THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

MAGICIAN INDUSTRIES (HOLDINGS) LIMITED

通達工業(集團)有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 526)

MAJOR AND CONNECTED TRANSACTION: PROPOSED ACQUISITION OF THE TARGET GROUP PROPOSED CONTINUING CONNECTED TRANSACTIONS SHARE SUBSCRIPTION APPLICATION FOR WHITEWASH WAIVER AND NOTICE OF SPECIAL GENERAL MEETING

Financial Adviser to the Company

CHANCETON CAPITAL

川盟融資有限公司

CHANCETON CAPITAL PARTNERS LIMITED

Independent financial adviser to the Independent Board Committees and the Independent Shareholders

ATHENS CAPITAL

Athens Capital Limited

A notice convening a special general meeting of Magician Industries (Holdings) Limited to be held at Flat A, 2nd Floor, Yeung Yiu Chung (No.6) Industrial Building, 19 Cheung Shun Street, Cheung Sha Wan, Kowloon, Hong Kong at 9:30 a.m. on Tuesday, 20 April 2010 is set out on pages N-1 and N-3 of this circular. Whether or not you intend to attend the meeting, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same with the Company's branch share registrar in Hong Kong Tricor Secretaries Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the meeting or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

* *For identification purposes only*

31 March 2010

CONTENTS

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

"Acquisition Agreement"	the conditional sale and purchase agreement dated 14 October 2009 and entered into between the Purchaser and the Vendor in respect of the Acquisition
"Acquisition"	the acquisition of the Interests by the Purchaser pursuant to the Acquisition Agreement
"Announcement"	the announcement dated 2 November 2009 and issued by the Company in relation to the Acquisition, the Share Subscription and the Whitewash Waiver
"Assets"	subject matter of Assets and Business Transfer which will be transferred to the WFOE
"Assets and Business"	the assets and business of the PRC Vendors to be transferred to the Target Group under the Assets and Business Transfer
"Assets and Business Transfer"	the transfer of all of the manufacturing equipment of plastic and household products and inventories owned and held by the PRC Vendors and all of the business contracts of the PRC Vendors (existing and on-going as at the completion date of the Assets and Business Transfer) to the Target Group under a sale and purchase agreement to be entered into between the PRC Vendors and the WFOE
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Big-Max" or "Vendor" or "Subscriber"	Big-Max Manufacturing Co., Limited, a company incorporated in Hong Kong with limited liability. The ultimate beneficial owners of Big-Max are Mr. Li Li Xin and his spouse, Ms. Jin Ya Er. Big-Max is, as at the Latest Practicable Date, a substantial shareholder of the Company (holding approximately 24.5% of the entire issued and outstanding share capital of the Company) and a connected person of the Company as at the Latest Practicable Date
"Board"	the board of Directors
"BVI"	the British Virgin Islands
"Business Day"	a day (other than a Saturday or a Sunday) on which banks are generally open for business in Hong Kong
"Company"	Magician Industries (Holdings) Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange

"Completion"	the completion of the Acquisition
"concert parties" or "parties acting in concert"	has the meaning ascribed to it under the Takeovers Code
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Consideration"	the consideration for the Acquisition
"Continuing Connected Transactions"	the proposed continuing connected transactions as contemplated under the WFOE Agreements entered into between the WFOE and various entities affiliated with Lisi Group
"Continuing Connected Transactions Announcement"	the announcement dated 13 November 2009 issued by the Company in relation to the proposed Continuing Connected Transactions
"Da Mei New Materials"	達美(寧波)新材料有限公司 (Da Mei (Ningbo) New Materials Company Limited*), a sino-foreign equity joint venture incorporated under the laws of the PRC
"Director(s)"	the director(s) of the Company
"Enlarged Group"	the Group as enlarged by, or taking into account the impact of, the interest in the Target Group subsequent to the Acquisition
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any delegate(s) of the Executive Director
"Export Agency Agreement"	the export agency agreement dated 21 November 2009 and entered into between the WFOE and Lisi Import and Export in relation to the export agency services to the WFOE by Lisi Import and Export
"Golden Time"	Golden Time Group Holdings Limited, a private company limited by shares incorporated under the laws of Hong Kong and a wholly-owned subsidiary of the Target
"Group"	the Company and its subsidiaries from time to time
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HKFRS"	HKFRS Financial Reporting Standards

"Import Agency Agreement"	the import agency agreement dated 21 November 2009 and entered into between the WFOE and Lisi Import and Export in relation to the import agency services to the WFOE by Lisi Import and Export
"Independent Board Committees"	the Listing Rules Independent Board Committee and the Whitewash Independent Board Committee
"Independent Financial Adviser"	Athens Capital Limited, a licensed corporation under the SFO to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activity, being the independent financial adviser appointed by the Company to make recommendations to the Independent Board Committees as to whether the terms and conditions of the Acquisition, the Continuing Connected Transactions, the Share Subscription, and the Whitewash Waiver are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Board Committees on how to vote on the resolutions relating to the Acquisition, the Continuing Connected Transactions, the Share Subscription, and the Whitewash Waiver
"Independent Shareholder(s)"	Shareholders other than Big-Max, its associates and parties acting in concert with any of them and any person who is involved in, or interested in, the Acquisition, the Continuing Connected Transactions and the related annual caps, the Share Subscription and/or the Whitewash Waiver, who are entitled to attend and vote at the relevant shareholders' meeting of the Company under the applicable laws and regulations and the articles of association of the Company
"Independent Third Party(ies)"	(to the best of the Directors' knowledge, information and belief after having made all reasonable enquiries) third parties independent of the Company and its connected person
"Interests"	collectively the Target Shares and the Loan
"Latest Practicable Date"	26 March 2010, being the latest practicable date for ascertaining certain information contained herein this circular
"Last Trading Day"	13 October 2009, being the last trading date prior to the signing of the Share Subscription Agreement
"Lease Agreement"	the lease agreement dated 21 November 2009 and entered into between the WFOE and Da Mei New Materials in relation to the lease of the Property to the WFOE by Da Mei New Materials

"Lisi Group"	Lisi Group Co.,Ltd and its subsidiaries
"Lisi Group Co., Ltd"	利時集團股份有限公司 (Lisi Group Co., Ltd*), a company incorporated in the PRC with limited liability, and is beneficially and wholly owned by Mr. Li Li Xin, his spouse, his associates (namely the relatives of Mr. Li Li Xin and his spouse and two senior executives of the Lisi Group, Mr. Cheng Jian He and Mr. Xu Jin Bo)
"Lisi Import and Export"	寧波利時進出口有限公司 (Lisi Import and Export Company Limited*), an affiliate company of Lisi Group
"Lisi Plastics"	寧波利時塑膠有限公司 (Ningbo Lisi Plastics Company Limited*), an affiliate company of Lisi Group
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Listing Rules Independent Board Committee"	the independent board committee established by the Company consisting of all the independent non-executive Directors to advise the Independent Shareholders as to whether the terms and conditions of the Acquisition, the Continuing Connected Transactions and the Share Subscription are fair and reasonable and in the interests of the Company and the Shareholders as a whole and to advise the Independent Shareholders on how to vote, taking into account the recommendations of the Independent Financial Adviser
"Loan"	the loan in the principal amount of HK$25,000,000 owed and due to the Vendor from Golden Time pursuant to a loan agreement dated 18 August 2009 which shall be acquired by and assigned to the Purchaser on Completion pursuant to the Acquisition Agreement
"Ningbo Hua Xing"	寧波華興模具製造有限公司 (Ningbo Hua Xing Mould Manufacturing Company Limited*), a sino-foreign equity joint venture incorporated under the laws of the PRC
"PRC"	the People's Republic of China, which, for the purpose of this circular, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
"PRC Vendors"	Da Mei New Materials and Ningbo Hua Xing

"Previous Lease Agreement"	the lease agreement dated 27 July 2009 and entered into between Da Mei New Materials and the WFOE in relation to the lease of certain floor areas of factory buildings within the Property to WFOE by Da Mei New Materials
"Property"	34,269 square meters of factory space and 3,200 square meters of office premises located in 518 Cheng Xin Lu, Yinzhou Investment & Business Incubation of Ningbo, PRC (中國寧波市鄞州區投資創業中心誠信路518號*)
"Purchaser"	Magician Strategic Limited (通達策略有限公司*), a company incorporated in the BVI with limited liability and a wholly owned subsidiary of the Company
"Respective Cut-off Dates"	the cut-off dates in relation to the Assets and Business to be transferred to the WFOE from the PRC Vendors pursuant to the Assets and Business Transfer, which mean (a) 31 December 2009 in relation to the transfer of all of the manufacturing equipment of plastic and household products held by the PRC Vendors to the WFOE, and (b) the date of completion of the Assets and Business Transfer of the transfer of all of the inventories and business contracts to the WFOE
"RMB"	Renminbi, the lawful currency of the PRC
"SFC"	the Securities and Futures Commission
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of the Company to be convened on 20 April 2010 to consider the ordinary resolutions to be proposed to approve, amongst other things, the Share Subscription, the Continuing Connected Transactions, the Acquisition and the Whitewash Waiver, notice of which is set out in this circular
"Shareholders"	holders of the Shares
"Shares"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Share Subscription"	the proposed issue of the Subscription Shares by the Company pursuant to the terms and conditions of the Share Subscription Agreement

"Share Subscription Agreement"	the agreement dated 13 October 2009 and entered into between the Company and Big-Max in relation to the Share Subscription
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription Price"	the subscription price of HK$0.160 per Subscription Share
"Subscription Shares"	937,500,000 Shares to be issued and allotted to the Subscriber pursuant to the Share Subscription Agreement
"substantial shareholder"	has the meaning ascribed to it under the Listing Rules
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"Target"	Wealthy Glory Holdings Limited, a company incorporated in the BVI with limited liability and a wholly owned subsidiary of Big-Max as at the Latest Practicable Date
"Target Group"	the Target and its subsidiaries from time to time
"Target Shares"	the entire issued and outstanding share capital of the Target, comprising 50,000 ordinary shares with a par value of USD 1 each
"USD"	United States of America Dollars, a lawful currency of the United States of America
"Value-Added Processing Co-operation Agreement"	the value-added processing co-operation agreement dated 21 November 2009 and entered by the WFOE and Lisi Plastics in relation to the processing services to the WFOE by Lisi Plastics
"WFOE"	寧波利時日用品有限公司 (formerly known as 寧波奧爾嘉新材料有限公司*), a wholly foreign-owned enterprise incorporated under the laws of the PRC and a wholly-owned subsidiary of Golden Time
"WFOE Agreements"	agreements to be entered into by the WFOE with various entities affiliated with Lisi Group, including the Export Agency Agreement, the Import Agency Agreement, the Lease Agreement and the Value-Added Processing Co-operation Agreement, to facilitate the continuing operation of the business of the Target Group following Completion

"Whitewash Independent Board Committee"	the independent board committee of the Company, comprising all the non-executive Directors and all the independent non-executive Directors who have no interest in the application of the Whitewash Waiver and are not involved in and/or interested in the Share Subscription and the Acquisition, namely Mr. Xu Jin, Mr Lau Kin Hon, Mr He Chengying, Mr Chan Man Sum Ivan and Mr Cheung Kiu Cho Vincent, established to advise the Independent Shareholders (i) as to whether the Whitewash Waiver is, or is not, fair and reasonable and (ii) as to voting for or against the Whitewash Waiver
"Whitewash Waiver"	a waiver in respect of the obligation on Big-Max and parties acting in concert with it to make a mandatory offer to the Shareholders to acquire the Shares in issue not already owned or agreed to be acquired by Big-Max and parties acting in concert with it as a result of the Share Subscription
"%"	per cent.

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

Chairman:
Mr Li Li Xin *(non-executive director)*

Executive Director:
Mr Cheng Jian He

Non-executive Directors:
Mr Xu Jin
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
Church Street
Hamilton HM 11
Bermuda

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

31 March 2010

To the Shareholders

Dear Sir/Madam,

MAJOR AND CONNECTED TRANSACTION: PROPOSED ACQUISITION OF THE TARGET GROUP PROPOSED CONTINUING CONNECTED TRANSACTIONS SHARE SUBSCRIPTION APPLICATION FOR WHITEWASH WAIVER AND NOTICE OF SPECIAL GENERAL MEETING

INTRODUCTION

The Board announced that the Company and the Subscriber have entered into the Share Subscription Agreement in respect of the Share Subscription after trading hours on 13 October 2009 and the Purchaser has entered into the Acquisition Agreement with the Vendor in respect of the Acquisition on 14 October 2009.

* *For identification purposes only*

THE ACQUISITION AGREEMENT

Parties

Purchaser: Magician Strategic Limited (通達策略有限公司*), a company incorporated in the BVI with limited liability and a wholly owned subsidiary of the Company.

Vendor: Big-Max Manufacturing Co., Limited, a company incorporated in Hong Kong with limited liability. The ultimate beneficial owners of Big-Max are Mr. Li Li Xin and his spouse, Ms. Jin Ya Er. Big-Max is, as at the Latest Practicable Date, a substantial shareholder of the Company (holding approximately 24.5% of the entire issued and outstanding share capital of the Company) and a connected person of the Company. Mr. Li Li Xin is the chairman and a non-executive Director of the Company.

Date of Agreement

14 October 2009

Interests to be acquired under the Acquisition

Shares

50,000 shares of the Target, representing the entire issued and outstanding share capital of the Target.

The Target owns the entire issued and outstanding share capital of Golden Time, which in turn owns the entire issued and outstanding equity interest of the WFOE.

The Target Group is currently undergoing the Assets and Business Transfer. On completion of the Assets and Business Transfer, the Target Group will own all of the manufacturing equipment (for manufacturing of plastic and household products) and inventories owned and held by the PRC Vendors and all business contracts entered into by the PRC Vendors with respect to the Respective Cut-off Dates upon completion of the Assets and Business Transfer. These business contracts are all of the contracts entered into by the PRC Vendors in relation to their operations. The objective of the Purchaser for acquiring these business contracts is to ensure smooth operation of the Target Group after Completion. Business contracts entered into by the PRC Vendors comprised sales contracts, purchase contracts, staff employment contracts and other contracts of administration nature which facilitate the operations of the business of the PRC Vendors by the Target Group upon Completion. As advised by the PRC Vendors, as at 31 December 2009, there were approximately 30 sales contracts with an aggregate value of approximately HK$4,500,000 (confirmed orders of which products expected to be delivered and shipped in year 2010), 40 letters of intent to purchase including but not limited to raw materials, packaging and printing materials (in which the PRC Vendors are not bound to make the purchase and therefore there is no capital commitment in relation to these purchase letters of intent) and 380 staff employment contracts. Approximately 85% of the PRC Vendors staff and management employees will be transferred to the Target Group which include all the senior and the more-experienced staffs. Subject to the transitional arrangements that the PRC Vendors shall hold the benefit of the relevant business contracts for WFOE pending receipt of the necessary consents, the rights and obligations of these contracts (existing and on-going as at the completion date of the Assets and Business Transfer) and letters of intent will be assigned and novated to the WFOE for the WFOE to enforce the rights under these contracts and letters of intent upon completion of the Assets and Business Transfer. The rights under these contracts, if enforced by the WFOE, would in substance enable the Enlarged Group to be able to continue all the business operated by the PRC Vendors under the Enlarged Group. As advised by the PRC legal advisor to the Company, according to the PRC laws and regulations, the rights and obligations under all of the current contracts of the PRC Vendors (existing and on-going as at the completion date of the Assets and Business Transfer), will, with the agreement of the counterparties under the aforementioned contracts, actually be transferred to the WFOE after the Assets and Business Transfer. As at the Latest Practicable Date, no agreement from the counterparties has been obtained. Whilst the PRC Vendors have informed the customers of its intention to transfer its business, the PRC Vendors will only be able to formally obtain consent from such counterparties after the agreements relating to the Assets and Business Transfer have been signed. In addition, as mentioned above, in the event that the necessary consents have not been obtained prior to Completion, a transitional arrangement will be in place such that the PRC Vendors shall hold benefits of those contracts for the WFOE. As such, the WFOE will in substance be entitled to the benefits of such business contracts no matter whether consents from the counterparties will be obtained prior to completion. The PRC legal advisers to the Company further advised that (1) no governmental approvals are required for completion of the Assets and Business Transfer, (2) certain licences and permits such as approval certificates and business licences to carry on the business of the PRC Vendors are not transferable under the PRC laws, (3) the WFOE has applied for and obtained all necessary licences and permits to carry on the business of the PRC Vendors assigned to it, except the custom licence, and (4) by virtue of the WFOE Agreements, the WFOE, in spite of absence of the custom licence, is able to export the products through Lisi Import and Export. As at the Latest Practicable Date, the management of the PRC Vendors has not received any negative response from the customers relating to the Assets and Business Transfer.

Rationale of the Assets and Business Transfer

Pursuant to the Assets and Business Transfer, all manufacturing equipment of plastic and household products and inventories and all of the business contracts of the PRC Vendors (existing and on-going as at the completion date of the Assets and Business Transfer) with respect to the Respective Cut-off Dates will be transferred to the WFOE upon completion of the Assets and Business Transfer. The land and building and other immaterial assets of the PRC Vendors unrelated to the plastic and household products manufacturing business and inventories not having been included into the sale and purchase agreement to be entered into between the PRC Vendors and the WFOE will not be transferred to WFOE. This is a commercial decision (that is, the decision not to acquire from the PRC Vendors (a) the land and building and (b) other immaterial assets of the PRC Vendors unrelated to plastic and household products manufacturing business and inventories not having been included into the sale and purchase agreement entered into between the PRC Vendors and the WFOE) made by the Directors after negotiation with the Vendor. The Directors considered that (i) the transfer of the land and building would incur a significant tax which would have to be borne by the Purchaser, (ii) the regulatory procedure including the seeking and obtaining of the relevant PRC approval by the Group for the transfer of land and building is expected to be a lengthy process, (iii) under the current financial condition of the Group, it will not be in the interest of the Group to acquire such large scale of real estate, and (iv) the Acquisition structure enables the Group to acquire, in substance, the business and manufacturing assets of the PRC Vendors for the consolidation of possible turnover and profits of the business of the PRC Vendors, while keeping the initial capital outlay to the minimum when compared to effecting a full acquisition and takeover of the PRC Vendors from the Vendor.

The Target is an investment holding company and does not have any operations as at the Latest Practicable Date. Upon completion of the Assets and Business Transfer, the Target Group will be principally engaged in the manufacturing and sales of plastic and household products and the PRC Vendors will cease to be engaging in any activities similar to that of the Group and the Target Group, or in any activities that leading to any competition to the business of the Group and the Target Group. Further, the PRC Vendors and Mr. Li Li Xin will also enter into non-competition undertakings with the WFOE not to compete with the business or operations of the WFOE so long as the Shares of the Company are listed and traded on The Stock Exchange of Hong Kong Limited. **In substance, the Directors believe that the Acquisition Agreement, together with the Assets and Business Transfer, enables the Enlarged Group to be able to continue the business operated by the PRC Vendors under the Enlarged Group.**

Ningbo Hua Xing is a subsidiary of Lisi Group Co., Ltd., in which Lisi Group Co., Ltd holds 51.61% while Lisi International Co., Ltd. holds 48.39% of the equity interest. Lisi International Co., Ltd. is a wholly-owned subsidiary of Lisi Plastics, which is a non-wholly owned subsidiary of Lisi Group Co., Ltd., in which Lisi Group Co., Ltd. holds 75% equity interest and 香港多富來有限公司 (Tofle of Hong Kong Limited*) holds 25% equity interest. The entire issued share capital of 香港多富來有限公司 (Tofle of Hong Kong Limited*) is beneficially owned by Mr. Ji Bao, who is an Independent Third Party and is not a concert party of Big-Max as at the Latest Practicable Date.

Da Mei New Materials is a non-wholly owned subsidiary of Lisi Group Co., Ltd., in which Lisi Group Co., Ltd. owns 70.86%, Big-Max owns 25.81% and Lisi Plastics owns 3.33% of its equity interest respectively.

Both Da Mei New Materials and Ningbo Hua Xing are therefore connected persons of the Company under the Listing Rules.

As at the Latest Practicable Date, Lisi Group Co., Ltd. is beneficially and wholly owned by Mr. Li Li Xin, his spouse and his associates (namely the relatives of Mr. Li Li Xin and his spouse and two senior executives Mr. Cheng Jian He and Mr. Xu Jin Bo of the Lisi Group).

As at the Latest Practicable Date, save that Mr. Li Li Xin beneficially owns 90% and his spouse Ms. Jin Ya Er beneficially owns 10% of the issued share capital of Big-Max, which is the substantial shareholder of the Company holding approximately 24.5% of the Company's entire issued and outstanding share capital, none of the PRC Vendors or its ultimate beneficial owners (other than Mr. Li Li Xin and his spouse Ms. Jin Ya Er) holds any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

Loan

All rights, title and benefits, security interest, preferences and collateral of the Vendor (as the lender) in and to the Loan are free from any encumbrance. The Loan is interest-free and there will not be any accrued interest. Under the Acquisition Agreement, the Loan will be assigned to the Purchaser at a face value of HK$25,000,000.

Consideration

The Consideration is HK$90,000,000 (Hong Kong dollars ninety million), which has been arrived at after arm's length negotiations between the parties following due consideration of, without limitation, the following factors:

Basis of the Consideration

Since the Acquisition is in substance an acquisition of the business of the PRC Vendors, the Directors considered that the historical financial performance of the PRC Vendors shall be of relevance as the business of the PRC Vendors will be continued under the Target Group upon Completion. The value of the business contracts of the PRC Vendors (including sales contracts, purchase contracts, staff employees contracts and other contracts of administrative nature which facilitate the operations of the business of the PRC Vendors of the Target Group upon Completion) has not been assessed independently by the Directors as the value of these business contracts (details as stated in the paragraph headed "Interests to be acquired under the Acquisition" above) could not be ascertained because of their nature. For instance, customer agreements of the PRC Vendors usually will not specify a fixed quantity of goods to be demanded, rather, they set out a framework such as payment terms, pricing and settlement methods, etc. Suppliers' contracts usually set out a framework such as the raw materials or other goods to be purchased, payment terms, pricing and settlement methods. The PRC Vendors could then place the actual quantities of raw materials/ other goods to be purchased under these suppliers' contracts from time to time when these raw materials/ other goods are needed. Due to their fundamental uncertainty as to whether the economic benefits will continuously flow into the Target Group and these contracts will serve as parts and pieces of the operation of the business, their value could not be ascertained independently. The Directors of the PRC Vendors have prepared the following financial information relating to the Assets, the full version of which has been reproduced in Appendix III of this circular.

The unaudited profit and loss statement attributable to the Assets:

	For the year ended 31 December 2009	**For the year ended 31 December 2008**	**For the year ended 31 December 2007**
	RMB'000	*RMB'000*	*RMB'000*
Turnover	94,325	95,969	92,336
Cost of sales	(67,006)	(79,710)	(76,785)
Gross profit	27,319	16,259	15,551
Distribution costs	(5,026)	(2,264)	(368)
Administrative expense	(8,327)	(7,424)	(8,511)
Profit before taxation	13,966	6,571	6,672
Taxation	(3,492)	(1,643)	(2,202)
Profit for the year	10,474	4,928	4,470

The Consideration was arrived at after arm's length negotiations between the Purchaser and the Vendor and is determined with reference to, among other things, the historical financial performance of the PRC Vendors and the unaudited profit and loss statement of the PRC Vendors in relation to the Assets, the future prospect of the Target Group, and the customer base of the Target Group.

The Directors are of the view that, as Ningbo Hua Xing designs, produces and processes moulds for use specially in the operations of Da Mei New Materials' product lines, the Enlarged Group should be able to utilize the technological expertise of Ningbo Hua Xing and the extensive experience in production of Da Mei New Materials to diversify its product mix and enhance the Group's competitive edge upon Completion.

The Directors considered the Consideration to be fair and reasonable and is in the interests of the Company and its Shareholders as a whole, on the basis of:

(i) The Directors considered that, taking into account of the historical financial performances of the PRC Vendors and the different customer bases of the PRC Vendors and the Group, the Acquisition provides an opportunity for the Group to diversify its product lines from the relatively high-end market which the Group is focusing on, into a more comprehensive range of household products, as there were no overlapping of the customer bases between the Group and the PRC Vendors, and the Enlarged Group can enjoy synergies on a different customer bases.

(ii) Given that the Group' sales concentrated on a few customers and the Target Group's sales are more diversified, it is expected that more internal referrals for different household products can be made between the Target Group and the Group, and as a result of which the Enlarged Group's presence in the market will be enhanced through larger market share and wider range of products of the Enlarged Group.

(iii) The Directors believe that in the long term, the Acquisition can further strengthen the Group's positioning in the industry based on the enlarged customer bases.

(iv) Based on the unaudited profit and loss statement attributable to the Assets as disclosed in Appendix III of the circular, the profit of the Assets before taxation and after taxation were RMB13,966,000 (approximately HK$15,870,000) and RMB10,474,000 (approximately HK$11,902,000) respectively for the year ended 31 December 2009, representing an increase of approximately 112.5% and 112.5% as compared to their corresponding period in 2008. The Consideration represents a price-to-earnings ratio of 7.56 which, according to the advice from the Independent Financial Advisor to the Company, is more favourable than that of the Company itself.

(v) Based on the values of the assets to be transferred from Da Mei New Materials of approximately RMB39,968,000 as at 31 December 2009 and the values of assets to be transferred from Ningbo Hua Xing of approximately RMB5,181,000 as at 31 December 2009, the Consideration represents a price-to-book ratio of 1.76, which, according to the advice from the Independent Financial Advisor to the Company, is lower than that of the Company itself.

(vi) Since the change of management of the Group took place in March 2006, the Group has been exerting substantial efforts to improve production efficiency, cost effectiveness and sales of the Group. The Company experienced loss making over the past 5 years (however, losses of the Group were narrowed from HK$22.8 million in 2007 down to HK$16.3 million in 2008 and to HK$10.9 million in 2009). The Acquisition not only provides an opportunity for the Group to consolidate the financial results of the Target Group with that of the Group upon Completion, but also strengthens the growth prospects of the Group based on the historical growth in the profit attributable to the Assets.

(vii) Being one of the leading household product suppliers with multi-product categories in Asia, the Group has established clear business strategies to develop a more sophisticated range of household products with favourable profit margin. In order to cope with the fierce competition in the industry and the market outlook, the Group continued to realign its client base to those customers focusing on procuring higher-margin products. As mentioned in the 2009 annual report of the Group, it has adopted a four-pronged strategy, namely, product innovation, cost management, productivity enhancement and balanced market development. The Directors are of the view that the acquisition of the Target Group, which specialises in the manufacturing and sales of plastic and household products, provides an opportunity for the Group to diversify its product lines to manufacture and produce a comprehensive range of household products. In addition, the Directors believe that with different customer groups and different range of household products between the Group and the Target Group, the Enlarged Group will be able to enjoy synergies of the larger customer base, increased efficiency on production and enhancement of the brand name of the products offered by the Enlarged Group.

(viii) Strong growth in the financial performance of the PRC Vendors. Following discussion with the PRC Vendors, the Directors believe that the reasons giving rise to the sharp improvement of the unaudited 2009 financial results of the Assets which will form the basis of future sustainable growth of the PRC Vendors (or WFOE following completion of the Assets and Business Transfer) could be summarized as follows: (i) the PRC Vendors have been able to shift from the production of low margins to mid-to-high margin products (as illustrated from the increase in gross profit margin of 16.9% in 2008 to 28.96% in 2009), (ii) the PRC Vendors have built up mutual trust with their customers and earned their loyalty through close working relationships between the management of the PRC Vendors and the customers over the years; the PRC Vendors have been able to understand and identify their needs and manufacture specific moulds in accordance with the requirements and needs specified by the customers (as at the date hereof, the majority of the customers' specific moulds were designed by the PRC Vendors and stored in the factory of the PRC Vendors, and the same will be transferred to the Enlarged Group upon completion of the Assets and Business Transfer), and (iii) the PRC Vendors and its management acquired improvement of the technology and expertise over kitchenwares and cleaning items for household use.

In the circumstances, the Directors considered that the Consideration, albeit representing a premium over the asset values to be transferred from the PRC Vendors to the Target Group, is justifiable, fair and reasonable, and is in the interest of the Company and the Shareholders as a whole.

The Subject Matter of the Acquisition Agreement and the Assets and Business Transfer

On completion of the Assets and Business Transfer, all of the manufacturing equipment of plastic and household products, inventories and business contracts held by the PRC Vendors with respect to the Respective Cut-off Dates will be transferred to the Target Group (with the agreement of the counterparties for contracts entered into by the PRC Vendors), and the same including but not limited to:

– All manufacturing equipment of the PRC Vendors (for manufacturing of plastic and household products including the moulds);

– All inventories and raw materials and work-in-progress held by the PRC Vendors;

– All contracts entered into between the PRC Vendors and existing customers (existing and on-going as at the completion date of the Assets and Business Transfer) (sales contracts, sales orders, shipping orders and invoices with a full list of customer base);

– All contracts entered into between the PRC Vendors and existing suppliers (existing and on-going as at the completion date of the Assets and Business Transfer) (purchase letters of intent);

– Most of the contracts entered into between the PRC Vendors and existing staffs and management (approximately 85% of the workforce of the PRC Vendors); and

– All other administrative contracts that are required to continue the business of the PRC Vendors under the Target Group.

