THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this Prospectus or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, 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 Prospectus and the accompanying application form to the purchaser or the transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

A copy of this Prospectus, together with copies of the application form and the documents mentioned in the paragraph headed "Documents delivered to the Registrars of Companies" in Appendix III to this Prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies Ordinance of Hong Kong. A copy of this Prospectus, together with copies of the application form has been filed with the Registrar of Companies in Bermuda pursuant to the Companies Act 1981 of Bermuda. The Registrar of Companies in Hong Kong, the Registrar of Companies in Bermuda and the Securities and Futures Commission take no responsibility for the contents of any of these documents.

Dealings in the securities of Magician Industries (Holdings) Limited may be settled through the Central Clearing and Settlement System. You should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser for details of the settlement arrangements and how such arrangements may affect your rights and interests.

Subject to the grant of the listing of, and permission to deal in the Offer Shares on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Offer Shares on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Prospectus.

MAGICIAN INDUSTRIES (HOLDINGS) LIMITED
通 達 工 業 (集 團) 有 限 公 司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 526)

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)

Financial Adviser to the Company	Underwriter
Baron Capital Limited	**Big-Max Manufacturing Co., Limited**

The latest time for acceptance of and payment for the Offer Shares is at 4:00 p.m. on Monday, 17 December 2007. The procedure for acceptance or transfer is set out on page 14 of this Prospectus.

Terms used in this cover page have the same meanings as defined in this Prospectus.

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 material 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 this 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 be 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.

If the Underwriting Agreement is terminated by the Underwriter on or before the aforesaid deadline or does not become unconditional, the Open Offer will not proceed.

The Shares have been dealt in on an ex-entitlement basis since Tuesday, 20 November 2007. If the conditions of the Open Offer are not fulfilled and/or waived by the relevant date(s) or, if no such date is specified, the Latest Time for Termination (or such later time and/or dates as the Underwriter may agree with the Company in writing), or the Underwriting Agreement is terminated by the Underwriter, the Open Offer will not proceed and will lapse. Any persons contemplating buying or selling Shares from the date of the 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 Shareholders or other persons contemplating dealing in the Shares are recommended to consult their own professional advisers.

* *for identification purposes only*

3 December 2007

CONTENTS

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

"Announcement"	the announcement of the Company dated 21 October 2007 relating to, among other things, the Open Offer, the Whitewash Waiver and the Special Deal
"Application Form(s)"	the application form(s) for use by the Qualifying Shareholders to apply for the Offer Shares
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Big-Max Shareholder Loans"	an aggregate principal amount of HK$38 million owing by the Group to Big-Max as at the Latest Practicable Date, brief details of which are set out in this Prospectus
"Board"	the board of the 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
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"Circular"	the circular of the Company dated 12 November 2007 relating to, among other things, the Open Offer, the Whitewash Waiver and the Special Deal
"Companies Act"	the Companies Act 1981 of Bermuda
"Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of 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
"concert parties" or "parties acting in concert"	in respect of a person, means parties acting in concert (within the meaning of the Takeovers Code) with such person in relation to the voting rights of the Shares (including the Offer Shares)
"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 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, including the independent non-executive director(s) of the Company
"EA Absence"	the absence of excess application arrangement under the Open Offer
"Excluded Shareholder(s)"	those persons whose name(s) appear on the register of members of the Company at the close of business on the Record Date and whose address(es) as shown on such register as at that date are in jurisdictions outside Hong Kong and who are to be excluded from the Open Offer as may be determined by the Board, based on legal opinions provided by legal advisers, on the ground that 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
"HKSCC"	Hong Kong Securities Clearing Company Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"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 Open Offer, the Whitewash Waiver and the Special Deal
"Last Trading Date"	8 October 2007, being the last trading day of the Shares prior to the release of the Announcement
"Latest Acceptance Time"	4:00 p.m. on Monday, 17 December 2007 or such later 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 Practicable Date"	28 November 2007, being the latest practicable date for ascertaining certain information for inclusion in this Prospectus
"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"	the Rules Governing the Listing of Securities on the Stock Exchange
"Offer Share(s)"	434,366,720 new Shares to be issued by the Company pursuant to the Open Offer
"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 Application Form
"Overseas Shareholder(s)"	Shareholder(s) whose name(s) appear(s) on the register of members of the Company at the close of business on the Record Date and whose registered address(es) on that date is/are in (a) place(s) outside Hong Kong
"PRC"	the People's Republic of China, which, for the purpose of this Prospectus, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
"Prospectus"	this prospectus
"Qualifying Shareholder(s)"	Shareholder(s), other than the Excluded Shareholder(s), 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, being the date by reference to which entitlements to the Open Offer are determined
"Registrar"	Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, being the branch share registrar of the Company in Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of the Company convened and held on Wednesday, 28 November 2007 at which, among other matters, the Underwriting Agreement, the Open Offer (including the EA Absence), the Whitewash Waiver and the Special Deal were approved by the Independent Shareholders
"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company

"Shareholder(s)"	holder(s) of the Shares
"Special Deal"	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
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription Price"	the subscription price of HK$0.10 per Offer Share pursuant to the Open Offer
"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 Latest Practicable Date, and its ultimate beneficial owners are Mr. Li Li Xin and his spouse
"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
"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
"Underwritten Shares"	the aggregate of 362,620,720 Offer Shares agreed to be underwritten by the Underwriter under the Underwriting Agreement

"Untaken Shares"	those (if any) of the Underwritten Shares for which duly completed Application Forms 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
"Whitewash Waiver"	a waiver from the obligation on the part of the Underwriter and parties acting in concert with it to make a mandatory offer for the Shares and securities issued by the Company not already held by the Underwriter or its concert parties under Note 1 to the Notes on dispensations from Rule 26 of the Takeovers Code as a result of the performance of its underwriting obligation of the Offer Shares pursuant to the Underwriting Agreement
"HK$" (or "$") or "cents"	Hong Kong dollars or cents, respectively, the lawful currency of Hong Kong
"RMB"	Renminbi Yuan, the lawful currency of the PRC
"US$"	United States dollars, the lawful currency of the United States of America
"%"	per cent.

	2007 *(Note 1)*
Record Date	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 the Offer Shares *(Note 2)*	4:00 p.m. on Monday, 17 December
Latest Time for Termination	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 dealing in Offer Shares	Friday, 28 December

Dates stated in this Prospectus for events in the timetable are indicative only and may be extended or varied. Any changes to the anticipated timetable for the Open Offer will be announced by the Company as appropriate.

Notes:

1. All times and dates refer to Hong Kong local times and dates.

2. EFFECT OF BAD WEATHER ON THE LATEST ACCEPTANCE TIME AND THE LATEST TIME FOR PAYMENT FOR OFFER SHARES

   The Latest Acceptance Time and the latest time for any payment for the Offer Shares will not take place if there is:

   - a tropical cyclone warning signal number 8 or above; or
   - a "black" rainstorm warning

   (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on Monday, 17 December 2007. Instead, the Latest Acceptance Time and the latest time for payment for the Offer Shares will be extended to 5:00 p.m. on the same Business Day;

   (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Monday, 17 December 2007. Instead, the Latest Acceptance Time and the latest time for payment for the Offer Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If the Latest Acceptance Time and the latest time for payment for the Offer Shares do not take place on Monday, 17 December 2007, the dates mentioned in this section headed "Expected timetable" may be affected. An announcement will be made by the Company in such event.

It should be noted that the Underwriting Agreement contains provisions granting the Underwriter, by notice in writing, the right to terminate its obligations thereunder on the occurrence of certain events. These events are set out in the section headed "Termination of the Underwriting Agreement" on pages 17 and 18 of this Prospectus. If the Underwriting Agreement is terminated by the Underwriter or does not become unconditional, the Open Offer will not proceed.

MAGICIAN INDUSTRIES (HOLDINGS) LIMITED
通達工業(集團)有限公司*
(Incorporated in Bermuda with limited liability)
(Stock Code: 526)

Executive Director:
Mr. Xu Jin *(Chairman)*

Non-executive Director:
Mr. Lau Kin Hon

Independent non-executive Directors:
Mr. He Chengying
Mr. Chan Man Sum Ivan
Mr. Cheung Kiu Cho Vincent

Registered Office:
Clarendon House
2 Church Street
Hamilton, HM11
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

3 December 2007

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)

To the Qualifying Shareholders and (for information only) the holders of Convertible Bonds

Dear Sir or Madam,

INTRODUCTION

By an announcement dated 21 October 2007, the Board announced that the Company proposed to implement the Open Offer by issuing 434,366,720 Offer Shares at the Subscription Price on the basis of one Offer Share for every two existing Shares held on the Record Date.

The Open Offer will be fully underwritten by the Underwriter, on the terms and subject to the conditions set out in the Underwriting Agreement. As at the Latest Practicable Date, the Underwriter and its concert parties were beneficially interested in 143,492,000 Shares, representing approximately 16.52% of the existing issued share capital of the Company. Under the Underwriting Agreement, the Underwriter has given undertakings to, among others, apply and pay for, prior to the Latest Acceptance Time, 71,746,000 Offer Shares in respect of its or its nominee's assured allotment of Offer Shares pursuant to the Open Offer in respect of its or its nominee's holding of 143,492,000 Shares. The Underwriting Agreement

* *for identification purpose only*

contains provisions granting the Underwriter the ability to terminate its obligations thereunder on the occurrence of certain events as set out under the section headed "Termination of the Underwriting Agreement" on or before the Latest Time for Termination.

The Underwriter has applied to the Executive for (i) the Whitewash Waiver in connection with its underwriting commitment under the Open Offer and (ii) its consent to the Special Deal. The Whitewash Waiver and the Special Deal have been conditionally granted and consented to by the Executive.

On 12 November 2007, the Circular (containing, among other information, details of the Underwriting Agreement, the Open Offer, the Whitewash Waiver, the Special Deal and the EA Absence) was despatched to the Shareholders. A copy of the Circular is available for inspection as set out in the paragraph headed "Documents available for inspection" in Appendix III to this Prospectus.

At the SGM held on 28 November 2007, the Underwriting Agreement, Open Offer (including the EA Absence), the Whitewash Waiver and the Special Deal, were approved by the Independent Shareholders.

This Prospectus sets out further information regarding, among other things, the Open Offer.

OPEN OFFER

On 8 October 2007, the Company entered into the Underwriting Agreement with the Underwriter in respect of the Open Offer, which was supplemented by the Supplemental Underwriting Agreement. Further details of the Open Offer are set out below:

Issue statistics

Basis of the Open Offer	:	One (1) Offer Share for every existing two (2) existing Shares held on the Record Date
Number of Shares in issue as at the Latest Practicable Date	:	868,733,440 Shares
Subscription Price	:	HK$0.10 per Offer Share payable in full on application
Number of Offer Shares to be issued	:	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

Number of Offer Shares underwritten by the Underwriter pursuant to the Underwriting Agreement	:	362,620,720 Offer Shares
Number of Shares in issue upon completion of the Open Offer	:	1,303,100,160 Shares (without taken into account any Shares which may be issued upon exercise of the conversion rights attaching to the Convertible Bonds)

Share options and convertible securities

No share options have been granted by the Company under the share option scheme since its adoption.

As at the Latest Practicable Date, the Company has outstanding Convertible Bonds in the principal amount of HK$26,000,000. If the conversion rights attached to the Convertible Bonds are exercised in full at the initial exercise price of HK$0.15 per Share 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, 173,333,333 new Shares may be allotted and issued. 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). Accordingly, the Open Offer will not be available to the holders 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 Latest Practicable Date.

Adjustments (if any) to the conversion price of the Convertible Bonds will be made in accordance with the above instrument dated 1 August 2007 and executed by the Company, which constitutes the Convertible Bonds. Under such instrument, the conversion price at which each Share shall be issued upon exercise of such conversion right is initially HK$0.15 and is 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 is required under the instrument to 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 holders of the Convertible Bonds. Particulars of the adjustments regarding the Convertible Bonds will be set out in the announcement of the results of the Open Offer to be made by the Company.

Save as disclosed above, as at the Latest Practicable Date, there were no other outstanding convertible note, share option, warrant, derivative or other securities convertible into or exchangeable for any Shares.

TERMS OF THE OPEN OFFER

Subscription Price of the Offer Shares

The Subscription Price of HK$0.10 per Offer Share will be payable in full upon acceptance. The Subscription Price represents:

(i) a discount of approximately 79.8% to the closing price of HK$0.495 per Share (based on the closing price of Shares before the Shares went ex-entitlement on 20 November 2007) as quoted on the Stock Exchange on the Last Trading Date;

(ii) a discount of approximately 79.5% to the average closing price of approximately HK$0.487 per Share (based on the closing price of Shares before the Shares went ex-entitlement on 20 November 2007) as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Date;

(iii) a discount of approximately 79.8% to the average closing price of approximately HK$0.495 per Share (based on the closing price of Shares before the Shares went ex-entitlement on 20 November 2007) as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Date;

(iv) a discount of approximately 72.5% to the theoretical ex-entitlement price of approximately HK$0.363 per Share (based on the closing price of Shares before the Shares went ex-entitlement on 20 November 2007) as quoted on the Stock Exchange on the Last Trading Date;

(v) a premium of approximately 212.5% 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 Latest Practicable Date);

(vi) a premium of approximately 316.7% over the unaudited consolidated net tangible assets value per Share of approximately HK$0.024 (calculated by dividing the latest published unaudited net tangible assets value of the Group as at 30 September 2007 by the 868,733,440 Shares in issue as at the Latest Practicable Date);

(vii) a discount of approximately 85.3% to the closing price of HK$0.680 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and

(viii) a discount of approximately 79.5% to the theoretical ex-entitlement price of approximately HK$0.487 per Share based on the closing price as quoted on the Stock Exchange on the Latest Practicable Date.

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 take into account before subscribing for the Offer Shares. Having regard to the aforesaid and the theoretical ex-entitlement 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, issued and fully paid, will rank pari passu in all respects with the Shares in issue on the date of allotment and issue of the Offer Shares. Holders of the Offer Shares will be entitled to receive all future dividends and distributions which are declared, made or paid, whose record dates for determining such entitlement fall on or after the date of allotment and issue of the Offer Shares.

The Offer Shares, together with the Shares, are expected to be traded in board lots of 2,000 Shares. Dealings in the Offer Shares will be subject to the payment of the applicable stamp duty, Stock Exchange trading fee, the Securities and Futures Commission transaction levy and other applicable fees and charges in Hong Kong.

Qualifying Shareholders

The Open Offer Documents are sent to the Qualifying Shareholders only.

The invitation to apply for the Offer Shares made to the Qualifying Shareholders will not be transferable or capable of renunciation. There will not be any trading of nil-paid entitlements of the Offer Shares on the Stock Exchange.

As at the Latest Practicable Date, the Board had not received any information from any substantial shareholders (as defined in the Listing Rules) of the Company (other than the Underwriter) of their intention to take up the Offer Shares under the Open Offer.

Rights of the Excluded Shareholders

The Open Offer Documents have not been registered or filed under the applicable securities or equivalent legislation of any jurisdiction other than Hong Kong and Bermuda (where necessary). According to the register of members of the Company on the Latest Practicable Date (which was also the Record Date), there was one Shareholder who was Overseas Shareholder holding 250,000 Shares, representing approximately 0.029% of the issued share capital of the Company as at the Latest Practicable Date. Such Shareholder's registered address was situated in Monaco.

