open Offer .....	Thursday, 20 December
Despatch of certificates for Offer Shares on or before .....	Monday, 24 December
Commencement of dealings in Offer Shares .....	Friday, 28 December

## **WHITEWASH WAIVER**

The Underwriter and parties acting in concert with it are beneficially interested in 143,492,000 Shares, representing approximately 16.52% of the issued share capital of the Company as at the date of this announcement. In the event that no Qualifying Shareholder (other than the Underwriter and parties acting in concert with it) takes up any Offer Shares under the Open Offer, the Underwriter has agreed to subscribe for and take up 362,620,720 Offer Shares that are not subscribed for under the Open Offer pursuant to the Underwriting Agreement. Accordingly, the subscription for and underwriting of the Offer Shares under the Open Offer by the Underwriter and parties acting in concert with it may result in their aggregate shareholdings in the Company being increased from approximately 16.52% (of the existing issued share capital of the Company) to approximately 44.34% (of the enlarged issued share capital of the Company upon completion of the Open Offer) and will trigger an obligation for the Underwriter and parties acting in concert with it to make a mandatory offer under Rule 26 of the Takeovers Code for all the Shares and securities issued by the Company not already held by it and parties acting in concert with it.

A formal application will be made by the Underwriter to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval of the Independent Shareholders at the SGM by way of poll, which the Underwriter, parties acting in concert with it and Mr Xu Jin, the executive Director, will abstain from voting on the relevant resolution. It is a condition precedent to the completion of the Open Offer that the Whitewash Waiver is granted by the Executive. If the Whitewash Waiver is not granted by the Executive or if the condition imposed thereon is not fulfilled, the Open Offer will not proceed.

As at the date of this announcement, other than approximately 16.52% of the issued share capital of the Company beneficially owned by the Underwriter and parties acting in concert with it and the transactions contemplated under the Underwriting Agreement, the Underwriter and parties acting in concert with it do not hold any other shares, convertible securities, warrants or options of the Company, or any outstanding derivative in respect of securities in the Company.

## **BACKGROUND OF THE UNDERWRITER**

The Underwriter is an investment holding company incorporated in Hong Kong on 20 September 2002 with limited liability, and is currently beneficially owned as to 90% by Mr Li Li Xin and as to 10% by Ms Jin Ya Er, his wife. Mr. Li Li Xin is the founder and chairman of the board of directors of the Lisi Group (a private group which is not listed on any stock exchange) established in the PRC whose principal businesses include the manufacturing and sale of plastic and metallic goods, the operation of large-scale shopping malls and chain supermarkets, and real-estate investments in the PRC.

The Underwriter acquired 143,492,000 Shares of the Company from City Team Industrial Limited pursuant to an agreement for sale and purchase of shares in the Company entered into on 22 September 2005. Since then, the shareholding of Big-Max in the Company has remained unchanged. The Directors confirm that the Company did not make any acquisition of assets from Big-Max and parties acting in concert with it within the past 24 months prior to the date of this announcement.

As confirmed by the Underwriter, neither it nor any parties acting in concert with it had undertaken or will undertake any disqualifying transactions (as referred to in paragraph 3 of Schedule VI to the Takeovers Code) during the period from the date six months prior to the date of this announcement and the Underwriter undertakes that there will be no disqualifying transactions (as referred to in paragraph 3 of Schedule VI to the Takeovers Code) by it and parties acting in concert with it in the period from the date of this announcement up to and including the completion of the subscription of the Offer Shares.

As at the date of this announcement, the Company was indebted to Big-Max in the principal amount of approximately HK\$38 million, particulars of which are set out as follows:–

- (a) on 16 June 2006, a bridging loan agreement was entered into between the Underwriter and the Company, pursuant to which the Underwriter agreed to provide an unsecured loan facility to the Company up to HK\$10 million at an interest rate of 3% above Hong Kong Interbank Offered Rate (“HIBOR”) per annum for the purpose of repaying the indebtedness owed by the Company’s subsidiary to the petitioners of the winding-up proceedings against such subsidiary. The full amount of HK\$10 million was drawn by the Company on 16 June 2006. The repayment date of the loan was extended to 16 December 2007 by a supplemental agreement entered into between the Underwriter and the Company on 12 September 2007;
- (b) on 18 July 2006, the Underwriter and the Company entered into another bridging loan agreement pursuant to which Big-Max agreed to provide further unsecured loan facility to the Company up to HK\$10 million at an interest rate of 3% above HIBOR per annum for the general working capital of the Company, out of which an aggregate of HK\$5 million was drawn by the Company in two draw-downs of HK\$2 million and HK\$3 million on 19 July and 25 July 2006 respectively. The repayment date of the loan was extended to 18 December 2007 by a supplemental agreement entered into between Big-Max and the Company on 12 September 2007;
- (c) on 18 January 2007, the Underwriter and the Company entered into another bridging loan agreement pursuant to which Big-Max agreed to provide further unsecured loan facility to the Company up to HK\$13 million at an interest rate of 3% above HIBOR per annum for the purposes of repaying the indebtedness owed by the subsidiaries of the Company, to its creditors and of fulfilling the working capital requirement of the Group. The full amount of HK\$13 million was drawn by the Company on 19 January 2007. The repayment date of the loan was extended to 18 December 2007 by a supplemental agreement entered into between Big-Max and the Company on 12 September 2007; and
- (d) on 22 August 2007, the Underwriter and the Company entered into another bridging loan agreement pursuant to which Big-Max agreed to provide further unsecured loan facility to the Company up to HK\$10 million at an interest rate of 3% above HIBOR per annum for the purposes of repayment of trade payables (HK\$2 million) and bank loan and interest (HK\$8 million). The full amount of HK\$10 million was drawn by the Company on 18 October 2007 which will be repayable on the date falling four months thereafter.