The PRC legal advisers to the Company advised that (1) no governmental approvals are required for completion of the Assets and Business Transfer, (2) certain licences and permits such as approval certificates and business licences to carry on the business of the PRC Vendors are not transferable under the PRC laws, (3) the WFOE has applied for and obtained all necessary licences and permits to carry on the business of the PRC Vendors assigned to it, except the custom licence, and (4) by virtue of the WFOE Agreements, the WFOE, in spite of absence of the custom licence, is able to export the products through Lisi Import and Export.

As at 31 December 2009, the assets value of the subject matter to be transferred at the consideration of HK$25 million to the Target Group was approximately RMB45,149,000 which comprised of (as per the financial positions of Da Mei New Materials and Ningbo Hua Xing as at 31 December 2009 reviewed by Lo and Kwong C.P.A Company Limited), plant and machinery in the sum of RMB9,061,000; furniture and fixture, office and computer equipment in the sum of RMB206,000; moulds in the sum of RMB10,315,000 and inventories in the sum of RMB25,567,000. The assets of the Target Group will comprise of the assets to be transferred to the WFOE from Da Mei New Materials and Ningbo Hua Xing. The plant and machinery, furniture and fixtures, office and computer equipment are stated at net carrying values as at 31 December 2009 and the inventories are stated at their cost as at 31 December 2009. In the event that a change in the value of the subject matter takes place upon completion of the Assets and Business Transfer, the consideration will not be altered.

As at the Latest Practicable Date, the Target Group is still undergoing the Assets and Business Transfer. It is expected that the Assets and Business Transfer shall be completed on or before 30 April 2010.

Payment of the Consideration

On Completion, and against the parties' compliance with their respective obligations under the Acquisition Agreement (including the satisfaction of conditions and performance of completion obligations specified therein), the Purchaser shall pay the Consideration to the Vendor in cash. The Company intends to finance the payment of the Consideration by applying the proceeds from the Share Subscription.

Conditions to Completion

Completion is subject to, among other things, the satisfaction of the following conditions as set out in the Acquisition Agreement:

(a) the completion of the Assets and Business Transfer to the satisfaction of the Purchaser;

(b) the completion of due diligence to the reasonable satisfaction of the Purchaser in its absolute discretion in relation to the Target Group;

(c) the Vendor having obtained legal opinions, in form and substance absolutely satisfactory to the Purchaser, issued by PRC, BVI and Hong Kong legal advisors reasonably acceptable to the Purchaser covering all relevant issues of the laws of PRC, BVI and Hong Kong reasonably required by the Purchaser, which opinions include without limitation the opinions in relation to the transactions contemplated under the Acquisition and the Assets and Business Transfer;

(d) the continuing listing of the Shares on the Stock Exchange;

(e) all relevant government, regulatory and corporate authorisations, consents, confirmations and approvals from Hong Kong authorities necessary for the consummation and implementation of the transactions contemplated under the Acquisition Agreement having been obtained and effective including but not limited to:

(i) the approval by the Independent Shareholders by way of poll at the SGM in respect of (1) the Acquisition by the Purchaser, (2) the proposed continuing connected transactions contemplated under the WFOE Agreements and the related annual caps, (3) the Share Subscription; and (4) the Whitewash Waiver;

(ii) all relevant PRC approvals from relevant PRC government authorities and agencies necessary for the implementation of the transactions contemplated under the Acquisition Agreement in accordance with the applicable PRC laws;

(iii) all relevant Hong Kong approvals from relevant Hong Kong government authorities and agencies necessary for the implementation of the transactions contemplated under the Acquisition Agreement in accordance with the applicable Hong Kong laws including, without limitation, the granting of the Whitewash Waiver by the Executive to Big-Max and parties acting in concert with it;

(f) the execution of the WFOE Agreements;

(g) the completion of the Share Subscription in accordance with the terms and subject to the conditions of the Share Subscription Agreement; and

(h) the representations and warranties contained in the Acquisition Agreement and the Share Subscription Agreement remaining true and accurate.

Pursuant to the Acquisition Agreement, if any of the conditions of the Acquisition Agreement is not fulfilled or waived by the parties before the expiry of 3 months from the date of the approvals obtained at the SGM as referred to in paragraph (e) sub-section (i) above (or such later date as the parties may agree in writing), the Acquisition Agreement will lapse and all obligations and liabilities of the Parties thereunder (with the exception of certain provisions intended to survive any termination) shall cease.

The completion of the Acquisition Agreement is not a condition precedent to the completion of the Share Subscription.

Completion

Completion is expected to take place on or before 30 April 2010 or a date no later than 10 Business Days from the date on which all conditions in the Acquisition Agreement have been fulfilled or waived, whichever is earlier.

On Completion, the Target and its subsidiaries will become (through Magician Strategic Ltd.) wholly-owned subsidiaries of the Company. Subsequent to Completion, prospective financial results of the Target Group will be consolidated into the financial statements of the Group.

As at the Latest Practicable Date, save for the execution of the WFOE Agreements on 21 November 2009, no other conditions have been waived or satisfied. The Company will make further announcement if the outstanding conditions have been fully satisfied or waived.

Undertakings of the Vendor

In order to protect the value of the Interests, the Vendor agrees (in accordance with the terms of the Acquisition Agreement) that it shall not, and shall procure that any entity to which it is controlled by or has control over shall not, subsequent to the Completion carry on any businesses which compete or may compete with any existing businesses of the Enlarged Group. Further, the PRC Vendors and Mr. Li Li Xin will also enter into non-competition undertakings with the WFOE not to compete with the business or operations of the WFOE so long as the Shares of the Company are listed and traded on the Stock Exchange.

Further, the Vendor undertakes to the Purchaser (in accordance with the terms of the Acquisition Agreement) that during the period from the Completion to 31 March 2012, it shall use all commercially reasonable efforts to assist the Purchaser in the continued operations of the Enlarged Group (including the signing and duly performing of the WFOE Agreements).

INFORMATION OF THE GROUP

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

INFORMATION OF BIG-MAX

Big-Max 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 his spouse, Ms. Jin Ya Er. As at the Latest Practicable Date, Big-Max has two directors, namely Mr. Li Li Xin and his spouse Ms. Jin Ya Er.

INFORMATION OF LISI GROUP, DA MEI NEW MATERIALS AND NINGBO HUA XING

Mr. Li Li Xin is the founder and chairman of Lisi Group (a private group which is not listed on any stock exchange) which is established in the PRC, and the principal business of which includes the manufacturing and sale of plastic and hardware products, the operation of department stores and chain supermarkets, and investments in property development in the PRC. Lisi Group is beneficially and wholly owned by Mr. Li Li Xin, his spouse and his associates.

Da Mei New Materials is a sino-foreign equity joint venture incorporated under the laws of the PRC, the principal business of which includes the manufacturing and sale of plastic and hardware products.

Ningbo Hua Xing is a sino-foreign equity joint venture incorporated under the laws of the PRC, the principal business of which includes the design, manufacturing and sale of moulds for plastic and hardware products.

In accordance with the relevant certificates provided by Ningbo Hua Xing and Da Mei New Materials, the shareholding structure of the former company is: Lisi Group Co., Ltd. holds 51.61% while Lisi International Co., Ltd. holds the remaining 48.39% equity interest, and Lisi International Co., Ltd. is a wholly-owned subsidiary of Lisi Plastics; whereas the shareholding structure of the latter company is: Lisi Group Co., Ltd. holds 70.86%, Big-Max holds 25.81% and Lisi Plastics holds 3.33% of its equity interest. Lisi Plastics is a non-wholly owned subsidiary of Lisi Group Co., Ltd, in which Lisi Group Co., Ltd. holds 75% equity interest and 香港多富來有限公司 (Tofle of Hong Kong Limited*) holds 25% equity interest. The entire issued share capital of 香港多富來有限公司 (Tofle of Hong Kong Limited*) is beneficially owned by Mr. Ji Bao, who is an Independent Third Party and not a concert party of Big-Max as at the Latest Practicable Date. Both Da Mei New Materials and Ningbo Hua Xing are therefore connected persons of the Company under the Listing Rules. The entire equity interest in Lisi Group Co., Ltd. is beneficially owned as to 98.15% by Mr. Li Li Xin and his spouse, 1.55% by the relatives of Mr. Li Li Xin and his spouse and 0.30% by two senior executives of Lisi Group, Mr. Cheng Jian He and Mr. Xu Jin Bo.

As at the Latest Practicable Date, save that Mr. Li Li Xin beneficially owns 90% and his spouse Ms. Jin Ya Er beneficially owns 10% of the issued share capital of Big-Max, which is the substantial shareholder of the Company holding approximately 24.5% of the Company's entire issued and outstanding share capital, none of the PRC Vendors or its ultimate beneficial owners (other than Mr. Li Li Xin and his spouse Ms. Jin Ya Er) holds any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

INFORMATION OF THE TARGET GROUP

The Target Group is undergoing the Assets and Business Transfer pursuant to which the manufacturing equipment of plastic and household products, inventories and businesses of the PRC Vendors with respect to the Respective Cut-off Dates will be transferred to the WFOE upon completion of the Assets and Business Transfer for a consideration of HK$25 million.

The Target is an investment holding company and does not have any operations as at the Latest Practicable Date. Upon completion of the Assets and Business Transfer, the Target Group will be principally engaged in the manufacturing and sales of plastic and household products.

The PRC Vendors currently do not register and own any brand names or patents. The Directors and the PRC Vendors expected that upon Completion, approximately 85% of the workforce of the PRC Vendors will be hired by the Target Group to continue the operations and the business of the PRC Vendors under the Target Group. The household products of the PRC Vendors to be acquired under the Acquisition include kitchenwares and cleaning items for household use and all of the customers of the PRC Vendors of more than 200 in number mainly located in North America, Asia and Europe. As all of the manufacturing equipment (for manufacturing of plastic and household products) owned by the PRC Vendors will be transferred to the Target Group through the Acquisition by the Purchaser, the Directors therefore considered that the production capacity should be enough to handle the orders of the PRC Vendors under the business contracts.

Upon Completion, in order to ensure smooth operation of the Target Group and the Enlarged Group in the future, it is expected that the Target Group will continue to be led by the experienced senior management team from the PRC Vendors. The experienced senior management team includes all of the department heads led by Ms. Jin Ya Xue ("Ms. Jin"), the sister of Ms. Jin Ya Er, who does not hold any Share and is currently the general manager of Da Mei New Materials and Ningbo Hua Xing. Ms. Jin has over 18 years of relevant experience in the industry and she is also the acting vice-president of Ningbo Plastic Industry Association* (寧波市塑料行業協會). All of the senior management and the department heads are experienced in the industry and have worked in the PRC Vendors for long time ranging from 3 years to over 15 years and thus have built up good relationships with existing customers over the years. To ensure the Target Group to retain current customer satisfaction and attract more customers in the future, the management team of the PRC Vendors will continue to stay in the Enlarged Group upon Completion to lead the WFOE and continue to implement strategies to enhance the quality of its products, improve the efficiency and accessibility of its distribution services and tailor-make services to its customers. The Target Group will also appoint suitable candidates to ensure continual efficient operation of the Target Group if necessary.

As at the Latest Practicable Date, the Assets and Business Transfer and the relevant registration procedures at the relevant PRC authorities have not yet been completed.

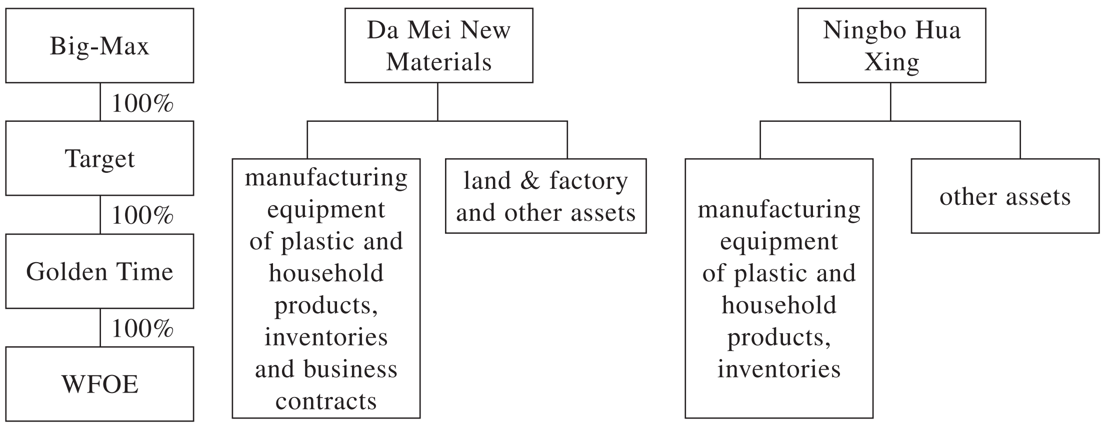
The Directors expect that certain additional capital expenditures, which amount would not be substantial, will be required by the Company in relation to the continuation of business of the Target Group upon Completion, including the expenditures for normal and regular replacement of machines such as plastic injection machines (塑膠注射成型機) and pad printers (移印機).

To the best knowledge of the Directors, as at the Latest Practicable Date, except for a shareholders' loan from Big-Max of HK$25,000,000 to Golden Time (which will be assigned to the Purchaser upon Completion) and the equivalent amount as capital injection from Golden Time to WFOE, which is assigned as the consideration for the completion of the Assets and Business Transfer, none of the Target, Golden Time or the WFOE had any assets/business since its incorporation and therefore the Target Group has no revenue, profit and loss except for certain minimal bank interest and administrative expenses. As to the contingent liabilities, as these companies are only investment holding companies and have no operations, the Vendor had provided the Company with a written confirmation on the Latest Practicable Date confirming that save as disclosed in the Acquisition Agreement and the circular, there was no existing or potential contingent liabilities of the Target Group as at the date of the confirmation.

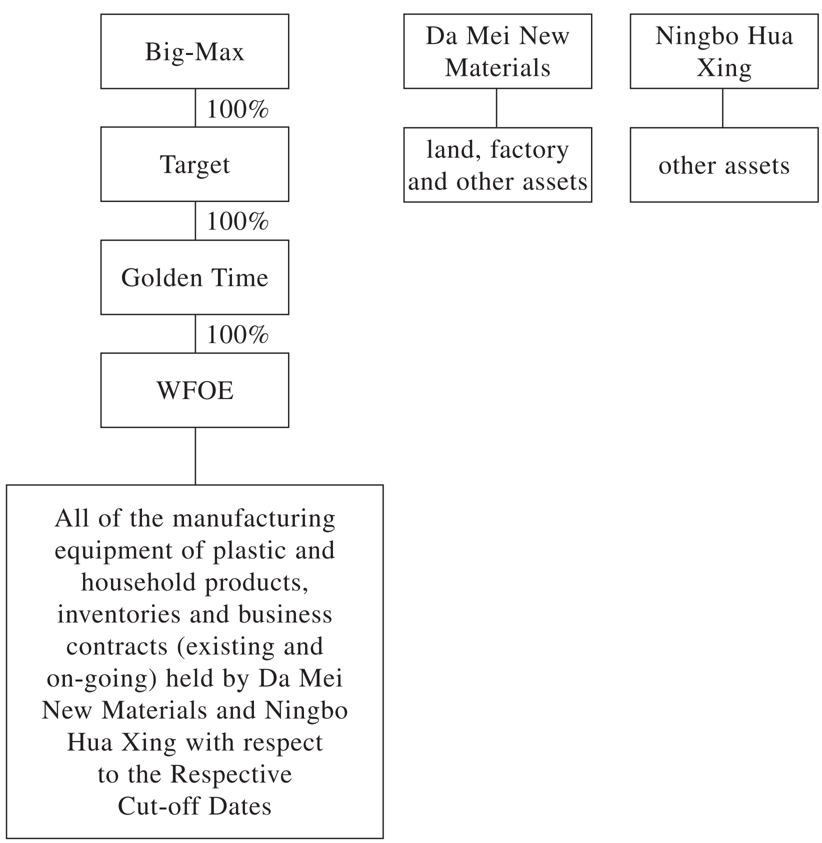
SHAREHOLDING STRUCTURE OF THE TARGET GROUP

The charts below set out the shareholding structure of the Target Group and the Enlarged Group (i) as at the Latest Practicable Date; and (ii) upon completion of the Assets and Business Transfer.

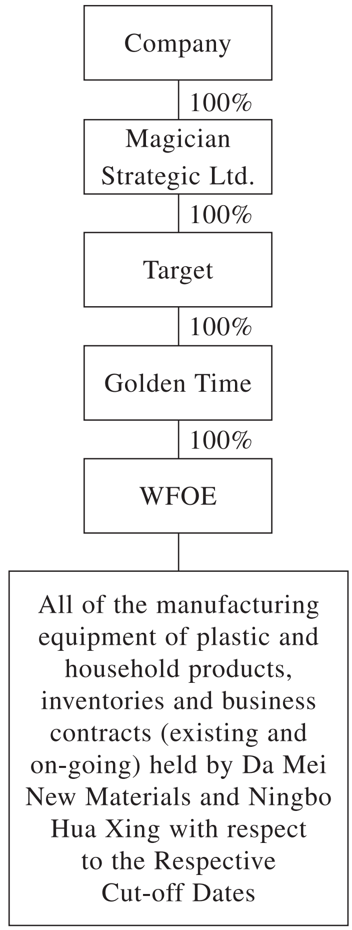
(i) As at the Latest Practicable Date



(ii) Upon completion of the Assets and Business Transfer



(iii) Upon Completion



THE SAFEGUARDS TO THE COMPANY

To facilitate the transition of all of the current business and operations of the PRC Vendors to the Target Group and the Enlarged Group, the Directors considered that the following arrangements and terms under the Acquisition may provide safeguards/ possible recourse actions to the Company:

1. The PRC Vendors are in the process of obtaining all necessary consents in relation to the Assets and Business Transfer from the counterparties to the business contracts entered into by the PRC Vendors, for the purpose of facilitating the assignment and novation of benefits and/or obligations under the business contracts (existing and on-going as at the completion date of the Assets and Business Transfer) to the WFOE. Completion of the such assignment and novation is also one of the conditions precedent to the Assets and Business Transfer. However, in the event that not all necessary consents have been obtained and WFOE elects to proceed with completion, the PRC Vendors undertake to hold the benefit of those contracts for the WFOE and remit proceeds received under those contracts to WFOE. For instance, if the customer's consents on the transfer of a particular business contract have not been obtained, the relevant customer shall, according to the original business contract, pay the purchase price to the PRC Vendors which shall remit such proceeds to the WFOE in accordance with the agreement relating to the Assets and Business Transfer.

2. Customer relationships – Historically, the management team and the staff of the PRC Vendors have built up customer relationships that are crucial to the business of the PRC Vendors. Most of the employment contracts with existing senior and the more-experienced staffs will be assigned to WFOE. It is expected by the Directors and the PRC Vendors that approximately 85% of the workforce will stay with the Target Group and the Enlarged Group upon Completion.

3. Customers' acceptance – The PRC Vendors confirmed that most of the customers of the PRC Vendors have been informed about the Assets and Business Transfer by the management of the PRC Vendors, and also by the publication of the announcement of the Company dated 2 November 2009. As at the Latest Practicable Date, the management of the PRC Vendors has not received any negative response from the customers relating the Assets and Business Transfer, and it is expected that subject to the transitional arrangement as mentioned in paragraph 1 above, all current business of the PRC Vendors would be transferred to the Target Group upon Completion in accordance with the terms of the Assets and Business Transfer agreement to be entered into between the WFOE and the PRC Vendors.

4. In order to protect the value of the Interests, the Vendor agrees (in accordance with the terms of the Acquisition Agreement) that it shall not, and shall procure that any entity to which it is controlled by or has control over shall not, subsequent to the Completion carry on any businesses which compete or may compete with any existing businesses of the Enlarged Group. Further, the PRC Vendors and Mr. Li Li Xin will also enter into non-competition undertakings with the WFOE not to compete with the business or operations of the WFOE so long as the Shares of the Company are listed and traded on the Stock Exchange.

5. The Vendor undertakes to the Purchaser (in accordance with the terms of the Acquisition Agreement) that during the period from the Completion to 31 March 2012, it shall use all commercially reasonable efforts to assist the Purchaser in the continued operations of the Enlarged Group (including the signing and duly performing of the WFOE Agreements).

6. As advised by the PRC Vendors, most of the customer's moulds are tailor-made and have passed several international inspections. The customers might need to conduct all inspections again if they decide to work with other new manufacturers which might not be worthy for customers to change.

PROPOSED CONTINUING CONNECTED TRANSACTIONS

On Completion, members of the Target Group will become wholly-owned subsidiaries (through Magician Strategic Ltd.) of the Company and the WFOE will become part of the Enlarged Group. As a condition to Completion, the WFOE Agreements shall be entered into between the WFOE and various entities affiliated with Lisi Group. As the Lisi Group is considered a connected person of the Company under the Listing Rules (by virtue of the Lisi Group being wholly-owned by Mr. Li Li Xin, who together with his spouse Ms. Jin Ya Er, beneficially holds the entire share capital of Big-Max, a substantial shareholder of the Company), the entering into of the WFOE Agreements and the performance of the parties' respective obligations thereunder, will constitute continuing connected transactions under the Listing Rules.

As the maximum aggregate annual values of the Continuing Connected Transactions (details of which are set out below) will cause the applicable percentage ratios specified under Rule 14A.10 of the Listing Rules to exceed 2.5%, the Continuing Connected Transactions are subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The following are the details of the Continuing Connected Transactions:

(I) THE LEASE AGREEMENT

Date

21 November 2009

Parties

(i) Da Mei New Materials as the lessor; and

(ii) WFOE as the lessee.

Subject Matter

It is proposed that at Completion, under the proposed terms of the Lease Agreement, Da Mei New Materials shall lease the Property to the WFOE.

Term

The Lease Agreement is for a term of 3 years commencing from 1 January 2010 and ending on 31 December 2012.

The parties may enter into a new leasing agreement to renew the Lease Agreement before the expiry of the Lease Agreement. The Company will continue to comply with the Listing Rules at the time of renewal of the Lease Agreement, if required. Upon the Lease Agreement becoming effective (subsequent to the obtaining of the Independent Shareholders' approval), the Lease Agreement will replace and supersede the Previous Lease Agreement. The Previous Lease Agreement was entered into because the lease of a property is a pre-requisite to the application of a business license in the PRC. Upon completion of the Acquisition, the Previous Lease Agreement will be superseded by the Lease Agreement and the rental fee charged for the period from 27 July 2009 to 31 December 2009 will be negated. The Property has been utilized as a factory and office premises for the operations of Da Mei New Materials and Ningbo Hua Xing as these floor areas are vital for the continuance of the business. It is envisaged therefore that the renewal of the Lease Agreement will ensure the continuing smooth operations of the Target Group upon Completion. The Directors considered that it would be in the best interest and the benefit to the Company to rent the existing premises based on a market rental rate to avoid any business interruption. The Previous Lease Agreement has similar payment terms (rental payment on a quarterly basis payable in advance) and is for a term of 3 years from 27 July 2009.

Details of Property are set out below:

Address of Property	Approximate gross floor area "sq.m."	Rent per month	Usage	Annual Rental (RMB)
1. 518 Cheng Xin Lu, Yinzhou Investment & Business Incubation of Ningbo, PRC (first floor)	25,248	RMB11 per sq.m	Factory buildings	3,332,736
2. 518 Cheng Xin Lu, Yinzhou Investment & Business Incubation of Ningbo, PRC (second floor)	9,021	RMB7.5 per sq.m	Factory buildings	811,890
3. 518 Cheng Xin Lu, Yinzhou Investment & Business Incubation of Ningbo, PRC (office building 2nd – 5th floor)	3,200	RMB23 per sq.m	Office	883,200

Consideration

The monthly rental for the Property shall be RMB418,986, which is comparable to the market rental charge for adjacent lands and buildings in the local property market. A deposit representing 1 month's rental fee will be paid by the WFOE to Da Mei New Materials within 30 days from the effective date of the Lease Agreement. The rent payable to Da Mei New Materials will be paid on a quarterly basis in advance.

The Annual Caps

The respective amounts of rental fees payable to Da Mei New Materials during the term of the Lease Agreement are expected not to exceed the following amounts:

Period	Rental fee
From the date of Completion to 31 March 2011	RMB5,027,826
From 1 April 2011 to 31 March 2012	RMB5,027,826
From 1 April 2012 to 31 December 2012	RMB3,770,870

The above proposed annual caps have been determined by the Directors with reference to the market rental fee for adjacent land and buildings in the local property market. The Directors (other than the independent non-executive Directors who will make their recommendation to the Independent Shareholders in the Letter from the Listing Rules Independent Board Committee) are of the view that the terms of the Lease Agreement, including its annual caps, are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Due to passage of time, the annual cap for the period from 1 January 2010 to 31 March 2010 as disclosed in the Continuing Connected Transactions Announcement is no longer applicable.

(II) THE EXPORT AGENCY AGREEMENT

Date

21 November 2009

Parties

(i) Lisi Import and Export; and

(ii) WFOE.

Subject Matter

It is proposed that at Completion, under the terms of this agreement, Lisi Import and Export shall provide export agency services. These services include assisting the WFOE on handling government applications, settlement services and other liaison services between local government departments and the customers.

Term

The Export Agency Agreement is for a term of 3 years commencing from 1 January 2010 and ending on 31 December 2012.

Consideration

For the provision of the export agency services, Lisi Import and Export will charge an amount equivalent to approximately 1.50% of the gross transactions amounts handled by Lisi Import and Export on behalf of the WFOE.

The Annual Caps

The respective amounts of export agency services fees payable to Lisi Import and Export during the term of the Export Agency Agreement are expected not to exceed the following amounts:

Period	**Amount**
From the date of Completion to 31 March 2011	RMB3,000,000
From 1 April 2011 to 31 March 2012	RMB3,500,000
From 1 April 2012 to 31 December 2012	RMB3,000,000

The above proposed annual caps have been determined by the Directors with reference to (i) the market rates of comparable companies engaging in similar services, (ii) the estimated annual sales of the Target Group for the 3 months ended 31 March 2010, 12 months ended 31 March 2011 and 2012, and 9 months ended 31 December 2012 respectively, (iii) the previous similar transactions between Da Mei New Materials and Lisi Import and Export in the approximate amount of RMB2,723,000 for the year 2007, in the approximate amount of RMB2,330,000 for year 2008 and in the approximate amount of RMB900,000 for the six months ended 30 June 2009, and (iv) the export agency service fees equivalent to approximately 1.50% of the gross transactions amounts handled by Lisi Import and Export. The Directors (other than the independent non-executive Directors who will make their recommendation to the Independent Shareholders in the Letter from the Listing Rules Independent Board Committee) are of the view that the terms of the Export Agency Agreement, including its annual caps, are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

Due to passage of time, the annual cap for the period from 1 January 2010 to 31 March 2010 as disclosed in the Continuing Connected Transactions Announcement is no longer applicable.

(III) THE IMPORT AGENCY AGREEMENT

Date

21 November 2009

Parties

(i) Lisi Import and Export; and

(ii) WFOE.

Subject Matter

It is proposed that at Completion, under the terms of this agreement, Lisi Import and Export shall provide import agency services to the WFOE including the handling of government applications, settlement services and the provision of guarantees in respect of payment obligations under raw materials or goods purchase contracts entered into between the WFOE with other third parties.

Term

The Import Agency Agreement is for a term of 3 years commencing from 1 January 2010 and ending on 31 December 2012.

Consideration

For the provision of the import agency services, Lisi Import and Export will charge an amount equivalent to 0.6% of the gross transacted amount for each of the transaction handled by Lisi Import and Export on behalf of the WFOE.