In such connection, the Directors have pursuant to Rule 13.36(2) of the Listing Rules made enquiries as to whether the offer of Offer Shares to such Overseas Shareholder may contravene the applicable securities legislation of the relevant overseas places or the requirements of the relevant regulatory body or stock exchange. The Company has been advised by its legal advisers on the laws of Monaco that the Company would be exempt from obtaining approval from, and/or registration of the Open Offer Documents with, the relevant regulatory authorities under the applicable laws and regulations of Monaco since the Company would meet the relevant requirements for exemption under Monaco. Based on the advice of the Company's legal advisers on the laws of Monaco, the Directors believe that the Open Offer Documents would not be required to be registered under the relevant laws and regulations of Monaco and may be despatched to the Overseas Shareholder with registered address in Monaco without any restrictions. In view of the above, the Directors have decided to extend the Open Offer to the Overseas Shareholder with registered address in Monaco, and such Overseas Shareholder is Qualifying Shareholder. The Company has sent the Open Offer Documents to such Qualifying Shareholder.

On the basis disclosed above, there is no Excluded Shareholder for the purposes of the Open Offer.

None of the Open Offer Documents has been registered or filed under any applicable securities or equivalent legislations of any jurisdictions other than Hong Kong and Bermuda and therefore no person receiving any of the Open Offer Documents in any jurisdiction outside Hong Kong may treat it as an offer or an invitation to apply for Offer Shares, unless in the relevant jurisdiction such an offer or invitation could lawfully be made without compliance with any registration or other legal or regulatory requirements. It is the responsibility of any person (including but without limitation to nominee, agent and trustee) receiving a copy of the Open Offer Documents outside Hong Kong and wishing to take up the Offer Shares under the Open Offer to satisfy himself/herself/itself, before acquiring any rights to subscribe for the provisionally allotted Offer Shares, as to the full observance of the laws of the relevant territory including the obtaining of any governmental or other consents for observing any other formalities which may be required in such territory or jurisdiction, and to pay any taxes, duties and other amounts required to be paid in such territory or jurisdiction in connection therewith. Any acceptance by any person will be deemed to constitute a representation and warranty from such person to the Company that these local laws and requirements have been complied with. Shareholders should consult their professional advisers if in doubt.

No application for the Offer Shares will be accepted from any Excluded Shareholders. The Company reserves the rights to refuse to accept any application for the Offer Shares where it believes that in doing so, it would violate the applicable securities legislation or other laws or regulations of any jurisdiction.

No application for excess Offer Shares

In view of the discount of the Subscription Price per Offer Share to the market price per Share in connection with the Open Offer, the Board believes that there would be a high level of acceptance of Offer Shares by the Qualifying Shareholders and, accordingly, there would not be a significant number of Offer Shares which are not taken up by the Qualifying Shareholders and available for excess application. Together with the fact that additional administrative costs and time will be involved, the Company decided that no Qualifying Shareholder is entitled to apply for any Offer Shares which are in excess of his/her/its assured entitlements. Any Offer Shares not taken up by the Qualifying Shareholders will form part of the Offer Shares to be underwritten by the Underwriter.

At the SGM held on 28 November 2007, the EA Absence was approved by the Independent Shareholders.

Procedures for acceptance of, and payment for, the Offer Shares

If you are a Qualifying Shareholder, an Application Form is enclosed with this Prospectus which entitles you to apply for the number of Offer Shares available to you on an assured basis subject to payment in full on application by not later than 4:00 p.m. on Monday, 17 December 2007. Qualifying Shareholders should note that they may apply for the number of Offer Shares equal to or less than the number set out in the Application Form. If you are a Qualifying Shareholder and you wish to apply for any number of Offer Shares within your assured allotment of Offer Shares to which you are entitled as specified in the enclosed Application Form, you must complete, sign and lodge the Application Form in accordance with the instructions printed thereon, together with a remittance for the full amount payable on application in respect of such number of Offer Shares you have applied for with the Registrar, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by not later than 4:00 p.m. on Monday, 17 December 2007. All remittances must be made in Hong Kong dollars. Cheques must be drawn on an account with, or cashier's orders must be issued by, a licensed bank in Hong Kong and made payable to "MAGICIAN INDUSTRIES (HOLDINGS) LIMITED – OPEN OFFER ACCOUNT" and crossed "ACCOUNT PAYEE ONLY".

It should be noted that unless the duly completed and signed Application Form, together with the appropriate remittance, have been lodged with the Registrar by not later than 4:00 p.m. on Monday, 17 December 2007, your assured entitlement and all rights thereunder will be deemed to have been declined and will be cancelled.

The Application Form contains full information regarding the procedures to be followed if you wish to apply for a number of Offer Shares different from your assured entitlement.

All cheques or cashier's orders will be presented for payment upon receipt and all interests earned on such monies (if any) will be retained for the benefit of the Company. Any application in respect of which the cheque or cashier's order is dishonoured on first presentation is liable to be rejected, and in that event the assured entitlement and all rights thereunder will be deemed to have been declined and will be cancelled.

If the conditions of the Open Offer are not fulfilled or the Underwriter terminates the Underwriting Agreement before the Latest Time for Termination, the application monies will be refunded, without interests, by sending a cheque made out to the applicant (or in the case of joint applicants, to the first-named applicant) and crossed "ACCOUNT PAYEE ONLY", through ordinary post at the risk of the applicant(s) to the address specified in the register of members of the Company.

The Application Form is for use only by the person(s) named therein and is not transferable.

No receipt will be issued in respect of any application monies received.

Fractions of Offer Shares

The Company will not provisionally allot fractions of Offer Shares in nil-paid form. No fractional entitlements to the Offer Shares will be allotted to individual Shareholder. All such fractional entitlements will be aggregated and form part of the Offer Shares to be underwritten by the Underwriter.

Share Certificates

Subject to fulfillment of the conditions of the Open Offer set out in the section headed "Conditions of the Open Offer" below, certificates for all fully paid Offer Shares are expected to be sent by post on or before Monday, 24 December 2007 to those who have validly applied and paid for the Offer Shares at their own risks.

UNDERWRITING ARRANGEMENTS

Underwriting Agreement

Date:	8 October 2007 (as supplemented by the Supplemental Underwriting Agreement dated 20 October 2007 entered into by the same parties to the Underwriting Agreement)

Supplemental Underwriting Agreement

Date:	20 October 2007
Underwriter:	Big-Max, a substantial shareholder of the Company, whose ordinary business does not include underwriting.

Major terms of the Underwriting Agreement and the Supplemental Underwriting Agreement

Number of Offer Shares underwritten:	362,620,720 Offer Shares, which is equal to the 434,366,720 Offer Shares to be issued under the Open Offer 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 and/or 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 (i) the commission payable to the Underwriter pursuant to the Underwriting Agreement and (ii) the escrow fees (in the sum of HK$100,000) payable by the Underwriter 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 under Big-Max Shareholder Loans (exclusive of any interest accrued thereon).

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 the Registrar 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.

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 the Big-Max Shareholder Loans by the Company. 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.

The Underwriter has made an application to the Executive for the Executive's consent to the Special Deal. The Executive has conditionally consented to the Special Deal.

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 this 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 be 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.**

If the Underwriter terminates the Underwriting Agreement, the Open Offer will not proceed.

Background of the Underwriter and Big-Max Shareholder Loans

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. Its directors are Mr. Li Li Xin and Ms. Jin Ya Er. 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 hardware products, the operation of shopping malls and chain supermarkets, and real-estate investments in the PRC. The ordinary course of business of Big-Max does not include underwriting. As the Subscription Monies for any Untaken Shares will be settled by setting-off against the Big-Max Shareholder Loans (or part of them), Big-Max is considered to be able to fulfill and accomplish fully its duties and obligations of being the underwriter as stipulated by the Underwriting Agreement.

The Underwriter acquired 143,492,000 Shares of the Company from City Team Industrial Limited in accordance with 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.

As at the Latest Practicable Date, 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.

The Directors are of the view that as 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.

As at the Latest Practicable Date, 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.

Mr. Li Li Xin (if one person will be nominated by the Underwriter as new Director to the Board) and Mr. Cheng Jian He (if two persons will be nominated by the Underwriter as new Directors to the Board) will be the candidates to the Board in case the Underwriter is entitled to nominate Director(s) to the Board. Their biographies are briefly set out below:

Mr. Li Li Xin (李立新), aged 40. Mr. Li holds an Executive Master of Business Administration degree from Fudan University, and is the founder and current chairman of Lisi Group (a private group of companies established in the PRC). The principal businesses of Lisi Group include manufacturing, retail, and real property development. As regards manufacturing, the group mainly manufactures and sells plastic and hardware products and products for daily consumption. On the retail business side, the group owns a number of department stores and chain-operated supermarkets. The group also has investments in real property development in the PRC. Mr. Li has 18 years of experience in the manufacture and sale of plastic and hardware products and products for daily consumption.

Mr. Li is currently a committee member of All-China Youth Federation (全國青聯委員), the vice chairman of the China Plastics Processing Industry Association (中國塑料加工工業協會副會長), the vice chairman of Ningbo City Industrial and Commercial Union (寧波市工商業聯合會副會長), a member of Chinese People's Political Consultative Conference of Ningbo City (寧波市政治協商會議委員), a representative of the People's Congress of Yinzhou District of Ningbo City (寧波市鄞州區人大代表), a standing committee member of the Political Consultative Conference of Yinzhou District (鄞州區政協常委), and the chairman of the Yinzhou District Federation of Industry and Commerce (鄞州區工商業聯合會會長).

Mr. Li was awarded the title of model worker (勞動模範) in Ningbo City for the years 2001 to 2003. He was awarded the titles of "Outstanding Builder of Socialist Undertakings of Chinese Characteristics" (優秀中國特色社會主義事業建設者) in 2003 and 2006 and was renowned for his contribution to the "Honourable Undertakings" (光彩事業) promotional programme by the People's Government of Ningbo City.

Mr. Cheng Jian He (程建和), aged 42. Mr. Cheng completed the Advanced On-the-job Training Course on Business Administration Specially for Managers offered by Tsinghua University, and is a Certified Public Accountant in the PRC and a member of the Chinese Institute of Certified Public Accountants (中國註冊會計師協會).

Mr. Cheng has over 20 years of experience in the financial management, tax planning, cost control, investment and financing management fields in various industries, including manufacturing, business and paper mills. He is currently the chief financial officer of Lisi Group.

Mr. Cheng graduated from the Jiangxi University of Finance and Economics and majored in financial accounting.

If either or both of the above persons are appointed to the Board, the Company will make further announcement in compliance with the Listing Rules.

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 EA Absence), the Special Deal 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, and the satisfaction of all conditions (if any) attached to the Whitewash Waiver granted and to the 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) 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 to be annexed thereto prior to or as soon as reasonably practicable after the publication of the Prospectus;

(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.

As at the Latest Practicable Date, other than conditions (a) and (b) above, none of the conditions referred to above had been satisfied. As regards condition (f), the Executive has conditionally granted the Whitewash Waiver and conditionally consented to the Special Deal.

Shareholding structure of the Company

The following is the shareholding structure of the Company (i) as at Latest Practicable Date; (ii) immediately following completion of the Open Offer assuming that no Qualifying Shareholder (except for the Underwriter and its concert parties) takes up his/her/it entitlement under the Open Offer; (iii) immediately following completion of the Open Offer assuming all Qualifying Shareholders have taken up their respective entitlements in full:

	As at the Latest Practicable Date		Immediately following completion of the Open Offer assuming that no Qualifying Shareholder takes up his/her/its entitlement under the Open Offer (except for the Underwriter and its concert parties)		Immediately following completion of the Open Offer assuming that all Qualifying Shareholders take up their respective entitlements under the Open Offer in full	
	No. of Shares held	*%*	*No. of Shares held*	*%*	*No. of Shares held*	*%*
The Underwriter and its concert parties *(Note 1)*	143,492,000	16.52	577,858,720	44.34	215,238,000	16.52
Mr. Xu Jin *(Note 2)*	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
Total	**868,733,440**	**100.00**	**1,303,100,160**	**100.00**	**1,303,100,160**	**100.00**

Notes:

1. Mr. Li Li Xin is deemed to have a beneficial interest in 143,492,000 Shares through Big-Max, whose issued share capital is beneficially owned as to 90% by Mr. Li and as to 10% by Mr. Li's spouse.

2. Mr. Xu Jin is an executive Director. As at the Latest Practicable Date, 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.

INFORMATION OF THE GROUP

Business of the Group

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

Financial position of the Group

The Group is currently in tight cashflow position. In particular, as at 30 September 2007, being the date to which the latest published unaudited interim accounts of the Group were made up, the Group had net current liabilities of over HK$173.3 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$84.8 million. Moreover, as at 30 September 2007, the Group had short-term bank loans of over HK$108.8 million (unaudited).

The majority of the net current liabilities as at 30 September 2007 comprise bank loan of around HK$108.8 million which arose from the renewal of 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, because it took time for new management personnel to comprehend the structure and business of the Group and adapt to the management culture.

The ageing of external debts and payables falling due in coming three months, six months, nine months and one (1) year (including over 1 year) of the Group as at 30 September 2007 (unaudited) are set out as follows:

	3 months	**6 months**	**9 months**	**1 year and over**	**Sub-total**
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
Bank Loan	108.75	–	–	–	108.75
Payables of the Group	86.55 *(Note)*	0.59	0.64	31.85	119.63
Total	195.30	0.59	0.64	31.85	228.38

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 and Big-Max Shareholder Loans" above.

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries have 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 negotiated with some banks for the refinancing of the existing bank loan. On 15 October 2007, the Group obtained a 3-year term loan facility in the amount of RMB120 million (equivalent to approximately HK$123 million) at the interest rate of 105% of the base lending rate published by the People's Bank of China from a PRC bank for the purpose of refinancing the entire existing bank loan of around HK$108.8 million (outstanding as at 30 September 2007, unaudited). The said loan would be released to the Group by instalments. As at the Latest Practicable Date, RMB100 million has been drawn by the Group and it is expected that the remaining amount of the said loan in the sum of RMB20 million will be released to the Group in due course. The assets pledged for the said loan 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 settled the existing external bank loans in the principal amount of around HK$108.8 million (outstanding as at 30 September 2007, unaudited) and it was refinanced by the above mentioned loan obtained from a PRC bank. With respect to the trade and other payables (in the sum of around HK$84.8 million), the Group would settle the same by funds generated from daily operation (see Note (a) below). The Directors would consider obtaining further equity and/or debt financing from the market in case further funds are needed (see Note (b) below); and

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:

(a) 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.

(b) Taking into account the fact that (1) the existing bank loan of around HK$108.8 million has been refinanced as set out above and (2) (i) a majority part of the Big-Max Shareholder Loans would be settled pursuant to the underwriting arrangement as disclosed in this Prospectus should no Qualifying Shareholders take up his/her/its entitlement under the Open Offer (except for Big-Max and parties acting in concert with it); or (2) (ii) trade payables of HK$20 million and outstanding bank borrowings of HK$5 million would be settled should all Qualifying Shareholders take up their respective entitlements in full under the Open Offer; or (2) (iii) part of the Big-Max Shareholder Loans, certain trade payables and certain outstanding borrowings would be settled should certain (but not all) Qualifying Shareholders take up their entitlements under the Open Offer, 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.

BUSINESS REVIEW AND PROSPECTS

The principal activities of the Group is the manufacture and trading of plastic and metal household products.