No security was provided by the Company and its subsidiaries in connection with the Big-Max Shareholder Loans advanced by the Underwriter.

The Directors are of the view that the provision of the Big-Max Shareholder Loans by Big-Max to the Company was to the benefit of the Company and on normal commercial terms. No security was given to Big-Max over the assets of the Company in respect of the Big-Max Shareholder Loans. Such provision of loan by Big-Max to the Company would therefore constitute connected transactions exempted from reporting, announcement and independent shareholders' approval under Rule 14A.65(4) of the Listing Rules.

As at the date of this announcement, the Underwriter is not represented in the Board. The Underwriter is entitled to nominate two Directors to the Board in case all the Offer Shares are taken up by Big-Max after completion of the Open Offer. In case only a portion of the Underwritten Shares are taken up by Big-Max and the total number of Shares then held by Big-Max represent 20% or more of the total issued share capital of the Company, Big-Max is entitled to nominate one Director to the Board after completion of the Open Offer.

## **BUSINESS OF THE GROUP**

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

## **DEALINGS OF THE SHARES BY THE UNDERWRITER AND ITS CONCERT PARTIES**

As confirmed by the Underwriter, neither the Underwriter nor any of the parties acting in concert with it in the six months prior to the date of this announcement have acquired any voting rights of the Company or dealt in any of the Shares.

## **NO EXCESS APPLICATION TO BE SUBJECT TO INDEPENDENT SHAREHOLDERS' APPROVAL**

The Open Offer is fully underwritten by Big-Max, a substantial shareholder of the Company. Under the Open Offer, it is proposed that no Qualifying Shareholder is entitled to apply for any Offer Shares which are in excess to its entitlements. Under Rule 7.26A (2) of the Listing Rules, the absence of the excess application for the Open Offer will be subject to approval by Independent Shareholders. As Big-Max is a connected person of the Company (being a substantial shareholder of the Company) who is the underwriter for the Offer Shares and (subject to approval by Independent Shareholders of the absence of the excess application for the Open Offer pursuant to Rule 7.26A(2) of the Listing Rules) Rule 7.26A(2) of the Listing Rules will be complied with, the transactions entered into between the Company and Big-Max under the Underwriting Agreement and the Supplemental Underwriting Agreement constitute exempted connected transactions pursuant to Rule 14A.31(3) of the Listing Rules.

## **GENERAL**

The SGM will be held to consider and, if thought fit, passing the ordinary resolutions by way of poll to approve (i) the Open Offer; (ii) the absence of excess application for the Open Offer; (iii) the Whitewash Waiver and (iv) the special deal in connection with the proposed settlement of the Subscription Monies for the Untaken Shares by partial set-off of the Big-Max Shareholder Loans. The Underwriter, parties acting in concert with it and Mr Xu Jin, the executive Director, will abstain from voting on the relevant resolution at the SGM.



“Big-Max Shareholder Loans”	an aggregate principal amount of HK\$38 million owing by the Group to Big-Max as at the date of this announcement, brief details of which are set out in this announcement
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday or a day on which a tropical cyclone warning signal No.8 or above or a black rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.) on which banks generally are open for business in Hong Kong
“Company”	Magician Industries (Holdings) Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Convertible Bonds”	HK\$26,000,000 zero-coupon convertible bonds due upon the expiry of eighteen months from 1 August 2007 in registered form created by the an instrument dated 1 August 2007 and for the time being outstanding (as defined therein) or, as the context may require, any part of the principal amount thereof
“Director(s)”	the director(s) of the Company
“Excluded Shareholders”	the Shareholders whom the Board, based on legal opinions provided by legal advisers if the Board considers it necessary or expedient not to offer the Offer Shares to such Shareholders on account either of legal restrictions under the laws of relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any of his delegates
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Independent Board Committee”	a committee of the Board, comprising Mr. HE Chengying, Mr. CHAN Man Sum Ivan and Mr. CHEUNG Kiu Cho Vincent, all being the independent non-executive Directors, constituted to advise the Independent Shareholders on the Open Offer, the Whitewash Waiver and the special deal in connection with the proposed settlement of the Subscription Monies for the Untaken Shares by partial set-off of the Big-Max Shareholder Loans