The Annual Caps

The respective gross transacted amounts with Lisi Import and Export during the term of the Import Agency Agreement are expected not to exceed the following amounts:

Period	**Amount**
From the date of Completion to 31 March 2011	RMB63,000,000
From 1 April 2011 to 31 March 2012	RMB75,600,000
From 1 April 2012 to 31 December 2012	RMB64,800,000

The above proposed annual caps have been determined by the Directors with reference to (i) the market rates of comparable companies engaging in similar services, (ii) the estimated value of purchases of approximately RMB60 million annually, (iii) the previous similar transactions between Da Mei New Materials and Lisi Import and Export in the approximate amount of RMB47,000,000 for the year 2007, in the approximate amount of RMB41,700,000 for year 2008 and in the approximate amount of RMB13,000,000 for the six months ended 30 June 2009, (iv) the fact that the Company expects that there will be a significant increase in the annual transaction value. Accordingly, the annual caps for the three periods ended 31 December 2012 will be significantly higher than those for the preceding years. Such increase in transaction values is mainly caused by the expected increase in the cost of raw materials, which would lead to a higher costs, and the increase in the transaction volume, (v) anticipated growth of the industry and (vi) the forecasted growth rate of the business of the WFOE of 20% per annum. The Directors (other than the independent non-executive Directors who will make their recommendation to the Independent Shareholders in the Letter from the Listing Rules Independent Board Committee) are of the view that the terms of the Import Agency Agreement, including its annual caps, are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

Due to passage of time, the annual cap for the period from 1 January 2010 to 31 March 2010 as disclosed in the Continuing Connected Transactions Announcement is no longer applicable.

(IV) THE VALUE-ADDED PROCESSING CO-OPERATION AGREEMENT

Date

21 November 2009

Parties

(i) Lisi Plastics; and

(ii) WFOE.

Subject Matter

It is proposed that at Completion, Lisi Plastics agrees to provide processing services to the WFOE. Due to the business nature of the Target Group whereby from time to time the WFOE will be required to provide tailor-made production to customers, it is anticipated that the WFOE might require certain processing co-operation arrangements with Lisi Plastics which have a larger selection of moulds, equipment and machineries.

Term

The Value-Added Processing Co-operation Agreement is for a term of 3 years commencing from 1 January 2010 and ending on 31 December 2012. The payment will be settled on a per transaction basis after the parties have agreed on the service fee to be paid by WFOE, and the WFOE shall settle 20% of the services fee and settle the remaining balance upon completion of the processing services after receipt of the relevant invoice from Lisi Plastics.

Consideration

Due to the variations as to the extent and the scope of the transactions under the Value-Added Processing Co-operation Agreement, the basis of the consideration of the transactions contemplated thereunder could not be formularized. However, the general principle for the pricing and the terms of the Value-Added Processing Co-operation Agreement is that the transactions shall be entered into on normal commercial terms to be subsequently agreed once negotiations have been held between the relevant parties in good faith and at arms' length with reference to the prevailing market prices. The terms to be offered by Lisi Plastics in relation to the Value-Added Processing Co-operation Agreement should not be less favourable than those offered to independent third parties.

Each specific transaction under the Value-Added Processing Co-operation Agreement shall be governed by a separate contract and that Lisi Plastics shall provide the processing services to the WFOE in accordance with the requirements set out in the contracts.

The Annual Caps

The respective amounts of services fees payable to Lisi Plastics during the term of the Value-Added Processing Co-operation Agreement are expected not to exceed:

Period	Service fees
From the date of Completion to 31 March 2011	RMB5,250,000
From 1 April 2011 to 31 March 2012	RMB6,300,000
From 1 April 2012 to 31 December 2012	RMB5,400,000

The above proposed annual caps have been determined by the Directors with reference to the estimated price and volume after considering the growth trend of the businesses of the Target Group and a reasonable buffer to cater for potential increase in volume and variety of business activities that may generate the need and level of usage of the processing services. The Directors are of the view that the annual caps are justifiable. The Directors (other than the independent non-executive Directors who will make their recommendation to Independent Shareholders in the Letter from the Listing Rules Independent Board Committee) are of the view that the terms of the Value-Added Processing Co-operation Agreement, including its annual caps, are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

Due to passage of time, the annual cap for the period from 1 January 2010 to 31 March 2010 as disclosed in the Continuing Connected Transactions Announcement is no longer applicable.

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

The Target Group is undergoing the Assets and Business Transfer pursuant to which all of the manufacturing equipment (for manufacturing of plastic and household products), inventories and businesses of the PRC Vendors with respect to the Respective Cut-off Dates will be transferred to the WFOE upon completion of the Assets and Business Transfer. Upon completion of the Assets and Business Transfer, the Target Group will be principally engaged in the manufacturing and sales of plastic and household products.

Given the fact that Lisi Group has been in the manufacturing industry for over 16 years and that its group members are equipped with a larger selection of moulds, equipment and machineries, an import and export agency with experience and resources, large areas of offices and factory space is essential and it would be in the interest for the Company to enter into the Continuing Connected Transactions in order to ensure the smooth continuance in operations of the Target Group upon Completion.

REASONS FOR AND BENEFITS OF THE ACQUISITION

Since the change of management of the Group took place in March 2006, the Group has been exerting substantial efforts to improve production efficiency, cost effectiveness and sales of the Group. As noted in the audited financial report of the Group for the year ended 31 March 2009, audited losses of the Group were narrowed from HK$22.8 million in 2007 down to HK$16.3 million in 2008 and to HK$10.9 million in 2009.

Being one of the leading household product suppliers with multi-product categories in Asia, the Group has established clear business strategies to develop a more sophisticated range of household products with favourable profit margin. In order to cope with the fierce competition in the industry and the market outlook, the Group continued to realign its client base to those customers focusing in procuring higher-margin products. As mentioned in the 2009 annual report of the Group, it has adopted a four-pronged strategy, namely, product innovation, cost management, productivity enhancement and balanced market development.

The Directors are of the view that the acquisition of the Target Group, which specialises in the manufacturing and sales of plastic and household products, provides a golden opportunity for the Group to diversify its product lines into more comprehensive range of household products.

In addition, the Directors believe that with different customer groups and different range of household products between the Group and the Target Group, the Enlarged Group will be able to enjoy synergies of the larger customer base, increased efficiency on production and enhancement of the brand name of the products offered by the Enlarged Group.

FINANCIAL EFFECTS OF THE ACQUISITION ON THE GROUP

Net tangible assets

Based on the unaudited pro forma financial information of the enlarged group as set out in Appendix IV to this circular, the Group has unaudited consolidated net tangible assets of approximately HK$73,633,000 before Completion and pro-forma unaudited adjusted consolidated net tangible assets of the Enlarged Group of approximately HK$184,902,000 after Completion. Based on 2,476,963,794 Shares in issue upon Completion, the pro-forma unaudited adjusted consolidated net tangible assets per Share immediately after Completion will be approximately HK$0.0746.

Earnings

The Group recorded an audited net loss after taxation of approximately HK$16.3 million for the financial year ended 31 March 2008 and approximately HK$10.9 million for the financial year ended 31 March 2009 respectively and an unaudited net profit HK$4.2 million for the six months ended 30 September 2009.

Based on the unaudited profit and loss statement attributable to the Assets as set out in Appendix III to this circular, the unaudited net profit before tax of the Assets for the year ended 31 December 2007, 2008 and 2009 were approximately RMB6,672,000, RMB6,571,000 and RMB13,966,000 respectively. The unaudited net profit after tax of the Assets for the year ended 31 December 2007, 2008 and 2009 were approximately RMB4,470,000, RMB4,928,000 and RMB10,474,000 respectively.

Upon Completion, the Target Group will be beneficially and wholly owned (through Magician Strategic Ltd.) by the Company and, therefore, will become subsidiaries of the Company. Accordingly, the financial results of the Target Group will be consolidated into those of the Group.

FINANCIAL AND TRADING PROSPECT OF THE GROUP

The past year was another challenging year for the Group. Like other manufacturing counterparts, the Group's bottom-line was facing severe pressure in several aspects, especially in the high prices of raw materials and the increase in labor wages. The sluggish market had further imposed pressure on the performance of the Group as well as the entire industry during the year under review.

The Group persisted on adopting effective sales and cost management measures throughout the year, which resulted in narrowing of the loss of the Group. In order to cope with the environment of fierce competition and the market outlook, the Group continued to realign our client base with higher-margin products and customers.

Moreover, being one of the household products suppliers with multi-product categories in Asia, the Group will capitalise on this competitive edge to develop and offer more sophisticated range of household products with favourable margins. Meanwhile, by stepping up the development effort, the product lines will be diversified and characterised with different life cycles.

Furthermore, the Group has further strengthened its sales and marketing effort by better allocation of sales staff with specialized scope of duties. Together with the support of a solid production base and know-how on producing the most comprehensive range of household products, the Group will have more intensive strategies to boost sales as well as the ability to maintain sustainable earnings.

Looking ahead, the Group will face several major challenges in the industry, namely the global economic crisis as well as shareholders' expectation of improved bottom-line. To cope with these changes in the current dynamic environment, the Group will continue to adopt a four-pronged strategy, namely, product innovation, cost management, productivity enhancement and balanced market development.

THE SHARE SUBSCRIPTION

The Share Subscription Agreement

Pursuant to the Share Subscription Agreement, the Company agreed to issue and allot to the Subscriber and the Subscriber agreed to subscribe for a total of 937,500,000 Subscription Shares (credited as fully paid) at the Subscription Price for an aggregate consideration of HK$150,000,000 in cash.

The Subscription Shares represent approximately 60.9% of the issued share capital of the Company as at the Latest Practicable Date and approximately 37.8% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares upon completion of the Share Subscription.

The Subscription Shares will rank pari passu in all respects among themselves and with all existing Shares, including the right to receive all future dividends and distributions declared, made or paid by the Company on or after the date of the issue of the Subscription Shares.

An application will be made to the Stock Exchange for the listing of, and permission to deal in the Subscription Shares.

Subscription Price

The Subscription Shares will be issued at the Subscription Price. The Subscription Price represents:

(a) a discount of approximately 38.46% over the closing price of the Shares of HK$0.26 as quoted on the Stock Exchange as at the Latest Practicable Date;

(b) a discount of approximately 24.53% over the closing price of the Shares of HK$0.212 as quoted on the Stock Exchange on 13 October 2009, being the date of the last trading day prior to the date of the Announcement;

(c) a discount of approximately 18.37% over the average closing price of the Shares of HK$0.196 as quoted on the Stock Exchange for the last 10 trading days up to and including 13 October 2009;

(d) a discount of approximately 19.19% over the average closing price of the Shares of HK$0.198 as quoted on the Stock Exchange for the last 30 days up to and including 13 October 2009; and

(e) a premium of approximately 255.56% over the Group's latest audited net asset per Share as at 31 March 2009 of HK$0.045.

The Subscription Price was determined after arm's length negotiations between the Company and the Subscriber, after taking into account the Group's audited net asset position of approximately HK$69.5 million as at 31 March 2009, the fact that the Company has been loss-making for the past consecutive few years (loss incurred by the Group for the years ended 31 March 2008 and 31 March 2009 were approximately HK$16.3 million and HK$10.9 million respectively) and the current operating and financial position of the Group. The Directors considered that it would not be meaningful to assess the Subscription Price by adopting measures such as the price-earnings multiple.

Conditions Precedent

The completion of the Share Subscription is conditional upon the fulfillment of, among other conditions, the following conditions:

(a) the obtaining of the approval of the Independent Shareholders by way of poll at the SGM for the application of the Whitewash Waiver and the issue and allotment of the Subscription Shares to the Subscriber or its nominees (including the granting of a special mandate to the Board) in accordance with the terms and subject to the conditions of the Share Subscription Agreement;

(b) the Listing Committee of the Stock Exchange having granted approval for the listing of and permission to deal in the Subscription Shares;

(c) the Shares remaining listed and traded on the Stock Exchange at all times prior to and on completion of the Share Subscription, save for any temporary suspension not exceeding ten consecutive trading days (or such longer period as the Subscriber may reasonably accept in writing) or any temporary suspension in connection with the clearance by the Stock Exchange and the Executive of the Announcement;

(d) the granting by the Executive of the Whitewash Waiver in relation to the obligation of the Subscriber and/or its concert parties to make a mandatory general offer for all Shares already in issue and not already owned by the Subscriber or its concert parties as a result of the issue and allotment by the Company of the Subscription Shares to the Subscriber pursuant to the Share Subscription Agreement; and

(e) the granting of all other necessary governmental, regulatory and corporate authorisations and approvals and third party consents, approvals and filings in relation to the execution of the Share Subscription Agreement or the transactions contemplated thereunder.

None of the conditions above could be waived by the Subscriber and if any of the conditions precedent of the Share Subscription Agreement is not fulfilled on or before 31 December 2009 (or such longer period as the Subscriber may reasonably accept in writing), the Share Subscription Agreement will lapse and all rights, obligations and liabilities of the Subscriber and the Company in respect or under the Share Subscription Agreement shall cease and terminate and neither party thereto shall have any claim of any nature whatsoever against the other under the Share Subscription Agreement.

The Company and the Subscriber have confirmed in writing the extension of the deadline for satisfying the conditions precedent from a date no later than 31 December 2009 to a date no later than 30 April 2010 other such later time and/or date as the Company and the Subscriber may agree in writing.

Completion

The completion of the Share Subscription will take place on the date falling three Business Days after fulfillment of all the conditions precedent of the Share Subscription Agreement, which shall not be later than 31 December 2009 (or such later date as the Company and the Subscriber may agree in writing).

The Company and the Subscriber have confirmed in writing the extension of the deadline for satisfying the conditions precedent from a date no later than 31 December 2009 to a date no later than 30 April 2010 other such later time and/or date as the Company and the Subscriber may agree in writing.

As at the Latest Practicable Date, no conditions have been waived or satisfied. The Company will make further announcement if the outstanding conditions have been fully satisfied or waived.

REASONS FOR THE SHARE SUBSCRIPTION AND THE USE OF PROCEEDS

As mentioned in the section "Reasons for and the benefits of the Acquisition" above, the Directors believe that the Acquisition provides an opportunity for the Group to diversify its product lines into a more comprehensive range of household products targeting different customer groups with different range of household products between the Group and the Target Group. The Enlarged Group will be able to enjoy synergies of the larger customer base, increased efficiency on production and enhancement of the Group's name in the market through bigger market share and wider range of products of the Enlarged Group.

As at 31 March 2009, the Group's audited net assets and net current liabilities amounted to approximately HK$69.5 million and HK$65.8 million respectively. The long-term bank borrowing of the Group amounted to approximately HK$102.3 million. The Group's gearing ratio, as expressed as the ratio of total borrowings to total assets, was approximately 47.4%.

The Directors consider that the proceeds of the Share Subscription would not only finance the Acquisition but also strengthen the working capital and the liquidity of the Group and believe that the Share Subscription would put the Group in a better position to deal with the challenges of the competitive market. Further, the shareholder base of the Company would also be broadened.

The net proceeds from the Share Subscription is estimated to be approximately HK$148 million. The Company plans to apply the net proceeds of HK$90 million for the Acquisition, approximately HK$20 million for acquisition/investments of new machineries, equipment, moulds and raw materials, approximately HK$16 million for repayment of bank loans and the remaining balance of approximately HK$22 million for general working capital.

The Company has not conducted any equity-related fund raising exercise during the past 12 months immediately prior to the Latest Practicable Date.

FUTURE INTENTIONS OF THE SUBSCRIBER

It is the intention of the Subscriber to continue the development of the existing business of the Group in the manufacturing and trading of plastic and metal household products. The Subscriber may explore new investment opportunities for the benefit of the Group as the opportunities arise. As at the Latest Practicable Date, the Subscriber has no plan for any future acquisition or disposal of assets of the Company. The Subscriber has no intention to make any major changes to the business, including redeployment of the fixed assets and employees of the Company or its subsidiaries. The Subscriber also confirmed that it intends to maintain the listing of the Shares and the Shares to be acquired pursuant to the Share Subscription will not be transferred, charged/pledged to any other person immediately after the completion of the Share Subscription.

PROPOSED CHANGE OF BOARD COMPOSITION

As at the Latest Practicable Date, the Subscriber does not have any specific plan to nominate new Directors to the Board and no existing Directors will resign from the Board. As at Latest Practicable Date, no agreement or understanding has been entered into for the transfer, charge and pledge of the Shares to be acquired pursuant to the Share Subscription.

SHAREHOLDING STRUCTURE OF THE COMPANY BEFORE AND AFTER THE COMPLETION OF THE SHARE SUBSCRIPTION AND THE DILUTION EFFECT TO THE EXISTING SHAREHOLDERS

Set out below is a table showing, for the purpose of illustration, the shareholding structure of the Company before and after the issue of the Subscription Shares (assuming that save for the Subscription Shares, no further Shares will be issued by the Company after the Latest Practicable Date until completion of the Share Subscription):

Name of Shareholders	As at the Latest Practicable Date		Immediately after completion of the Share Subscription Agreement	
	Shares	*%*	*Shares*	*%*
Big-Max and its concert parties *(Note 1)*	377,247,014	24.5	1,314,747,014	53.1
Mr. Xu Jin *(Note 2)*	253,837,198	16.5	253,837,198	10.2
Public	908,379,582	59.0	908,379,582	36.7
Total	1,539,463,794	100	2,476,963,794	100

Notes:

1. As at the Latest Practicable Date, Mr. Li Li Xin is deemed to have a beneficial interest in 377,247,014 Shares through Big-Max, whose issued share capital is beneficially owned as to 90% by Mr. Li Li Xin and as to 10% by his spouse, Jin Ya Er.

2. Mr. Xu Jin is a non-executive Director of the Company. He has intention to vote in favour of the Acquisition, the Continuing Connected Transactions, the Share Subscription and the Whitewash Waiver. Other than his capacity as a Director, he has no direct involvement in the Acquisition, the Share Subscription and the Whitewash Waiver.

3. Apart from Mr. Li Li Xin and Mr. Xu Jin, no other Directors hold any Shares.

Subsequent to the issue of Subscription Shares to the Subscriber, the Subscriber will be directly or indirectly interested in approximately 53.1% in the share capital of the Company immediately after the completion of the Share Subscription as enlarged by the issue of the Subscription Shares and it will become the controlling shareholder (as defined under the Listing Rules) of the Company. Save as disclosed above, the Subscriber and parties acting in concert with it do not hold any other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

The Directors considered that there will be a dilution effect to the minority Shareholders' shareholding interests in the Company upon the completion of the Share Subscription. The Company and the Group have considered obtaining bank loans from certain banking institutions and has explored the possibility of other fund raising activities, such as rights issue, with certain financial institutions. Such loan facilities and other fund raising activities have however not been finalized as either the banks rejected the Company and the Group's request for loan facility or the condition imposed by the banks relating to the grant of facility could not be satisfied and certain other financial institutions expressed no interests in acting as underwriter or placing agent in fund raising exercises of the Company. Since it is crucial for the Company and the Group to obtain funding, Big-Max agrees to support the Company by acting as the Subscriber, the Board therefore considers that the Subscription is an appropriate means of raising additional capital for the Company since it will provide the Company with immediate funding. In addition, the Share Subscription gives the Company an opportunity to strengthen its cash position and to complete the Acquisition. Accordingly, the Board considers that the Subscription is fair and reasonable to the Shareholders, the Company and the Group as a whole.

IMPLICATIONS OF THE TAKEOVERS CODE AND WHITEWASH WAIVER

Upon the completion of the Share Subscription, 937,500,000 Subscription Shares will be issued by the Company to the Subscriber and the shareholding interest of the Subscriber and its concert parties in the Company will increase from approximately 24.5% as at the Latest Practicable Date to approximately 53.1% in the share capital of the Company immediately after the completion of the Share Subscription as enlarged by the issue of the Subscription Shares. As such, the Subscriber and its concert parties will, upon completion of the Share Subscription, be required to make a mandatory general offer to the Shareholders to acquire the Shares and all other securities of the Company in issue not already owned or agreed to be acquired by Big-Max and parties acting in concert with it under Rule 26.1 of the Takeovers Code unless a waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code is granted by the Executive.

A formal application has been made by the Subscriber to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, the approval by the Independent Shareholders at the SGM by way of poll. It is a condition precedent to the completion of the Share Subscription that the Whitewash Waiver is granted by the Executive. If the Whitewash Waiver is not granted by the Executive or if the conditions (if any) imposed thereon are not fulfilled, the Share Subscription will not proceed. In such case, the requirement for Big-Max to make a mandatory general offer under Rule 26 of the Takeovers Code as a result of the Share Subscription will not be triggered.

Save as disclosed above and in the section headed "Shareholding structure of the Company before and after the completion of the Share Subscription and the dilution effect to the existing shareholders" of this circular, the Subscriber confirmed that none of the Subscriber and parties acting in concert with it owned, controlled or directed any Shares, convertible securities, warrants, options or derivatives in respect of the Shares of the Company as at the date of Latest Practicable Date.

There is no outstanding derivative in respect of relevant securities (as defined in the Takeovers Code) in the Company which has been entered into by the Subscriber or any person acting in concert with it as at the Latest Practicable Date. None of the Subscriber or its concert parties has dealt in any relevant securities (as defined in Note 4 of Rule 22 of the Takeovers Code) of the Company during the 6 months prior to the date of the Share Subscription Agreement and up to the Latest Practicable Date.

Save for the proposed issuance of the Subscription Shares, the Acquisition and the Continuing Connected Transactions, there is no arrangement (whether by way of option, indemnity or otherwise) in relation to the Shares or the shares of the Subscriber which might be material to the Whitewash Waiver and the Share Subscription Agreement as at the Latest Practicable Date.

As at the Latest Practicable Date, save for the Share Subscription Agreement, there is no agreement or arrangement to which the Subscriber is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a precondition or a condition to the Acquisition and the Whitewash Waiver.

None of the Subscriber or any person acting in concert with it had borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company as at the Latest Practicable Date.

As at the Latest Practicable Date, there is no agreement, arrangement or understanding between the Subscriber or any of its concert parties and any other person that the Subscription Shares to be acquired by the Subscriber under the Share Subscription Agreement would be transferred, charged or pledged to that person.

Upon completion of the Share Subscription, Big-Max and its parties acting in concert will hold more than 50% of the then issued share capital of the Company and in which case, Big-Max and Mr. Li Li Xin may acquire further voting rights in the Company without incurring any further obligation under Rule 26 of the Takeovers Code to make a general offer.

IMPLICATIONS OF THE LISTING RULES

As the applicable percentage ratios (the revenue ratio, consideration ratio, and the equity-capital ratio) (as defined in Rule 14.07 of the Listing Rules in respect of the Acquisition) is more than 25% but less than 100%, the Acquisition constitutes a major transaction for the Company under Rule 14.06 of the Listing Rules.

As at the Latest Practicable Date, Big-Max is a substantial shareholder of the Company holding approximately 24.5% of the entire issued share capital of the Company and is a connected person of the Company under the Listing Rules. As such, both the Acquisition and the Share Subscription constitute connected transactions of the Company under Chapter 14A of the Listing Rules. The Acquisition and the Share Subscription will be conditional upon, among other things, the approval by the Independent Shareholders by way of poll at the SGM.

As at the Latest Practicable Date, Lisi Group Co., Ltd. is beneficially and wholly owned by Mr. Li Li Xin, his spouse (namely the relatives of and two senior executives Mr. Cheng Jian He and Mr. Xu Jin Bo of the Lisi Group). As such, the Continuing Connected Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. The Continuing Connected Transactions are therefore subject to the announcement reporting and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, apart from the shareholding interest of Big-Max in the Company, none of the Vendor, Lisi Group Co., Ltd, Ningbo Hua Xing, Da Mei New Materials nor any of their associates holds any Shares as at the Latest Practicable Date.

ANNUAL REVIEW OF THE CONTINUING CONNECTED TRANSACTIONS

The independent non-executive Directors shall review annually the Continuing Connected Transactions and confirm in the Company's annual report for the year in question that the Continuing Connected Transactions have been entered into:

(i) in the usual course of business of the Company;

(ii) either on normal commercial terms or, if there is no available comparison, on terms that are no less favorable than terms available to or from Independent Third Parties; and

(iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The auditors of the Company shall review annually the Continuing Connected Transactions and confirm in a letter to the Directors (a copy of which shall be provided to the Stock Exchange) in respect of each relevant financial year, that the Continuing Connected Transactions:

(i) have received the approval of the Directors (including the independent non-executive Directors);

(ii) are in accordance with the pricing policies as stated in the relevant agreements;

(iii) have been entered into in accordance with the relevant agreements governing the Continuing Connected Transactions; and

(iv) each of the Continuing Connected Transactions has not exceeded their respective cap amount.

SGM

The SGM will be held to consider and, if thought fit, approve the resolutions by way of poll in respect of (i) the terms of the Acquisition Agreement and transactions contemplated thereunder; (ii) terms of the Share Subscription Agreement and transactions contemplated thereunder, (iii) the Whitewash Waiver and (iv) the Continuing Connected Transactions. Big-Max and its associates, and parties acting in concert with any of them and any person who is involved in, or interested in, the Acquisition, the Continuing Connected Transactions, the Share Subscription and/or Whitewash Waiver shall abstain from voting on the relevant resolutions. As at the Latest Practicable Date, none of the associates of Big-Max holds any Shares. Accordingly, none of the associates of Big-Max shall be required to abstain from voting at the SGM under the Listing Rules.

A notice convening the SGM to be held at Flat A, 2nd Floor, Yeung Yiu Chung (No.6) Industrial Building, 19 Cheung Shun Street, Cheung Sha Wan, Kowloon, Hong Kong, on 20 April 2010 at 9:30 a.m. is set out on page N-1 to page N-3 of this circular.

A form of proxy for use by the Shareholders at the SGM is enclosed in this circular. Whether or not you are able to attend the SGM, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company branch share registrars and transfer office of the Company, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event, not less than 48 hours before the time appointed for holding the SGM. Such form of proxy for use at the SGM is also published on the website of the Stock Exchange at www.hkex.com.hk. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM should you so wish.

In order to determine the identity of the shareholders who are entitled to attend and vote at the meeting, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Tricor Secretaries Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 16 April 2010.

RECOMMENDATION

The Directors (including the independent non-executive Directors) after taking into account the advice from the Independent Financial Adviser, are of the opinion that the Acquisition, the Share Subscription, the Whitewash Waiver, the Continuing Connected Transactions and the relevant annual caps are in the interests of the Company and the Shareholders as a whole and the Directors consider that the terms of the Acquisition Agreement, the Share Subscription Agreement, the Continuing Connected Transactions and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, the Directors recommend you to vote in favour of all resolutions to be proposed at the SGM.

GENERAL

Your attention is drawn to the letter from the Independent Board Committees set out on pages 41 and 42 of this circular and the letter of advice received from the Independent Financial Adviser on page 43 of this circular. Your attention is also drawn to the additional information set out in the appendices to this circular.

The Board strongly advises the Independent Shareholders to read each of these letters and the appendices before reaching a decision in respect of the resolutions to be proposed at the SGM.

Yours faithfully,
By Order of the Board
Magician Industries (Holdings) Limited
Li Li Xin
Chairman

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

31 March 2010

To the Independent Shareholders

Dear Sir/Madam,

**MAJOR AND CONNECTED TRANSACTION:
PROPOSED ACQUISITION OF THE TARGET GROUP
PROPOSED CONTINUING CONNECTED TRANSACTIONS
SHARE SUBSCRIPTION
APPLICATION FOR WHITEWASH WAIVER
AND
NOTICE OF SPECIAL GENERAL MEETING**

We refer to the circular dated 31 March 2010 (the "**Circular**") of Magician Industries (Holdings) Limited, of which this letter forms part. Capitalised terms used in the Circular shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed to form the Listing Rules Independent Board Committee to advise you in connection with the Acquisition, the Share Subscription and the Continuing Connected Transactions, details of which are set out in the letter from the Board in the Circular.

We wish to draw your attention to the letter from the Board, as set out on pages 8 to 40 of the Circular, and the letter from the Independent Financial Adviser, as set out on page 43 of the Circular. Having considered the terms of the Acquisition, the Share Subscription and the Continuing Connected Transactions, and the advice given by the Independent Financial Adviser and the principal factors and reasons taken into consideration by it in arriving at its advice, we are of the opinion that the terms of Acquisition, the Share Subscription and the Continuing Connected Transactions, are fair and reasonable and in the interests of the Company and the Shareholders as a whole as far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve, among other things, the Acquisition, the Share Subscription and the Continuing Connected Transactions, and the transactions contemplated thereunder.

Yours faithfully,
Listing Rules Independent Board Committee
Magician Industries (Holdings) Limited
He Chengying **Chan Man Sum Ivan**
Cheung Kiu Cho Vincent
Independent Non-executive Directors

* *For identification purposes only*

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

31 March 2010

To the Independent Shareholders

Dear Sir/Madam,

MAJOR AND CONNECTED TRANSACTION:
PROPOSED ACQUISITION OF THE TARGET GROUP
PROPOSED CONTINUING CONNECTED TRANSACTIONS
SHARE SUBSCRIPTION
APPLICATION FOR WHITEWASH WAIVER
AND
NOTICE OF SPECIAL GENERAL MEETING

We refer to the circular dated 31 March 2010 (the "**Circular**") of Magician Industries (Holdings) Limited, of which this letter forms part. Capitalised terms used in the Circular shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed to form the Whitewash Independent Board Committee to advise you in connection with the Whitewash Waiver, details of which are set out in the letter from the Board in the Circular.