For the year ended 31 March 2007, the Group recorded a turnover of HK$219.5 million. Loss for the year attributable to equity holders of the Company was HK$22.8 million. The Group's basic loss per share was 2.63 cents. The loss was mainly due to stagnant sales and the persisting high levels of production costs as a result of surging price level of raw materials. Rise in labour costs and shortage of labour in Guangdong Province also further eroded the Group's bottom line. During the year ended 31 March 2007, the Group continued to experience some severe challenges. The Group's major markets remained sluggish. Demand for household products slackened while competition was intense, which adversely impacted on profit margins. In response, the Group took steps to reduce low margin sales orders while focused on higher margin products such as metal silicone over-mould bakeware, silicone bakeware and OEM products. If the production costs continue to rise, the Group would consider adopting appropriate cost control measures, such as structural changes in procurement and manufacturing planning and/or relocation of its production facilities (or part of them) to lower cost areas.

For the six months ended 30 September 2007, Magician recorded a turnover of approximately HK$120.3 million, representing a slight drop of 3.2% when compared with the HK$124.3 million reported for the corresponding period last year. The Group reported a loss from operation of HK$1.3 million compared to a loss of HK$15.7 million last year, and a loss for the Period of HK$7.3 million when compared to a loss of HK$22.0 million during the same period last year. The Group's basic loss per share was HK0.83 cents.

The Directors do not intend to change its principal line of business. In the near future, the Group will continue to focus its effort and resources in maintaining and, where practicable, increasing its turnover and improving its financial position.

Reasons for the Open Offer

Having regard to 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 proposed accordingly.

In the cases that all or part of the Qualifying Shareholders take up their full or partial entitlements under the Open Offer, the Board considers that the Open Offer represents an opportunity for the Company to enhance its working capital and strengthen its capital base and financial position. Upon completion of the Open Offer, the Company will be in a position to capture any potential business opportunity and facilitate its business expansion and to enhance its earning potential, and therefore enhance the overall value of the Shares. Moreover, the Board is of the view that it is in the interests of the Company and its Shareholders as a whole to raise the capital through the Open Offer since it would allow the Qualifying Shareholders to maintain their respective pro rata shareholdings in the Company and participate in the future growth and development of the Group. Although the Directors confirmed that the Company had not identified any specific investment plans as at the Latest Practicable Date, in view of the discount of the Subscription Price per Offer Share to the market price per Share in connection with the Open Offer, the Board believes that there will be a high level of acceptance of Offer Shares by the Qualifying Shareholders.

In the case 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), the Board considers that the Open Offer would still strengthen capital base and financial position of the Group.

The Underwriter has indicated that, upon completion of the Open Offer and assuming that the Underwriter together with its concert parties is interested in 30% or more of the Company's enlarged issued share capital immediately after such completion, it does not have any intention to introduce any material change to the existing businesses, operations or assets of the Company (including any deployment of the fixed assets of the Group); nor does it intend to terminate the continued employment of the employees of the Group.

Use of the proceeds from the Open Offer

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:

Assuming all Qualifying Shareholders taking up their respective entitlement in full

On the assumption that all Qualifying Shareholders will 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 for general working capital.

Assuming no Qualifying Shareholders taking up his/her/its entitlement

On the assumption that no Qualifying Shareholders will 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 the Underwriter Cash Portion in the sum of HK$7,174,600, 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 30 September 2007, the Company was indebted to Big-Max in the total amount of approximately HK$30.1 million (i.e. the principal amount of the Big-Max Shareholder Loans and interest accrued thereon up to 30 September 2007, unaudited), among which HK$36.2 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 off-set pursuant to the terms of the Underwriting Agreement as disclosed in this Prospectus, 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 on the grounds 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 Company's financial position will be strengthened, as its liabilities will decrease while its equity capital will increase.

Further, in case the Big-Max Shareholder Loans (or any part thereof) 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 more favourable than a shareholder, in terms of the relative certainty of the creditor's right to payment of interest (as opposed to shareholder's right 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 prior to the date of the Announcement and up to the Latest Practicable Date

Save as disclosed in the immediately succeeding paragraph below, the Company did not carry out any other equity fund raising activities within the past 12 months prior to the date of the Announcement and up to the Latest Practicable Date.

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

WARNING OF THE RISK OF DEALING IN THE SHARES

If the Underwriter terminates the Underwriting Agreement, or if the conditions of the Underwriting Agreement have not been fulfilled in accordance with the terms thereof, the Open Offer will not proceed. Shareholders and potential investors should therefore exercise caution when dealing in the Shares and are advised to consult their professional advisers if they are in any doubt about their positions.

Shareholders should note that the Shares have been dealt with on an ex-entitlement basis commencing from Tuesday, 20 November 2007 and that dealings in such Shares will take place while the conditions to which the Underwriting Agreement is subject remain unfulfilled. Any Shareholder or other person dealing in such Shares up to the date on which all conditions to which the Open Offer is subject are fulfilled will accordingly bear the risk that the Open Offer cannot become unconditional and may not proceed.

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

Any Shareholders or other persons contemplating dealings in the Shares are recommended to consult their own professional advisers.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares up to the date when the conditions of the Open Offer are fulfilled.

LISTING AND DEALINGS

The Company has applied to the Listing Committee for the listing of, and permission to deal in, the Offer Shares in their fully-paid form.

None of the securities of the Company is listed or dealt in on any other stock exchange other than the Stock Exchange and no such listing or permission to deal is being or is proposed to be sought.

Subject to the grant of listing of, and permission to deal in, the Offer Shares on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Offer Shares on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made to enable the Offer Shares in their fully-paid form to be admitted into CCASS.

Offer Shares, together with the Shares, will be traded in board lots of 2,000 (same as the current board lot size of the Shares as traded on the Stock Exchange). Dealings in Offer Shares will be subject to the payment of the applicable stamp duty and any other applicable fees and charges in Hong Kong.

The first day of dealings in the Offer Shares is expected to commence on Friday, 28 December 2007.

TAXATION

Qualifying Shareholders are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of applying for, holding, disposing of or dealing in the Offer Shares. It is emphasised that none of the Company, the Directors or any other parties involved in the Open Offer accepts responsibility of any tax effects or liabilities of holders of the Offer Shares resulting from the application for, holding, disposal of, or dealing in the Offer Shares.

GENERAL

Your attention is drawn to the additional information set out in the appendices to this Prospectus.

Yours faithfully,
For and on behalf of the Board of
Magician Industries (Holdings) Limited
Xu Jin
Chairman

I. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

The following financial information ("**Financial Information**") has been extracted from the financial statements of the Group for the period from 1 April 2007 to 30 September 2007 and for each of the three years ended 31 March 2007 as set out in the relevant published interim report and annual reports of the Company respectively.

The Company's auditors, Mazars CPA Limited and the Company's previous auditors, Moores Rowland Mazars, have issued qualified opinions for the year ended 31 March 2007 and for each of the two years ended 31 March 2005 and 31 March 2006 respectively. The reports of the Company's auditors for each of the three years ended 31 March 2007 have been extracted from the relevant published annual reports of the Company.

During the period from 1 April 2007 to 30 September 2007 and for the three years ended 31 March 2007, the Group has no extraordinary, exceptional item and minority interest applicable to the financial statements of the Group and no dividend had been declared or paid.

Consolidated Income Statement

	Unaudited for the period from 1 April 2007 to 30 September	Audited for the years ended 31 March		
	2007	**2007**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	120,270	219,508	233,865	445,830
Cost of sales	(100,186)	(189,717)	(207,883)	(372,307)
Gross profit	20,084	29,791	25,982	73,523
Other revenue	655	2,538	2,060	2,112
Other income	326	463	8,641	–
Selling and distribution expenses	(4,022)	(9,076)	(15,384)	(34,962)
Administrative and other operating expenses	(18,302)	(44,287)	(65,020)	(117,948)
Impairment loss on property, plant and equipment	–	(4,569)	(13,171)	(91,733)
Reversal of impairment loss on property, plant and equipment	–	14,278	15,849	–
Finance costs	(5,988)	(11,904)	(11,466)	(6,945)
Loss before taxation	(7,247)	(22,766)	(52,509)	(175,953)
Taxation (charge) credit	(4)	(56)	5,537	–
Loss for the period/year attributable to equity holders of the Company	(7,251)	(22,822)	(46,972)	(175,953)
Loss per share – Basic	HK(0.83) cents	HK(2.63) cents	HK(5.41) cents	HK(20.25) cents
– Diluted	HK(0.78) cents	HK(2.63) cents	HK(5.41) cents	HK(20.25) cents

Consolidated Balance Sheet

	Unaudited As at 30 September 2007		Audited As at 31 March 2006	
	2007	2007	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets				
Investment properties	–	–	–	3,080
Property, plant and equipment	221,782	222,011	225,725	283,544
Deferred tax assets	–	–	–	285
	221,782	222,011	225,725	286,909
Current assets				
Inventories	30,355	29,534	28,070	57,015
Trade and bills receivables	30,533	27,015	28,435	40,769
Prepayments, deposits and other receivables	4,121	4,395	7,826	7,923
Tax recoverable	–	233	–	–
Pledged deposits	5,190	5,058	2,130	984
Restricted bank balances	–	–	–	2,644
Bank balances and cash	9,266	7,919	4,629	9,246
	79,465	74,154	71,090	118,581
Non-current assets classified as held for sale	–	–	12,688	–
	79,465	74,154	83,778	118,581
Current liabilities				
Trade and other payables	84,818	86,992	97,375	135,091
Advance from a related company	–	7,000	–	–
Loan from a related company, unsecured	7,800	7,800	–	–
Loans from a shareholder, unsecured	28,000	28,000	–	–
Bank overdraft, unsecured	–	–	–	804
Short-term bank and other borrowings, secured	127,994	133,068	84,210	73,846
Current portion of long-term bank borrowing, secured	–	–	70,000	19,855
Current portion of obligations under finance leases	2,483	2,003	6,213	5,931
Provision for taxation	1,670	–	1,173	7,007
	252,765	264,863	258,971	242,534
Net current liabilities	(173,300)	(190,709)	(175,193)	(123,953)
Total assets less current liabilities	48,482	31,302	50,532	162,956
Non-current liabilities				
Long-term bank borrowing, secured	–	–	–	62,500
Obligations under finance leases	2,306	3,666	74	3,026
Zero-coupon convertible bonds	25,461	–	–	–
	27,767	3,666	74	65,526
NET ASSETS	20,715	27,636	50,458	97,430
Capital and reserves				
Share capital	86,873	86,873	86,873	86,873
Reserves	(66,158)	(59,237)	(36,415)	10,557
TOTAL EQUITY	20,715	27,636	50,458	97,430

INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2007

To the members of
Magician Industries (Holdings) Limited
(incorporated in Bermuda with limited liabilities)

Report on the financial statements

We were engaged to audit the consolidated financial statements of Magician Industries (Holdings) Limited ("the Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 21 to 57, which comprise the consolidated and the Company's balance sheet as at 31 March 2007, the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Except for the limitation in the scope of our work as explained below, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement. However, because of the matters described in the basis for disclaimer of opinion section, we are not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for disclaimer of opinion

(1) We were not able to form a view in the previous year on the appropriateness of the impairment loss of HK$3,515,000 and the reversal of impairment loss of HK$12,196,000 on property, plant and equipment and whether the property, plant and equipment of HK$210,489,000 were fairly stated at 31 March 2006. We had expressed a qualified opinion in our audit

report accordingly and details of our qualification were fully explained in the 2006 annual report. Any adjustments to the opening carrying amount of the property, plant and equipment which we have previously qualified would have consequential effects on the results for the year ended 31 March 2007.

As stated in note 13 to the financial statements, in light of the continuing operating loss experienced by the Group, management has carried out an impairment review of its property, plant and equipment. However, we have not been able to obtain adequate supporting information from management in respect of its assessment on the value in use of property, plant and equipment with carrying amount of HK$211,155,000 as of 31 March 2007 and therefore unable to satisfy ourselves whether the recognition of the impairment loss of HK$4,569,000 and the reversal of impairment loss of HK$12,016,000 are appropriate. Consequently, we have been unable to satisfy ourselves whether the property, plant and equipment of HK$211,155,000 were fairly stated at the balance sheet date and whether the loss for the year ended 31 March 2007 was fairly stated.

(2) We were not able to form a view in the previous year on the completeness and accuracy of the assets, liabilities, income and expenses, cash flows, commitments, contingent liabilities, related party transactions and other disclosures in the financial statements in connection with the Group's sales division in the People's Republic of China ("PRC"). We had expressed a qualified opinion in our audit report accordingly and details of our qualification were fully explained in the 2006 annual report.

The Group's PRC sales division's operation has substantially been curtailed since 2006 and therefore its transactions for the year under review were minimal. However, because of the high turnover of members of management and accounting personnel, the present management is unable to give an unqualified representation that all liabilities and contingent liabilities in relation to the PRC sales division as at the balance sheet date has been properly included and disclosed in the Group's financial statements.

Accordingly, we have been unable to carry out audit procedures that we considered necessary to obtain adequate assurance regarding the completeness and accuracy of the liabilities and contingent liabilities in connection with the PRC sales division.

There were no other satisfactory audit procedures that we could adopt to satisfy ourselves as to the matters set out in paragraphs (1) and (2) above. Any adjustments to the above figures may have a consequential significant effect on the Company's interests in subsidiaries as recorded in the Company's balance sheet, the Group's loss for the year and the Group's net assets as at 31 March 2007.

Fundamental uncertainty relating to the going concern basis

In forming our opinion, we have considered the adequacy of the disclosures made in note 2 to the financial statements which explains the measures that the directors are currently undertaking and intend to take to generate sufficient liquid funds to finance its operations and, accordingly, that it is appropriate to prepare the financial statements on a going concern basis.

As detailed in note 2 to the financial statements, the Group is dependent upon the continued support of its banks and shareholders. Provided that the measures as detailed in note 2 to the financial statements can accomplish successful outcome, the directors are satisfied that the Group will be able to finance its operations and to meet in full its financial obligations as they fall due in the foreseeable future. The financial statements have been prepared on a going concern basis, the validity of which depends upon the outcome of the measures. The financial statements do not include any adjustments that may result from the failure of these measures to accomplish successful outcome. However, if the outcome turns out to be adverse, it may have significant potential adverse effect on the financial position of the Group and may in turn affect the going concern basis of the preparation of the financial statements.

Qualified opinion: Disclaimer of opinion on view given by financial statements

Because of the significance of the possible effect of:

- the limitation in evidence available to us on the matters as set out in the basis for disclaimer of opinion section; and
- the fundamental uncertainty relating to the going concern basis,

we do not express an opinion on the financial statements as to whether they give a true and fair view of the state of the affairs of the Company and the Group as at 31 March 2007 and of the loss and cash flows of the Group for the year then ended in accordance with Hong Kong Financial Reporting Standards. In all other respects, in our opinion, the financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Mazars CPA Limited
Certified Public Accountants

Hong Kong
23 July 2007

Kwok Yuen Man
Practicing Certificate number: P04604

FOR THE YEAR ENDED 31 MARCH 2006

To the members of
Magician Industries (Holdings) Limited
(incorporated in Bermuda with limited liabilities)

We have audited the financial statements on pages 21 to 57 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Basis of opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants, except that the scope of our work was limited as explained below.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. However, the evidence available to us was limited as follows:

(1) We were not able to form a view in the previous year on the appropriateness of the impairment loss on property, plant and equipment of HK$75,993,000 and whether the property, plant and equipment of HK$247,473,000 were fairly stated at the balance sheet date. We had qualified our audit report accordingly and details of our qualification were fully explained in the 2005 annual report. Any adjustments to the opening carrying amount of the property, plant and equipment which we have previously qualified would have consequential effects on the results for the year ended 31 March 2006.

