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**MAGICIAN INDUSTRIES (HOLDINGS) LIMITED**

**通達工業（集團）有限公司\***

*(incorporated in Bermuda with limited liability)*

(Stock Code: 00526)

## **PROPOSED CAPITAL REORGANIZATION**

The Directors proposed to implement the Capital Reorganisation which will involve (i) a reduction in the par value of each issued Share from HK\$0.10 to HK\$0.01, (ii) a subdivision of each authorized but unissued Share into 10 New Shares of HK\$0.01 each, (iii) a reduction of the authorised share capital of the Company from HK\$400,000,000 to HK\$100,000,000 by canceling 30,000,000,000 unissued New Shares, (iv) a cancellation of the share premium account.

A circular containing further information on the Capital Reorganization and a notice to convene the SGM will be despatched to Shareholders as soon as practicable.

## **CAPITAL REORGANIZATION**

The Directors proposed to reorganize the capital of the Company in the following manner:

1. the par value of each issued Share of HK\$0.10 each will be reduced to HK\$0.01 by canceling paid-up capital to the extent of HK\$0.09 on each issued Share;
2. each authorized but unissued Share will be subdivided into 10 New Shares of HK\$0.01 each;
3. the authorised share capital of the Company will be reduced from HK\$400,000,000 to HK\$100,000,000 by canceling 30,000,000,000 unissued New Shares;
4. the entire balance standing to the credit of the share premium account of the Company, which was HK\$282,048,503.56 as at 31 March 2007, will be cancelled.

## **EFFECTS OF THE CAPITAL REORGANIZATION**

As at the date of this announcement, the authorized share capital of the Company is HK\$400,000,000 divided into 4,000,000,000 Shares of HK\$0.10 each, of which 1,303,100,160 Shares are in issue and fully paid. After the Capital Reorganization becoming effective, the authorized share capital of the Company will be HK\$100,000,000 divided into 10,000,000,000 New Shares of HK\$0.01 each, of which 1,303,100,160 New Shares will have been issued and fully paid.

On the assumption that no further Shares will be issued after the release of this announcement, a credit of HK\$117,279,014.4 will arise as a result of the Capital Reduction and a further credit of HK\$282,048,503.56 will arise as a result of the Share Premium Cancellation. Such credits will be transferred to the contributed surplus account of the Company, which as at 31 March 2007 had a balance of approximately HK\$158.4 million. The balance standing to the credit of the contributed surplus account after the Capital Reduction and Share Premium Cancellation will be applied to set off the accumulated losses of the Company. As at 31 March 2007, the Company had accumulated losses of approximately HK\$477.8 million.

The following table shows the changes in the share premium, contributed surplus and accumulated losses of the Company before and after the Capital Reorganization:

	<b>Before Capital Reorganization (as at 31 March 2007)</b>	<b>After Capital Reorganization</b>
Share premium	282.0 million	0
Contributed surplus	158.4 million	79.9 million
Accumulated losses	477.8 million	0

Other than the expenses to be incurred in relation to the Capital Reorganisation, the implementation thereof will not alter the underlying assets, business operations, management or financial position of the Company or the interests or rights of the Shareholders.

## **CONDITIONS FOR CAPITAL REORGANIZATION**

The Capital Reorganization is conditional upon the following:

- (1) the passing of the necessary resolutions by the Shareholders to approve the Capital Reorganisation at the SGM;
- (2) compliance with the relevant legal procedures and requirements under Bermuda laws to effect the Capital Reorganisation; and
- (3) the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the New Shares in issue.

An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the New Shares to be in issue upon the Capital Reorganisation taking effect.

### **EXPECTED TIMETABLE**

Set out below is the expected timetable for the implementation of the Capital Reorganisation:

Despatch of circular with notice of SGM ..... Friday, 18 January 2008

Latest time for lodging forms of proxy for SGM ..... 10:00 a.m. Sunday, 17 February 2008

Date of SGM ..... 10:00 a.m. on Tuesday, 19 February 2008

Capital Reorganization becoming effective ..... Wednesday, 20 February 2008

First day for free exchange of existing share certificates  
for new share certificates ..... Wednesday, 20 February 2008

Last day for free exchange of existing share certificates  
for new share certificates ..... Thursday, 20 March 2008

### **FREE EXCHANGE OF SHARE CERTIFICATES**

Subject to the Capital Reorganisation becoming effective on Wednesday, 20 February 2008, Shareholders may, from Wednesday, 20 February 2008 to Thursday, 20 March 2008 (both dates inclusive), submit share certificates for existing Shares to the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, in exchange, at the expense of the Company, for new share certificates for New Shares with new nominal value of HK\$0.01. Thereafter, certificates for existing Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such higher amount as may be allowed by the Stock Exchange from time to time) for each share certificate for existing Shares cancelled or each new share certificate issued for New Shares, whichever number of certificates cancelled/issued is higher. Nevertheless, certificates for existing Shares will continue to be good evidence of legal title and may be exchanged for certificates for New Shares at any time.

### **REASONS FOR CAPITAL REORGANIZATION**

The Company is prohibited from issuing new shares at below their par value under the Company's bye-laws and the Companies Act 1981 of Bermuda. The reduced par value of the New Shares will give the Company greater flexibility in pricing any future issue of shares. In addition, it is expected that the accumulated losses of the Company will be eliminated after the Capital Reorganization. It will therefore facilitate any dividend payment by the Company as and when appropriate in the future. Therefore the Directors consider that the Capital Reorganisation is in the interests of the Company and the Shareholders as a whole.

## GENERAL

A circular containing further information on the Capital Reorganization and a notice to convene the SGM will be despatched to Shareholders as soon as practicable.

## DEFINITIONS

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

“Board”	the board of Directors
“Capital Reduction”	the proposed reduction of the par value of each issued Share from HK\$0.10 to HK\$0.01 by cancelling paid up capital to the extent of HK\$0.09 on each issued Share
“Capital Reorganisation”	the proposed capital reorganisation of the Company comprising (i) the Capital Reduction, (ii) the Share Premium Cancellation, (iii) the subdivision of each authorized but unissued Share into 10 New Shares and (iv) the reduction of the authorized share capital of the Company from HK\$400,000,000 to HK\$100,000,000 by canceling 30,000,000,000 unissued New Shares
“Company”	Magician Industries (Holdings) Limited, a company incorporated in Bermuda with limited liability and the Shares of which are listed on the main board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“New Share(s)”	new ordinary share(s) of HK\$0.01 each in the capital of the Company after the Capital Reorganization becoming effective
“SGM”	the special general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving the Capital Reorganization
“Share Premium Cancellation”	the proposed cancellation of the entire balance standing to the credit of the share premium account of the Company
“Group”	the Company and its subsidiaries

“HK\$”	the lawful currency for the time being of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Shareholder(s)”	the holder(s) of the Shares
“Share(s)”	ordinary share(s) of HK\$0.10 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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

Hong Kong, 7 January 2008

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

\* *For identification purpose only*