We wish to draw your attention to the letter from the Board, as set out on pages 8 to 40 of the Circular, and the letter from the Independent Financial Adviser, as set out on page 43 of the Circular. Having considered the opinion of the Listing Rules Independent Board Committee, the Whitewash Waiver and the advice given by the Independent Financial Adviser and the principal factors and reasons taken into consideration by it in arriving at its advice, we are of the opinion that the terms and conditions of Share Subscription and the Whitewash Waiver are in the interests of the Company and the Shareholders as a whole as far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Share Subscription and the Whitewash Waiver.

Yours faithfully,
Whitewash Independent Board Committee
Magician Industries (Holdings) Limited
Xu Jin **Lau Kin Hon**
Non-executive Directors
He Chengying **Chan Man Sum Ivan**
Cheung Kiu Cho Vincent
Independent Non-executive Directors

* *For identification purposes only*

The following is the text of a letter received from Athens Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders regarding the Acquisition, the Share Subscription, the Whitewash Waiver and the Continuing Connected Transactions for the purpose of inclusion in this circular.

ATHENS CAPITAL

Athens Capital Limited
803 Chinese Bank Building
61-65 Des Voeux Road Central
Central
Hong Kong

31 March 2010

To: The Independent Board Committee and the Independent Shareholders

Dear Sirs,

PROPOSED MAJOR AND CONNECTED TRANSACTION- ACQUISITION OF THE TARGET GROUP, SHARE SUBSCRIPTION AND WHITEWASH WAIVER

PROPOSED CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the Acquisition, the Share Subscription, the Whitewash Waiver, and the Continuing Connected Transactions, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular dated 31 March 2010 issued by the Company to the Shareholders (the "**Circular**"), of which this letter forms part. Capitalized terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

The Board announced that on 14 October 2009, the Company entered into the Acquisition Agreement with the Vendor in respect of the Acquisition. The consideration for the Acquisition is HK$90,000,000 which will be paid by the Company to the Vendor in cash. The Company intends to finance the payment of the Consideration by using the proceeds from the Share Subscription. The Acquisition constitutes a major transaction for the Company under the Listing Rules. As the Vendor is a substantial Shareholder, the Acquisition also constitutes a connected transaction for the Company under the Listing Rules.

The Board also announced that after trading hours on 13 October 2009, the Company and the Subscriber entered into the Subscription Agreement pursuant to which the Company agreed to issue, and the Subscriber agreed to subscribe a total of 937,500,000 Subscription Shares at the Subscription Price of HK$0.160 per Subscription Share for an aggregate consideration of HK$150,000,000 in cash. The Share Subscription constitutes a connected transaction for the Company under the Listing Rules.

Upon completion of the Share Subscription, the shareholding interest of the Subscriber together with its concert parties in the Company will increase from approximately 24.5% as at the Latest Practicable Date to approximately 53.1%. As such, the Subscriber and its concert parties will, upon completion of the Share Subscription, be required to make a mandatory general offer to the Shareholders to acquire the Shares and all other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company in issue not already owned or agreed to be acquired by the Subscriber and parties acting in concert with it under Rule 26.1 of the Takeovers Code unless the Whitewash Waiver is granted by the Executive.

It is a condition precedent to the completion of the Share Subscription that the Whitewash Waiver is granted by the Executive. If the Whitewash Waiver is not granted by the Executive or if the conditions (if any) imposed thereon are not fulfilled, the Share Subscription will not proceed.

As further announced by the Company on 13 November 2009 in relation to the proposed Continuing Connected Transactions, on Completion, members of the Target Group will become wholly-owned subsidiaries of the Company and the WFOE will become part of the Enlarged Group. As a condition to Completion, the WFOE Agreements shall be entered into between the WFOE and various entities affiliated with Lisi Group. As the Lisi Group is a connected person of the Company under the Listing Rules (by virtue of the Lisi Group being wholly-owned by Mr. Li Li Xin, who together with his spouse Ms. Jin Ya Er, beneficially holds the entire share capital of Big-Max, a substantial Shareholder, the entering of the WFOE Agreements and the performance of the parties' respective obligations thereunder, will constitute continuing connected transactions under the Listing Rules.

As the maximum aggregate annual values of the proposed Continuing Connected Transactions will cause the applicable percentage ratios specified under Rule 14A.10 of the Listing Rules to exceed 2.5%, the proposed Continuing Connected Transactions are subject to reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Listing Rules Independent Board Committee comprised all of the independent non-executive Directors has been established to advise the Independent Shareholders as to whether the terms and conditions of the Acquisition, the Share Subscription, and the Continuing Connected Transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to make a recommendation to the Independent Shareholders on how to vote, taking into account of our advice. The Whitewash Independent Board Committee comprised all of the non-executive Directors (with the exception of Mr. Li Li Xin who is considered to have a material interest in the Acquisition, the Share Subscription and the Whitewash Waiver) and all of the independent non-executive Directors has been established to advise the Independent Shareholders as to the fairness and reasonableness of the Share Subscription and Whitewash Waiver and to make a recommendation to the Independent Shareholders on how to vote, taking into account of our advice. Big-Max and its associates and parties acting in concert with any of them and any person who is involved in, or interested in, the Acquisition, the proposed Continuing Connected Transactions, the Share Subscription and/or the Whitewash Waiver shall abstain from voting on all the resolutions for approving the Acquisition, the Share Subscription, the Whitewash Waiver and the Continuing Connected Transactions. None of the members of the respective Independent Board Committees is directly or indirectly interested or involved in the Acquisition, the Share Subscription, the Whitewash Waiver, and the Continuing Connected Transactions. We have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect and our appointment has been approved by the Independent Board Committee.

We are independent from, and are not associated with the Company, the counterparties to each of the Acquisition Agreement, the Share Subscription Agreement, the WFOE Agreements or their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them and, accordingly, are considered eligible to give independent advice on the Acquisition, the Share Subscription, the Whitewash Waiver, and the Continuing Connected Transactions. We will receive a fee from the Company for the delivery of this letter. Apart from this normal professional fee payable to us in connection with this appointment, no arrangements exist whereby we will receive any fees or benefits from the Company or their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them.

BASIS OF OUR OPINION

In formulating our advice and recommendation to the Independent Board Committees and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true, complete and accurate in all respects at the time when they were made and continue to be so as at the date of the SGM. To the extent that it comes to our knowledge that any materials changes to the Group that would affect our opinion occurs between the date herein and the date of the SGM, we will issue a new opinion letter as soon as practicable. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiries and careful considerations.

We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us.

We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our recommendation in compliance with Rule 13.80 of the Listing Rules and the Takeovers Code. The Directors have jointly and severally accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge, there are no other facts the omission of which would make any statement in the Circular misleading. We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our recommendation. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company or the Target Group nor have we considered the taxation implication on the Group or the Shareholders as a result of the transactions herein.

Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion, we have taken into consideration the following principal factors and reasons:

(I) THE ACQUISITION

1. Reasons for and background of the Acquisition

The Group is principally engaged in the manufacturing and trading of plastic and metal household products. The Directors are of the view that the acquisition of the Target Group, which specialises in the manufacturing and sales of plastic and household products upon completion of the Assets and Business Transfer, provides an opportunity for the Group to diversify its product lines into more comprehensive range of household products.

In addition, the Directors believe that with different customer groups and different range of household products between the Group and the Target Group, the Enlarged Group will be able to enjoy synergies of the larger customer base, increased efficiency on production and enhancement of the brand name of the products offered by the Enlarged Group for the reasons stated in more detail in the section below.

Assets to be acquired

The Target is an investment holding company and does not have any operations as at the Latest Practicable Date. Under the Acquisition Agreement, the subject matter of the Acquisition is 50,000 shares of the Target, representing the entire issued and outstanding share capital of the Target. The Target owns the entire issued and outstanding share capital of Golden Time, which in turn owns the entire issued and outstanding equity interest of the WFOE.

The Target Group is currently undergoing the Assets and Business Transfer. Pursuant to the Assets and Business Transfer, all manufacturing equipment of plastic and household products, inventories owned and held by the PRC Vendors and all of the business contracts of the PRC Vendors (existing and on-going as at the completion date of the Assets and Business Transfer) with respect to the Respective Cut-off Dates will be transferred to the WFOE upon completion of the Assets and Business Transfer. The only assets of the PRC Vendors not to be transferred to the WFOE are the land and building and other immaterial assets of the PRC Vendors unrelated to the plastic and household products manufacturing business and inventories not having been included into the sale and purchase entered into between the PRC Vendors and the WFOE.

On completion of the Assets and Business Transfer, all of the manufacturing equipment of plastic and household products, inventories and businesses of the PRC Vendors with respect to the Respective Cut-off Dates will be transferred to the Target Group (with the agreement of the counterparties for contracts entered into by the PRC Vendors), and the same including but not limited to:

– All manufacturing equipment of the PRC Vendors (for manufacturing of plastic and household products including the moulds);

– All inventories and raw materials and work-in-progress of the PRC Vendors;

– All contracts entered into between the PRC Vendors with existing customers (existing and on-going as at the completion date of the Assets and Business Transfer) (sales contracts, sales orders, shipping orders and invoice with a full list of customer base);

– All contracts entered into between the PRC Vendors with existing suppliers (existing and on-going as at the completion date of the Assets and Business Transfer) (purchase letters of intent);

– Most of the contracts entered into between the PRC Vendors with existing staff and management (approximately 85% of the workforce of the PRC Vendors); and

– All other administrative contracts that are required to continue the business of the PRC Vendors under the Target Group.

Upon completion of the Assets and Business Transfer, the Target Group will be principally engaged in the manufacturing and sales of plastic and household products and the PRC Vendors will cease to be engaging in any activities similar to that of the Group and the Target Group, or any activities that may lead to competition to the business of the Group and the Target Group. Further, the PRC Vendors and Mr. Li Li Xin will also enter into non-competition undertakings with the WFOE not to compete with the business or operations of the WFOE so long as the Shares are listed and traded on the Stock Exchange. In substance, the Directors believe that the Acquisition Agreement, together with the Assets and Business Transfer, enables the Enlarged Group to be able to continue the business operated by the PRC Vendors under the Enlarged Group.

Rationale of the Acquisition

As stated in the Letter from the Board, the Directors considered that the Acquisition provides an opportunity for the Group to diversify its product lines from the relatively high-end market which the Group is focusing on, into a more comprehensive range of household products and the Enlarged Group can enjoy synergies on a different customer base.

We believed that the reasons for and benefits of the Acquisition can be broadly stated as below:

(a) Consistency with the Group's objectives

As disclosed in the Letter from the Board, since the change of management of the Group took place in March 2006, the Group has been exerting substantial efforts to improve production efficiency, cost effectiveness and sales of the Group.

As disclosed in the annual report 2009 of the Company, it is stated that the Group persisted on adopting effective sales and cost management measures throughout the year, which resulted in narrowing of the loss of the Group. In order to cope with the environment of fierce competition and the market outlook, the Group continued to realign its client base to those customers focusing on procuring higher-margin products. Furthermore, the Group has further strengthened its sales and marketing effort by better allocation of sales staff with specialized scope of duties. Together with the support of a solid production base and know-how on producing the most comprehensive range of household products, the Group will have more intensive strategies to boost sales as well as the ability to maintain sustainable earnings.

As disclosed in the annual report 2009 of the Company, being one of the household products suppliers with multi-product categories in Asia, the Group will capitalize on this competitive edge to develop and offer more sophisticated range of household products with favorable margins. Meanwhile, by stepping up the development effort, the product lines will be diversified and characterized with different life cycles.

We have complied the following consolidated results and the assets and liabilities of the Group of the last five financial years, as extracted from the Group's published audited accounts and reclassified as appropriate, are set below:

	2009	**2008**	**2007**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	**251,605**	**215,997**	**219,508**	**233,865**	**445,830**
Gross Profit	47,987	33,893	29,791	25,982	73,523
Gross Profit %	19.1%	15.7%	13.6%	11.1%	16.5%
Loss before taxation	(10,861)	(16,303)	(22,766)	(52,509)	(175,953)
Taxation credit (charge)	–	10	(56)	5,537	–
Net loss for the year	(10,861)	(16,293)	(22,822)	(46,972)	(175,953)
Assets and Liabilities					
Total Assets	296,571	298,205	296,165	309,503	405,490
Total Liabilities	(227,097)	(236,570)	(268,529)	(259,045)	(308,060)
Net Assets	69,474	61,635	27,636	50,458	97,430

As noted from the above financial information of the Group, the Company has been making consecutive losses for the period under review, however, it is also noted that audited losses of the Group were narrowed from HK$22.8 million in 2007 down to HK$16.3 million in 2008 and to HK$10.9 million in 2009.

The following information about the unaudited profit and loss statements attributable to the Assets is extracted from the Letter from the Board:

	For the year ended 31 December 2009 *RMB'000*	For the year ended 31 December 2008 *RMB'000*	For the year ended 31 December 2007 *RMB'000*
Turnover	**94,325**	**95,969**	**92,336**
Cost of sales	(67,006)	(79,710)	(76,785)
Gross profit	27,319	16,259	15,551
Distribution costs	(5,026)	(2,264)	(368)
Administrative expense	(8,327)	(7,424)	(8,511)
Profit before taxation	13,966	6,571	6,672
Taxation	(3,492)	(1,643)	(2,202)
Profit for the year	**10,474**	**4,928**	**4,470**

We noted that the financial performance of the operations and business attributable to the Assets has been outstanding when compared to that of the Group. Following discussion with the PRC Vendors, the Directors believe that the reasons giving rise to the sharp improvement of the 2009 financial results which will form the basis of future sustainable growth of the PRC Vendors (or WFOE following completion of the Assets and Business Transfer) could be summarized as follows: (i) the PRC Vendors have been able to shift from the production of low margins to mid-to-high margin products (as illustrated from the increase in gross profit margin from 16.94% in 2008 to 28.96% in 2009), (ii) the PRC Vendors have built up trust and earned customers' loyalty through close working relationships between the management of the PRC Vendors and the customers over the years, the PRC Vendors have been able to understand and identify their needs and manufacture specific moulds in accordance with the requirements and needs specified by the customers (as at the Latest Practicable Date, the majority of the customers' specific moulds were designed by the PRC Vendors and stored in the factory of the PRC Vendors, and the same will be transferred to the Enlarged Group upon completion of the Assets and Business Transfer), and (iii) the PRC Vendors and its management acquired improvement of the technology and expertise over kitchenwares and cleaning items for household use.

We noted that one of the objectives of the Directors for the future of the Company is to position the Company to one of the leading household product suppliers with multi-product categories in Asia. On the basis of (a) the Group has been making consecutive losses for the past 5 financial years ended 31 March 2009 while the profit attributable to the Assets were RMB4,470,000, RMB4,928,000 and RMB10,474,000 for the years ended 31 December 2007, 2008 and 2009 respectively, (b) the customer base and product mix of the PRC Vendors were different from that of the Group according to the Directors, (c) the average gross profit of the operations attributable to the Assets for the past three financial years ended 31 December 2009 is 20.9% compared to that of the Group of 16.1%; we are of the view that the Acquisition is consistent with the Group's strategy and objective to develop a more sophisticated range of household products with favorable profit margin. As mentioned in the

2009 annual report of the Group, in order to cope with the fierce competition in the industry and the market outlook, the Group continued to realign its client base to those customers focusing on procuring higher-margin products. We are also of the view that the Acquisition provides an opportunity for the Group to diversify its product lines into more comprehensive range of household products.

(b) Expansion of customer base and achievement of a more balanced and favorable customer and product mix

Upon enquiries to the Directors, we noted that the Group' sales have concentrated on a few customers. The five largest customers has accounted for approximately 73.5%, 72.5% and 75.6% of the turnover respectively for the financial years ended 31 March 2007, 2008 and 2009. It is also noted that a large proportion, approximately 76.2% and 74.5%, of the sales of the Group were made to the customers in the United States of America for the financial years ended 31 March 2008 and 2009 respectively.

On the contrary, the spread of the sales to customers of the PRC Vendors were wider than that of the Group, as represented by the Directors, the customer base of the PRC Vendors (to be transferred to the Target Group) comprised more than 200 in number mainly located in North America, Asia and Europe. There was no overlapping between the customer bases of the Group when compared to that of the PRC Vendors and we believe that the Enlarged Group can enjoy synergies on a different customer base with a wider geographical focus. As most of the employment contracts with existing senior and the more-experienced staff will be assigned to WFOE and as disclosed in the Letter from the Board, it is expected by the PRC Vendors and the Directors that approximately 85% of the workforce will stay with the Target Group and the Enlarged Group upon Completion, we are of the view that the customer base of the PRC Vendors would continue to contribute to the Enlarged Group lead by the substantially same management under the operations of the Enlarged Group. Based on the above analysis, we concur with the Directors that with different customer groups and different range of household products between the Group and the Target Group, the Enlarged Group will be able to enjoy synergies of the larger customer base, increased efficiency on production and enhancement of the brand name of the products offered by the Enlarged Group.

In addition, the Directors believe that with different customer groups and different range of household products between the Group and the Target Group, the Enlarged Group will be able to enjoy synergies of the larger customer base, increased efficiency on production and enhancement of the brand name of the products offered by the Enlarged Group. As represented by the management of the Group, as the customer base and the product mix will be widen under the Enlarged Group upon Completion, synergies and cross-selling between existing products offered by the Group and the customers base acquired by the Group and also the existing product categories of the Target Group with the existing customers of the Group, which we believe will be an added value of the Acquisition to the Enlarged Group. We are of the view that as a result of the Acquisition, the Enlarged Group's presence in the market will be enhanced through larger market share and wider range of products of the Enlarged Group and we concur with the Directors that the Acquisition provides an opportunity for the Group to diversify its product lines from the relatively high-end market which the Group is focusing on, into a more comprehensive range of household products, as there was no overlapping of the customer bases between the Group and the PRC Vendors, and the Enlarged Group can enjoy synergies on a different customer base and that in long term, the Acquisition can further strengthen the Group industries positioning based on the enlarged customer bases.

(c) Leverage of production capability and know-how

As disclosed in the Letter from the Board, since the change of management of the Group took place in March 2006, the Group has been exerting substantial efforts to improve production efficiency, cost effectiveness and sales of the Group. The Company experienced loss making over the past 5 years (however, losses of the Group were narrowed from HK$22.8 million in 2007 down to HK$16.3 million in 2008 and to HK$10.9 million in 2009). The Directors believed that the Acquisition not only provides an opportunity for the Group to consolidate the financial results of the Target Group with that of the Group upon Completion, but also strengthens the growth prospects of the Group based on historical structure growth in the profit attributable to the Assets.

It is disclosed in the Letter from the Board that, upon Completion, in order to ensure smooth operation of the Target Group and the Enlarged Group in the future, the Target Group will continue to be led by the experienced senior management team from the PRC Vendors. The experienced senior management team includes all of the department heads, led by Ms. Jin Ya Xue ("**Ms. Jin**"), the sister of Ms. Jin Ya Er, who does not hold any Share and is currently the general manager of the Da Mei New Materials and Ningbo Hua Xing. Ms. Jin has over 18 years of relevant experience in the industry and she is also the acting vice-president of Ningbo Plastic Industry Association* (寧波市塑料行業協會). All of the senior management and the department heads are experienced in the industry and have worked in the PRC Vendors for long time ranging from 3 years to over 15 years and thus have built up good relationships with existing customers over the years. In our site visit in Ningbo, the management of the PRC Vendors has confirmed to us that, to ensure the Target Group to retain current customer satisfaction and attract more customers in the future, the management team of the PRC Vendors will continue to stay in the Enlarged Group upon Completion to lead the WFOE and continue to implement strategies to enhance the quality of its products, improve the efficiency and accessibility of its distribution services and tailor-make services to its customers. The Target Group will also appoint suitable candidates to ensure continual efficient operation of the Target Group if necessary.

We are of the view that as, upon completion of the Assets and Business Transfer, the Target Group will specialize in the manufacturing and sales of plastic and household products and have different sets of production facilities, moulds specially designed for specific customer and non-overlapping customer base, there is an opportunity for the Enlarged Group to leverage on the diversified product lines, product mix and a more comprehensive range of household products, with two production bases (existing factory in Shenzhen and another production base in Ningbo) upon Completion, and the know-hows and expertise of the management of the PRC Vendors to increase its efficiency on production and enhancement of the brand name of the products offered by the Enlarged Group.

Rationale of the Assets and Business Transfer and Safeguards to the Company

As stated in the Letter from the Board, pursuant to the Assets and Business Transfer, all manufacturing equipment of plastic and household products, inventories owned and held by the PRC Vendors and all of the business contracts of the PRC Vendors (existing and on-going as at the completion date of the Assets and Business Transfer) with respect to the Respective Cut-off Dates will be transferred to the WFOE upon completion of the Assets and Business Transfer. As mentioned above, the only assets of the PRC Vendors not to be transferred to the WFOE are the land and building and other immaterial assets of the PRC Vendors unrelated to the plastic and household products manufacturing business and inventories not having been included into the sale and purchase agreement to be entered into between the PRC Vendors and the WFOE.

We noted that the Acquisition represents an indirect acquisition of all the existing business and customer base of the PRC Vendors through the Assets and Business Transfer (before the Completion) and the subsequent completion of the Acquisition Agreement. We have been able to satisfy our concerns of whether there will be full and smooth transition of all of the current business and operations of the PRC Vendors to the Target Group and the Enlarged Group, and whether there will be sufficient safeguards and recourse actions available to the Enlarged Group upon Completion. In this regard, we have considered that:

(a) Rationale of the Assets and Business Transfer

As stated in the Letter from the Board, all manufacturing equipment of plastic and household products held by the PRC Vendors, inventories owned and held by the PRC Vendors and all of the business contracts of the PRC Vendors (existing and on-going as at the completion date of the Assets and Business Transfer) with respect to the Respective Cut-off Dates will be transferred to the WFOE upon completion of the Assets and Business Transfer. As mentioned above, the only assets held by the PRC Vendors which is not transferred to the WFOE are the land and building and other immaterial assets of the PRC Vendors unrelated to the plastic and household products manufacturing business and inventories not having been included into sale and purchase agreement to be entered into between the PRC Vendors and the WFOE. This is a commercial decision (that is, the decision not to acquire from the PRC Vendors (a) the land and building and (b) other immaterial assets of the PRC Vendors unrelated to the plastic and household products manufacturing business and inventories not having been included into the sale and purchase agreement entered into between the PRC Vendors and the WFOE) made by the Directors after negotiation with the Vendor. The Directors considered that (i) the transfer of the land and building would incur a significant tax which would have to be borne by the Purchaser, (ii) the transfer of the land and building would require a lengthy PRC approval and regulatory procedure, (iii) under the current financial condition of the Group, it will not be in the interests of the Group to acquire such large scale of real estate, and (iv) the Acquisition structure enables the Group to acquire, in substance, the business and manufacturing assets of the PRC Vendors, for the consolidation of possible turnover and profits of the business of the PRC Vendors, while keeping the initial capital outlay to the minimum, when compared to effecting the full acquisition of the PRC Vendors from the Vendor. The Target is an investment holding company and does not have any operations as at the Latest Practicable Date. Upon completion of the Assets and Business Transfer, the Target Group will be principally engaged in the manufacturing and sales of plastic and household products and the PRC Vendors will cease to engage in any activities similar to that of the Group and the Target Group, or in any activities that may lead to any competition to the business of the Group and the Target Group. Further, the PRC Vendors and Mr. Li Li Xin will also enter into non-competition undertakings with the WFOE not to compete with the business or operations of the WFOE so long as the Shares are listed and traded on the Stock Exchange. **In substance, the Directors believe that the Acquisition Agreement, together with the Assets and Business Transfer, enables the Enlarged Group to be able to continue all the business operated by the PRC Vendors under the Enlarged Group.**

As stated in the Letter from the Board, on completion of the Assets and Business Transfer, the Target Group will own all of the manufacturing equipment (for manufacturing of plastic and household products) and inventories owned and held by the PRC Vendors (Da Mei New Materials and Ningbo Hua Xing) and all inventories owned and held by and all business contracts entered into by the PRC Vendors (existing and on-going as at the completion date of the Assets and Business Transfer) with respect to the Respective Cut-off Dates. These business contracts are all of the contracts entered into by the PRC Vendors in relation to their operations. The objective of the Purchaser for acquiring these business contracts is to ensure smooth operation of the Target Group after Completion. These business contracts entered into by the PRC Vendors comprise sales contracts, purchase contracts, staff employment contracts and other contracts of administrative nature which facilitate the operations of the business of the PRC Vendors. The Board is advised by the PRC Vendors that, as at 31 December 2009, there were approximately 30 sales contracts with an aggregate value of approximately HK$4,500,000 (confirming order of products expected to be delivered and shipped in year 2010), 40 letters of intent to purchase including but not limited to raw materials, packaging and printing materials (in which the PRC Vendors are not bound to make the purchase and therefore there is no capital commitment in relation to these purchase letters of intent) and 380 staff employment contracts. Approximately 85% of the PRC Vendors staff and management employees will be transferred to the Target Group which include all the senior and the more-experienced staff. Upon completion of the Asset and Business Transfer, it is the Directors' view that the Enlarged Group will be able to continue all the business operated by the PRC Vendors under the Enlarged Group. Also, according to the Letter from the Board, the Company is advised by its PRC legal adviser that according to the PRC laws and regulations, the rights and obligations under all of the current contracts of the PRC Vendors (existing and on-going as at the completion date of the Assets and Business Transfer) could be legally transferred to the WFOE, with the agreement of the counterparties under the aforementioned contracts after the Assets and Business Transfer. The management expected and represented that the change in the shareholding/corporate structure of the operations of the PRC Vendors will not affect the customer's confidence in the operations of the PRC Vendors (or the Enlarged Group upon Completion). The PRC Vendors have confirmed that most of its customers have been informed about the Assets and Business Transfer by the management of the PRC Vendors and also through the publication of the Announcement and as at the Latest Practicable Date, they have not received any negative response from their customers relating to the Assets and Business Transfer. The Directors are therefore of the view that all operations can continue smoothly upon Completion.

We have visited the operations of the PRC Vendors in Ningbo and discussed with management and are satisfied that the operations of the PRC Vendors are continuing on a normal basis pending the completion of the Asset and Business Transfer and that the above transfer is in substance an acquisition of the business of the PRC Vendors, albeit the land and buildings are not acquired, but rental will be paid for its future use under the Continuing Connected Transactions as proposed herein.

(b) Safeguards to the Shareholders

Having considered that:

- As disclosed in the Letter from the Board, the PRC legal advisers to the Company advised that (1) no governmental approvals are required for completion of the Assets and Business Transfer, (2) certain licenses and permits such as approval certificates and business licenses to carry on the business of the PRC Vendors are not transferable under the PRC laws, (3) the WFOE has applied for and obtained all necessary licenses and permits to carry on the business of the PRC Vendors assigned to it, except the custom license, and (4) by virtue of the WFOE Agreements, the WFOE, in spite of absence of the custom license, is able to export the products through Lisi Import and Export;

- The PRC Vendors are in the process of obtaining all necessary consents in relation to the Assets and Business Transfer from the counterparties to the business contracts entered into by the PRC Vendors, for the purpose of facilitating the assignment and novation of benefits and/or obligations under the business contracts (existing and on-going as at the completion date of the Assets and Business Transfer) to the WFOE. We have reviewed the Acquisition Agreement and we noted that the completion of the such assignment and novation is one of the conditions precedent to the Assets and Business Transfer;

- As noted in the Letter from the Board, in the event that not all necessary consents have been obtained and WFOE elects to proceed with completion, the PRC Vendors undertake to hold the benefit of those contracts for the WFOE and remit proceeds received under those contracts to WFOE. For instance, if the customer's consents on the transfer of a particular business contract have not been obtained, the relevant customer shall, according to the original business contract, pay the purchase price to the PRC Vendors which shall remit such proceeds to the WFOE in accordance with the agreement relating to the Assets and Business Transfer. We are of the view that such arrangement would enhance the post-Acquisition Enlarged Group to enjoy the benefits of the Acquisition in the event there are unaware legal obstacles or hurdles of the continuous of operations of the PRC Vendors under the Enlarged Group;

- As advised by the PRC Vendors, most of the customers' moulds are tailor-made and have passed several international inspections. The customers might need to conduct all inspections again if they decide to work with other new manufacturers which might not be worthy for customers to change;

– We believed that the management team and the staff of the PRC Vendors have built up customer relationships that are crucial to the business of the PRC Vendors. Since most of the employment contracts with existing senior and the more-experienced staff will be assigned to WFOE. As disclosed in the Letter from the Board, it is expected by the PRC Vendors and the Directors that approximately 85% of the workforce will stay with the Target Group and the Enlarged Group upon Completion. According to the Directors, the management of the PRC Vendors expected that the change in the shareholding/corporate structure of the operations of the PRC Vendors will not affect the customer's confidence in the operations of the PRC Vendors (or the Enlarged Group upon Completion). The PRC Vendors confirmed that most of the customers of the PRC Vendors have been informed about the Assets and Business Transfer by the management of the PRC Vendors, and also through the publication of the Announcement. As stated in the Letter from the Board, as at the Latest Practicable Date, the management of the PRC Vendors has not received any negative response from the customers relating the Assets and Business Transfer as at the date hereof, and it is expected that all current business of the PRC Vendors would be transited under the Enlarged Group upon Completion in accordance with the terms of the Assets and Business Transfer agreement to be entered into between the WFOE and the PRC Vendors;

– We considered that as the Vendor agrees (in accordance with the terms of the Acquisition Agreement) that it shall not, and shall procure that any entity to which it is controlled by or has control over shall not, subsequent to the Completion carry on any businesses which compete or may compete with any existing businesses of the Enlarged Group and that, the PRC Vendors and Mr. Li Li Xin will also enter into non-competition undertakings with the WFOE not to compete with the business or operations of the WFOE so long as the Shares are listed and traded on the Stock Exchange, the Vendor and its associated entities will not be allowed to engage in any activities that will compete with the business of the Enlarged Group; and

– The Vendor undertakes to the Purchaser (in accordance with the terms of the Acquisition Agreement) that during the period from the Completion to 31 March 2012, it shall use all commercially reasonable efforts to assist the Purchaser in the continued operations of the Enlarged Group (including the signing and duly performing of the WFOE Agreements),

We are of the view that there should be enough and sufficient safeguards provided to the Company and the Directors that there will be full and smooth transition of all of the current business and operations of the PRC Vendors to the Target Group and the Enlarged Group after Completion.