As stated in note 17 to the financial statements, in light of the continuing operating loss experienced by the Group, management has carried out an impairment review of its property, plant and equipment. However, we have not been able to obtain adequate supporting information from management in respect of its assessment on the value in use of property, plant and equipment with carrying amount of HK$210,489,000 as of 31 March 2006 and therefore unable to satisfy ourselves whether the recognition of the impairment loss of HK$3,515,000 and the reversal of impairment loss of HK$12,196,000 are appropriate. Consequently, we have been unable to satisfy ourselves whether the property, plant and equipment of HK$210,489,000 were fairly stated at the balance sheet date and whether the loss for the year ended 31 March 2006 was fairly stated.

(2) We had not been able to form a view in the previous year on the Group's domestic sales in the People's Republic of China, the provision for doubtful debts and the carrying amount of the trade receivables in relation to the domestic sales. Consequently, we had qualified our audit report and details of our qualification were fully explained in the 2005 annual report. Any adjustments to the amounts that have been previously qualified would have consequential effects on the results for the year ended 31 March 2006.

As further explained in note 3(b) to the financial statements, the Group suffered a decline in the operation of its domestic sales division in the People's Republic of China during the year. Because of the high turnover of members of management and accounting personnel, the present management is unable to give an unqualified representation that all transactions in relation to the domestic sales division for the year have been properly included in the Group's financial statements and whether the financial statements present a true and fair view of the Group's financial position as at 31 March 2006 and of the Group's results for the year then ended in respect of its domestic sales division.

Accordingly, we have been unable to carry out audit procedures that we considered necessary to obtain adequate assurance regarding the completeness and accuracy of the assets, liabilities, income and expenses, cash flows, commitments, contingent liabilities, related party transactions and other disclosures in the financial statements in connection with the domestic sales division.

There were no other satisfactory audit procedures that we could adopt to satisfy ourselves as to the matters set out in paragraphs (1) and (2) above. Any adjustments to the above figures may have a consequential significant effect on the Company's interests in subsidiaries as recorded in the Company's balance sheet, the Group's loss for the year and the Group's net assets as at 31 March 2006.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Fundamental uncertainty relating to the going concern basis

In forming our opinion, we have considered the adequacy of the disclosures made in note 3(a) to the financial statements which explains the measures that the directors are currently undertaking and intend to take to generate sufficient liquid funds to finance its operations and, accordingly, that it is appropriate to prepare the financial statements on a going concern basis.

As detailed in note 3(a) to the financial statements, the Group is dependent upon the continued support of its creditors, banks and shareholders. Provided that the measures as detailed in note 3(a) to the financial statements can accomplish successful outcome, the directors are satisfied that the Group will be able to finance its operations and to meet in full its financial obligations as they fall due for the foreseeable future. The financial statements have been prepared on a going concern basis, the validity of which depends upon the outcome of the measures. The financial statements do not include any adjustments that may result from the failure of these measures to accomplish successful outcome. We consider that appropriate disclosures have been made. However, if the outcome turns out to be adverse, it may have significant potential adverse effect on the financial position of the Group and may in turn affect the going concern basis of the preparation of the financial statements.

Qualified opinion: disclaimer on view given by financial statements

Because of the significance of the possible effect of:

- the limitation in evidence available to us on the matters as set out in the basis of opinion section; and

- the fundamental uncertainty relating to the going concern basis;

we are unable to form an opinion as to whether the financial statements give a true and fair view of the state of the affairs of the Company and the Group as at 31 March 2006 and of the loss and cash flows of the Group for the year then ended. In all other respects, in our opinion, the financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Moores Rowland Mazars
Chartered Accountants
Certified Public Accountants

Hong Kong
26 July 2006

FOR THE YEAR ENDED 31 MARCH 2005

To the members of
Magician Industries (Holdings) Limited
(incorporated in Bermuda with limited liabilities)

We have audited the financial statements on pages 33 to 61 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda (as amended) and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants, except that the scope of our work was limited as explained below.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. However, the evidence available to us was limited as follows:

(1) As stated in note 14 to the financial statements, an impairment loss of HK$91,733,000 has been recognised for the year ended 31 March 2005. In light of the operating loss experienced by the Group during the year, management has reviewed the carrying value of its property, plant and equipment ("PPE") to assess their recoverable amounts. For PPE with carrying value of HK$323,466,000, after reviewing their value in use, management has recognised impairment loss of HK$75,993,000. However, we have not been able to obtain adequate supporting information from the management in respect of its assessment of the value in use of these PPE. Accordingly we have been unable to obtain sufficient information or carrying out alternative procedures to conclude that the director's assessment in connection with the value in use of these PPE is appropriate. Consequently, we have been unable to satisfy ourselves whether the PPE of HK$247,473,000 were fairly stated at the balance sheet date.

(2) As at 31 March 2005, the trade and bills receivables of the Group included trade receivables from the Group's domestic sales divisions in the People's Republic of China ("PRC debtors") of HK$1,700,000, which were arrived at after a provision for doubtful debts of HK$41,500,000 based on subsequent cash receipts as explained below. During the course of our audit, we have sought independent confirmations from a sample of PRC debtors and the returned confirmations showed discrepancies with the amount recorded in the Group's accounting records. As of the date of this report, management of the Group is still in the process of reconciling the discrepancies. Present management has attributed the slow progress to the high turnover of members of management and staff responsible for the Group's operation in the PRC during the year and subsequent to the balance sheet date, which has resulted in difficulty in locating underlying records of the relevant transactions. Management further advised that it is using its best endeavors to resolve the matter and considered that, in the interim, it would be prudent to make full provision for the balances that remained unsettled as of the latest practicable date. Because of the above, we have not been able to obtain adequate evidence or explanations in relation to the nature of the discrepancies noted on the confirmations. Consequently, we were unable to conclude whether the domestic sales in the PRC of approximately HK$44,000,000 for the year ended 31 March 2005 and the balance of PRC debtors as at that date were fairly stated. We were also unable to satisfy ourselves as to the appropriateness of the provision made for doubtful debts.

There were no other satisfactory audit procedures that we could adopt to satisfy ourselves as to the matters set out in paragraphs (1) and (2) above. Any adjustments to the above figures may have a consequential significant effect on the Company's interests in subsidiaries as recorded in the Company's balance sheet, the Group's loss for the year and the Group's net assets as at 31 March 2005.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Fundamental uncertainty relating to the going concern basis

In forming our opinion, we have considered the adequacy of the disclosures made in note 2 to the financial statements which explains the measures that the directors are currently undertaking and will take to generate sufficient liquid funds to finance its operations and, accordingly, that it is appropriate to prepare the financial statements on a going concern basis.

As detailed in note 2 to the financial statements, the Group is dependent upon the continued support of its creditors and banks. Certain creditors of the Group have taken legal actions to recover overdue balances which totalling approximately HK$34,000,000. Some of the creditors have also applied to the court in the PRC to freeze certain plant and machinery and bank balances of the Group.

Provided that the measures as detailed in note 2 to the financial statements can accomplish successful outcome, the directors are satisfied that the Group will be able to finance its operations and to meet in full its financial obligations as they fall due for the foreseeable future. The financial statements have been prepared on a going concern basis, the validity of which depends upon the outcome of the measures. The financial statements do not include any adjustments that may result from the failure of these measures to accomplish successful outcome. We consider that appropriate disclosures have been made. However, if the outcome turns out to be adverse, it may have significant potential adverse effect on the financial position of the Group and may in turn affect the going concern basis of the preparation of the financial statements.

Qualified opinion: disclaimer on view given by financial statements

Because of the significance of the possible effect of:

- the limitation in evidence available to us on the matters as set out in the basis of opinion section; and
- the fundamental uncertainty relating to the going concern basis;

we are unable to form an opinion as to whether the financial statements give a true and fair view of the state of the affairs of the Company and the Group as at 31 March 2005 and of the loss and cash flows of the Group for the year then ended. In all other respects, in our opinion, the financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Moores Rowland Mazars
Chartered Accountants
Certified Public Accountants

Hong Kong
22 July 2005

AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2007

The following information is extracted from pages 21 to 57 of the annual report of the Company for the year ended 31 March 2007:

Consolidated Income Statement
Year ended 31 March 2007

	Note	2007 HK$'000	2006 HK$'000
Turnover	4	219,508	233,865
Cost of sales		(189,717)	(207,883)
Gross profit		29,791	25,982
Other revenue	4	2,538	2,060
Other income	6	463	8,641
Selling and distribution expenses		(9,076)	(15,384)
Administrative and other operating expenses		(44,287)	(65,020)
Impairment loss on property, plant and equipment	13	(4,569)	(13,171)
Reversal of impairment loss on property, plant and equipment	13	14,278	15,849
Finance costs	7	(11,904)	(11,466)
Loss before taxation	7	(22,766)	(52,509)
Taxation (charge) credit	10	(56)	5,537
Loss for the year attributable to equity holders of the Company	11	(22,822)	(46,972)
Loss per share – Basic	12	HK(2.63) cents	HK(5.41) cents

Consolidated Statement of Changes in Equity
Year ended 31 March 2007

	2007	2006
	HK$'000	*HK$'000*
Opening balance – Total equity	50,458	97,430
Loss for the year	(22,822)	(46,972)
Closing balance – Total equity	27,636	50,458

Consolidated Balance Sheet

At 31 March 2007

	Note	2007 HK$'000	2006 HK$'000
Non-current assets			
Property, plant and equipment	13	222,011	225,725
Current assets			
Inventories	15	29,534	28,070
Trade and bills receivables	16	27,015	28,435
Prepayments, deposits and other receivables		4,395	7,826
Tax recoverable		233	–
Pledged deposits		5,058	2,130
Bank balances and cash		7,919	4,629
		74,154	71,090
Non-current assets classified as held for sale		–	12,688
		74,154	83,778
Current liabilities			
Trade and other payables	17	86,992	97,375
Advance from a related company	18	7,000	–
Loan from a related company, unsecured	19	7,800	–
Loans from a shareholder, unsecured	20	28,000	–
Short-term bank and other borrowings, secured	21(a)	133,068	84,210
Current portion of long-term bank borrowing, secured	21(b)	–	70,000
Current portion of obligations under finance leases	22	2,003	6,213
Provision for taxation		–	1,173
		264,863	258,971
Net current liabilities		(190,709)	(175,193)
Total assets less current liabilities		31,302	50,532
Non-current liabilities			
Obligations under finance leases	22	3,666	74
NET ASSETS		27,636	50,458
Capital and reserves			
Share capital	23	86,873	86,873
Reserves	24	(59,237)	(36,415)
TOTAL EQUITY		27,636	50,458

Balance Sheet
At 31 March 2007

	Note	2007 HK$'000	2006 HK$'000
Non-current assets			
Interests in subsidiaries	14	88,570	74,386
Current assets			
Prepayments, deposits and other receivables		687	505
Bank balances and cash		47	7
		734	512
Current liabilities			
Other payables and accruals		2,731	2,709
Loan from a related company, unsecured	19	7,800	–
Loans from a shareholder, unsecured	20	28,000	–
Short-term bank and other borrowings, secured		–	5,288
Provision for taxation		–	216
		38,531	8,213
Net current liabilities		(37,797)	(7,701)
NET ASSETS		50,773	66,685
Capital and reserves			
Share capital	23	86,873	86,873
Reserves	24	(36,100)	(20,188)
TOTAL EQUITY		50,773	66,685

Consolidated Cash Flow Statement
Year ended 31 March 2007

	2007	2006
	HK$'000	*HK$'000*
OPERATING ACTIVITIES		
Loss before taxation	(22,766)	(52,509)
Depreciation	17,563	30,869
Reversal of impairment loss on property, plant and equipment, net	(9,709)	(2,678)
Interest income	(690)	(613)
Interest expense	11,904	11,466
Gain on disposal of property, plant and equipment	(319)	(2,282)
Write-back of provision for doubtful debts	(144)	(6,359)
Provision for inventory obsolescence	–	5,685
Changes in working capital:		
Trade and bills receivables, prepayments, deposits and other receivables	4,995	18,827
Inventories	(1,464)	23,260
Trade and other payables	(10,383)	(40,173)
Cash used in operating activities	(11,013)	(14,507)
Interest paid	(11,632)	(8,900)
Hong Kong profits tax paid	(1,462)	(12)
Net cash used in operating activities	(24,107)	(23,419)

Consolidated Cash Flow Statement *(Continued)*
Year ended 31 March 2007

	2007	2006
	HK$'000	*HK$'000*
INVESTING ACTIVITIES		
Increase in pledged deposits	(2,928)	(1,146)
Purchase of property, plant and equipment	(5,985)	(3,603)
Proceeds on disposal of property, plant and equipment	14,852	22,791
Proceeds on disposal of investment properties	–	3,114
Interest received	690	576
Net cash generated from investing activities	6,629	21,732
FINANCING ACTIVITIES		
Advance from a related company	7,000	–
Loan from a related company	7,800	–
Loans from a shareholder	28,000	–
New short-term bank borrowings	143,068	93,922
Repayment of short-term bank borrowings	(94,210)	(95,913)
Repayment of long-term bank borrowings	(70,000)	–
Repayment of obligation under finance leases	(618)	(2,670)
Interest paid on obligation under finance leases	(272)	(109)
Net cash generated from (used in) financing activities	20,768	(4,770)
Net increase (decrease) in cash and cash equivalents	3,290	(6,457)
Cash and cash equivalents at beginning of year	4,629	8,442
Decrease in restricted bank balances	–	2,644
Cash and cash equivalents at end of year, represented by bank balances and cash	7,919	4,629

Notes to the Financial Statements

Year ended 31 March 2007

1. CORPORATE INFORMATION

Magician Industries (Holdings) Limited ("the Company") is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's principal place of business is located at Flat A, 2/F, Yeung Yiu Chung (No. 6) Industrial Building, 19 Cheung Shun Street, Cheung Sha Wan, Kowloon, Hong Kong. The principal activity of the Company is investment holding and the principal activities of its principal subsidiaries are detailed in note 14 to the financial statements.

2. BASIS OF PREPARATION

The financial statements have been prepared in conformity with the principles applicable to a going concern. The applicability of these principles is dependent upon the continued availability of adequate finance in view of the excess of current liabilities over current assets.

In preparing the financial statements for the year ended 31 March 2007, the directors adopted a going concern basis for the following reasons:

(i) The Group has adopted measures to improve its liquidity, including obtaining continuing support from its banks and shareholders.

- Included in the short-term bank borrowings are secured bank loans of HK$120,000,000 which were due for settlement in October 2007. The Group is now in the process of negotiation with the bank to extend the loan facilities. The management is optimistic about the outcome of the loan extension as the Group's relationship with the bank had been improved since previous loan renewal in 2006. Since then, the credit terms and status of the Group have been improved because the repayments of the current bank loan were all made on time.

- The Group has agreed with a related company and a shareholder to extend their loans of US$1,000,000 (equivalent to HK$7,800,000) and HK$28,000,000 to September 2007. Details of the loans are described in notes 19 and 20 to the financial statements.

- As mentioned in the announcement dated 8 August 2006, the Group is in the process of negotiation for further equity financing. Moreover, as stated in the announcement dated 28 June 2007 and the circular dated 6 July 2007, a convertible bond of HK$26,000,000 is being arranged subject to the approval by the shareholders in a special general meeting to be held on 24 July 2007.