“Independent Shareholders”	shareholders of the Company, other than (1) the Underwriter and parties acting in concert with it; (2) Mr Xu Jin, the executive Director; and (3) those who are involved in or interested in the Underwriting Agreement, the Whitewash Waiver, the Open Offer and the special deal in connection with the proposed settlement of the Subscription Monies for the Untaken Shares by partial set-off of the Big-Max Shareholder Loans
“Last Trading Date”	8 October 2007, being the last trading day of the Shares prior to the release of this announcement
“Latest Acceptance Time”	4:00 p.m. on Monday, 17 December 2007 or such other time and date as may be agreed between the Company and the Underwriter, being the latest time for acceptance of the offer of Offer Shares
“Latest Time for Termination”	4:00 p.m. on the second Business Day after the Latest Acceptance Time or such other time and date as may be agreed between the Company and the Underwriter
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Open Offer”	the proposed issue of Offer Shares by the Company on the basis of one Offer Share for every two existing Shares to the Qualifying Shareholders at the Subscription Price, pursuant to the terms and conditions of the issue
“Open Offer Documents”	the Prospectus and the provisional allotment letter
“Offer Share(s)”	434,366,720 new Shares to be issued by the Company pursuant to the Open Offer
“PRC”	the People’s Republic of China
“Prospectus”	the prospectus to be issued by the Company in relation to the Open Offer
“Qualifying Shareholder(s)”	the Shareholder(s), other than the Excluded Shareholders, whose name(s) appear(s) on the register of members of the Company at the close of business on the Record Date
“Record Date”	Wednesday, 28 November 2007 or such other date as may be agreed between the Company and the Underwriter

“SGM”	the special general meeting of the Company to be convened for the purposes of considering and approving, among other things, the Open Offer, the absence of excess application under the Open Offer, the Whitewash Waiver and the special deal in connection with the proposed settlement of the Subscription Monies for the Untaken Shares by partial set-off of the Big-Max Shareholder Loans
“Share(s)”	the ordinary shares which have a par value of HK\$0.10 each in the capital of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	subscription price of HK\$0.10 per Offer Share
“Subscription Monies”	the subscription monies payable by the Underwriter to the Company in respect of the Offer Shares underwritten by the Underwriter and/or its own entitlement as a Qualifying Shareholder under the Open Offer
“Supplemental Underwriting Agreement”	the supplemental agreement to the Underwriting Agreement dated 20 October 2007 entered into between the Company and the Underwriter in relation to the Open Offer
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“Underwriter” or “Big-Max”	Big-Max Manufacturing Co., Limited, a company incorporated in Hong Kong and a substantial shareholder of the Company as at the date of this announcement, and its ultimate beneficial owners are Mr. LI Li Xin and his spouse
“Underwriting Agreement”	the underwriting agreement dated 8 October 2007 entered into between the Company and the Underwriter in relation to the Open Offer as supplemented by the Supplemental Underwriting Agreement
“Underwriter Cash Portion”	a sum of HK\$7,174,600 being the total cash amount the Underwriter has agreed to inject into the Company to cover the entire Subscription Monies in respect of the 71,746,000 Offer Shares to which the Underwriter (or its nominee) is entitled and has undertaken to accept under the Open Offer pursuant to the Underwriting Agreement
“Underwritten Shares”	the aggregate of 362,620,720 Offer Shares to be underwritten by the Underwriter pursuant to the Underwriting Agreement

“Untaken Shares”	those (if any) of the Underwritten Shares for which duly completed provisional allotment letters in respect of the Offer Shares (accompanied by cheques or banker’s cashier orders for the full amount payable on application which are honoured on first or, at the option of the Company, subsequent presentation) have not been lodged for acceptance, or received, as the case may be, on or before the Latest Acceptance Time
“Veda Capital”	Veda Capital Limited, a licensed corporation for Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong), and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Open Offer, the Whitewash Waiver and the special deal in connection with the proposed settlement of the Subscription Monies for the Untaken Shares by partial set-off of the Big-Max Shareholder Loans
“Whitewash Waiver”	a waiver from the obligation of the Underwriter and parties acting in concert with it to make a mandatory offer under Rule 26 of the Takeovers Code as a result of the performance of the Underwriter’s underwriting obligation of the Offer Shares pursuant to the Underwriting Agreement
“%”	per cent.

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

By order of the board of directors of  
**Magician Industries (Holdings) Limited**  
**XU Jin**  
*Chairman*

Hong Kong, 21 October 2007

*The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statements in this announcement misleading.*

\* *for identification only*