As a summary, based on the above factors that:–

(i) the Assets and Business Transfer allows the transfer of all the equipment, inventory, contracts and key staff to ensure the smooth operation of the Target Group upon Completion;

(ii) the rationale for the Assets and Business Transfer, without the land and building, is based upon the commercial consideration of the Directors having regard to, among other things, the significant tax obligation which would be borne by the Purchaser for the transfer of the land and building and the lengthy PRC approval process involved;

(iii) rental will be paid for the future use of the land and building under the Continuing Connected Transactions proposed herein;

(iv) the PRC Vendors will cease to engage in any activities that compete with the business of the Group or the Target Group;

(v) the Enlarged Group's presence in the market will be enhanced through larger market share and wider range of products of the Enlarged Group and that the Acquisition provides an opportunity for the Group to diversify its product lines from the relatively high-end market which the Group is focusing on, into a more comprehensive range of household products, as there was no overlapping of the customer bases between the Group and the PRC Vendors, and the Enlarged Group can enjoy synergies on a different customer base and that in long term, the Acquisition can further strengthen the Group industries positioning based on the enlarged customer bases;

(vi) management expected and represented that the change in the shareholding/corporate structure of the operations of the PRC Vendors will not affect the customer's confidence in the operations of the PRC Vendors (or the Enlarged Group upon Completion). The PRC Vendors have confirmed that most of its customers have been informed about the Assets and Business Transfer by the management of the PRC Vendors and also through the publication of the Announcement and as at the Latest Practicable Date, they have not received any negative response from their customers relating to the Assets and Business Transfer; and

(vii) we have visited the operations of the PRC Vendors and the operations are continuing on a normal basis, such that the Acquisition is not a purchase of idle assets;

we consider that the reasons for the Acquisition are justifiable and are fair and reasonable.

2. Basis of the Consideration

As stated in the Letter from the Board, since the Acquisition is in substance an acquisition of the business of the PRC Vendors, the Directors considered that the historical financial performance of the PRC Vendors shall be of relevance as the business of the PRC Vendors will be continued under the Target Group upon Completion. The value of the business contracts of the PRC Vendors (including sales contracts, purchase contracts, staff employees contracts and other contracts of administrative nature which facilitate the operations of the business of the PRC Vendors of the Target Group upon Completion) has not been assessed independently by the Directors as the value of these business contracts (details as stated in the section headed "Interests to be acquired under the Acquisition" in the Letter from the Board) could not be ascertained because of their nature. For instance, customer agreements of the PRC Vendors usually will not specify a fixed quantity of goods to be demanded, rather, they set out a framework such as payment terms, pricing and settlement methods, etc. Suppliers' contracts usually set out a framework such as the raw materials or other goods to be purchased, payment terms, pricing and settlement methods. The PRC Vendors could then place the actual quantities of raw materials/other goods to be purchased under these suppliers' contracts from time to time when these raw materials/other goods are needed. Due to their fundamental uncertainty as to whether the economic benefits will continuously flow into the Target Group and these contracts will serve as parts and pieces of the operation of the business, their value could not be ascertained independently. As an alternative to the provision of the financial information of the PRC Vendors, the Directors have considered that it is more appropriate and they have set out, as shown in Appendix III of the Circular, the unaudited financial information of the Assets for the three financial years ended 31 December 2007, 2008 and 2009 respectively (the "**Unaudited Financial Information of the Assets**"), which they consider better reflects the financial performance of the Assets acquired.

According to the Letter from the Board, the Consideration was arrived at after arm's length negotiations between the Purchaser and the Vendor and is determined with reference to, among other things, the historical financial performance of the PRC Vendors, the future prospects of the Target Group, and the customer base of the Target Group. We agree with the Directors that this is a fair basis for determination of the Consideration.

As stated in the section headed "Reasons for and background of the Acquisition" above, we agree with the Directors that the transaction is in substance an acquisition of the business of the PRC Vendors, albeit without the land and buildings, for which a rental charge will be made after Completion. As at 31 December 2009, the asset value of the subject matter to be transferred to the Target Group ("**Asset Value**") is approximately RMB45.15 million (equivalent to approximately HK$51.27 million), and the Consideration represents a price-to-book ratio ("**PBV**") of 1.76 times. As no liabilities are transferred to the Target Group, the Asset Value is the same as the net asset value of the subject matter to be transferred. Based on the market price of the Company on 13 October 2009 which is the last trading day prior to the release of the Announcement and the net asset value of the Company as at the latest financial year end date, the PBV of the Company was 4.70 times. The PBV of the Assets is therefore lower that than of the Company itself.

Also, with reference to a price-to-earnings ratio ("**PER**") analysis based on the Unaudited Financial Information of the Assets compared with the Consideration, the PER for 2008 and 2009 are 16.07 and 7.56 times respectively. We note that the Company was loss making for the latest financial year and a PER cannot be ascertained. The PER of the Assets is therefore more favourable than that of the Company itself.

We note that the unaudited financial performance of the Assets has been profitable for the last three financial years, with unaudited net profits after taxation of approximately RMB4.5 million, RMB4.9 million and RMB10.5 million respectively. We have discussed with the management of the Company that the financial performance of the Assets for 2008 was affected by the impact of the financial tsunami and significant improvements were seen in the latter part of 2009, leading to an improvement in terms of net profit of approximately 112.5% over the period. Also, according to the PRC Vendors, the reason for the sharp improvement is mainly due to (i) the PRC Vendors have been able to shift from low margin to mid-high margin products, as illustrated from the increase in gross profit margin of 16.94% in 2008 to 28.96% in 2009; (ii) besides being an original equipment manufacturer, the PRC Vendors have built up trust and earned customer's loyalty through close working relationships between the management of the PRC Vendors and the customers, the management of the PRC Vendors can manufacture specific moulds designed by the PRC Vendors; and (iii) the improvement of the production know-how for kitchenwares and cleaning items for household use.

As stated in the Letter from the Board, since the change of management of the Group in March 2006, the Group has been exerting substantial effort to improve production efficiency, cost effectiveness and sales of the Group. Nonetheless, the Company has experienced losses over the past 5 years albeit these losses have narrowed down from HK$22.8 million in 2007 to HK$10.9 million in 2009. The significant earnings improvement of the Assets in 2009 is therefore expected to strengthen the growth prospects of the Group.

The Directors are of the view that, as Ningbo Hua Xing designs, produces and processes moulds for use specially in the operations of Da Mei New Materials's product lines, the Enlarged Group should be able to utilize the technological expertise of Ningbo Hua Xing and the extensive experience in production of Da Mei New Materials to diversify its product mix and enhance the Group's competitive edge upon Completion. In addition, the Directors considered that the Acquisition provides an opportunity for the Group to diversify its product lines from the relatively high-end market which the Group is focusing on, into a more comprehensive range of household products, as there was no overlapping of the customer base between the Group and the PRC Vendors, and the Enlarged Group can enjoy synergies on a different customer base. Furthermore, given that the Group's sales concentrated on a few customers and the Target Group's sales are more diversified, it is expected that more internal referrals between the sales team of the Company and the PRC Vendors will be made to sell the different household products and as a result the Enlarged Group's presence in the market will be enhanced through larger market share and wider range of products of the Enlarged Group. The Directors are consequently of the view that although the Consideration represents a premium over the Asset Value, it is still justifiable, fair and reasonable.

Taking into account the matters disclosed above and the reasons and benefits as stated in the paragraph headed "Reasons for and Benefits of the Acquisition" in the Letter from the Board, the Board considers that the terms of the Acquisition are fair and reasonable and in the interests of the Company and the Shareholders as a whole. We agree with the Directors that the Acquisition will be beneficial to the Group through the possibility to (a) diversify its product lines with the technological expertise of Ningbo Hua Xing and the production experience of Da Mei New Materials to diversify its product mix; (b) enjoy synergies of a larger customer base with the additional customer list of mid-high margin clients handed over to the Target Group upon

Completion; and (c) enhancement of the Group's presence in the market through larger market share and wider range of products. We agree with the Directors and consider that the premium of the Consideration over the Asset Value is fair and reasonable because of these reasons and also since, in our view, it is more appropriate to consider the PER analysis for this transaction which is in substance a transfer of the business of the PRC Vendors.

In summary, because of the above factors that:-

(i) the PBV of the Assets is 1.76 times, which is significantly lower than the PBV of the Company itself of 4.70 times;

(ii) the PER of the Assets is 16.07 times and 7.56 times for 2008 and 2009 respectively, whereas the Company was loss making in 2008 and 2009 and cannot be assessed on a PER basis;

(iii) the financial performance of the Assets has been profitable for the last three financial years;

(iv) the financial performance of the Assets has improved significantly from 2008 to 2009 due to higher margin products, specific moulds designed by the PRC Vendors and improved production know-how for kitchenwares and cleaning items for household use;

(v) since the change of management of the Group in March 2006, the Group has been exerting substantial effort to improve production efficiency, cost effectiveness and sales of the Group. Nonetheless, the Company has experienced losses over the past 5 years albeit these losses have narrowed down from HK$22.8 million in 2007 to HK$10.9 million in 2009;

(vi) the significant earnings improvement of the Assets is therefore expected to strengthen the growth prospects of the Group; and

(vii) the Directors expect further synergistic benefits to the Company's business as set out above;

we consider that the Consideration is fair and reasonable and is in the interests of the Company and the Shareholders as whole.

3. Loan

As stated in the Letter from the Board, all rights, title and benefits, security interest, preferences and collateral of the Vendor (as the lender) in and to the Loan are free from any encumbrance. The Loan is interest-free and there will not be any accrued interest. Under the Acquisition Agreement, the Loan will be assigned to the Purchaser at a face value of HK$25,000,000. We consider that the transfer of the Loan at the face value is fair and reasonable.

4. Possible financial effects of the Acquisition on the Group

A. Effect on earnings per Share

Although there is no assurance that the Acquisition will have an effect on earnings per Share, we consider that these operations might enhance the income base of the Group upon Completion due to the possibility for the Group to (a) diversify its product lines from the relatively high-end market which the Group is focusing on, into a more comprehensive range of household products (b) enjoy synergies of a larger customer base with the additional customer list of mid-high margin clients handed over to the Target Group upon Completion; and (c) enhancement of the Group's presence in the market through larger market share and wider range of products, subject to the actual performance of the business in the future.

B. Effect on net asset value per Share

As it is a condition precedent to the Completion that the completion of the Share Subscription to the Subscriber or its nominees in accordance with the terms and subject to the conditions of the Share Subscription Agreement, the Acquisition will only take place after the completion of the Share Subscription.

In light of this, we believe that it would be more meaningful to perform an analysis on the combined financial effect on net asset value ("**NAV**") per Share from the Acquisition together with the Share Subscription basis than evaluating the impact incurred by the Acquisition on a stand-alone basis.

In consideration of: (a) as at 31 December 2009, the Asset Value is approximately RMB45.15 million (equivalent to approximately HK$51.27 million) and (b) the Consideration, we note that the Company will have to pay an amount of approximately HK$38.7 million to the Vendor over the Asset Value of the Assets to be transferred under the Acquisition Agreement.

We understand from the management of the Company that the Acquisition involves, apart from the Assets to be transferred, the transfer of ownership of certain business contracts including but not limited to sales contacts and purchase contracts namely, there were approximately 30 sales contracts, 40 letters of intent to purchase and 380 staff employment contracts, held by the PRC Vendors (the "**Business Contracts**"). We are further informed by the Company that these 30 signed sales contracts have sales orders of approximately HK$4.5 million with delivery dates in 2010 to clients mainly in Europe and the United States of America. These customers are only part of the customer list of the PRC Vendors and the full list will be handed over to the Target Group upon Completion.

We also understand that no independent party has been engaged to perform a valuation on the Business Contracts in order to come up with the ultimate consideration mainly because of the nature of the Business Contracts and not all the Business Contracts are revenue-generative. In addition, we understand from the management of the Company that the Business Contracts are essential for the PRC Vendors to consummate their business operation.

Furthermore, we understand from the management of the Company that the difference between the Consideration and the Asset Value will be treated as goodwill, rather than intangible assets, subsequent to the Acquisition. Therefore, we are of the view that HK$38.7 million can be treated as premium in our analysis.

As the Subscription Shares represents approximately 60.9% of the existing issued share capital of the Company as at the Latest Practicable Date, and the Group's NAV amounted to HK$69,474,000 as of 31 March 2009, it implies that the Subscription Shares entitle to approximately HK$42.31 million NAV of the Company prior to completion of the Share Subscription. In consideration of the aggregated consideration of HK$150 million to be paid by the Subscriber to the Company for the Subscription Shares, we consider that the Company will receive a premium, representing the difference between the consideration for the Share Subscription and the pro-rata entitlement to the NAV of the Company, of approximately HK$107.69 million (the "**Premium to NAV for the Share Subscription**").

We consider that, given: (a) it is a condition precedent to the Completion that the completion of the Share Subscription; and (b) both the Vendor and the Subscriber are owned by the same ultimately beneficiary owner, the combined net impact to the Company's NAV brought by the Acquisition and the Share Subscription as a whole would be a net increment in the Company's NAV of approximately HK$68.99 million from the Vendor/Subscriber upon Completion (being the difference between the premium that the Company will pay to the Vendor for the Acquisition of approximately HK$38.7 million and the Premium to NAV for the Share Subscription of approximately HK$107.69 million).

In consideration of: (a) the Premium to NAV for the Share Subscription of approximately HK$107.69 million under the Share Subscription Agreement that the Company would receive upon completion of the Share Subscription; (b) it is a condition precedent to the Completion that the completion of the Share Subscription; (c) the Business Contracts are essential to the PRC Vendors to consummate their business operation; (d) the combined effect on the Company's NAV from the Acquisition and the Share Subscription, being approximately HK$68.99 million, would be positive to the Group and the Shareholders, we consider that, on balance, it is acceptable and is in the interests of the Company and the Shareholders as a whole, for the Company to pay such HK$38.7 million premium to the Vendor over the Asset Value of the Assets to be transferred under the Acquisition Agreement in consideration of the Completion.

As extracted from the Company's annual report for the financial year ended 31 March 2009, the audited consolidated NAV of the Group was HK$69,474,000. According to the unaudited pro forma financial information on the Enlarged Group as contained in Appendix IV to the Circular (the "**Statement**"), the Enlarged Group's NAV would be increased to HK$223,633,000 upon Completion. Based on the Statement and 2,476,963,794 Shares in issue upon Completion, the NAV per Share would be increased from approximately HK$0.028 per Share to approximately HK$0.090 per Share.

C. *Effect on gearing ratio and working capital level*

As it is intended that the Consideration will be settled in cash raised from the Share Subscription, the Acquisition will have no direct impact to both the gearing ratio and the working capital level of the Group.

In view of:

(i) although there is no assurance that the Acquisition will have an effect on earnings per Share, we consider that these operations might enhance the income base of the Group upon Completion, subject to the actual performance of the business in the future;

(ii) the positive effect on the NAV per Share; and

(iii) no impact on the gearing ratio and working capital level of the Group,

we are of the view that the overall financial effect on the Group from the Acquisition is positive.

Having considered the above as a whole, taking into account that:

i) we consider that the reasons for the Acquisition is justifiable and is fair and reasonable;

ii) we consider that the Consideration is fair and reasonable and is in the interests of the Company and the Shareholders as a whole; and

iii) we are of the view that the overall financial effect on the Group from the Acquisition is positive;

we are of the view that the Acquisition is in the interests of the Company and the Shareholders as a whole, and the terms of the Acquisition Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

(II) THE SHARE SUBSCRIPTION

1. (a) Background

Pursuant to the Share Subscription Agreement, the Company agreed to issue and allot to the Subscriber and the Subscriber agreed to subscribe a total of 937,500,000 Subscription Shares (credited as fully paid) at the Subscription Price of HK$0.160 per Subscription Share for an aggregate consideration of HK$150,000,000 in cash.

The Subscription Shares represent approximately 60.9% of the issued share capital of the Company as at the date of the Announcement and approximately 37.8% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares.

(b) Reasons for the Share Subscription

According to the Letter from the Board, as at 31 March 2009, the Group's audited net assets and net current liabilities amounted to approximately HK$69.5 million and HK$65.8 million respectively. The long-term bank borrowing of the Group amounted to approximately HK$102.3 million. The Group's gearing ratio, expressed as the ratio of total borrowings to total assets, was approximately 47.4%.

The Directors consider that the proceeds of the Share Subscription would not only finance the Acquisition but also strengthen the working capital and the liquidity of the Group and believe that the Share Subscription would put the Group in a better position to deal with the challenges of the competitive market.

The net proceeds from the Share Subscription is estimated to be approximately HK$148 million. The Company plans to apply the net proceeds of HK$90 million for the Acquisition and the remaining proceeds of approximately HK$20 million for acquisition/ investments of new machineries, equipment, moulds and raw materials, approximately HK$16 million for repayment of bank loans and the remaining balance of approximately HK$22 million for general working capital.

2. Analysis of the terms of the Share Subscription Agreement

A. Analysis on the Subscription Price

As stated in the Letter from the Board, the Subscription Price was determined after arm's length negotiations between the Company and the Subscriber, after taking into account of:

i) the Group's audited net asset position of approximately HK$69.5 million as at 31 March 2009;

ii) the fact that the Company has been loss-making for the past consecutive few years (audited loss incurred by the Group during the years ended 31 March 2008 and 31 March 2009 of approximately HK$16.3 million and HK$10.9 million respectively); and

iii) the current operating and financial position of the Group.

The Subscription Price of HK$0.160 per Subscription Share represents:

- a discount of approximately 38.46% over the closing price of the Shares of HK$0.26 as quoted on the Stock Exchange as at the Latest Practicable Date;

- a discount of approximately 24.53% over the closing price of the Shares of HK$0.212 as quoted on the Stock Exchange on 13 October 2009, being the date of the Share Subscription Agreement and the last trading day prior to the release of the Announcement;

- a discount of approximately 18.37% over the average closing price of the Shares of HK$0.196 as quoted on the Stock Exchange for the last 10 trading days up to and including 13 October 2009;

- a discount of approximately 19.19% over the average closing price of the Shares of HK$0.198 as quoted on the Stock Exchange for the last 30 days up to and including 13 October 2009; and

- a premium of approximately 255.56% over the Group's latest audited net asset per Share as at 31 March 2009 of HK$0.045.

Comparison of the Subscription Price to the net asset value per Share

We have compared the Subscription Price to the audited NAV per Share for the three years ended 31 March 2009. The Subscription Price of HK$0.16 per Share represents:

(i) a premium of approximately 255.56% over the Group's audited net asset per Share as at 31 March 2009 of HK$0.045;

(ii) a premium of approximately 255.56% over the Group's audited net asset per Share as at 31 March 2008 of HK$0.045; and

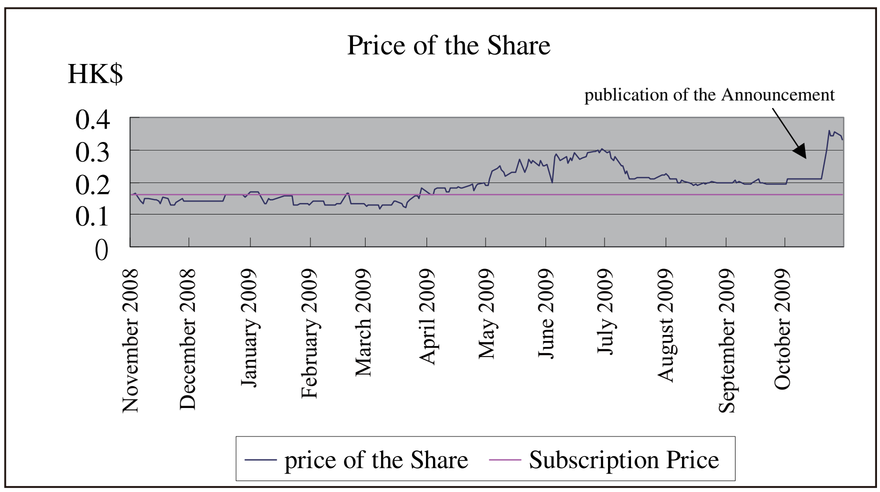
(iii) a premium of approximately 400% over the Group's audited net asset per Share as at 31 March 2007 of HK$0.032;

As illustrated in the above analysis, we noted that the premium of the Subscription Price to the audited NAV per Share for the three years ended 31 March 2009 range from approximately 255.56% to approximately 400%. In light of this, we are of the view that the Subscription Price for the Share Subscription is fair and reasonable from the NAV per Share perspective.

Comparison of the Subscription Price to the historical price of the Shares

Chart 1 below illustrates the historical daily closing prices of the Shares for a period of 12 months from November 2008 to November 2009.

Chart 1 Daily closing prices of the Shares



Source: Bloomberg

As set out above, the price of the Share was lower than the Subscription Price from November 2008 up to April 2009 and was above the Subscription Price since 9 April 2009.

The Subscription Price of HK$0.16 represents a discount of approximately 11.11% over the average daily closing price of the Shares of HK$0.18 as quoted on the Stock Exchange for the last 12 months up to and including 13 October 2009.

We note that the Subscription Price represents a discount range of approximately 11.11% to 24.53% over the average daily closing price of the Shares as quoted on the Stock Exchange on 13 October 2009 and for the last 12 months up to and including 13 October 2009, being the date of the Share Subscription Agreement and the last trading date prior to the release of the Announcement.

Taking into consideration that: (a) the Company has been registering audited loss in recent years; (b) the low liquidity of the Shares; (c) banks rejected the Company and the Group's request for loan facility; (d) other financial institutions expressed no interests in acting as underwriter or placing agent in fund raising exercises of the Company; and (e) the Share Subscription is an available fund raising means that offered to the Company which can provide immediate funding to the Group, we consider that it is reasonable and acceptable for the Company to raise immediate funding by issuing Subscription Shares at such a discount of approximately 11.11% to the average daily closing price of the Shares as quoted on the Stock Exchange for the last 12 months up to and including 13 October 2009.

After the Company published the Announcement on 2 November 2009, the Share price went up sharply from HK$0.212 to HK$0.30 or a 41.5% surge on 2 November 2009 being the first trading day of the Share after suspension. We consider that such positive market reaction reflected in the price of the Shares implies investors consider that the Acquisition and the Share Subscription may enhance the future prospects of the Group.

However, we would like to point out that there is no assurance that the price of the Shares will remain at such level if the Acquisition and the Share Subscription fail to materialize.

Moreover, we are not aware that the Company has any other significant positive development other than the Acquisition and the Share Subscription. We are therefore of the view that the current price level of the Share is not likely to be maintained if the Acquisition and the Share Subscription do not complete.

B. Other considerations for the Share Subscription

Loss-making history and current financial position of the Group

The Group has been reporting audited losses for the past five consecutive years. According to the Group's annual report for the year ended 31 March, 2009, the Group reported an audited loss of approximately HK$16.3 million and HK$10.9 million during the years ended 31 March 2008 and 31 March 2009 respectively.

We are given to understand that the Directors anticipate that the Group may still have to face several major challenges in the industry, namely global economic crisis as well as shareholders' expectation of improved bottom-line in the coming year.

Moreover, as at 31 March, 2009, the short term borrowing and the current portion of long term bank borrowing of the Group amounted to approximately HK$5.6 million and HK$17 million respectively, whereas the long term bank borrowing of the Group amounted to approximately HK$102.3 million. On the other hand, the bank balance and cash of the Group amounted to approximately HK$11.2 million as of the same date.

As stated in the Letter from the Board, the Company is estimated to receive approximately HK$148 million from the proceeds of the Share Subscription. After taking into account of HK$90 million as the consideration for the Acquisition, it is estimated that the Company will have an additional capital of approximately HK$58 million upon the Completion.

We concur with the point of view of the Directors that the Group will benefit from the Share Subscription which will bring additional capital to the Group from the Subscriber.

We consider that the Group would be in a better position to deal with the challenges of the competitive market with the additional working capital and liquidity provided by the Share Subscription. Furthermore, as stated in the Letter from the Board, it is the intention of the Directors that a portion of the proceeds from the Share Subscription is intended for the Group's outstanding borrowings repayment purpose. As such, we consider that the Share Subscription is in the interests of the Company and the Shareholders as a whole.

Alternative fund raising activities

As stated in the Letter from the Board, the Company and the Directors (a) have considered obtaining bank loans from certain banking institutions; and (b) have explored the possibility of other fund raising activities such as placement from Independent Third Parties or rights issue. Given the Group's historical operating results and the Group's recent financial condition, the abovementioned loan facilities and other fund raising activities have however not been finalized as either the banks rejected the Company and the Group's request for loan facility or the condition imposed by the banks relating to the grant of facility could not be satisfied. As a result, the Directors have made attempts but did not conclude a deal with potential lenders/investors/underwriters and thus additional funding from those abovementioned fund raising activities were not obtained.

We consider that in light of: (a) the fact the Company has not be able to obtain bank loans and initiate other fund raising activities with banks nor with the Independent Third Parties; (b) the Group's recent financial position; (c) the Share Subscription is an available fund raising means that can provide immediate funding to the Group; (d) the Share Subscription can facilitate the Group to complete the Acquisition; and (e) the Share Subscription could improve the Company's financial position as a result of the additional working capital, we consider that the Share Subscription is in the interests of the Company and the Shareholders as a whole.

Dilution effect to the Existing Shareholders

Set out below is a table showing, for the purpose of illustration, the shareholding structure of the Company before and after the issue of the Subscription Shares (assuming that save for the Subscription Shares, no further Shares will be issued by the Company after the Latest Practicable Date until completion of the Share Subscription):

Name of Shareholders	As at the Latest Practicable Date		Immediately after completion of the Share Subscription Agreement	
	Shares	*%*	*Shares*	*%*
Big-Max and its concert parties *(Note 1)*	377,247,014	24.5	1,314,747,014	53.1
Mr. Xu Jin *(Note 2)*	253,837,198	16.5	253,837,198	10.2
Public	908,379,582	59.0	908,379,582	36.7
Total	1,539,463,794	100	2,476,963,794	100

Notes:

1. As at the Latest Practicable Date, Mr. Li Li Xin is deemed to have a beneficial interest in 377,247,014 Shares through Big-Max, whose issued share capital is beneficially owned as to 90% by Mr. Li Li Xin and as to 10% by his spouse, Jin Ya Er.

2. Mr. Xu Jin is a non-executive Director. He has intention to vote in favour of the Acquisition, the Continuing Connected Transactions, the Share Subscription and the Whitewash Waiver. Other than his capacity as a Director, he has no direct involvement in the Acquisition, the Share Subscription and the Whitewash Waiver.

3. Apart from Mr. Li Li Xin and Mr. Xu Jin, no other Directors hold any Shares.

As stated in the Letter from the Board, the Directors considered that there will be a dilution effect to the minority Shareholders' shareholding interests in the Company upon completion of the Share Subscription.

Taking into consideration that: (a) the Company has been registering audited loss in recent years; (b) the low liquidity of the Shares; (c) banks rejected the Company and the Group's request for loan facility; (d) other financial institutions expressed no interests in acting as underwriter or placing agent in fund raising exercises of the Company; and as the Share Subscription (e) the Share Subscription is an available fund raising means that offered to the Company which can provide immediate funding to the Group; (f) the Share Subscription can facilitate the Group to complete the Acquisition; and (g) the Share Subscription could make improvement of the Group's future prospect as a result of the additional working capital, we consider that the dilution effect to the minority Shareholders' shareholding interests in the Company upon completion of the Share Subscription to be fair and reasonable, and is in the interests of the Company and the Shareholders as a whole.