(ii) In order to improve the cash flows of the Group, management will continue to step up the effort in debts collection from the customers of the Group's sales division in the People's Republic of China ("PRC"), such as pursuing litigation and appointing external professional parties for collection. Besides, excessive inventories will be sold at discounted prices and idle assets will be disposed of. Management will also negotiate with the suppliers for extension of credit period. On the other hand, credit periods granted to customers will be reviewed in order to determine if any of them are needed to be revised. Moreover, an increased credit limit of export credit insurance has been arranged in order to facilitate the increase in the bank trade finance facilities in the future.

(iii) Management will continue to focus on higher-margin and creditworthy customers so as to boost up the sales volume and return.

(iv) Measures in cost-cutting and strengthening of internal controls especially in the procurement and production cycles will continue to be implemented.

3. PRINCIPAL ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), which collective term includes all applicable individual HKFRS, Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and applicable disclosure requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

These financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2006 financial statements except for the adoption of Amendments to HKAS 39 Financial instruments: Recognition and measurement and HKFRS 4 Insurance contracts: Financial guarantee contracts. The adoption of these new/amended standards has no significant effects on the financial statements of the Group and the Company. A summary of the principal accounting policies adopted by the Group is set out below.

Basis of measurement

The measurement basis used in the preparation of these financial statements is historical cost.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries as at 31 March each year. The financial statements of the subsidiaries are prepared for the same reporting year as the Company using consistent accounting policies.

All intra-group balances, transactions, incomes and expenses and profits and losses resulting from intra-group transactions are eliminated in full. The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Subsidiaries

A subsidiary is an entity in which the Company, directly or indirectly, has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's balance sheet, investments in subsidiaries are stated at cost less accumulated impairment losses. The carrying amount of the investment is reduced to its recoverable amount on an individual basis. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Property, plant and equipment

Property, plant and equipment, other than construction-in-progress, are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to the income statement during the year in which they are incurred.

As the Group's lease payments for its leasehold land and buildings cannot be allocated reliably between the land and buildings elements at the inception of the lease because similar land and buildings are not sold or leased separately, the entire lease payments are included in the cost of the leasehold land and buildings as a finance lease in property, plant and equipment.

Construction-in-progress is stated at cost less accumulated impairment losses. Cost includes all construction expenditure and other direct costs, including interest costs, attributable to such projects. Costs on completed construction works are transferred to the appropriate asset category. No depreciation is provided in respect of construction-in-progress until it is completed and ready for their intended use.

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment, other than construction-in-progress, over their estimated useful lives as set out below from the date on which they are available for use and after taking into account their estimated residual values, using the straight-line method, at the following rates per annum:

Leasehold land	Over the unexpired term of lease
Buildings	2% or the terms of the leases, if shorter
Leasehold improvements	14.3% – 20%
Plant and machinery	20%
Furniture, fixtures, office and computer equipment	20%
Motor vehicles	20% – 25%
Moulds	10% – 14.3%

It is the Group's policy to periodically review the depreciation methods and estimated useful lives of its property, plant and equipment to ensure that the methods and rates of depreciation are consistent with the expected pattern of economic benefits from the property, plant and equipment. This review during the year indicated that the useful lives of the mould for metal and plastic products, which are to be operated at their optimum capacity with obsolescence and impairment being factors in, could reach 7 years and 10 years respectively. As a result, the depreciable period of moulds for metal and plastic products is extended from 5 years to 7 years and 10 years respectively, retroactive from 1 April 2006. The effect of this change in estimate was to reduce depreciation charge and decrease net loss for the year by approximately HK$9,600,000. Because of the change of the estimated useful lives of the mould retroactive from 1 April 2006, the financial position of the Group as at 30 September 2006 and the net loss for the period then ended as reported in its interim report dated 15 December 2006 would be increased and decreased respectively by approximately HK$4,800,000.

Assets held under finance leases are depreciated over the shorter of their expected useful lives or the term of the leases.

Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instruments and on a trade date basis. A financial asset is derecognised when the Group's contractual rights to future cash flows from the financial asset expire or when the Group transfers the contractual rights to future cash flows to a third party. A financial liability is derecognised only when the liability is extinguished.

Loans and receivables

Loans and receivables including trade and bills receivables and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading. They are measured at amortised cost using the effective interest method, except where receivables are interest-free loans and without any fixed repayment term or the effect of discounting would be insignificant. In such case, the receivables are stated at cost less impairment loss. Amortised cost is calculated by taking into account any discount or premium on acquisition, over the year to maturity. Gains and losses arising from derecognition, impairment or through the amortisation process are recognised in the income statement.

Impairment of financial assets

At each balance sheet date, the Group assesses whether there is objective evidence that financial assets are impaired. The impairment loss of financial assets carried at amortised cost is measured as the difference between the assets' carrying amount and the present value of estimated future cash flow discounted at the financial asset's original effective interest rate.

Financial liabilities

The Group's financial liabilities include trade and other payables, loans from related parties, bank and other borrowings and obligations under finance leases. All financial liabilities are recognised initially at their fair value and subsequently measured at amortised cost, using effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer of the contract to make specified payments to reimburse the holder of the contract for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee contract is initially recognised as deferred income within other payables and accruals at fair value, where such information is available, otherwise, it is recognised at consideration received and receivable. Subsequently, it is measured at the higher of the amount initially recognised, less accumulated amortisation, and the amount of the provision, if any, that is required to settle the commitment at the balance sheet date.

Cash equivalents

For the purpose of the consolidated cash flow statement, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value, net of bank overdrafts.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue and costs, if applicable, can be measured reliably, and on the following bases.

Sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered and title is passed.

Interest income from financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars which is the Company's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

The results and financial position of entities within the Group that have a functional currency different from the presentation currency ("foreign operations") are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet date;
- Income and expenses for each income statement are translated at the average rate during the period;
- All resulting exchange differences arising from the above translation and exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised as a separate component of equity and recognised in the consolidated income statement on disposal of the foreign operations.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average cost method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Impairment of non-financial assets

At each balance sheet date, the Group reviews internal and external sources of information to determine whether the property, plant and equipment and investment in subsidiaries have suffered an impairment loss or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs to sell and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. a cash-generating unit).

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

A reversal of impairment loss is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior years. Reversal of impairment loss is recognised as income immediately.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made. Expenditures for which a provision has been recognised are charged against the related provision in the year in which the expenditures are incurred. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount provided is the present value of the expenditures expected to be required to settle the obligation. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as finance lease obligation. Finance charges, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Rental payable under operating leases are recognised as an expense on the straight-line basis over the term of relevant lease.

Lease incentives are recognised in the income statement as an integral part of the net consideration agreed for the use of the leased asset.

Employee benefits

Defined contribution plans

The Group operates a defined contribution plan for the Hong Kong employees based on local laws and regulations. The plan covers all eligible employees. The Group's contributions to the defined contribution plan are recognised as an expense in the income statement as incurred. The assets of the scheme are held separately from those of the Group in an independently administered fund.

Pursuant to the law and regulations of the PRC contributions to the defined contribution retirement schemes for the Group's PRC staff are made to the relevant government authorities in the PRC, which are calculated on certain percentages of the applicable payroll costs as stipulated under the requirements in the PRC. These contributions are expensed as incurred.

Taxation

The charge for current income tax is based on the results for the year as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss, it is not accounted for.

The deferred tax liabilities or assets are measured at the tax rates that are expected to apply to the period when the asset is recovered or liability is settled, based on the tax rates and the tax laws that have been enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.

Related parties

A party is related to the Group if:

(a) directly, or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Group; or has an interest in the Group that gives it significant influence over the Group; or has joint control over the Group;

(b) the party is an associate of the Group;

(c) the party is a joint venture in which the Group is a venturer;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

Critical accounting estimates and judgements

Allowance for bad and doubtful debts

The provisioning policy for bad and doubtful debts of the Group is based on the evaluation by management of collectability of the trade receivables. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including assessing the current creditworthiness and the past collection history of each customer. If the financial conditions of these customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance will be required. At the balance sheet date, the carrying amount of trade receivables after provision for impairment amounted to HK$27,015,000 (2006: HK$28,435,000).

Allowance for inventories

The Group's management reviews the condition of inventories and makes allowance for inventories that are identified as obsolete, slow-moving or no longer recoverable or suitable for use in production. Management estimates the net realisable value for finished goods and work-in-progress based primarily on the latest invoice prices and current market conditions.

Future changes in HKFRS

At the date of authorisation of these financial statements, the HKICPA has issued the following new/revised HKFRS that are not yet effective for the current year, which the Group has not early adopted.

The directors are in the process of assessing the possible impact on the future adoption of these new/revised HKFRS, but are not yet in a position to reasonably estimate their impact on the Group's financial statements.

HKAS 1 (Amendment)	Capital disclosures
HKFRS 7	Financial instruments: Disclosures
HKFRS 8	Operating segments
HK(IFRIC)-Int 7	Applying the restatement approach under HKAS 29 Financial reporting in hyperinflationary economies
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of embedded derivatives
HK(IFRIC)-Int 10	Interim financial reporting and impairment
HK(IFRIC)-Int 11	HKFRS 2 – Group and treasury share transactions
HK(IFRIC)-Int 12	Service concession arrangements

4. TURNOVER AND REVENUE

Turnover and revenue recognised by category for the Group are analysed as follows:

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
Turnover		
Sale of goods	219,508	233,865
Other revenue		
Rental income	–	185
Interest income	690	613
Others	1,848	1,262
	2,538	2,060
Revenue	222,046	235,925

5. SEGMENT INFORMATION

In accordance with the Group's internal financial reporting, the Group has determined that geographical segments are its primary reporting format and no business segment information is presented as over 90% of the turnover and contribution to the Group's results are attributable to the manufacturing and trading of household products.

An analysis of the Group's turnover and results for the year by location of customers is as follows:

	Group			
	Turnover		**Segment results**	
	2007	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
United States of America	167,462	181,787	3,365	3,159
Canada	10,463	7,640	(1,120)	(1,143)
Hong Kong	16,533	15,926	1,737	6,722
PRC	493	3,944	124	(15,780)
Europe	10,396	12,750	439	2,191
Others	14,161	11,818	893	1,698
	219,508	233,865	5,438	(3,153)
Unallocated corporate expenses			(26,009)	(40,568)
Impairment loss on property, plant and equipment			(4,569)	(13,171)
Reversal of impairment loss on property, plant and equipment			14,278	15,849
Finance costs			(11,904)	(11,466)
Taxation (charge) credit			(56)	5,537
Loss attributable to equity holders of the Company			(22,822)	(46,972)

No analysis of the segment assets, liabilities and capital expenditure information by geographical location is presented as approximately 90% (2006: 90%) of the Group's assets are located in the PRC.

6. OTHER INCOME

	Group 2007 *HK$'000*	Group 2006 *HK$'000*
Gain on disposal of property, plant and equipment	319	2,282
Net write-back of provision for doubtful debts	144	6,359
	463	8,641

7. LOSS BEFORE TAXATION

	Group 2007 *HK$'000*	Group 2006 *HK$'000*
This is stated after charging:		
Finance costs		
Interest on bank borrowings wholly repayable within five years	9,495	8,030
Interest on mortgage loan wholly repayable within five years	87	993
Interest on loans from a shareholder wholly repayable within five years	1,026	–
Interest on loan from a related company wholly repayable within five years	330	–
Finance charges on obligations under finance leases	272	1,279
Interest on trade payables overdue	528	1,164
Other interest expenses	166	–
	11,904	11,466
Other items		
Auditors' remuneration		
– Current year	600	760
– Underprovision in previous year	200	–
	800	760
Cost of inventories	189,717	207,883
Depreciation of property, plant and equipment	17,563	30,869
Exchange loss, net	4,762	1,795
Operating lease charge on premises	907	1,551
Provision for inventory obsolescence	–	5,685
Staff costs (excluding directors' emoluments):		
Wages and salaries	32,452	43,295
Termination benefits	1,558	2,563
Contributions to retirement schemes	987	1,314
	34,997	47,172

8. DIRECTORS' EMOLUMENTS

		2007			
	Note	Directors' fees *HK$'000*	Salaries, allowances and benefits in kind *HK$'000*	Retirement scheme contributions *HK$'000*	Total *HK$'000*
Executive directors					
Ho Yau Shun	i	–	308	10	318
Tong Cheehung, Richard	ii	–	482	4	486
Xu Jin		–	–	–	–
Non-executive directors					
Chan Shu Wah	iii	–	–	–	–
Chan Ying Gi, Dorice	iv	–	–	–	–
Kong Yick Ming	v	–	–	–	–
Lau Kin Hon		–	600	12	612
Independent non-executive directors					
Chan Man Sum Ivan	vi	115	–	–	115
Cheung Kiu Cho Vincent	vii	96	–	–	96
He Chengying	viii	61	–	–	61
Ng Shiu Kwan	ix	59	–	–	59
Yeung Po Chin	x	59	–	–	59
Yim Kai Pung	xi	25	–	–	25
		415	1,390	26	1,831

Notes:

2006/2007

i) Retired on 27 September 2006.

ii) Resigned on 1 August 2006.

iii) Retired on 27 September 2006.

iv) Resigned on 24 August 2006.

v) Retired on 27 September 2006.

vi) Appointed on 14 June 2006.

vii) Appointed on 14 June 2006.

viii) Appointed on 27 September 2006.

ix) Retired on 27 September 2006.

x) Retired on 27 September 2006.

xi) Resigned on 14 June 2006.

		2006				
	Note	Directors' fees *HK$'000*	Salaries, allowances and benefits in kind *HK$'000*	Retirement scheme contributions *HK$'000*	Compensation for loss of office *HK$'000*	Total *HK$'000*
Executive directors						
Chan Chun Hing	i	–	10	–	–	10
Chan Ying Gi, Dorice	ii	–	899	2	–	901
Cheung Tak Ming, Paul	iii	11	110	–	–	121
Ho Yau Shun	iv	–	47	–	–	47
Lee Kwa Ching, Peter	v	–	193	1	360	554
Tong Cheehung, Richard	vi	–	26	–	–	26
Non-executive directors						
Lai Yik Yee, Andona	vii	20	–	–	–	20
Lau Kin Hon	viii	51	461	7	–	519
Kok Zhi Yi, Katrina	ix	–	283	5	–	288
Independent non-executive directors						
Fok Kam Chau, Peter	x	109	–	–	–	109
Lee Kwan Hung, Eddie	xi	19	–	–	–	19
Leung Milton Kwan	xii	66	–	–	–	66
Ng Shiu Kwan	xiii	15	–	–	–	15
Tso Hon Sai, Bosco	xiv	50	–	–	–	50
U Keng Tin	xv	16	–	–	–	16
Wong Hui Ching, Jeoffrey	xvi	105	–	–	–	105
Yeung Po Chin	xvii	93	–	–	–	93
Yim Kai Pung	xviii	93	–	–	–	93
		648	2,029	15	360	3,052

Notes:

2005/2006

i) Resigned on 19 April 2005.

ii) Appointed on 19 April 2005 as Non-executive Director, re-designated as Executive Director on 31 May 2005 and Non-executive Director on 24 March 2006.

iii) Appointed on 26 September 2005 as Independent Non-executive Director, re-designated as Executive Director on 13 October 2005 and resigned on 23 January 2006.

iv) Appointed on 23 January 2006.

v) Resigned on 10 May 2005.

vi) Appointed on 24 March 2006.

vii) Appointed on 9 August 2005 and resigned on 19 October 2005.

viii) Appointed on 19 April 2005 as Independent Non-executive Director and re-designated as Non-executive Director on 31 May 2005.

ix) Re-designated as Non-executive Director on 19 April 2005 and resigned on 9 August 2005.

x) Appointed on 1 April 2005 and retired on 23 September 2005.

xi) Resigned on 23 April 2005.

xii) Appointed on 13 October 2005 and resigned on 10 February 2006.

xiii) Appointed on 14 February 2006.

xiv) Appointed on 31 May 2005 and retired on 23 September 2005.

xv) Resigned on 19 April 2005.

xvi) Appointed on 11 April 2005 and retired on 23 September 2005.

xvii) Appointed on 26 September 2005.

xviii) Appointed on 26 September 2005 and resigned on 14 June 2006.