In light of the above, we consider that the Share Subscription is in the interests of the Company and the Shareholders as a whole.

Having considered the above as a whole, taking into account:

i) the Subscription Price represents a significant premium of 255.56% over the Group's latest audited net asset per Share;

ii) there is no assurance that the price of the Share will remain at current price level if the Acquisition and the Share Subscription do not complete;

iii) the Group's historical loss-making track records;

iv) the Group's latest reported outstanding short-term and long-term loans;

v) the Share Subscription as the appropriate fund raising means to provide immediate additional capital to the Company;

vi) the lack of other feasible fund raising means made available to the Company for the time being;

vii) the net proceeds of approximately HK$148million from the Share Subscription would substantially strengthen the Group's working capital and liquidity; and

viii) the dilution effect to the minority Shareholders' shareholding interests in the Company upon completion of the Share Subscription is considered to be acceptable,

we are of the view that the Subscription Price and the Share Subscription are fair and reasonable and are in the interests of the Company and the Shareholders as a whole, and the terms of the Share Subscription Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

3. Possible financial effects of the Share Subscription on the Group

A. Effect on earning per Share

The Group has been loss-making for the past five consecutive financial years since 2005. Although the Share Subscription will not have an immediate effect on the earnings of the Group or on earnings per Share, we consider that the Share Subscription may have a possible positive effect on earnings on the basis that the Company intends to apply HK$16 million for repayment of bank loans, which will reduce the interest costs of the Group.

B. Effect on net asset value per Share

As extracted from the Company's annual report for the financial year ended 31 March 2009, the audited consolidated NAV of the Group was HK$69,474,000. According to the Statement, the Enlarged Group's NAV would be increased by HK$150,000,000 upon completion of the Share Subscription. Based on the Statement and 2,476,963,794 Shares in issue upon Completion, the NAV per Share would be increased from approximately HK$0.028 per Share to approximately HK$0.090 per Share.

C. Effect on gearing ratio and working capital level

As stated in the Letter from the Board, upon completion of the Share Subscription, the Company will receive approximately HK$148 million from the proceeds paid by the Subscriber. It is the intention of the Directors that, upon completion of the Share Subscription, the Company plans to apply the net proceeds of HK$90 million for the Acquisition and the remaining proceeds of HK$20 million for acquisition/investments of new machineries, equipment, moulds and raw materials, HK$16 million for repayment of bank loans and the remaining balance of HK$22 million for general working capital. In light of this, we consider that the Share Subscription will result in a positive effect on both the gearing ratio and the working capital level of the Group.

In view of :

(i) although the Share Subscription will not have an immediate effect on the earnings of the Group or on earnings per Share, we consider that the Share Subscription may have a possible positive effect on earnings on the basis that the Company intends to apply HK$16 million for repayment of bank loans, which will reduce the interest costs of the Group;

(ii) the positive effect on the NAV per Share; and

(iii) the positive effect on the gearing ratio and the working capital level,

we are of the view that the Share Subscription will have positive financial effect on the Group and is in the interests of the Company and the Shareholders as a whole.

Taking into account the matters disclosed above, we are of the view that the Share Subscription is in the interests of the Company and the Shareholders as a whole, and the terms of the Share Subscription Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

(III) THE WHITEWASH WAIVER

As stated in the Letter from the Board, upon completion of the Share Subscription, 937,500,000 Subscription Shares will be issued by the Company to the Subscriber and the shareholding interest of the Subscriber in the Company will increase from approximately 24.5% as at the date of the Announcement to approximately 53.1% in the share capital of the Company immediately after the Completion as enlarged by the issue of the Subscription Shares. As such, the Subscriber and its concert parties will, upon completion of the Share Subscription, be required to make a mandatory general offer to the Shareholders to acquire the Shares and all other securities of the Company in issue not already owned or agreed to be acquired by Big-Max and parties acting in concert with it under Rule 26.1 of the Takeovers Code unless the Whitewash Waiver is granted by the Executive.

An application has been made by the Subscriber to the Executive for the Whitewash Waiver pursuant to Note 1 of the Notes on dispensations from Rule 26 of the Takeovers Code. The Executive has indicated that it will, subject to, among other things, the approval by the Independent Shareholders by way of poll at the SGM, grant the Whitewash Waiver.

It is a condition precedent to the completion of the Share Subscription that the Whitewash Waiver is granted by the Executive. If the Whitewash Waiver is not granted by the Executive or if the conditions (if any) imposed thereon are not fulfilled, the Share Subscription will not proceed. In such case, the requirement for Big-Max to make a mandatory general offer under Rule 26 of the Takeovers Code as a result of the Share Subscription will not be triggered.

RECOMMENDATION ON THE WHITEWASH WAIVER

In light of our analysis on the Share Subscription, and on the basis that the Share Subscription is in the interests of the Company and the Independent Shareholders as a whole, and the terms of the Subscription Agreement are fair and reasonable so far as the Independent Shareholders are concerned, together with the Whitewash Waiver is a condition precedent to the Share Subscription, we are of the view that the approval of the Whitewash Waiver is in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Whitewash Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant resolution(s) at the SGM to approve the Whitewash Waiver. We also recommend the Independent Shareholders to vote in favour of the relevant resolution(s) to approve the Whitewash Waiver at the SGM.

(IV) THE CONTINUING CONNECTED TRANSACTIONS

1. Background and reasons for and benefits of the proposed Continuing Connected Transactions

On Completion, members of the Target Group will become wholly-owned subsidiaries of the Company and the WFOE will become part of the Enlarged Group. As a condition to Completion, WFOE Agreements and certain agreements shall be entered into between the WFOE and various entities affiliated with Lisi Group. As Lisi Group is a connected person of the Company under the Listing Rules, the entering of the WFOE Agreements and the performance of the parties' respective obligations thereunder, will constitute continuing connected transactions under the Listing Rules.

As set out in the Letter from the Board, the Target Group is undergoing the Assets and Business Transfer pursuant to which the manufacturing equipment of plastic and household products, inventories and businesses of the PRC Vendors will be transferred to the WFOE upon completion of the Assets and Business Transfer. Upon the completion of the Assets and Business Transfer, the Target Group will be principally engaged in the manufacturing and sales of plastic and household products.

Furthermore, the Lisi Group has been in the manufacturing industry for over 16 years and that its group members are equipped with a larger selection of moulds, equipment and machineries, an import and export agency with experience and resources, and large areas of offices and factory space, it is essential and in the interests for the Company to enter into the proposed Continuing Connected Transactions in order to ensure the smooth continuance in operations of the Target Group upon the Completion.

2. The Lease Agreement

A. Background of the Lease Agreement

Pursuant to the Lease Agreement, the Dai Mei New Materials shall lease the Property to the WFOE for a term of three years commencing from 1 January 2010 to 31 December 2012. Upon the Lease Agreement become effective (subsequent to the obtaining of the Independent Shareholders' approval), the Lease Agreement will replace and supercede the Previous Lease Agreement. As set out in the Letter from the Board, the Property has been utilized as a factory and office premises for the operations of Da Mei New Materials and Ningbo Hua Xing as these floor areas are vital for the continuance of the business. The Directors considered that the renewal of the Lease Agreement will ensure the continuing smooth operations of the Target Group upon Completion. The Directors considered that it is in the best interests and the benefit to the Company to rent the existing premises based on a market rental rate to avoid any business interruption. Details of the Property are set out in the Letter from the Board under the section "Proposed Continuing Connected Transactions". In view of the above, we consider that the entering into the Lease Agreement is in the usual and ordinary course of business of the Group and in the interests of the Company and the Shareholder as a whole.

B. Consideration

As set out in the Letter from the Board, the rent for the Property for each month shall be RMB418,986 pursuant to the Lease Agreement and Previous Lease Agreement, as advised by the Directors, the rent is comparable to market rental charge for adjacent lands and buildings in the local property market. In order to assess the fairness and reasonableness of the rental charge, we have reviewed certain comparables provided by the Company and was made aware that Lisi Group has leased part of the factory building to two other companies which are not related to Lisi Group and we note that the monthly rental per square meter is comparable. We concur with the Directors' view that the Lease Agreement is entered into on normal commercial terms and fair and reasonable.

C. Annual Caps

The Directors have proposed the annual caps of RMB5,027,826 for the period from the date of Completion to 31 March 2011, RMB5,027,826 for the year ending 31 March 2012, and RMB3,770,870 for the period from 1 April 2012 to 31 December 2012. As set out in the Letter from the Board, due to the passage of time, the annual cap for the period from 1 January 2010 to 31 March 2010 as disclosed in the Continuing Connected Transactions Announcement is no longer applicable.

As set out in the Letter from the Board, the annual caps are determined with reference to the market rental fee for adjacent land and buildings in the local property market. The Directors are of the view that the terms of the Lease Agreement, including its annual caps, are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

To assess the fairness and reasonableness of the proposed annual caps, we have discussed with management of the Company regarding the basis and assumptions underlying the projections of the annual caps and noted that the annual caps were determined based on the monthly rental of RMB418,986 and multiplied by the number of months in the respective periods. Having considered the above, we consider the Directors have used fair and reasonable basis to determine the annual caps under the Lease Agreement.

3. The Export Agency Agreement

A. Background of the Export Agency Agreement

Pursuant to the Export Agency Agreement, Lisi Import and Export shall provide export agency services to the WFOE. These agency services include assisting the WFOE on handling government applications, settlement services and other liaison services between local government departments and the customers. The Export Agency Agreement is for a term of three years commencing from 1 January 2010 and ending on 31 December 2012.

B. Consideration

Lisi Import and Export will charge an amount equivalent to approximately 1.5% of the gross transactions amounts handled by Lisi Import and Export on behalf of the WFOE.

In order to assess the fairness and reasonableness of the consideration, we have reviewed certain relevant transactions under which Lisi Import and Export provided similar services. We are given to understand that Lisi Import and Export generally charged with a range from 1.5% to 1.8% of the gross transaction amounts handled. The 1.5% charged by Lisi Import and Export is therefore at the lower end of the range, and we consider the consideration charged by Lisi Import and Export under the Export Agency Agreement is no less favorable to the Group and the terms of Export Agency Agreement are on normal commercial terms and fair and reasonable.

C. Annual Caps

The Directors have proposed the annual caps of RMB3,000,000 for the period from the date of Completion to 31 March 2011, RMB3,500,000 for the year ending 31 March 2012, and RMB3,000,000 for the period from 1 April 2012 to 31 December 2012. As set out in the Letter from the Board, due to the passage of time, the annual cap for the period from 1 January 2010 to 31 March 2010 as disclosed in the Continuing Connected Transactions Announcement is no longer applicable.

As set out in the Letter from the Board, the above proposed annual caps are determined by the Directors with reference to (i) the market rates of comparable companies engaging in similar services, (ii) the estimated annual sales of the Target Group for the three months ending 31 March 2010, the twelve months ending 31 March 2011 and 2012, and the nine months ending 31 December 2012 respectively, (iii) the previous similar transactions between Da Mei New Materials and Lisi Import and Export of approximately RMB2,723,000 for the year 2007, approximately RMB2,330,000 for year 2008 and approximately RMB900,000 for the six months ended 30 June 2009, and (iv) the export agency service fees equivalent to approximately 1.50% of the gross transaction amounts handled by Lisi Import and Export. The Directors are of the view that the terms of the Export Agency Agreement, including its annual caps, are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

In assessing the fairness and reasonableness of the proposed annual caps, we have discussed with the management of the Company and are given to understand that the annual caps for the respective periods were determined after having taken into account (i) the historical transaction amounts for the similar transactions between Da Mei New Materials and Lisi Import and Export, (ii) the expected growth of the Group's business upon completion of the Acquisition and the Assets and Business Transfer, (iii) the recovery of the worldwide economy since the worldwide financial turmoil last year. The Directors are of the view that the growth of the worldwide economy is going to resume, and the Enlarged Group can enjoy synergies of larger customer base, increased efficiency on production and enhancement of the Group's name in the market through bigger market share and wider range of products of the Enlarged Group upon Completion. They expect that there will be an increase in the predicted transaction amounts of the Enlarged Group for the period from the date of Completion to 31 December 2012 as compared to the previous historical transactions between Dai Mei New Materials and Lisi Import and Export of approximately RMB2,723,000 for the year 2007, RMB2,330,000 for the year 2008 and RMB900,000 for the six months ended 30 June 2009.

In view of the above, we considered that the Directors have used fair and reasonable basis to determine the proposed annual caps, and the proposed annual caps are fair and reasonable so far as the Company and the Independent Shareholders as a whole are concerned.

4. The Import Agency Agreement

A. Background of the Import Agency Agreement

Pursuant to the Import Agency Agreement, Lisi Import and Export shall provide import agency services to the WFOE. These agency services include the handling of government applications, settlement services and the provision of guarantees in respect of payment obligations under raw materials or goods purchase contracts entered into between the WFOE with other third parties. The Import Agency Agreement is for a term of three years commencing from 1 January 2010 and ending on 31 December 2012.

B. Consideration

Lisi Import and Export will charge an amount equivalent to approximately 0.6% of the gross transaction amounts for each transaction handled by Lisi Import and Export on behalf of the WFOE.

In order to assess the fairness and reasonableness of the consideration, we have reviewed three import agency agreements under which Lisi Import and Export provided similar services to Independent Third Parties. We are made aware that Lisi Import and Export generally charged with a range from 0.6% to 1.2% of the gross transaction amounts handled. The 0.6% charged by Lisi Import and Export is therefore at the lower end of the range and we consider the consideration charged by Lisi Import and Export under the Import Agency Agreement is no less favorable to the Group and the terms of Import Agency Agreement are on normal commercial terms and fair and reasonable.

C. Annual Caps

The Directors have proposed the annual caps of RMB63,000,000 for the period from the date of Completion to 31 March 2011, RMB75,600,000 for the year ending 31 March 2012, and RMB64,800,000 for the period from 1 April 2012 to 31 December 2012. As set out in the Letter from the Board, due to the passage of time, the annual cap for the period from 1 January 2010 to 31 March 2010 as disclosed in the Continuing Connected Transactions Announcement is no longer applicable.

As set out in the Letter from the Board, the above proposed annual caps are determined by the Directors with reference to (i) the market rates of comparable companies engaging in similar services, (ii) the estimated value of purchases of the Target Group of approximately RMB60 million annually, (iii) the previous similar transactions between Da Mei New Materials and Lisi Import and Export of approximately RMB47,000,000 for the year 2007, approximately RMB41,700,000 for the year 2008 and approximately RMB13,000,000 for the six months ended 30 June 2009, (iv) the Company expected that there will be a significant increase in the annual transaction value, (v) anticipated growth of the industry, and (vi) the forecasted growth rate of the business of the WFOE of 20% per annum. The Directors expect the annual caps for the period from the date of Completion to 31 December 2012 will be significantly higher than those for the preceding years. The increase in transaction values is mainly caused by the anticipated increase in the cost of raw materials, which would lead to higher costs, and the increase in the transaction volume. The Directors are of the view that the terms of the Import Agency Agreement, including its annual caps, are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

In assessing the fairness and reasonableness of the proposed annual caps, we have discussed with the management of the Company and noted that the above basis of determination of annual caps is similar as those under the Export Agency Agreement. We have reviewed the projection of the annual caps prepared by the Company and were made aware that the respective annual caps were determined after taken into account (i) the historical transaction amounts for similar transactions between Da Mei New Materials and Lisi Import and Export, (ii) the estimated imported materials at about RMB60,000,000 which is about 1/3 of the estimated sales turnover for 2010, the proportion which is estimated according to historical trends, (iii) the expected growth of the Group's business upon Completion, and (iv) the recovery of the worldwide economy since the worldwide financial turmoil last year.

On the expected increase in the cost of raw materials, we were given to understand that imported raw materials are essentially plastics. Because of the exceptionally low interest rate maintained by all major economies in the world to stimulate economic recovery after the recent financial turmoil, the prices of all major raw materials in global market have been rising in the past few months and it is widely expected that the prices will continue to rise in the coming years.

On the anticipated growth of the industry, we were given to understand that the management of the Company expects the US economy (a major market of the Target Group) will recover, though may not be a V-shape rebound, from the recent financial turmoil and thus bring growth in the demand for household products and also the industry.

On the forecasted growth rate of the business of the WFOE of 20% per annum, we were given to understand that the management of the Company expects the Enlarged Group can enjoy a higher growth rate upon Completion which will bring benefits to the Enlarged Group in terms of wider market presence and synergies in various aspects of the business operations. In addition, the management of the PRC Vendors considered 20% growth rate is achievable.

In view of the above and after having obtained detailed written elaboration and projection of the annual caps from the management of the Company, we consider that the Directors have used fair and reasonable basis to determine the annual caps, and the proposed annual caps are fair and reasonable so far as the Company and the Independent Shareholders as a whole are concerned.

5. The Value-Added Processing Co-operation Agreement

A. Background of the Value-Added Processing Co-operation Agreement

Pursuant to the Value-Added Processing Co-operation Agreement, Lisi Plastics agrees to provide processing services to the WFOE. Due to the business nature of the Target Group where from time to time the WFOE will require tailor-made production to customers, it is anticipated that the WFOE might require certain processing co-operation arrangements with Lisi Plastics which have a larger selection of moulds, equipment and machineries. The Value-Added Processing Co-operation Agreement is for a term of three years commencing from 1 January 2010 and ending on 31 December 2012.

B. Consideration

As set out in the Letter from the Board, due to the variations as to the extent and the scope of the transactions under the Value-Added Processing Co-operation Agreement, the basis of the consideration of the transactions contemplated thereunder could not be formularized. However, the general principle for the pricing and the terms of the Value-Added Processing Co-operation Agreement is that the transactions shall be entered on normal commercial terms to be subsequently agreed once negotiations have been held between the relevant parties in good faith and at arms' length with reference to the prevailing market prices. The terms to be offered by Lisi Plastics in relation to the Value-Added Processing Co-operation Agreement should not be less favourable than those offered to Independent Third Parties.

In order to assess the fairness and reasonableness of the consideration, we have reviewed the Value-Added Processing Co-operation Agreement and noted that the processing fees charged to the WFOE will be determined at arms' length with reference to the prevailing market prices and on order by order basis. In addition, as the Value-Added Processing Co-operation Agreement is entered on non-exclusive basis, the WFOE is in their own discretion to confirm or to place any purchase order to Lisi Plastics if the WFOE can obtain more favorable terms for the moulds, equipment and machineries from Independent Third Parties. Furthermore, the entering into the Value-Added Processing Co-operation Agreement would provide additional sources of supply of moulds, equipment and machineries to the WFOE while at the same time reserving the flexibility for the WFOE to purchase moulds, equipment and machineries at more favorable terms from Independent Third Parties. In view of the above, we are of view that the terms of the Value-Added Processing Co-operation Agreement are on normal commercial terms and are fair and reasonable to the Group and the WFOE.

C. Annual Caps

The Directors have proposed the annual caps of RMB5,250,000 for the period from the date of Completion to 31 March 2011, RMB6,300,000 for the year ending 31 March 2012, and RMB5,400,000 for the period from 1 April 2012 to 31 December 2012. As set out in the Letter from the Board, due to the passage of time, the annual cap for the period from 1 January 2010 to 31 March 2010 as disclosed in the Continuing Connected Transactions Announcement is no longer applicable.

As set out in the Letter from the Board, the above proposed annual caps are determined by the Directors with reference to the estimated price and volume after considering the growth trend of the businesses of the Target Group and a reasonable buffer to cater for potential increases in volume and variety of business activities that may generate the need and level of usage of the processing services.

As there is no track record of processing services between the WFOE and Lisi Plastics, we have discussed with the management of the Company about the basis in determining the respective annual caps. We are given to understand that the processing services may happen occasionally in the future when the WFOE does not have enough capacity or technical capability to fulfill certain individual orders, and the respective annual caps are based on (i) the estimated volume of sales that requires processing services, which is about RMB20,000,000; (ii) the estimated percentage of processing fees (including mould costs) per order, which is about 25% of the sales amount for each of the transactions which requires processing services; and (iii) the growth rate of the business of the Target Group.

We consider the above estimated volume of sales that requires processing services, which represent approximately 9% of the turnover of the Group for the year ended 31 March 2009, is fair and sufficient. In addition, we are advised that the estimated percentage of processing fees (including mould costs) per order is estimated based on the experience of the PRC Vendors, and the expected growth rate of the Target Group has taken into account of (i) the recovery of the worldwide economy since the financial turmoil last year, in particular, the US market, which is the major market for PRC Vendors, (ii) the possible synergy effects of the Enlarged Group as a result of more competitive cost structure and exchange of customer bases, and (iii) the enhancement of the Group's name in the market through bigger market share and wider range of products of the Enlarged Group upon Completion.

In view of the above, we consider that the Directors have used fair and reasonable basis to determine the annual caps for the Value-Added Processing Co-operation Agreement, and the proposed annual caps are fair and reasonable so far as the Company and the Independent Shareholders as a whole are concerned.

RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that the Acquisition, the Share Subscription and the Continuing Connected Transactions are in the interests of the Company and the Shareholders as a whole and the terms of the Acquisition Agreement, the Share Subscription Agreement and the Continuing Connected Transactions are fair and reasonable so far as the Independent Shareholders are concerned. Since the grant of the Whitewash Waiver is a condition precedent to the Share Subscription, we also consider that the grant of the Whitewash Waiver is in the interests of the Independent Shareholders. Accordingly, we recommend the Independent Shareholders, and also the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the relevant resolutions to approve the Acquisition, the Share Subscription, the Whitewash Waiver and the Continuing Connected Transactions at the SGM.

Yours faithfully,
For and on behalf of
Athens Capital Limited

William Keith Jacobsen
Director

Ross Cheung
Director

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

The following financial information ("**Financial Information**") has been extracted from the financial statements of the Group for unaudited consolidated results of the Group for the six months ended 30 September 2009 and 2008, and the audited consolidated financial positions of the Group for the three years ended 31 March 2009, 2008 and 2007 as set out in the relevant published interim report and annual reports of the Company.

Consolidated Income Statement

	Unaudited six months ended 30 September		Audited for the years ended 31 March		
	2009	**2008**	**2009**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	147,934	145,135	251,605	215,997	219,508
Cost of sales	(113,129)	(120,268)	(203,618)	(182,104)	(189,717)
Gross profit	34,805	24,867	47,987	33,893	29,791
Other revenue	913	673	1,990	2,067	2,538
Other income	228	128	6,580	14,271	10,172
Selling and distribution expenses	(5,840)	(4,984)	(10,424)	(9,390)	(9,076)
Administrative and other operating expenses	(21,870)	(20,556)	(44,401)	(44,699)	(44,287)
Finance costs	(4,077)	(7,082)	(12,593)	(12,445)	(11,904)
Profit/(Loss) before taxation	4,159	(6,954)	(10,861)	(16,303)	(22,766)
Taxation credit (charge)	–	–	–	10	(56)
Profit/(Loss) for the period/year attributable to equity holders of the Company	4,159	(6,954)	(10,861)	(16,293)	(22,822)
Earnings/(Loss) per share – Basic	HK0.27 cent	HK(0.50) cent	HK(0.77) cent	HK(1.28) cents	HK(1.83) cents

Note: The Group did not have any extraordinary, exceptional items or profits/loss attributable to minority interest and has not declared any dividends for the three years ended 31 March 2009.

Consolidated Balance Sheet

	Unaudited As at 30 September 2009	Audited As at 31 March 2009	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets				
Property, plant and equipment	235,481	237,719	231,695	222,011
	235,481	237,719	231,695	222,011
Current assets				
Inventories	23,440	18,233	20,202	29,534
Trade and bills receivables	64,838	25,557	23,243	27,015
Due from a director	–	170	–	–
Prepayments, deposits and other receivables	4,265	3,724	3,087	4,395
Tax recoverable	–	–	–	233
Pledged deposits	–	–	5,298	5,058
Bank balances and cash	10,561	11,168	14,680	7,919
	103,104	58,852	66,510	74,154
Current liabilities				
Trade and other payables	92,659	84,436	64,579	86,992
Advance from a related company	6,818	3,409	–	7,000
Loan from a related company	6,355	6,396	6,396	7,800
Loans from a shareholder	11,000	6,000	6,000	28,000
Short-term bank and other borrowings	33,722	5,568	10,374	133,068
Current portion of long-term bank borrowing	22,727	17,045	11,111	–
Current portion of obligations under finance leases	639	1,830	3,173	2,003
Zero-coupon convertible bonds	–	–	17,389	–
	173,920	124,684	119,022	264,863
Net current liabilities	(70,816)	(65,832)	(52,512)	(190,709)
Total assets less current liabilities	164,665	171,887	179,183	31,302
Non-current liabilities				
Obligations under finance leases	123	140	881	3,666
Long-term bank borrowing	90,909	102,273	116,667	–
	91,032	102,413	117,548	3,666
NET ASSETS	73,633	69,474	61,635	27,636
Capital and reserves				
Share capital	15,395	15,395	13,849	86,873
Reserves	58,238	54,079	47,786	(59,237)
TOTAL EQUITY	73,633	69,474	61,635	27,636

2. SUMMARY OF AUDITED FINANCIAL STATEMENTS

Set out below is the audited consolidated income statement, consolidated balance sheet, consolidated statement of changes in equity, consolidated cash flow statement, balance sheet and notes to the financial statements of the Group as extracted from pages 19 to 59 of the annual report of the Company for the year ended 31 March 2009. References to page number in this appendix are to the page numbers of such annual report of the Company.

Consolidated Income Statement
Year ended 31 March 2009

	Note	**2009** *HK$'000*	**2008** *HK$'000*
Turnover	5	251,605	215,997
Cost of sales		(203,618)	(182,104)
Gross profit		47,987	33,893
Other revenue	5	1,990	2,067
Other income	6	6,580	14,271
Selling and distribution expenses		(10,424)	(9,390)
Administrative and other operating expenses		(44,401)	(44,699)
Finance costs	7	(12,593)	(12,445)
Loss before taxation	7	(10,861)	(16,303)
Taxation credit	10	–	10
Loss for the year attributable to equity holders of the Company	11	(10,861)	(16,293)
Loss per share			
Basic	12	HK(0.77) cent	HK(1.28) cents

Consolidated Balance Sheet
At 31 March 2009

	Note	2009 HK$'000	2008 HK$'000
Non-current assets			
Property, plant and equipment	13	237,719	231,695
Current assets			
Inventories	15	18,233	20,202
Trade and bills receivables	16	25,557	23,243
Due from a director	17	170	–
Prepayments, deposits and other receivables		3,724	3,087
Pledged deposits		–	5,298
Bank balances and cash		11,168	14,680
		58,852	66,510
Current liabilities			
Trade and other payables	18	84,436	64,579
Advance from a related company	19	3,409	–
Loan from a related company	20	6,396	6,396
Loan from a shareholder	21	6,000	6,000
Short-term bank borrowings	22(a)	5,568	10,374
Current portion of long-term bank borrowing	22(b)	17,045	11,111
Current portion of obligations under finance leases	23	1,830	3,173
Zero-coupon convertible bonds	24	–	17,389
		124,684	119,022
Net current liabilities		(65,832)	(52,512)
Total assets less current liabilities		171,887	179,183
Non-current liabilities			
Obligations under finance leases	23	140	881
Long-term bank borrowing	22(b)	102,273	116,667
		102,413	117,548
NET ASSETS		69,474	61,635
Capital and reserves			
Share capital	25	15,395	13,849
Reserves	26	54,079	47,786
TOTAL EQUITY		69,474	61,635

Balance Sheet

At 31 March 2009

	Note	2009 HK$'000	2008 HK$'000
Non-current assets			
Interests in subsidiaries	14	101,100	110,063
Current assets			
Prepayments, deposits and other receivables		554	534
Bank balances and cash		53	113
		607	647
Current liabilities			
Other payables and accruals		3,140	2,368
Loan from a related company	20	6,396	6,396
Loan from a shareholder	21	6,000	6,000
Zero-coupon convertible bonds	24	–	17,389
		15,536	32,153
Net current liabilities		(14,929)	(31,506)
NET ASSETS		86,171	78,557
Capital and reserves			
Share capital	25	15,395	13,849
Reserves	26	70,776	64,708
TOTAL EQUITY		86,171	78,557

Consolidated Statement of Changes in Equity
Year ended 31 March 2009

	2009	2008
	HK$'000	*HK$'000*
Opening balance – Total equity at 1 April	61,635	27,636
Issue of zero-coupon convertible bonds, net of issuing expenses	–	330
Issue of shares for Open Offer, net of issuing expenses	–	41,276
Issue of shares on conversion of zero-coupon convertible bonds	18,700	8,686
Loss for the year	(10,861)	(16,293)
Closing balance – Total equity at 31 March	69,474	61,635

Consolidated Cash Flow Statement
Year ended 31 March 2009

	2009	2008
	HK$'000	*HK$'000*
OPERATING ACTIVITIES		
Loss before taxation	(10,861)	(16,303)
Depreciation	15,188	15,991
Reversal of impairment loss on property, plant and equipment, net	(4,814)	(12,731)
Interest income	(513)	(802)
Interest expense	12,593	12,445
Gain on disposal of property, plant and equipment	(831)	(1,245)
Bad debts written off	86	–
Allowance for bad and doubtful debts	500	2,010
Write-back of allowance for bad and doubtful debts	(935)	(295)
Allowance for inventory obsolescence	477	917
Changes in working capital:		
Inventories	1,492	8,415
Trade and bills receivables	(2,900)	4,067
Prepayments, deposits and other receivables	298	(702)
Trade and other payables	19,857	(21,902)
Cash generated from (used in) operating activities	29,637	(10,135)
Interest paid	(10,919)	(11,586)
Hong Kong Profits Tax refund	–	135
Net cash from (used in) operating activities	18,718	(21,586)
INVESTING ACTIVITIES		
Interest received	513	802
Decrease (Increase) in pledged deposits	5,298	(240)
Purchase of property, plant and equipment	(15,427)	(14,267)
Proceeds on disposal of property, plant and equipment	1,419	2,568
Net cash used in investing activities	(8,197)	(11,137)

Consolidated Cash Flow Statement (Continued)
Year ended 31 March 2009

	2009	2008
	HK$'000	*HK$'000*
FINANCING ACTIVITIES		
(Repayment) Advance from a related company	3,409	(7,000)
Advance to a director	(170)	–
Loans from a shareholder	–	10,000
Net proceeds from Open Offer	–	25,075
New short-term bank borrowings	5,568	–
Net proceeds from issue of zero-coupon convertible bonds	–	25,423
New long-term bank borrowing	–	133,333
Repayment of loan from a related company	–	(1,404)
Repayment of loan from a shareholder	–	(15,799)
Repayment of short-term bank borrowings	(10,374)	(122,694)
Repayment of long-term bank borrowing	(8,460)	(5,555)
Repayment of obligation under finance leases	(3,643)	(1,615)
Interest paid on obligation under finance leases	(363)	(280)
Net cash (used in) from financing activities	(14,033)	39,484
Net (decrease) increase in cash and cash equivalents	(3,512)	6,761
Cash and cash equivalents at beginning of year	14,680	7,919
Cash and cash equivalents at end of year, represented by bank balances and cash	11,168	14,680

Note: **Major non-cash transaction**

During the year, the Group entered into finance lease arrangements not required the use of cash in respect of assets with a total capital value at the inception of the lease of HK$1,559,000 (2008: Nil).