There were no arrangements under which a director waived or agreed to waive any remuneration during the year. Compensation for loss of office in 2006 were paid by the Company for the loss of office as director of the Company.

9. FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS

The five highest paid individuals of the Group during the year included two (2006: two) directors of the Company, details of whose emoluments are set out in note 8 above. The emoluments of the remaining three (2006: three) individuals are as follows:

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
Salaries and other benefits	2,066	1,442
Contributions to retirement scheme	36	34
	2,102	1,476

The emoluments fell within the following bands:

	Group **Number of individuals**	
	2007	**2006**
Nil to HK$1,000,000	3	3

Except as disclosed above, no emoluments were paid by the Group to the directors or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the year.

10. TAXATION

Hong Kong Profits Tax has not been provided as the Group incurred a loss for taxation purposes.

PRC enterprise income tax has not been provided as the PRC subsidiary incurred a loss for taxation purposes.

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
The charge (credit) comprises:		
Current tax		
Hong Kong Profits Tax:		
Under (Over) provision in prior years	56	(5,822)
Deferred taxation		
Origination and reversal of temporary difference	–	285
Total taxation charge (credit) for the year	56	(5,537)

	Group	
	2007	**2006**
Reconciliation of effective tax rate	%	%
Applicable tax rate	(16)	(15)
Non-deductible expenses	–	(1)
Utilisation of previously unrecognised tax losses	(1)	(1)
Unrecognised temporary differences	(17)	(4)
Unrecognised tax losses	33	19
Over provision in prior years	–	11
Others	1	1
Effective tax rate for the year	–	10

The applicable tax rate is the average tax rates prevailing in the territories in which the Group operates.

11. LOSS FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

Of the Group's loss for the year of HK$22,822,000 (2006: HK$46,972,000), a loss of HK$15,912,000 (2006: HK$46,453,000) has been dealt with in the financial statements of the Company.

12. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss for the year of HK$22,822,000 (2006: HK$46,972,000) and on the weighted average number of 868,733,440 (2006: 868,733,440) shares in issue during the year.

Diluted loss per share for the years of 2007 and 2006 are not shown as there are no potential ordinary shares in issue in both years.

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings	Leasehold improvements	Plant and machinery	Furniture, fixtures, office and computer equipment	Motor vehicles	Moulds	Construction-in-progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Group								
Reconciliation of carrying amount – year ended 31 March 2006								
At beginning of year	210,096	3,302	17,913	3,252	806	36,147	12,028	283,544
Additions	–	41	222	112	27	2,597	604	3,603
Disposals	(19,632)	(21)	–	(11)	(541)	–	(338)	(20,543)
Depreciation	(6,051)	(885)	(6,670)	(1,868)	(128)	(15,267)	–	(30,869)
Impairment loss	(13,171)	–	–	–	–	–	–	(13,171)
Reversal of impairment loss	–	–	3,653	–	–	12,196	–	15,849
Reclassification to properties held for sale	(12,688)	–	–	–	–	–	–	(12,688)
Reclassification from construction-in- progress	11,831	3	118	–	–	–	(11,952)	–
At balance sheet date	170,385	2,440	15,236	1,485	164	35,673	342	225,725
Reconciliation of carrying amount – year ended 31 March 2007								
At beginning of year	170,385	2,440	15,236	1,485	164	35,673	342	225,725
Additions	593	634	443	467	223	3,388	237	5,985
Disposals and write-off	–	(53)	(1,766)	(26)	–	–	–	(1,845)
Depreciation	(4,628)	(818)	(5,319)	(1,109)	(140)	(5,549)	–	(17,563)
Impairment loss	–	–	–	–	–	(4,569)	–	(4,569)
Reversal of impairment loss	12,016	–	2,262	–	–	–	–	14,278
Reclassification from construction-in- progress	–	221	–	–	–	–	(221)	–
At balance sheet date	178,366	2,424	10,856	817	247	28,943	358	222,011
At 1 April 2006								
Cost	253,348	23,537	120,591	33,302	6,363	191,058	342	628,541
Accumulated depreciation and impairment losses	(82,963)	(21,097)	(105,355)	(31,817)	(6,199)	(155,385)	–	(402,816)
	170,385	2,440	15,236	1,485	164	35,673	342	225,725
At 31 March 2007								
Cost	253,941	15,791	104,288	32,833	6,421	194,446	358	608,078
Accumulated depreciation and impairment losses	(75,575)	(13,367)	(93,432)	(32,016)	(6,174)	(165,503)	–	(386,067)
	178,366	2,424	10,856	817	247	28,943	358	222,011

The Group's leasehold land and buildings were situated in the PRC under medium-term leases.

In light of the continuing operating loss experienced by the Group during the year, the management has reviewed the carrying value of the property, plant and machinery in order to assess their recoverable amount. Based on this assessment, reversal of and provision for impairment loss have been recognised as follows:

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
By reference to the subsequent disposal considerations		
– Leasehold land and buildings in Hong Kong	–	(1,638)
– Leasehold land and buildings in the PRC	–	(8,018)
	–	(9,656)
By reference to independent professional valuation on the market value of the assets		
– Plant and machinery	2,262	3,653
Based on value in use as estimated by the management		
– Leasehold land and buildings in the PRC	12,016	(3,515)
– Moulds	(4,569)	12,196
	7,447	8,681
Reversal of (Provision for) impairment loss on property, plant and equipment	9,709	2,678

Represented by:

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
Impairment loss on property, plant and equipment	(4,569)	(13,171)
Reversal of impairment loss on property, plant and equipment	14,278	15,849
	9,709	2,678

The net book value of the Group's property, plant and equipment includes an amount of HK$801,000 (2006: HK$3,090,000) in respect of assets held under finance leases.

14. INTERESTS IN SUBSIDIARIES

	Company	
	2007	**2006**
	HK$'000	*HK$'000*
Interests in subsidiaries		
Unlisted shares, at cost	158,598	158,598
Less: Provision for impairment in value	(157,877)	(157,877)
	721	721
Due from subsidiaries	408,989	379,119
Provision for doubtful debts	(321,140)	(305,454)
	87,849	73,665
	88,570	74,386

The amounts due from subsidiaries are unsecured, interest-free and have no fixed term of repayment. The carrying value of the amounts due approximates their fair values.

Details of the principal subsidiaries at the balance sheet date are as follows:

Name of subsidiary	Place of incorporation/ registration	Nominal value of issued ordinary share/ registered capital	Percentage of equity interest attributable to the Company		Principal activities
			Directly	Indirectly	
Magician Investments (BVI) Limited	British Virgin Islands	US$6 ordinary	100%	–	Investment holding
Treasure Trend Development Limited	British Virgin Islands	US$1 ordinary	100%	–	Investment holding
Magician Strategic Ltd.	British Virgin Islands	US$1 ordinary	100%	–	Investment holding
Diyon Development Limited	Hong Kong	HK$3 ordinary	–	100%	Purchasing of paper, plastic and metal materials and products
Well Harbour Development Limited	Hong Kong	HK$1 ordinary	–	100%	Purchasing of paper, plastic and metal materials and products
Falton Investment Limited	Hong Kong	HK$2 ordinary	–	100%	Property holding
Magicgrand Development Limited	British Virgin Islands	US$1 ordinary	–	100%	Manufacturing and trading of plastic and metal products
Jinda Plastic Metal Products (Shenzhen) Co., Ltd.	The PRC	HK$180,000,000 registered capital	–	100%	Manufacturing and trading of plastic and metal products
Magician Industrial Company Limited	Hong Kong	HK$5 ordinary	–	100%	Marketing and trading of plastic and metal products
More Concept Limited	Hong Kong	HK$3 ordinary	–	100%	Marketing and trading of plastic and metal products
Grandmate Industrial Company Limited	Hong Kong	HK$251,000 ordinary	–	100%	Marketing and trading of plastic and metal products
Magician Lifestyle Limited	Hong Kong	HK$1 ordinary	–	100%	Marketing and trading of plastic and metal products

All of the above subsidiaries operate principally in Hong Kong except for Magicgrand Development Limited, Diyon Development Limited, Well Harbour Development Limited and Jinda Plastic Metal Products (Shenzhen) Co., Ltd. which operate principally in the PRC.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

15. INVENTORIES

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
Raw materials	12,638	7,980
Work-in-progress	9,842	10,771
Finished goods	7,054	9,319
	29,534	28,070

The amount of inventories included in above, excluding those fully provided for with nil carrying value, carried at fair value less costs to sell is HK$3,522,000 (2006: HK$10,611,000).

16. TRADE AND BILLS RECEIVABLES

In general, the Group allows a credit period of 30 to 60 days to its trade customers. An ageing analysis of the Group's trade and bills receivables (net of provision for bad and doubtful debts) is set out below:

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
Less than 1 month	14,026	16,439
1 month to 2 months	10,181	7,784
2 months to 3 months	2,267	3,756
3 months to 6 months	201	126
6 months to 1 year	340	330
	27,015	28,435

17. TRADE AND OTHER PAYABLES

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
Trade payables		
From a related company	1,923	–
From third parties	36,581	50,256
	38,504	50,256
Other payables and accruals	48,488	47,119
	86,992	97,375

An ageing analysis of the Group's trade payables is set out below:

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
Less than 3 months	23,158	12,195
3 months to 6 months	5,177	7,451
6 months to 1 year	2,179	9,044
More than 1 year	7,990	21,566
	38,504	50,256

Included in the other payables and accruals is an advance from a third party of HK$13,177,000 (2006: HK$Nil) which is unsecured, interest-free and has no fixed repayment term.

18. ADVANCE FROM A RELATED COMPANY

The advance from a related company, a company in which Mr. Xu Jin has beneficial interest, is unsecured, interest-free and has no fixed repayment term.

19. LOAN FROM A RELATED COMPANY, UNSECURED

The loan from a related company, a company in which Mr. Xu Jin has beneficial interest, was unsecured, interest bearing at a fixed interest rate of 7% per annum and repayable on 11 May 2007. In May 2007, the Company entered into a loan renewal agreement with the related company in the same terms as the previous loan agreement. The loan is repayable in September 2007.

20. LOANS FROM A SHAREHOLDER, UNSECURED

The loans from a shareholder were unsecured and interest bearing at HIBOR plus 3% per annum. Out of the loans from the shareholder of HK$28,000,000, HK$13,000,000 was due for settlement on 18 March 2007. In May 2007, the Company entered into loan renewal agreements with the shareholder in the same terms as the previous loan agreements. The entire loans are repayable in September 2007.

21. BANK AND OTHER BORROWINGS

(a) Short-term bank and other borrowings, secured

Included in short-term bank and other borrowings was bank loan of HK$120,000,000 which is repayable within 1 year. Bank and other loans were interest bearing at LIBOR/HIBOR plus 1.5% to 2% per annum.

(b) Long-term bank borrowing, secured

The bank loan of HK$70,000,000 was interest bearing at HIBOR plus 1.5% per annum. The bank loan was fully repaid during the year.

22. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		**Present value of minimum lease payments**	
	2007	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amounts payable:				
Within one year	2,273	6,980	2,003	6,213
In the second to fifth years inclusive	4,006	81	3,666	74
	6,279	7,061	5,669	6,287
Future finance charges	(610)	(774)	–	–
Present value of lease obligations	5,669	6,287	5,669	6,287

The lease terms ranged from three to five years. All lease agreements are on a fixed repayment basis and no arrangement for contingent rental payments.

23. SHARE CAPITAL

	2007 HK$'000	2006 HK$'000
Authorised:		
4,000,000,000 (2006: 4,000,000,000) ordinary shares of HK$0.10 each	400,000	400,000
Issued and fully paid:		
868,733,440 (2006: 868,733,440) ordinary shares of HK$0.10 each	86,873	86,873

24. RESERVES

	Share premium HK$'000	Capital redemption reserve HK$'000	Translation reserve HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
Group						
At 1 April 2005	282,049	1,265	139	51	(272,947)	10,557
Loss for the year	–	–	–	–	(46,972)	(46,972)
At 31 March 2006	282,049	1,265	139	51	(319,919)	(36,415)
At 1 April 2006	282,049	1,265	139	51	(319,919)	(36,415)
Loss for the year	–	–	–	–	(22,822)	(22,822)
At 31 March 2007	282,049	1,265	139	51	(342,741)	(59,237)

	Share premium HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
Company					
At 1 April 2005	282,049	1,265	158,398	(415,447)	26,265
Loss for the year	–	–	–	(46,453)	(46,453)
At 31 March 2006	282,049	1,265	158,398	(461,900)	(20,188)
At 1 April 2006	282,049	1,265	158,398	(461,900)	(20,188)
Loss for the year	–	–	–	(15,912)	(15,912)
At 31 March 2007	282,049	1,265	158,398	(477,812)	(36,100)

The laws and regulations of the PRC require wholly foreign-owned enterprises in the PRC ("WFOE") to provide for certain statutory reserves, namely general reserve, enterprise expansion fund and staff welfare and bonus fund which are appropriated from net profit as reported in the statutory accounts.

The Group's subsidiaries in the PRC, which are WFOE, are required to allocate at least 10% of their after-tax profit to the general reserve until the reserve has reached 50% of its registered capital. The general reserve can only be used, upon approval by the relevant authority, to offset accumulated losses or increase capital. The enterprise expansion fund can only be used to increase capital upon approval by the relevant authority. The staff welfare and bonus fund can only be used for the welfare of the employees of the subsidiaries in the PRC. Appropriation to the enterprise expansion fund and staff welfare and bonus fund is at the discretion of the Board of Directors of the subsidiaries in the PRC.

The contributed surplus of the Group represents the difference between the nominal value of the aggregate share capital of the subsidiaries at the date on which they were acquired by the Group and the nominal value of the Company's shares issued as consideration for the acquisition at the date of the Group reorganisation in 1995.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of the contributed surplus if there are reasonable grounds for believing that:

(a) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

25. DEFERRED TAXATION

Unrecognised deferred tax assets arising from

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
Deductible temporary differences	15,763	66,561
Tax losses	305,474	213,555
At the balance sheet date	321,237	280,116

The tax losses of HK$95,056,000 (2006: HK$36,906,000) arising in Hong Kong have no expiry date under current tax legislation. The tax losses of HK$210,418,000 (2006: HK$176,649,000) and deductible temporary differences of HK$15,763,000 (2006: HK$66,561,000) arising in the PRC can be used to offset against future taxable profits of the respective subsidiaries for a maximum of 5 years. The Group has not recognised deferred tax asset in respect of tax losses and deductible temporary differences because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

The unrecognised tax losses arising in PRC at the balance sheet date will expire as follows:

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
Year of expiry		
2010	41,543	41,543
2011	135,106	135,106
2012	33,769	–
At the balance sheet date	210,418	176,649

26. SHARE OPTION SCHEME

On 8 August 2002, a share option scheme was approved by the shareholders of the Company, under which the directors of the Company may, at their discretion, invite any full-time employee or directors of the Company or its subsidiaries to take up options at a nominal consideration of HK$1 for each option allotment to subscribe for ordinary shares in the Company, subject to a maximum of 10% of the nominal value of the issued share capital of the Company from time to time. Each option is entitled to subscribe for one ordinary share of the Company and the subscription price is determined by the Board of Directors and shall be:

(1) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of offer; and

(2) the average of closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of offer,

whichever is higher provided that it shall not be lower than the nominal value of the Company's shares. Options are exercisable in stages as determined by the Board of Directors from time to time at the date of grant.

No share options have ever been granted by the Company under the share options scheme since adoption.

27. PENSION RETIREMENT OBLIGATIONS

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme (the "MPF Scheme"). The assets of the MPF Scheme are held separately in provident fund managed by independent trustee. Under the MPF Scheme, the Group and each of the employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. Both the employer's and the employees' contributions are subject to a cap of monthly earnings of HK$20,000.

The Group's subsidiaries in the PRC also participated in defined contribution retirement schemes covering its full-time PRC employees. The schemes are administered by the relevant government authorities undertake to assume the retirement benefit obligations of all existing and future retired employees of the Group's PRC subsidiaries.

During the year, the amount of employer's contributions made by the Group to the defined contribution plans was approximately HK$1,013,000 (2006: HK$1,329,000).

28. RELATED PARTY TRANSACTIONS

Other than disclosed elsewhere in these financial statements, during the year, the Group had the following transactions with related parties, details of which are set out below:

		Group	
		2007	**2006**
Related party relationship	**Nature of transaction**	*HK$'000*	*HK$'000*
Key management personnel, including directors *(note i)*	Compensation		
	Salaries and other benefits	3,636	3,326
	Termination benefits	–	636
	Contribution to MPF Scheme	63	48
	Total compensation	3,699	4,010
Companies owned by Mr. Xu Jin, a director and shareholder of the Company	Advances to the Group	7,000	–
	Loan to the Group	7,800	–
	Guarantee for short-term bank borrowings granted to the Group	10,000	–
	Interest expenses on loans granted	330	–
A company owned by the beneficial owner of the Company's shareholder	Guarantee for short-term bank borrowings granted to the Group	10,000	–
A shareholder	Loans to the Group	28,000	–
	Interest expenses on loans granted	1,026	–
Ex-director, Mr. Kong Yick Ming, and a related company of the ex-director	Settlement of claims in respect of financial guarantee granted to the Group in previous years	3,354	–

(i) The remuneration of directors and key executives is reviewed by the Board having regard to the performance of individuals and market trends.

(ii) In November 2006, the Group entered into two agency agreements with its related companies, companies owned by Mr. Xu Jin, a director and shareholder of the Company, and the beneficial owner of the Company's shareholder respectively for providing trade financial assistance in relation to the procurement of the Group's raw materials. The related companies only recovered any charges and expenses incurred for the provision of such services from the Group.

29. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

The Group's principal financial instruments include equity investments, trade and other receivables and other payables and borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies applied by the Group to mitigate these risks are set out below. Management monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Currency risk

Most of the Group's business transactions were conducted in Hong Kong dollars, Renminbi and United States dollars. The Group considers there is no significant exposure to foreign exchange fluctuations as long as the Hong Kong-United State dollar exchange rate remains pegged and the PRC government continues to be conservative in their foreign exchange and monetary policies. Moreover, the currency risk for bank and other borrowings was minimal as they were denominated in Hong Kong dollars and United States dollars. However, management monitors currency risk exposure and will consider hedging significant exposure should the need arise.

Interest rate risk

The Group's interest rate risk primarily relates to the Group's bank and other borrowings (included in current and non-current liabilities) and obligation under finance leases. The interest rates and terms of repayment have been disclosed in Note 19, 20, 21 and 22 to the financial statements respectively. Management monitors interest rate risk exposure and will consider hedging significant interest rate exposure should the need arise.

Liquidity risk

The Group had net current liabilities of approximately HK$190,709,000 as at 31 March 2007 which include bank loans and other borrowings of approximately HK$133,068,000 and HK$42,800,000 respectively. As mentioned in note 2 to the financial statements, management will monitor the cash flows of the Group and, upon maturity, arrange refinancing of the bank and other borrowings, where appropriate, to enable the Group to service repayment of these borrowings when due.

Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management of the Group has a credit limit policy in place and exposures to credit risk are monitored on an ongoing basis. In order to minimise credit risk, management of the Group has established credit limits, credit approvals and other monitoring procedures to ensure appropriate actions is taken to recover overdue debts.

30. COMMITMENTS

(a) Capital expenditure commitments

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
Contracted but not provided for, net of deposits paid	244	83

(b) Commitments under operating leases

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases, which are payable as follows:

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
Within one year	898	150
In the second to fifth years inclusive	149	–
	1,047	150

31. CONTINGENT LIABILITIES

At the balance sheet date, the Company has contingent liabilities not provided for in the financial statements in respect of corporate guarantees of HK$152,500,000 (2006: HK$115,600,000) for banking facilities granted to its subsidiaries, which were utilised by subsidiaries to the extent of approximately HK$133,100,000 (2006: HK$83,922,000).

The Company has not recognised any deferred income for the corporate guarantees given in respect of the banking facilities for subsidiaries as their fair value cannot be reliably measured and their transaction price was HK$Nil.

At the balance sheet date, the directors do not consider it probable that a claim will be made against the Company under any of the guarantees.

32. PLEDGE OF ASSETS

At the balance sheet date, certain assets of the Group with the following carrying values were pledged to secure general banking facilities granted to the Group:

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
Leasehold land and buildings	178,366	170,385
Bank deposits	5,058	2,130
	183,424	172,515

33. POST BALANCE SHEET EVENTS

On 27 June 2007, the Company entered into a conditional Placing Agreement for the placing of zero-coupon convertible bonds in an aggregate principal amount of up to HK$26,000,000 at a maturity date of eighteen months (the "Maturity Date") from the issue date of the convertible bonds (the "Issue Date"). Each convertible bond is convertible into one ordinary share at an exercise price of HK$0.15 each. Bondholders shall not be entitled to receive notice of, attend or vote at any general meeting of the Company.

If the convertible bonds or any part thereof are not converted into ordinary 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.

II. INDEBTEDNESS

(a) Borrowings

As at 31 October 2007, the latest practicable date prior to the printing of this prospectus, for the purpose of ascertaining information relating to the indebtedness of the Group, the Group had outstanding borrowings of approximately HK$197 million.

(b) Securities

As at 31 October 2007, the above borrowings were secured by the Group's certain leasehold land and buildings and bank deposits of approximately HK$175.5 million and HK$5.2 million respectively.

(c) Contingent liabilities

As at 31 October 2007, the Company has contingent liabilities in respect of corporate guarantees of HK$33.6 million for banking facilities granted to its subsidiaries, which were utilised by subsidiaries to the extent of approximately HK$8.5 million.

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 RMB4.96 million as at 31 October 2007. Jinda is actively defending the claims. The Directors believe that Jinda is in a good financial standing to settle the amount, in case it loses in the legal action. The Directors take the view that the litigation arose in usual course of trading which would not exert any material adverse impact on the financial position of the Group as a whole.

(d) Disclaimer

Save as aforesaid and apart from intra-group liabilities, at the close of business on 31 October 2007, the Group had no outstanding mortgages, charges, debentures or other loan capital or bank overdrafts or loans or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, guarantees or other material contingent liabilities.

The Directors have confirmed that there has been no material change in the indebtedness and contingent liabilities of the Group since 31 March 2007, being the date to which the latest published audited accounts of the Company were made up to.

III. WORKING CAPITAL

The Board is of the opinion that based on the internally generated funds, available banking facilities and the estimated net proceeds from the Open Offer, the Group has sufficient working capital for its present requirements.

IV. MATERIAL CHANGE

The Directors are not aware of any material change in the financial or trading position or outlook of the Group since 31 March 2007, being the date of which the latest audited financial statements of the Group were made up.

I. UNAUDITED PRO FORMA CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The following is the unaudited pro forma consolidated net tangible assets of the Group which has been prepared in accordance with paragraph 13 of Part B of Appendix 1 to and Rule 4.29 of the Listing Rules to illustrate the effect of the Open Offer on the unaudited consolidated net tangible assets of the Group as at 30 September 2007 as if it had taken place on 30 September 2007. The unaudited pro forma consolidated net tangible assets has been prepared for illustrative purposes only, and because of its hypothetical nature, it may not be indicative of the net tangible assets of the Group following the Open Offer.

Based on 434,366,720 Offer Shares in issue, the unaudited pro forma consolidated net tangible assets of the Group as at 30 September 2007 is based on unaudited consolidated net tangible assets of the Group as at 30 September 2007, as shown in the consolidated balance sheets of the Company as at 30 September 2007 and the adjustments described below.

Unaudited consolidated net tangible assets attributable to equity holders of the Company as at 30 September 2007	Estimated net proceeds from the Open Offer	Unaudited pro forma consolidated net tangible assets of the Group attributable to the shareholders of the Company after the Open Offer	Unaudited consolidated net tangible assets per Share as at 30 September 2007	Unaudited pro forma consolidated net tangible assets per Share immediately after the completion of the Open Offer
HK$'000	*HK$'000*	*HK$'000*	*HK$*	*HK$*
(Note 1)	*(Note 2)*			*(Note 3)*
20,715	40,600	61,315	0.02	0.05

Notes:

1. The unaudited consolidated net tangible assets attributable to equity holders of the Company as at 30 September 2007 is based on the unaudited consolidated net tangible assets attributable to equity holders of the Company as at 30 September 2007 of approximately HK$20,715,000, as disclosed in the published interim report of the Company.

2. The adjustment represents the estimated net proceeds from the Open Offer of approximately HK$40,600,000 which was calculated based on 434,366,720 Offer Shares to be issued at a subscription price of HK$0.10 per Offer Share and after deduction of related expenses and assuming no exercise of any conversion rights attaching to the Convertible Bonds of the Company on or before the completion of the Open Offer.

3. The calculation of the unaudited pro forma consolidated net tangible assets per Share is based on 1,303,100,160 Shares (including the issued share capital of the Company of 868,733,440 shares as at the Latest Practicable Date and 434,366,720 Offer Shares) in issue immediately after the completion of the Open Offer.

   It is assumed that no Convertible Bonds has been converted into Shares up to the completion of the Open Offer.

4. No adjustment has been made to reflect any trading result or other transaction of the Group entered into subsequent to 30 September 2007.

II. REPORT ON UNAUDITED PRO FORMA CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The following is the text of a report on unaudited pro forma consolidated net tangible assets of the Group, prepared for the sole purpose of inclusion in this prospectus, received from Mazars CPA Limited, the auditors of the Company:

3 December 2007

ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP TO THE DIRECTORS OF MAGICIAN INDUSTRIES (HOLDINGS) LIMITED

We report on the unaudited pro forma financial information of Magician Industries (Holdings) Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out in page II-1 under the heading of Unaudited Pro Forma Consolidated Net Tangible Assets of the Group in Appendix II of the Company's prospectus dated 3 December 2007 (the "Prospectus") in connection with the proposed open offer (the "Open Offer") of the Company on the Main Board of The Stock Exchange of Hong Kong Limited. The unaudited pro forma financial information has been prepared by the directors of the Company (the "Directors"), for illustrative purposes only, to provide information about how the Open Offer might have affected the relevant financial information of the Group as at 30 September 2007. The basis of preparation of the pro forma financial information is set out on page II-1 to the Prospectus.

Respective Responsibilities of Directors of the Company and Reporting Accountants

It is the responsibility solely of the Directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements (HKSIR) 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the Directors. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the pro forma financial information has been properly compiled by the Directors on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The unaudited pro forma financial information is for illustrative purposes only, based on the judgements and assumptions of the Directors, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 30 September 2007 or any future date.

Opinion

In our opinion:

a. the unaudited pro forma financial information has been properly compiled by the Directors on the basis stated;

b. such basis is consistent with the accounting policies of the Group; and

c. the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,
Mazars CPA Limited
Certified Public Accountants
Hong Kong

1. RESPONSIBILITY STATEMENT

This Prospectus includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company.

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

The director(s) of the Underwriter jointly and severally accept full responsibility for the accuracy of the information contained in this Prospectus (other than that in relation to the Group) and confirms, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Prospectus (other than that in relation to the Group) have been arrived at after due and careful consideration and there are no other facts (other than those in relation to the Group) not contained herein the omission of which would make any statement (other than those in relation to the Group) herein misleading.

2. SHARE CAPITAL AND OPTIONS

(a) Share capital

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date were, and (ii) immediately following completion of the Open Offer will be, as follows:

Authorised share capital:		*HK$*
4,000,000,000	Shares as at the Latest Practicable Date and upon completion of the Open Offer	400,000,000.00
Issued and fully paid share capital or credited as fully paid:		
868,733,440	Shares in issue as at the Latest Practicable Date	86,873,344.00
434,366,720	Offer Shares to be issued pursuant to the Open Offer	43,436,672.00
1,303,100,160	Shares in issue upon completion of the Open Offer	130,310,016.00

All the issued Shares rank pari passu with each other in all respects including the rights as to voting, dividends and return of capital. The Offer Shares to be allotted and issued will, when issued and fully paid, rank pari passu in all respects with the then existing Shares in issue on the date of allotment of the Offer Shares. The issued Shares are listed on the Stock Exchange. No part of the securities of the Company is listed or dealt in, nor is listing or permission to deal in the securities of the Company being or proposed to be sought, on any other stock exchange.

There is no arrangement under which future dividends are/will be waived or agreed to be waived. Other than the convertible bonds mentioned in paragraph 2(c) of this Appendix, the Company had no debt securities or other convertible securities in issue as at the Latest Practicable Date.

(b) Share Options

Save and except as disclosed in this Prospectus, none of the members of the Group has granted any options, warrants or other rights to call for the issue of or agreed to issue any share or loan capital or any instrument convertible into or exchangeable for shares of such capital, and none of the members of the group is a party to or otherwise bound by any agreement for the purchase or repurchase of shares of any member of the Group.

(c) Convertible Bonds

By an instrument dated 1 August 2007 and executed by the Company by way of a deed poll, HK$26,000,000 zero-coupon convertible bonds due upon the expiry of eighteen months from 1 August 2007 in registered form have been created and are outstanding. The Convertible Bonds may be converted into up to 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). The conversion price at which each new Share shall be issued upon the exercise of the conversion right attached to the Convertible Bonds is initially HK$0.15, and is 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. Under such instrument, the Company is required to 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 holders of the Convertible Bonds. Particulars of the adjustments regarding the Convertible Bonds will be set out in the announcement of the results of the Open Offer to be made by the Company.

Save and except for the outstanding Convertible Bonds, the Company did not have any other options, warrants and other convertible securities or rights affecting the Shares and no capital of any member of the Group was under option, or agreed conditionally or unconditionally to be put under option as at the Latest Practicable Date.

No Shares had been issued by the Company since 31 March 2007, being the date of the latest published audited financial statements of the Company were made up.