Notes to the Financial Statements

Year ended 31 March 2009

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 as at 31 March 2009.

In preparing the financial statements for the year ended 31 March 2009, the directors adopted a going concern basis as the following actions and measures have been taken by the Group to improve the financial position and performance of the Group:

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

- In August 2007, the Company issued zero-coupon convertible bonds of HK$26,000,000 due on 1 February 2009 ("Convertible Bonds"). During the year 2009, the remaining HK$17,000,000 Convertible Bonds were converted into 154,545,454 shares which contributed to a reduction of expected cash outflow of HK$18,700,000 upon the maturity of the Convertible Bonds on 1 February 2009, and further strengthened the Group's equity base.

- In March 2009, the Group obtained a 1-year term loan facility in the amount of RMB4,900,000 at an interest rate of 95% of the base lending rate published by the People's Bank of China from the Shajing sub-branch of a bank in the People's Republic of China ("PRC"). This secured loan provided short-term funding to the Group and improved its liquidity position.

- The Group had agreed with a related company and a shareholder to extend the maturity of their loans of US$820,000 (equivalent to HK$6,396,000) and HK$6,000,000 to September 2009 and August 2009 respectively. Details of the loans are described in notes 20 and 21 to the financial statements.

- Inventories have been regularly reviewed and any excessive inventories would be sold and idle assets would be disposed of.

ii) From time to time, the Group engages the suppliers to negotiate for more favourable credit terms. Meanwhile, credits periods granted to customers are reviewed in order to determine if any revision is needed.

iii) Credit limits of export credit insurance had been granted by China Export & Credit Insurance Corporation in May 2009 for facilitating a trade finance facility of RMB17,000,000 from a PRC bank in May 2009.

iv) The Group improved the productivity through the replacement of machineries with new models. Nineteen sets of plastic injection machines were purchased during the year to replace certain machines of low productivity.

v) Since the change of management in March 2006, the Group has committed substantial efforts in improving production efficiency, cost effectiveness and sales impetus. The results of all these efforts had been gradually materialised and evidenced in various forms such as new customers signed, cost reductions in both direct input and overheads, improved gross margins and sales turnover.

vi) The Group would continue its current successful strategies, especially focusing on higher-margin business opportunities and creditworthy customers so as to boost up the quality and return of sales. With the newly established outsourcing unit and other continuous improvement in organisation, controls and productivity, any substantial sales increment could be comfortably accommodated without further substantial capital investment.

3. PRINCIPAL ACCOUNTING POLICIES

Statement of compliance

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the 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 2008 financial statements. The new/revised HKFRS that are effective from the current year has had no significant effects on the results and financial position of the Group and the Company for the current and prior years.

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 that of the Company using consistent accounting policies.

All intra-group balances, transactions, income 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 Group 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.

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. Where parts of an item of property, plant and equipment have different useful lives, the cost of the items is allocated on a reasonable basis and depreciated separately:

Leasehold land and buildings	Over the unexpired term of lease
Leasehold improvements	14.3% – 20%
Plant and machinery	20%
Furniture, fixtures, office and computer equipment	20%
Motor vehicles	20% – 25%
Moulds	10% – 14.3%

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year in which the item is derecognised.

Construction in progress

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.

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 substantially all the risks and rewards of ownership of the financial asset. A financial liability is derecognised only when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expires.

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 loan and receivables

At each balance sheet date, the Group assesses whether there is objective evidence that financial assets are impaired.

An allowance for impairment of loans and receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicator that the trade receivable is impaired.

The amount of the impairment loss is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement.

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.

Convertible bonds

The component of the convertible bond that exhibits characteristics of a liability is recognised as a liability in the balance sheet, net of issue costs. On the issue of the convertible bond, the fair value of the liability component is determined using a market rate for a similar bond that does not have a conversion option; and this amount is carried as a current liability on the amortised cost basis until extinguished on conversion or redemption.

The remainder of the proceeds is allocated to the conversion option that is recognised and included in the convertible bond equity reserve within shareholders' equity, net of issue costs. The value of the conversion option carried in equity is not changed in subsequent years. When the conversion option is exercised, the balance of the convertible bond equity reserve is transferred to share premium account or other appropriate reserve. When the conversion option remains unexercised at the expiry date, the balance remained in the convertible bond equity reserve is transferred to retained earnings. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Issue costs are apportioned between the liability and equity components of the convertible bond based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

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 changes 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 transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title is passed.

Rental income under operating lease is recognised when the properties are let out and on the straight-line basis over the lease terms.

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 average exchange rate; and

- 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. On disposal of a foreign operation, the cumulative amount of the exchange differences deferred in separate component of equity relating to that foreign operation is recognised in income statement when the gain or loss on disposal is recognised.

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.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period of the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Impairment of other assets

At each balance sheet date, the Group reviews internal and external sources of information to determine whether its 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.

As lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

As lessee

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 charged to profit or loss on a 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. Contingent rentals are recognised as expenses in the accounting period in which they are incurred.

Employee benefits

Defined contribution plans

The Group operates a defined contribution retirement scheme for the Hong Kong employees based on local laws and regulations. The scheme covers all eligible employees. The obligations for contributions to defined contribution retirement scheme 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, any deferred tax arising from initial recognition of goodwill; or other 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 is not recognised.

The deferred tax liabilities and assets are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, based on tax rates and 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;

(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

Estimates, assumptions concerning the future and judgements are made by the management in the preparation of the financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Where appropriate, revisions to accounting estimates are recognised in the period of revision and future periods, in case the revision also affects future periods.

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 the collectability of the accounts 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$25,557,000 (2008: HK$23,243,000).

Allowance for inventories

The Group's management reviews the condition of inventories, as stated in note 15 to the financial statements, at each balance sheet date, and makes allowance for inventories that are identified as obsolete, slow-moving or no longer recoverable or suitable for use in production. Management carries out the inventory review on a product-by-product basis and makes allowances by reference to the latest market prices and current market conditions.

Impairment of investments and receivables

The Company assesses annually if investment in subsidiaries has suffered any impairment in accordance with HKAS 36 and follows the guidance of HKAS 39 in determining whether amounts due from those entities are impaired. Details of the approach are stated in the respective accounting policies. The assessment requires an estimation of future cash flows, including expected dividends, from the assets and the selection of appropriate discount rates. Future changes in financial performance and position of these entities would affect the estimation of impairment loss and cause the adjustments of their carrying amounts.

Future changes in HKFRS

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

HKFRS 8	Operating Segments[1]
HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
Amendments to HKFRS 2	Share-based Payment – Vesting Conditions and Cancellations[1]
Amendments to HKAS 32 and HKAS 1	Puttable Financial Instruments and Obligations Arising on Liquidations[1]
Amendments to HKFRS 1 and HKAS 27	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKFRS 1 (Revised)	First-time adoption of HKFRS[2]
Amendments to HKAS 39	Eligible Hedge Items[2]
Improvements to HKFRS	Improvements to HKFRS[3]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[4]
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation[5]
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate[1]
HK(IFRIC) – Int 17	Distributions of non-cash Assets to Owners[2]

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 July 2009
3 Effective for annual periods beginning on or after 1 January 2009 except for the amendments to HKFRS 5 which are effective for annual periods beginning on or after 1 July 2009
4 Effective for annual periods beginning on or after 1 July 2008
5 Effective for annual periods beginning on or after 1 October 2008

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.

4. 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	
	2009	2008	2009	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
United States of America	187,377	164,573	9,168	3,067
Canada	6,519	8,316	1,035	416
Hong Kong	28,212	19,995	3,259	1,932
PRC	245	2,154	1	(359)
Europe	9,494	5,646	1,362	344
Others	19,758	15,313	3,293	927
	251,605	215,997	18,118	6,327
Unallocated corporate expenses			(16,386)	(10,185)
Finance costs			(12,593)	(12,445)
Taxation credit			–	10
Loss for the year attributable to equity holders of the Company			(10,861)	(16,293)

No analysis of the segment assets, liabilities and capital expenditure information by geographical location is presented as approximately 90% (2008: 90%) of the Group's assets are located in the PRC.

5. TURNOVER AND REVENUE

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

	Group	
	2009	2008
	HK$'000	*HK$'000*
Turnover		
Sale of goods	251,605	215,997
Other revenue		
Rental income	1,219	–
Interest income	513	802
Others	258	1,265
	1,990	2,067
Total revenue	253,595	218,064

6. OTHER INCOME

		Group	
		2009	2008
	Note	*HK$'000*	*HK$'000*
Gain on disposal of property, plant and equipment		831	1,245
Reversal of impairment loss on property, plant and equipment, net	13	4,814	12,731
Write-back of allowance for bad and doubtful debts		935	295
		6,580	14,271

7. LOSS BEFORE TAXATION

	Group	
	2009	2008
This is stated after charging:	*HK$'000*	*HK$'000*
Finance costs		
Amortised costs on zero-coupon convertible bonds	1,311	982
Interest on bank borrowings wholly repayable within five years	9,969	8,856
Interest on loans from a shareholder wholly repayable within five years	503	1,802
Interest on loan from a related company wholly repayable within five years	447	525
Finance charges on obligations under finance leases	363	280
	12,593	12,445
Other items		
Auditor's remuneration	550	600
Allowance for bad and doubtful debts	500	2,010
Bad debts written off	86	–
Cost of inventories	203,618	182,104
Depreciation of property, plant and equipment	15,188	15,991
Exchange losses, net	4,521	15,412
Operating lease charges on premises	972	922
Allowance for inventory obsolescence	477	917
Staff costs (excluding directors' emoluments):		
Wages and salaries	40,501	33,061
Termination benefits	1,017	1,636
Contributions to retirement schemes	1,159	1,018
	42,677	35,715

8. DIRECTORS' EMOLUMENTS

The aggregate amounts of remuneration received and receivable by the Company's directors are as follows:

		2009			
		Directors' fees	**Salaries, allowances and benefits in kind**	**Retirement scheme contributions**	**Total**
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive director					
Cheng Jian He	ii	–	–	–	–
Non-executive directors					
Lau Kin Hon		–	175	3	178
Xu Jin	i	–	–	–	–
Li Li Xin	ii	–	–	–	–
Independent non-executive directors					
Chan Man Sum Ivan		144	–	–	144
Cheung Kiu Cho Vincent		120	–	–	120
He Chengying		120	–	–	120
		384	175	3	562

		2008			
		Directors' fees	**Salaries, allowances and benefits in kind**	**Retirement scheme contributions**	**Total**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive director					
Xu Jin	i	–	–	–	–
Non-executive director					
Lau Kin Hon		–	653	12	665
Independent non-executive directors					
Chan Man Sum Ivan		144	–	–	144
Cheung Kiu Cho Vincent		120	–	–	120
He Chengying		120	–	–	120
		384	653	12	1,049

Note:

i) Redesignated as non-executive director on 18 September 2008.

ii) Appointed on 18 September 2008.

9. FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS

The emoluments of the five (2008: four) highest paid individuals of the Group during the year are as follows:

	Group	
	2009	**2008**
	HK$'000	*HK$'000*
Salaries and other benefits	3,917	2,743
Contributions to retirement scheme	51	46
	3,968	2,789

The emoluments fell within the following bands:

	Group Number of individuals	
	2009	**2008**
Nil to HK$1,000,000	3	4
Over HK$1,000,000	2	–
	5	4

In 2009, the above highest paid individuals do not include any director of the Company. In 2008, a director of the Company was one of the five highest paid individuals, details of whose emoluments are set out in note 8 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 for the year as the Group incurred a loss for taxation purposes. Last year's tax credit represented overprovision for Hong Kong Profits Tax in prior years.

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

	Group	
	2009	**2008**
Reconciliation of effective tax rate	*%*	*%*
Applicable tax rate	(17)	(18)
Non-deductible expenses	10	8
Unrecognised temporary differences	1	(21)
Unrecognised tax losses	20	31
Recognition of previously unrecognised deferred tax assets	(15)	–
Differences in overseas tax rates	1	–
Effective tax rate for the year	–	–

The applicable tax rate is the Hong Kong Profits Tax rate of 16.5% (2008: 17.5%).

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

Of the Group's loss for the year of HK$10,861,000 (2008: HK$16,293,000), a loss of HK$11,086,000 (2008: HK$22,508,000) 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$10,861,000 (2008: HK$16,293,000) and on the weighted average number of 1,410,323,000 (2008: 1,276,727,000) shares in issue during the year.

No diluted loss per share is presented for 2009 as there were no dilutive events during the year ended 31 March 2009. No diluted loss per share is presented for 2008 as the potential ordinary shares under the Convertible Bonds are anti-dilutive.

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures, office and computer equipment HK$'000	Motor vehicles HK$'000	Moulds HK$'000	Construction in progress HK$'000	Total HK$'000
Group								
Reconciliation of carrying amount – year ended 31 March 2008								
At beginning of year	178,366	2,424	10,856	817	247	28,943	358	222,011
Additions	–	–	37	305	70	3,969	9,886	14,267
Disposals and write-off	–	–	(1,221)	(5)	(13)	(84)	–	(1,323)
Depreciation	(4,732)	(1,121)	(3,098)	(757)	(68)	(6,215)	–	(15,991)
Impairment loss	–	–	–	–	–	(5,175)	–	(5,175)
Reversal of impairment loss	17,906	–	–	–	–	–	–	17,906
Transferred from construction in progress	8,881	536	12	63	–	–	(9,492)	–
At balance sheet date	200,421	1,839	6,586	423	236	21,438	752	231,695
Reconciliation of carrying amount – year ended 31 March 2009								
At beginning of year	200,421	1,839	6,586	423	236	21,438	752	231,695
Additions	5,142	–	3,504	462	92	5,705	2,081	16,986
Disposals and write-off	–	–	(505)	(69)	–	(14)	–	(588)
Depreciation	(6,552)	(528)	(2,950)	(338)	(75)	(4,745)	–	(15,188)
Impairment loss	–	–	–	–	–	(1,521)	–	(1,521)
Reversal of impairment loss	6,335	–	–	–	–	–	–	6,335
Transferred from construction in progress	422	1,122	698	80	59	–	(2,381)	–
At balance sheet date	205,768	2,433	7,333	558	312	20,863	452	237,719
At 1 April 2008								
Cost	262,822	16,053	75,584	32,659	5,901	198,173	752	591,944
Accumulated depreciation and impairment losses	(62,401)	(14,214)	(68,998)	(32,236)	(5,665)	(176,735)	–	(360,249)
	200,421	1,839	6,586	423	236	21,438	752	231,695
At 31 March 2009								
Cost	268,386	17,175	74,694	32,857	6,030	203,823	452	603,417
Accumulated depreciation and impairment losses	(62,618)	(14,742)	(67,361)	(32,299)	(5,718)	(182,960)	–	(365,698)
	205,768	2,433	7,333	558	312	20,863	452	237,719

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

In light of the improvement of the efficiency and effectiveness of the Group's operation, productivity and sales during the year, management considers that there is indication that the impairment loss previously recognised no longer exists or may be reduced. Therefore, management has assessed the carrying value of the property, plant and equipment. Based on this assessment, management considered that the recoverable amount of the leasehold land and buildings located in the PRC has been increased by HK$6,335,000 (2008: HK$14,207,000). Accordingly, the carrying amount of these leasehold land and buildings has been increased by the same amount. The recoverable amount of these land and buildings is determined by reference to the value in use of the relevant assets, using the discount rate of 17.9% (2008: 16.9%) per annum.

On the other hand, management considered that further provision on certain idle moulds of HK$1,521,000 (2008: HK$5,175,000), by reference to their utilisation analysis, should be made.

The reversal (net of provision) of impairment loss on property, plant and equipment of HK$4,814,000 (2008: HK$12,731,000) has been allocated to the geographical segment by reference to its turnover ratio as disclosed in note 4 to the financial statements.

The net book value of the Group's property, plant and equipment includes an amount of HK$1,773,000 (2008: HK$632,000) in respect of assets held under finance leases.

14. INTERESTS IN SUBSIDIARIES

	Company	
	2009	**2008**
	HK$'000	*HK$'000*
Unlisted shares, at cost	158,598	158,598
Provision for impairment loss	(158,598)	(158,598)
	–	–
Due from subsidiaries	454,636	452,979
Allowance for bad and doubtful debts	(353,536)	(342,916)
	101,100	110,063
	101,100	110,063

The amounts due from subsidiaries are unsecured, interest-free and have no fixed repayment term. 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	BVI	US$6 ordinary	100%	–	Investment holding
Magician Strategic Limited	BVI	US$1 ordinary	100%	–	Investment holding
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%	Subletting of premises to the group companies
Magicgrand Development Limited	BVI	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 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 2009	Group 2008
	HK$'000	*HK$'000*
Raw materials	6,862	8,876
Work-in-progress	8,690	8,194
Finished goods	2,681	3,132
	18,233	20,202

16. TRADE AND BILLS RECEIVABLES

	Note	Group 2009	Group 2008
		HK$'000	*HK$'000*
Trade and bills receivables from third parties		67,485	64,644
Allowance for bad and doubtful debts	(i)	(41,928)	(41,401)
		25,557	23,243

In general, the Group allows a credit period of 30 to 60 days to its trade customers. Included in the Group's trade receivables balance are debtors with a carrying amount of HK$5,062,000 (2008: HK$6,537,000), which were past due at the balance sheet date but not impaired as there has not been a significant change in credit quality and were subsequently settled. These relate to a wide range of customers for whom there is no recent history of default.

At the balance sheet date, the ageing analysis of the trade and bills receivables (net of allowance for bad and doubtful debts) is as follows:

	Group 2009	Group 2008
	HK$'000	*HK$'000*
Current	20,495	16,706
Less than 1 month past due	4,717	4,358
1 month to 2 months past due	24	328
2 months to 3 months past due	14	1,294
3 months to 6 months past due	183	22
6 months to 1 year past due	3	3
Over 1 year past due	121	532
	5,062	6,537
	25,557	23,243

Note:

(i) Allowance for bad and doubtful debts

As at 31 March 2009, trade receivables of HK$41,928,000 (2008: HK$41,401,000) were impaired. The individual impaired receivables mainly related to unsuccessful collection of receivables from the customers of the Group's sales division in the PRC, which were impaired in 2005 and were not expected to be recovered.

Movements on the provision for impairment of trade receivables are as follows:

	Group	
	2009	**2008**
	HK$'000	*HK$'000*
At beginning of year	(41,401)	(39,840)
Amounts provided	(500)	–
Amount written off	857	2,088
Amount recovered	30	295
Exchange difference	(914)	(3,944)
At balance sheet date	(41,928)	(41,401)

The creation and release of provision for impaired receivables have been included in "administrative and other operating expenses" and "other income" in the income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

17. DUE FROM A DIRECTOR

The amount due from a director is unsecured, interest-free and has no fixed repayment term.

Name of director	Maximum amount outstanding during the year	31 March 2009	1 April 2008
	HK$'000	*HK$'000*	*HK$'000*
Mr. Xu Jin	227	170	–

18. TRADE AND OTHER PAYABLES

	Group	
	2009	**2008**
	HK$'000	*HK$'000*
Trade payables		
To a related company	1,073	6
To third parties	37,465	27,075
	38,538	27,081
Other payables and accruals	45,898	37,498
	84,436	64,579

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

	Group	
	2009	**2008**
	HK$'000	*HK$'000*
Less than 3 months	15,157	14,623
3 months to 6 months	7,468	4,928
6 months to 1 year	10,712	200
More than 1 year	5,201	7,330
	38,538	27,081

The trade payable to a related company is unsecured, interest-free and has no fixed repayment term. The Company's directors, Mr. Li Li Xin and Mr. Xu Jin, have beneficial interests in the related companies as at 31 March 2009 and 2008 respectively.

Included in the other payables and accruals is an advance from a third party of approximately HK$9,700,000 (2008: HK$8,401,000) which is unsecured, interest-free and has no fixed repayment term.

19. ADVANCE FROM A RELATED COMPANY

The advance from a related company, in which the Company's director and beneficial owner, Mr. Li Li Xin, has beneficial interest, is unsecured, interest-free and has no fixed repayment term.

20. LOAN FROM A RELATED COMPANY

The loan from a related company, in which the Company's director and shareholder, Mr. Xu Jin has beneficial interest, is unsecured, interest-bearing at 7% per annum and repayable in September 2009.

21. LOAN FROM A SHAREHOLDER

The loan from a shareholder is unsecured, interest-bearing at HIBOR plus 3% per annum at the date of drawdown and repayable in August 2009.

22. BANK BORROWINGS

(a) Short-term bank borrowings, secured

At 31 March 2008, the short-term bank borrowings represented the associated liability of the discounted bills receivable, which was interest-bearing at LIBOR/HIBOR plus 1.75% to 2% per annum.

As at 31 March 2009, the short-term bank borrowing represents a 1-year term loan of RMB4,900,000 (equivalent to HK$5,568,000) obtained during the year. It is interest-bearing at 95% of the base lending rate published by the People's Bank of China and repayable in March 2010. The interest rate is adjusted by the PRC bank in March of every year and the current interest rate is 5.04%.

(b) Long-term bank borrowing, secured

	Group	
	2009	**2008**
	HK$'000	*HK$'000*
Within one year	17,045	11,111
In the second to fifth years inclusive	102,273	116,667
	119,318	127,778

The long-term bank borrowing represents a 3-year term loan of RMB120,000,000 (equivalent to HK$136,364,000), which was interest-bearing at 105% of the base lending rate published by the People's Bank of China and repayable in various quarterly installments up to October 2010.

23. OBLIGATIONS UNDER FINANCE LEASES

	Group			
	Minimum lease Payments		Present value of minimum lease payments	
	2009	**2008**	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amounts payable:				
Within one year	1,943	3,486	1,830	3,173
In the second to fifth years inclusive	158	953	140	881
	2,101	4,439	1,970	4,054
Future finance charges	(131)	(385)	–	–
Present value of lease obligations	1,970	4,054	1,970	4,054

The lease term ranged from two to five years. All lease agreements are on a fixed repayment basis.

24. ZERO-COUPON CONVERTIBLE BONDS

On 1 August 2007, the Company issued zero-coupon convertible bonds in an aggregate principal amount of HK$26,000,000 with maturity date on 1 February 2009. The convertible bonds can be converted into ordinary shares of the Company at a conversion price of HK$0.15 at any time from the date of issue and up to the maturity date. The conversion price of the convertible bonds was adjusted from HK$0.15 to HK$0.11 with effect from 19 December 2007 following the Open Offer.

As at 31 March 2008, convertible bonds with principal amount of HK$9,000,000 were converted into 81,818,180 ordinary shares of HK$0.01 each of the Company at a conversion price of HK$0.11 per share.

During the year, the remaining convertible bonds with principal amount of HK$17,000,000 were fully converted into 154,545,454 ordinary shares of HK$0.01 each of the Company at a conversion price of HK$0.11 per share.

25. SHARE CAPITAL

	Note	**No. of shares of HK$0.1 each**	**No. of shares of HK$0.01 each**	*HK$'000*
Authorised:				
At 1 April 2007		4,000,000,000	–	400,000
Subdivision of shares		(4,000,000,000)	40,000,000,000	–
		–	40,000,000,000	400,000
Cancellation of shares		–	(30,000,000,000)	(300,000)
At 31 March 2008 and 2009		–	10,000,000,000	100,000
Issued and fully paid:				
At 1 April 2007		868,733,440	–	86,873
Issue of shares on Open Offer		434,366,720	–	43,437
Capital reduction		(1,303,100,160)	1,303,100,160	(117,279)
		–	1,303,100,160	13,031
Conversion of zero-coupon convertible bonds	24	–	81,818,180	818
At 31 March 2008		–	1,384,918,340	13,849
Conversion of zero-coupon convertible bonds	24	–	154,545,454	1,546
At 31 March 2009		–	1,539,463,794	15,395

All the shares issued during the year rank pari passu in all respects with the then existing shares.

26. RESERVES

	Share premium HK$'000	Zero-coupon convertible bonds HK$'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 2007	282,049	–	1,265	139	51	(342,741)	(59,237)
Issue of zero-coupon convertible bonds, net of issuing expenses	–	330	–	–	–	–	330
Expenses relating to Open Offer	–	–	–	–	(2,161)	–	(2,161)
Creation of contributed surplus pursuant to the Capital Reorganisation	(282,049)	–	–	–	399,328	–	117,279
Contributed surplus set off against accumulated losses pursuant to the Capital Reorganisation	–	–	–	–	(342,741)	342,741	–
Conversion of zero-coupon convertible bonds *(Note 24)*	7,982	(114)	–	–	–	–	7,868
Loss for the year	–	–	–	–	–	(16,293)	(16,293)
At 31 March 2008	7,982	216	1,265	139	54,477	(16,293)	47,786
At 1 April 2008	7,982	216	1,265	139	54,477	(16,293)	47,786
Conversion of zero-coupon convertible bonds *(Note 24)*	17,370	(216)	–	–	–	–	17,154
Loss for the year	–	–	–	–	–	(10,861)	(10,861)
At 31 March 2009	25,352	–	1,265	139	54,477	(27,154)	54,079

	Share premium HK$'000	Zero-coupon convertible bonds HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
Company						
At 1 April 2007	282,049	–	1,265	158,398	(477,812)	(36,100)
Issue of zero-coupon convertible bonds, net of issuing expenses	–	330	–	–	–	330
Expenses relating to Open Offer	–	–	–	(2,161)	–	(2,161)
Creation of contributed surplus pursuant to the Capital Reorganisation	(282,049)	–	–	399,328	–	117,279
Contributed surplus set off against accumulated losses pursuant to the Capital Reorganisation	–	–	–	(477,812)	477,812	–
Conversion of zero-coupon convertible bonds *(Note 24)*	7,982	(114)	–	–	–	7,868
Loss for the year	–	–	–	–	(22,508)	(22,508)
At 31 March 2008	7,982	216	1,265	77,753	(22,508)	64,708
At 1 April 2008	7,982	216	1,265	77,753	(22,508)	64,708
Conversion of zero-coupon convertible bonds *(Note 24)*	17,370	(216)	–	–	–	17,154
Loss for the year	–	–	–	–	(11,086)	(11,086)
At 31 March 2009	25,352	–	1,265	77,753	(33,594)	70,776

Note:

(i) 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 subsidiaries in the PRC had not generated any profits for appropriations to these statutory reserves for the year ended 31 March 2008 and 2009.