3. DISCLOSURE OF INTERESTS

(a) Directors' interests in the Company

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (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 or short positions which he is taken or deemed to have under such provisions of the SFO); or were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange were as follows:

Name of Director	Capacity	Class and number of Shares *(Note 1)*	Approximate percentage of the issued share capital of the Company *(Note 2)*
Xu Jin	Beneficial owner	253,837,198 Shares (L)	29.22%

Notes:

1. The letter "L" represents the Director's interest (long position) in the Shares.
2. The percentages shown are calculated based on 868,733,440 Shares in issue as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company has any interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (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 he is taken or deemed to have under such provisions of the SFO); or were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or were required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange.

(b) Directors' interests in assets of the Company

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any asset which have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2007, the date to which the latest published audited financial statements of the Group were made up.

(c) Directors' service agreements

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Company or any member of the Group or associated companies which are not determinable by the Group within one year without payment of compensation (other than statutory compensation).

(d) Other Director's interests

As at the Latest Practicable Date, Hong Kong Winko Polymers Corporation Limited in which Mr. Xu Jin has beneficial interest in 90% of its issued share capital advanced a loan in the principal amount of US$1 million (equivalent to approximately HK$7.8 million) to the Company. Such loan is unsecured, interest bearing at a fixed interest rate of 7% per annum and is repayable on 7 January 2008. Save as mentioned above, as at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group and which was significant in relation to the business of the Group.

Taking into account that no security over the assets of the Company was provided in respect of the above loan and that the Directors are of the view that the provision of the loan was for the benefit of the Company and on normal commercial terms, such provision of loan constituted connected transactions exempted from reporting, announcement and independent shareholders' approval under Rule 14A.65(4) of the Listing Rules.

4. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to the Directors and chief executive of the Company, the following persons, other than a Director or chief executive of the Company, had interests or short positions 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 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 any other member of the Group or had an option in respect of such capital:

Name of entity	Capacity	Class and number of Shares *(Note 1)*	Approximate percentage of the issued share capital of the Company *(Note 2)*
Big-Max	Beneficial owner	577,858,720 Shares (L) *(Notes 1 and 3)*	66.52%
Li Li-Xin	Interest of controlled corporation	577,858,720 Shares (L) *(Note 3)*	66.52%
Jin Ya Er	Interest of spouse	577,858,720 Shares (L) *(Note 3)*	66.52%
Silvermark Interantional Limited	Beneficial owner	55,657,926 Shares (L) *(Note 4)*	6.41%
Zhou Hui Lian	Interest of controlled corporation	55,657,926 Shares (L) *(Note 4)*	6.41%

Notes:

1. The letter “L” represents the entity’s interests in the shares.

2. The percentage figures shown are calculated based on 868,733,440 Shares in issue as at the Latest Practicable Date.

3. These 577,858,720 Shares include the 143,492,000 Shares owned by Big-Max (i.e. the Underwriter) together with the long position to acquire an additional 434,366,720 Offer Shares which Big-Max has undertaken to take up under the Open Offer pursuant to the Underwriting Agreement. Big Max is owned as to 90% by Mr. Li Li Xin and as to 10% by Ms. Jin Ya Er, the wife of Mr. Li Li Xin. These Shares represent approximately 44.34% of the enlarged issued share capital upon completion of the Open Offer.

4. Ms. Zhou Hui Lian is deemed to have a beneficial interest in 55,657,926 Shares through Silvermark International Limited, the entire issued share capital of which is beneficially owned by Ms. Zhou Hui Lian.

As at the Latest Practicable Date, save as mentioned above in this paragraph 4, no entity was 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 other members of the Group.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, there is no other person (other than the Director or chief executive of the Company) who had interests or short positions in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions interested in of Divisions 2 and 3 of Part XV 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 any other member of the Group or had an option in respect of such capital.

5. PARTICULARS OF THE DIRECTORS AND SENIOR MANAGEMENT

(a) Name and address of the Directors

Name	**Address**
Executive Director	
Mr. Xu Jin *(Chairman)*	Flat 303, No. 24 Nan Ya Xin Cun, Ningbo, PRC
Non-executive Director	
Mr. Lau Kin Hon	Flat A, 3/F Braemar Hill Mansions 19 Braemar Hill Road North Point Hong Kong
Independent non-executive Directors	
Mr. He Chengying	19E, Block D Yuan Chong Garden Futian Shenzhen PRC
Mr. Chan Man Sum Ivan	Room G, 7/F, Block One Tsueng Kwan O Plaza Tsueng Kwan O New Territories Hong Kong
Mr. Cheung Kiu Cho Vincent	Flat A, 13/F 7 Mount Sterling Mall Mei Foo Sun Chuen Kowloon Hong Kong

(b) Qualification of the Directors and senior management

Executive Director

Mr. XU Jin, aged 42, is the founder and currently the chairman of a private enterprise incorporated in the PRC whose principal businesses include manufacturing and trading of plastic and metal household products. Mr. Xu has extensive experience in manufacturing and trading of plastic and metal products. He was appointed as chairman and executive Director of the Company and a director of various subsidiaries of the Company in March 2006.

Non-executive Director

Mr. LAU Kin Hon, aged 40, is a Hong Kong practicing solicitor and is currently a partner of Messrs. Tang Tso & Lau, Solicitors. He has been practicing law in Hong Kong for 15 years. Mr. Lau received his bachelor of laws degree from University College, London, UK. He was appointed as non-executive Director and company secretary of the Company in May 2005.

Independent non-executive Directors

Mr. HE Chengying, aged 44, graduated from the Department of Accountancy of South Western University of Finance and Economics, holds a Master Degree of Economics from Zhejiang University and a Doctoral Degree of Economics from Xiamen University. He previously worked for Shenzhen Investment Holding Corporation, China Eagle Securities and United Securities. Mr. He is currently the Assistant to President and General Manager of the R&D Department of Guosen Securities. He is also an associate professor, senior economist and a special research fellow of the China Management Science Research Institute. Mr. He had previously engaged in state enterprise, state-owned asset management, as well as directly participated in drafting and formulating policies for state enterprise and state-owned asset management reforms. Subsequently, Mr. He has engaged in stock market innovation, assets reorganization, as well as capital market operation and research. He has accumulated extensive experience in corporate reform, assets reorganization and capital management planning. He was appointed as independent non-executive Director of the Company in September 2006.

Mr. CHAN Man Sum Ivan, aged 34, is a member of the American Institute Certified Public Accountants and holds a Bachelor of Science Degree in Business Administration with emphasis on Accounting issued by California State University Los Angeles. Currently Mr. Chan is working in an investment bank. Prior to his current occupation, he was a chief financial officer of a listed company. Mr. Chan has over 9 years of experience in the field of investment banking, accounting and financial management. He was appointed as independent non-executive Director of the Company in June 2006.

Mr. CHEUNG Kiu Cho Vincent, aged 32, is a Registered Professional Surveyor in the General Practice Division and member of both The Hong Kong Institute of Surveyors and The Royal Institution of Chartered Surveyors. Mr. Cheung holds a Master of Business Administration degree in International Management granted by University of London in association with Royal Holloway and Bedford New College and a Bachelor of Science (Honours) degree in Real Estate granted by The Hong Kong Polytechnic University. Mr. Cheung is an Associate Director of an international corporate valuation and advisory company. Mr. Cheung has over 10 years of experience in the field of assets valuation, assets management and corporate advisory. He was appointed as independent non-executive Director of the Company in June 2006.

Senior management

Mr. TANG Yu Ping, aged 38, is the chief financial officer of the Group. Mr. Tang possesses over 13 years of experience in corporate development, financial management and consulting for various industries including logistics and manufacturing. He was the financial controller of a Greater China group listed in Hong Kong for which he led the successful IPO process. By profession, Mr. Tang is a Certified Public Accountant of Hong Kong, and he is also a Fellow of the Association of Chartered Certified Accountants in UK. Moreover, he holds a Master degree in Operational Research and Information Systems from the London School of Economics and Political Science. He joined the Group in April 2006.

Mr. MUNG Chin Yue, aged 41, is the general manager of the Group and is responsible for overall operations of the Group including marketing, sales, product development and manufacturing. Mr. Mung possesses more than 17 years of experience in sales and marketing of consumer products and in management of manufacturing companies. Prior to joining the Group, he was the general manager of a manufacturing company in Greater China. Mr. Mung obtained his Bachelor Degree in Sociology and Politics, Combined Honors, from the University College of Swansea, UK. He joined the Group in June 2007.

Ms. YANG Shu Ying, aged 44, is the senior sales and marketing manager of the Group. Ms. Yang is responsible for the international marketing and sales of the Group. She has over 23 years' experience in marketing and sales of household products, garment & sundry. Ms. Yang graduated from Ming Chuan College, Taiwan. She joined the Group in 1992, left in 1995 and rejoined in 1996.

Mr. TONG Kam Lung, aged 38, is the qualified accountant of the Company. He is the finance manager of the Group and responsible for group accounting matters. He is a Fellow member of Hong Kong Institute of Certified Public Accountants and a CPA member of CPA Australia. He has 15 years working experience in financial accounting and management accounting. Prior to his current occupation, he was a financial controller and qualified accountant of a listed company. He joined the Group in May 2006.

The business address of each of Mr. TANG Yu Ping, Mr. MUNG Chin Yue, Ms. YANG Shu Ying and Mr. Tong Kam Lung is Flat A, 2nd Floor, Yeung Yiu Chung (No.6) Industrial Building, 19 Cheung Shun Street, Cheung Sha Wan, Kowloon, Hong Kong.

6. CORPORATE INFORMATION

Registered Office	Clarendon House 2 Church Street Hamilton, HM11 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
Authorised representatives	Xu Jin, Flat 303, No. 24 Nan Ya Xin Cun, Ningbo, PRC Lau Kin Hon, Flat A, 3/F Braemar Hill Mansions 19 Braemar Hill Road North Point Hong Kong
Principal share registrar and transfer office in Bermuda	Butterfield Corporate Services Limited Rosebank Centre 11 Bermudiana Road Pembroke Bermuda
Branch share registrar and transfer office in Hong Kong	Tricor Secretaries Limited 26th Floor, Tesbury Centre 28 Queen's Road East Wanchai, Hong Kong
The Underwriter	Big-Max Manufacturing Co., Limited Unit A, 5/F., Garment Centre 576-586 Castle Peak Road Cheung Sha Wan, Kowloon Hong Kong

Ultimate beneficial owners of the Underwriter	Mr. Li Li Xin and Ms. Jin Ya Er No. 48, Group 26, Maimianqiao Maimianqiao Village Jishigang Town, Yinzhou Area Ningbo City, the PRC
Legal advisers to the Company as to Hong Kong law	Chiu & Partners 41st Floor Jardine House 1 Connaught Place Hong Kong
Financial adviser to the Company	Baron Capital Limited 4/F., Aon China Building 29 Queen's Road Central Central Hong Kong
Auditors	Mazars CPA Limited *Certified Public Accountants* 34/F, The Lee Gardens 33 Hysan Avenue Causeway Bay Hong Kong
Principal bankers	Indover bank (Asia) Limited Suites 1901-02, 19/F Central Plaza 18 Harbour Road Wanchai Hong Kong
	Bank of Communication Co., Ltd, Shenzhen Branch 14th Floor Huaneng Building 2006A Shennan Zhonglu Shenzhen the PRC
	Bank of Communication Co., Ltd, Hong Kong Branch Commercial Banking Centre (Island Central) 1/F., 32-34 Johnston Road Wanchai Hong Kong

7. EXPERTS

The following are the qualifications of the experts who have given an opinion or advice, which is contained in this Prospectus:

Mazars CPA Limited	Certified Public Accountants

As at the Latest Practicable Date, Mazars CPA Limited did not have any interest, either direct or indirect, in any assets which have been, since 31 March 2007, the date to which the latest published audited consolidated financial statements of the Company were made up, acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group nor had any shareholding in any member of the Group nor the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Mazars CPA Limited has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion of its report and/or reference to its name, in the form and context in which they appear.

8. LITIGATION

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 RMB5.42 million as at the Latest Practicable Date. Jinda is actively defending the claims. The Directors believe that Jinda is in a good financial standing to settle the amount, in case it loses in the legal action. The Directors take the view that the litigation arose in usual course of trading which would not exert any material adverse impact on the financial position of the Group as a whole.

Jinda has initiated claims in the PRC courts against a PRC customer for outstanding purchase price totaling about RMB1.68 million as at 31 October 2007. The claims are under process.

Except for the above, as at the Latest Practicable Date, none of the member of the Group was engaged in any litigation or claims of material importance and no litigation or claims of material importance was known to the Directors to be pending or threatened against any members of the Group.

9. MATERIAL CONTRACTS

Save for the contracts which are or may be material as set out below, there is no other material contract (not being contract entered into in the ordinary course of business) entered into within two years before the date of this Prospectus:

(a) the Underwriting Agreement;

(b) the placing agreement dated 27 June 2007 and made between IBTS Asia (HK) Limited (as placing agent) and the Company (as issuer) in respect of the placing of the Convertible Bonds to placees to be procured by the placing agent pursuant to which the Company agreed to pay to IBTS Asia (HK) Limited a placing commission of 1% of the aggregate placing price of the Convertible Bonds in the principal amount of up to HK$26,000,000 placed by IBTS Asia (HK) Limited; and

(c) a bridging loan agreement dated 22 August 2007 and between the Company as borrower and Big-Max as lender, pursuant to which Big-Max has 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, which will be repayable on the date falling four months after the date of drawdown of such loan. The full amount of the loan in the sum of HK$10 million was drawn by the Company on 18 October 2007.

10. COMPETING BUSINESS

As at the Latest Practicable Date, so far as the Directors are aware of, none of the Directors nor their respective associates had any interest in any business which competes or is likely to compete, or is in conflict or is likely to be in conflict, either directly or indirectly, with the business of Group.

11. GENERAL

(a) The company secretary of the Company is Mr. Lau Kin Hon. He is a Hong Kong practicing solicitor. He is currently a non-executive Director.

(b) The qualified accountant of the Company is Mr Tong Kam Lung. He is a fellow member of Hong Kong Institute of Certified Public Accountants and a CPA member of CPA Australia.

(c) The expenses in connection with the Open Offer, including financial, legal and other professional advisory fees, underwriting commission, printing and translation expenses are estimated to be approximately HK$2.8 million and will be payable by the Company.

(d) The English text of this Prospectus shall prevail over the Chinese text for the purpose of interpretation.

12. BINDING EFFECT

This Prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

13. DOCUMENTS DELIVERED TO THE REGISTRARS OF COMPANIES

A copy of this Prospectus, together with copies of the Application Form and the written consent from Mazars CPA Limited referred to in the paragraph headed "Experts" in this appendix, have been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies Ordinance of Hong Kong. Copies of the Open offer Documents have been filed with the Registrar of Companies in Bermuda pursuant to the Companies Act.

14. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours on any Business Day at the principal place of business in Hong Kong of the Company at Flat A, 2nd Floor, Yeung Yiu Chung (No.6) Industrial Building, 19 Cheung Shun Street, Cheung Sha Wan, Kowloon, Hong Kong from the date of this Prospectus up to and including the Latest Time for Acceptance:

(a) the memorandum of association and bye-laws of the Company;

(b) the annual reports of the Company for each of the three financial years ended 31 March 2007;

(c) the interim report of the Group for the six months ended 30 September 2007;

(d) the report from Mazars CPA Limited on the unaudited pro forma financial information of the Group dated 3 December 2007, the text of which is set out on pages II-1 to II-3 of this Prospectus;

(e) the written consent from Mazars CPA Limited;

(f) the material contracts referred to under the paragraph headed "Material Contracts" in this appendix; and

(g) the Circular.