(ii) 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.

At 31 March 2009, the aggregate amount of reserves available for distribution to the equity holders of the Company comprising the contributed surplus and accumulated losses amounted to HK$44,159,000 (2008: HK$55,245,000).

27. DEFERRED TAXATION

Recognised deferred tax assets and liabilities at the balance sheet date represent the following:

	Group			
	Assets		**Liabilities**	
	2009	**2008**	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Depreciation allowances	–	–	(2,863)	–
Tax losses	2,863	–	–	–
Deferred tax assets (liabilities)	2,863	–	(2,863)	–
Offsetting	(2,863)	–	2,863	–
Net deferred tax assets (liabilities) at the balance sheet date	–	–	–	–

Unrecognised deferred tax assets arising from

	Group	
	2009	**2008**
	HK$'000	*HK$'000*
Deductible temporary differences	825	1,227
Tax losses	340,141	335,559
At the balance sheet date	340,966	336,786

The tax losses of HK$117,344,000 (2008: HK$107,215,000) and deductible temporary differences of HK$825,000 (2008: HK$1,227,000) arising in Hong Kong have no expiry date under current tax legislation. The tax losses of HK$222,797,000 (2008: HK$228,344,000) 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 the PRC at the balance sheet date will expire as follows:

	Group	
	2009	**2008**
	HK$'000	*HK$'000*
Year of expiry		
2010	165,195	41,543
2011	33,769	135,106
2012	17,926	33,769
2013	5,907	17,926
At the balance sheet date	222,797	228,344

28. 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 issued share capital of the Company at the date of approval of the share option scheme. Each option will entitle the holder thereof 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.

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

29. 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$1,162,000 (2008: HK$1,030,000).

30. RELATED PARTY TRANSACTIONS

Other than disclosed elsewhere in these financial statements, during the year, the Group had the following transactions with related parties:

		Group	
		2009	**2008**
Related party relationship	**Nature of transaction**	*HK$'000*	*HK$'000*
Key management personnel, including directors *(Note (i))*	Compensation		
	Salaries and other benefits	2,701	3,895
	Contribution to MPF Scheme	55	70
	Total compensation	2,756	3,965
A company owned by Mr. Xu Jin, a director and shareholder of the Company	Interest expenses on loans granted	447	525
A company owned by the beneficial owner of the Company's shareholder	Guarantee for long-term bank borrowing granted to the Group	136,364	133,333
A shareholder	Interest expenses on loans granted	503	1,802
A firm in which Mr. Lau Kin Hon, a director of the Company, is a partner	Company secretarial service fee	248	–

Note:

(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 Mr. Li Li Xin, a director and beneficial owner of the Company, respectively for providing trade finance assistance in relation to the procurement of the Group's raw materials. The related companies would recover the charges and expenses incurred for the provision of such services from the Group.

31. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

The Group's principal financial instruments comprise bank and other borrowings, zero-coupon convertible bonds, finance leases and bank balances and cash. The main purpose of these financial instruments is to raise and maintain finance for the Group's operations. The Group has various other financial instruments such as trade and bill receivables and trade and other payables, which arise directly from its business activities.

The main risks arising from the Group's financial instruments are credit risk, interest rate risk, foreign currency risk and liquidity risk. The Group does not have any written risk management policies and guidelines. However, the board of directors generally adopts conservative strategies on its risk management and limit the Group's exposure to these risks to a minimum. Management reviews and agrees policies for managing each of these risks and they are summarised below. The Group also monitors the market price risk arising from all financial instruments.

Credit risk

Credit risk refers to the risk that debtors will default on their obligations to repay the amounts due to the Group resulting in a loss to the Group. The Group's credit risk is primarily attributable to trade and bills receivables and bank balances.

A detailed discussion of the Group's credit risk in respect of trade and bills receivables is set out in note 16 to the financial statements. The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In extending credit terms to customers the Group has carefully assessed creditworthiness and financial standing of each customer. Management also closely monitors all outstanding debts and reviews the collectibility of trade debtors periodically. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. The Group does not hold any collateral over these assets.

At the balance sheet date, the Group had a concentration of credit risk as 66% (2008: 65%) and 90% (2008: 81%) of the total trade and bills receivables were made up by the Group's largest customer's and the five largest customers' outstanding balances respectively.

The Group's bank balances are placed with credit-worthy banks in Hong Kong and in the PRC.

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's interest-bearing bank and other borrowings with fixed or floating interest rates as at balance sheet date. The interest rates and terms of repayment of these borrowings have been disclosed in notes 20, 21 and 22 to the financial statements. Management do not expect any significant interest rate risk as at the balance sheet date.

Sensitivity analysis

The sensitivity analysis below has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to both derivative and non-derivative financial instruments that would have affected the profit or loss and equity. A change of 100 basis points ("bps") was applied to the yield curves at the respective balance sheet date.

At the balance sheet date, if interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's net loss would increase/decrease by HK$1,253,000 (2008: HK$1,442,000), but there would be no impact on the other equity reserves.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for all financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2008.

Foreign currency risk

Most of the Group business transactions were conducted in Hong Kong dollar, Renminbi and United States dollar. As at 31 March 2009, the Group's debts borrowings were denominated in Hong Kong dollar, Renminbi and United States dollar.

The Group considers the risk exposure to foreign currency fluctuation would be in line with the gradual appreciation of Renminbi as long as the Hong Kong dollar remains pegged to the United States dollar and the PRC government takes prudent and gradual measures against the appreciation of Renminbi. Given that Renminbi is not an international currency, there is no effective method to hedge the relevant risk for the size and cashflow pattern of the Group. However, as most of the Group's raw materials procurement were settled in United States dollar and Hong Kong dollars, and most of the Group's customers accepted the passing-on of the rising costs, to various extent, due to the appreciation of Renminbi, the effect arising from the relevant risk can be reduced significantly.

Sensitivity analysis

The sensitivity analysis has been determined assuming that the change in exchange rate had occurred at the balance sheet date and had been applied to both derivative and non-derivative financial instruments (excluding items which are denominated in United States dollar) that would have affected the profit or loss.

At the balance sheet date, if Renminbi had weakened/strengthened by 10% with all other variables held constant, the Group's net loss for the year would have been HK$17,676,000 (2008: HK$17,146,000) lower/higher, but there would be no impact on the other equity reserves.

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet date and had been applied to each of the Group entities' exposure to currency risk for financial instruments in existence at the date, and that all other variables, in particular interest rates, remain constant. No impact on the other equity reserves is expected. The analysis is performed on the same basis for 2008.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual balance sheet date. In this respect, it is assumed that the pegged rate between Hong Kong dollar and United States dollar would be materially unaffected by any changes in movement in value of United States dollar against other currencies.

Liquidity risk

The Group closely monitors its liquidity requirements and the sufficiency of cash and available banking facilities so as to ensure that the payment obligations are met.

The following table details the remaining contractual maturity of the Group for their non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group is required to pay. For cash flows denominated in currencies other than Hong Kong dollar, the prevailing foreign exchange rates at the balance sheet date are used to convert the cash flows into Hong Kong dollar.

	2009				2008			
	On demand	Less than 1 year	1-2 years	Total	On demand	Less than 1 year	1-2 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade and other payables	71,470	12,966	–	84,436	58,857	5,722	–	64,579
Advance from a related company	3,409	–	–	3,409	–	–	–	–
Loan from a related company	–	6,592	–	6,592	–	6,479	–	6,479
Loan from a shareholder	–	6,211	–	6,211	–	6,031	–	6,031
Short-term bank borrowings	–	5,833	–	5,833	–	10,415	–	10,415
Long-term bank borrowing	–	23,530	105,099	128,629	–	20,924	129,412	150,336
Obligations under finance leases	–	1,943	158	2,101	–	3,486	953	4,439
Zero-coupon convertible bonds	–	–	–	–	–	18,700	–	18,700
	74,879	57,075	105,257	237,211	58,857	71,757	130,365	260,979

Fair value

The directors consider that the carrying amounts of financial assets and liabilities in the consolidated financial statements approximate their fair values.

32. CAPITAL MANAGEMENT

The objectives of the Group's capital management are to safeguard the entity's ability to continue as a going concern and to provide returns for shareholders. The Group manages its capital structure and makes adjustments, including payment of dividend to shareholders, return capital to shareholders or issue new shares or sell assets to reduce debts. No changes were made in the objectives, policies or processes during the years ended 31 March 2009 and 2008.

33. COMMITMENTS

(a) Capital commitments

As at balance sheet date, the Group has capital commitment of HK$334,000 in respect of construction of factory plant and acquisition of moulds for production.

(b) Commitments under operating leases

As lessee

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

	Group	
	2009	**2008**
	HK$'000	*HK$'000*
Within one year	1,057	824
In the second to fifth years inclusive	268	926
	1,325	1,750

As lessor

The Group leases out a portion of its leasehold land and buildings under operating leases with average terms of 2 years. At the balance sheet date, the future aggregate minimum rental receivables under non-cancellable operating leases are as follows:

	Group	
	2009	**2008**
	HK$'000	*HK$'000*
Within one year	1,466	–
In the second to fifth years inclusive	244	–
	1,710	–

34. 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	
	2009	**2008**
	HK$'000	*HK$'000*
Leasehold land and buildings	168,163	167,480
Bank deposits	–	5,298
	168,163	172,778

35. POST BALANCE SHEET EVENT

In May 2009, a PRC bank granted a trade finance facility of RMB17,000,000 to the Group, which is secured by the export credit insurance policy issued by China Export & Credit Insurance Corporation.

3. SUMMARY OF UNAUDITED FINANCIAL STATEMENTS

Set out below is the unaudited consolidated results of the Group for the six months ended 30 September 2009 as extracted from the 2009 interim report of the Company:

Condensed Consolidated Balance Sheet

	Note	30 September 2009 HK$'000 (unaudited)	31 March 2009 HK$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		235,481	237,719
		235,481	237,719
CURRENT ASSETS			
Inventories		23,440	18,233
Trade and bills receivables	8	64,838	25,557
Due from a director		–	170
Prepayments, deposits and other receivables		4,265	3,724
Bank balances and cash		10,561	11,168
		103,104	58,852
CURRENT LIABILITIES			
Trade payables	9	53,219	38,538
Other payables and accruals		39,440	45,898
Advance from a related company, unsecured	11	6,818	3,409
Loan from a related company, unsecured	12	6,355	6,396
Loans from a shareholder, unsecured	13	11,000	6,000
Short-term bank borrowings		33,722	5,568
Current portion of long-term bank borrowing		22,727	17,045
Current portion of obligations under finance leases		639	1,830
		173,920	124,684

Condensed Consolidated Balance Sheet (Continued)

	Note	**30 September 2009** *HK$'000* (unaudited)	**31 March 2009** *HK$'000* (audited)
NET CURRENT LIABILITIES		(70,816)	(65,832)
TOTAL ASSETS LESS CURRENT LIABILITIES		164,665	171,887
NON-CURRENT LIABILITIES			
Obligations under finance leases		123	140
Long-term bank borrowings		90,909	102,273
		91,032	102,413
NET ASSETS		73,633	69,474
CAPITAL AND RESERVES			
Share capital		15,395	15,395
Reserves		58,238	54,079
		73,633	69,474

Condensed Consolidated Statement of Changes in Equity

	Share capital	Share premium	Capital redemption reserve	Exchange fluctuation reserve	Contributed surplus	Zero-coupon convertible bonds	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2008	13,849	7,982	1,265	139	54,477	216	(16,293)	61,635
Loss for the Period	–	–	–	–	–	–	(6,954)	(6,954)
At 30 September 2008	13,849	7,982	1,265	139	54,477	216	(23,247)	54,681
At 1 April 2009	15,395	25,352	1,265	139	54,477	–	(27,154)	69,474
Profit for the Period	–	–	–	–	–	–	4,159	4,159
At 30 September 2009	**15,395**	**25,352**	**1,265**	**139**	**54,477**	**–**	**(22,995)**	**73,633**

Condensed Consolidated Cash Flow Statement

	Six months ended 30 September	
	2009	**2008**
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Net cash outflow from operating activities	(22,543)	(23,855)
Net cash used in investing activities	(7,696)	(10,161)
Net cash from financing activities	29,632	24,578
Net decrease in cash and cash equivalents	(607)	(9,438)
Cash and cash equivalents at beginning of Period	11,168	19,978
Cash and cash equivalents at end of Period	10,561	10,540

Notes to the Unaudited Interim Financial Statements

1. **BASIS OF PREPARATION**

The Group's condensed consolidated financial statements have been prepared in accordance with applicable disclosure requirements of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" and other relevant HKASs and interpretations and the Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. **PRINCIPAL ACCOUNTING POLICIES**

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the annual financial statements of the Group for the year ended 31 March 2009.

3. 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.

	Turnover Six months ended 30 September		Segment results Six months ended 30 September	
	2009	**2008**	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
USA	121,399	115,921	13,247	6,667
Canada	4,294	3,137	1,316	597
Hong Kong	5,929	10,580	1,326	1,599
PRC	197	184	5	(10)
Europe	6,259	4,652	1,668	687
Others	9,856	10,661	2,137	2,086
	147,934	145,135	19,699	11,626
Unallocated corporate expenses			(11,463)	(11,498)
Profit/(Loss) from operations			8,236	128
Finance costs			(4,077)	(7,082)
Taxation			–	–
Profit/(Loss) for the Period			4,159	(6,954)

4. PROFIT/(LOSS) FROM OPERATIONS

This is stated after charging/(crediting) the following:

	Six months ended 30 September	
	2009	**2008**
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Depreciation on property, plant and equipment	8,116	7,033
Allowance for inventory obsolescence	(107)	(5)
Provision for bad and doubtful debts	–	85
Exchange loss, net	131	3,904
Staff costs	23,127	22,544
Termination benefits	83	424

5. TAXATION

Hong Kong profits tax has not been provided as the Group incurred a loss for taxation purposes for the Period (2008: HK$Nil). PRC enterprise income tax has not been provided as the PRC subsidiaries incurred a loss for taxation purposes.

6. DIVIDENDS

The Directors of the Company do not recommend the payment of interim dividend (2008: Nil) in respect of the Period.

7. EARNINGS PER SHARE

The calculation of basic earnings per share for the Period is based on the net profit for the Period of HK$4,159,000 (2008: loss of HK$6,954,000) and on the weighted average number of 1,539,463,794 ordinary shares (2008: 1,384,918,340) in issue throughout the Period.

No diluted earnings per share is shown for the Period as there was not any dilutive event occurred.

No diluted loss per share is shown for the period ended 30 September 2008 as the then potential ordinary shares under the zero- coupon convertible bonds were anti-dilutive.

8. TRADE AND BILLS RECEIVABLES

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

	30 September 2009	**31 March 2009**
	HK$'000	*HK$'000*
	(Unaudited)	(audited)
Current	63,384	20,495
Less than 1 month past due	1,322	4,717
1 month to 2 month past due	–	24
2 months to 3 months past due	–	14
3 months to 6 months past due	–	183
6 months to 1 year past due	11	3
Over 1 year past due	121	121
	1,454	5,062
	64,838	25,557

9. TRADE PAYABLES

An aging analysis of trade payables is set out below:

	30 September 2009 *HK$'000* (Unaudited)	**31 March 2009** *HK$'000* (audited)
Less than 3 months	33,518	15,157
3 months to 6 months	8,254	7,468
6 months to 1 year	8,230	10,712
More than 1 year	3,217	5,201
	53,219	38,538

Included in the trade payables of an amount HK$5,406,000 to a related company as at 30 September 2009 (31 March 2009: HK$1,073,000) is unsecured, interest-free and with no fixed repayment term. The company's director, Mr. Li Li Xin, has beneficial interest in the related company.

10. COMMITMENTS

Commitment under operating leases

As lessee

The Group has total future minimum lease payments under non-cancellable operating leases, which are payables as follows:

	30 September 2009 *HK$'000* (Unaudited)	**31 March 2009** *HK$'000* (audited)
Within 1 year	769	1,057
In the second to fifth years inclusive	37	268
	806	1,325

As lessor

The Group leases out a portion of its leasehold land and buildings under operating leases with average terms of 2 years. At the balance sheet date, the future aggregate minimum rental receivables under non-cancellable operating leases as follows :

	30 September 2009 *HK$'000* (Unaudited)	**31 March 2009** *HK$'000* (audited)
Within 1 year	979	1,244
In the second to fifth years inclusive	–	244
	979	1,488

11. ADVANCE FROM A RELATED COMPANY, UNSECURED

The advance from a related company, in which the Company's director and shareholder, Mr. Li Li Xin, has beneficial interest, was unsecured, interest free and has no fixed repayment term.

12. LOAN FROM A RELATED COMPANY, UNSECURED

The loan from a related company, in which the Company's director and shareholder, Mr.Xu Jin has beneficial interest, was unsecured, interest-bearing at 7% per annum and repayable in December 2009.

13. LOANS FROM A SHAREHOLDER, UNSECURED

HK$6,000,000 loan from a shareholder was unsecured and interest-bearing at HIBOR plus 3% per annum and repayble in February 2010 and another HK$5,000,000 loan from this shareholder was also unsecured and interest-bearing at HIBOR plus 2% per annum with no fixed terms of repayment.

14. POST BALANCE SHEET DATE EVENT

The Company has entered into the Share Subscription Agreement with Big-Max Manufacturing Co., Limited ("Big Max"), a substantial shareholder of the Company, on 13 October 2009 in relation to the subscription of 937,500,000 shares of the Company at HK$0.16 per share. Magician Strategic Limited, a wholly owned subsidiary of the Company, has entered into the Acquisition Agreement with Big-Max on 14 October 2009 in respect of the acquisition of the business of plastics and household products and the related manufacturing equipment of Big-Max at the consideration of HK$90,000,000.

For details, please refer to the announcement of the Company on 2 November 2009.

4. QUALIFIED OPINION

No qualified opinion had been issued by the Company's auditor, Mazars CPA Limited for the year ended 31 March 2009.

Mazars CPA Limited had issued qualified opinions for each of the year ended 31 March 2008 and 31 March 2007. The following information is extracted from the relevant annual reports of the Company.

INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2008

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

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 19 to 61, which comprise the consolidated and the Company's balance sheets as at 31 March 2008, 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 disclosure requirements of 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 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. 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 matter 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

We were not able to form a view in the previous year on the appropriateness of recognising the impairment loss of HK$4,569,000 and the reversal of impairment loss of HK$12,016,000 on property, plant and equipment and whether the property, plant and equipment of HK$211,155,000 were fairly stated at 31 March 2007. A qualified opinion has been expressed in the auditors' report on the financial statements for the year ended 31 March 2007 accordingly. Any adjustments to the opening carrying amount of the property, plant and equipment which have previously been qualified would have consequential effects on the results for the year ended 31 March 2008.

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 sufficient information from management to support its assessment on the value in use of property, plant and equipment with a carrying amount of HK$95,607,000 as of 31 March 2008 and therefore unable to satisfy ourselves whether the recognition of the reversal of impairment loss of HK$14,207,000 are appropriate. Consequently, we have been unable to satisfy ourselves whether the property, plant and equipment of HK$95,607,000 were fairly stated at 31 March 2008 and whether the loss for the year then ended was fairly stated.

There were no other satisfactory audit procedures that we could adopt to satisfy ourselves as to the matter set out in the above paragraphs. 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 2008.

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 matter as set out in the basis for disclaimer of opinion section, 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 2008 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.

Without qualifying our report in this respect, we draw attention to 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. At the balance sheet date, the Group had net current liabilities of HK$52,512,000. The validity of the going concern basis depends on the Group's future profitable operation and the outcome of the measures as detailed in note 2 to the financial statements. The financial statements do not include any adjustments that would result from a failure of these measures to accomplish successful outcome. We consider that appropriate disclosures have been made in this respect.

Mazars CPA Limited
Certified Public Accountants

Hong Kong
8 July 2008

Eunice Y M Kwok
Practising Certificate number: P04604

INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2007

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

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

The following is the text of an accountant's report on the Target Group prepared for the sole purpose of inclusion in this circular, received from the reporting accountants, Lo and Kwong C.P.A. Company Limited, Certified Public Accountants, Hong Kong.

盧鄺會計師事務所有限公司
LO AND KWONG C.P.A. COMPANY LIMITED
Audit • Tax • Business Advisory

Lo and Kwong C.P.A. Company Limited
Certified Public Accountants
Suites 216-218, 2/F., Shui On Centre
6-8 Harbour Road, Wanchai, Hong Kong

31 March 2010

The Directors
Magician Industries (Holdings) Limited
Flat A, 2/F.
Yeung Yiu Chung (No. 6) Industrial Building
19 Cheung Shun Street
Cheung Sha Wan
Kowloon, Hong Kong

Dear Sirs,

We set out below our report on the financial information regarding Wealthy Glory Holding Limited ("the Target") and its subsidiaries (hereinafter collectively referred to as the "Target Group"), including the consolidated statement of financial position as at 31 October 2009, consolidated statement of comprehensive income, consolidated statement of cash flow and consolidated statement of changes in equity for the period from 19 May 2009 (date of incorporation) to 31 October 2009 (the "Relevant Period") and the notes thereto (the "Financial Information"), for inclusion in the circular of Magician Industries (Holdings) Limited (the "Magician") dated 31 March 2010 (the "Circular") in connection with the proposed acquisition of the entire issued share capital of the Target by a Magician's subsidiary, Magician Strategic Ltd (the "Proposed Acquisition ").

The Target was established in the British Virgin Islands ("BVI") on 19 May 2009 with a paid-up capital of US$50,000.

As at the date of this report, the Target is acting as an investment holding company.

As at the date of this report, the particulars of Target's subsidiaries are as follows:

Name	Place and date of incorporation	Issued paid-up capital	Class of equity interest held	Percentage of nominal value of registered capital held by the Target *Directly*	*Indirectly*	Principal activity
Golden Time Group Holdings Limited ("Golden Time")	Hong Kong 15 May 2009	HK$10,000	Ordinary share	100%	–	Investment holding
寧波利時日用品有限公司 ("formerly known as 寧波奧爾嘉新材料有限公司") ("WFOE")	The People's Republic of China 1 September 2009	RMB25,000,000	Contributed capital	–	100%	Inactive

The financial year end date of the Target is 31 March. The Financial Information has been prepared for the period from 19 May 2009 (date of incorporation) to 31 October 2009 as the directors of Target consider that it can be reflected the effect of Proposed Acquisition.

No statutory audited financial statements have been prepared for the Target for the period from 19 May 2009 (date of incorporation) to 31 October 2009 since there is no statutory requirement for the Target to prepare the audited financial statement.

No statutory audited financial statements has been prepared for Golden Time and WFOE as they were respectively incorporated on 15 May 2009 and 1 September 2009 and are not yet required to prepare their first audited financial statements as at the date of this report.

For the purpose of this report, the director of the Target have prepared the consolidated financial statements of the Target in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the Relevant Period (the "Underlying Financial Statements").

We have undertaken an independent audit of the Underlying Financial Statements in accordance with the Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information of the Target Group for the Relevant Period set out in this report has been prepared from the Underlying Financial Statements for the purpose of preparing our report for inclusion in the Circular. Other than the audit adjustments that had been made to the Underlying Financial Statements, no adjustment was considered necessary to the Underlying Financial Statements in preparing our report for inclusion in the Circular.

We have examined the Underlying Financial Statements for the Relevant Period in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

RESPECTIVE RESPONSIBILITY OF DIRECTORS AND REPORTING ACCOUNTANTS

The director of the Target are responsible for the preparation of the Underlying Financial Statements and the Financial Information of the Target which gives a true and fair view. It is fundamental that appropriate accounting policies are selected and applied consistently, that the judgments and estimates made are prudent and reasonable and that the reasons for any significant departure from applicable accounting standards are stated.

The directors of Magician are responsible of the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion, based on examination, on the Financial Information and to report our opinion to you.

OPINION

In our opinion, the Financial Information, for the purpose of this report, gives a true and fair view of the state of affairs of the Target Group as at 31 October 2009 and of the results and cash flows of the Target Group for the Relevant Period.

I. FINANCIAL INFORMATION

Consolidated Statement of Comprehensive Income

		For the period from 19 May 2009 (date of incorporation) to 31 October 2009
	Notes	*HK$'000*
Administrative expenses		(30)
Loss before taxation		(30)
Income tax expense	6	–
Loss for the period and total comprehensive loss for the period, net of tax	7	(30)
Attributable to:		
Owner of the Target		(30)

Consolidated Statement of Financial Position

	Notes	As at 31 October 2009 HK$'000
CURRENT ASSET		
Bank balances and cash	9	25,000
CURRENT LIABILITIES		
Other payables		4
Amount due to ultimate holding company	10	24,636
		24,640
NET ASSETS		360
EQUITY ATTRIBUTABLE TO OWNER OF THE TARGET		
Paid-up capital	11	390
Accumulated loss		(30)
TOTAL EQUITY		360

Consolidated Statement of Changes in Equity

	Paid-up capital HK$'000	Accumulated loss HK$'000	Total HK$'000
Issue share upon incorporation	390	–	390
Loss for the period and total comprehensive loss	–	(30)	(30)
As at 31 October 2009	390	(30)	360

Consolidated Statement of Cash Flow

	For the period from 19 May 2009 (date of incorporation) to 31 October 2009
	HK$'000
OPERATING ACTIVITIES	
Loss before taxation and before movements in working capital	(30)
Increase in other payables	4
Increase in amount due to ultimate holding company	24,636
NET CASH INFLOW FROM OPERATING ACTIVITIES	24,610
CASH INFLOW FROM FINANCIAL ACTIVITIES	
Proceed from issue of share	390
NET INCREASE IN CASH AND CASH EQUIVALENTS	25,000
CASH AND CASH EQUIVALENTS AT 19 MAY 2009	–
CASH AND CASH EQUIVALENTS AT 31 OCTOBER 2009	25,000
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS	
Bank balances and cash	25,000

Notes to the Financial Information

1. GENERAL INFORMATION

Wealthy Glory Holdings Limited (the "Target") was established in the BVI with limited liability on 19 May 2009. The director of the Target regards that the ultimate holding company of the Target is Big-Max Manufacturing Co., Limited, which is incorporated in Hong Kong with limited liability.

The address of the registered office is at P.O.Box 3444, Road Town, Tortola, British Virgin Islands.

The functional currency of the Target and its subsidiary established in Hong Kong is Hong Kong dollars ("HKD"). The functional currency of the subsidiary established in the People's Republic of China (the "PRC") is Renminbi ("RMB"). For the presentation of the Financial Information for the Relevant Period, the Target adopted HKD as its presentation currency.

The Target is an investment holding company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

For the purpose of preparing and presenting the Financial Information of the Relevant Period, the Target has consistently applied all the revised HKFRSs, Hong Kong Accounting Standards ("HKASs") amendments and Interpretation ("INTs') (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are effective for the Target Group's financial year beginning on 19 May 2009 throughout the Relevant Period.

As at the date of the Circular, the HKICPA issued the following new and revised HKFRSs, Hong Kong Accounting Standards ("HKAS") and interpretations (hereinafter collectively referred to as "New HKFRSs") that have not been effective. However, the Target has not early applied these new and revised standards or interpretations ("HK(IFRIC)-INTs") that have been issued but are not yet effective as at the date of the Circular. The director of the Target anticipate that the application of these New HKFRSs will have no material impact on the results and the consolidated financial position of the Target Group.

HKFRSs (Amendments)	Improvements to HKFRSs May 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs April 2009[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 39 (Amendment)	Eligible Hedged item[3]
HKFRS 1 (Revised)	First-time Adoptions of HKFRSs[3]
HKFRS 1 (Amendment)	First-time Adoptions of HKFRSs[4]
HKFRS 2 (Amendment)	Share-based Payment – Target Cash-settled Share-based Payment Transactions[4]
HKFRS 3 (Revised)	Business Combinations[3]
HK(IFRIC)-INT 9 and HKAS39 (Amendments)	Embedded Derivatives[5]
HK(IFRIC)-INT 17	Distributions of Non-cash Assets to Owners[3]
HK(IFRIC)-INT 18	Transfers of Assets from Customers[6]

1 Amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009.
2 Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.
3 Effective for annual periods beginning on or after 1 July 2009.
4 Effective for annual periods beginning on or after 1 January 2010.
5 Effective for annual periods ending on or after 30 June 2009.
6 Effective for transfer of assets from customers received on or after 1 July 2009.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance. These policies have been consistently applied to the Relevant Period.

The Financial Information has been prepared on the historical cost basis as explained in the accounting policies set out below.

Basis of consolidation

The Financial Information incorporates the financial statements of the Target and its subsidiaries.

The results of the subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustment will be made to the financial statements of the subsidiaries to bring their accounting policies in line with those used by other members of the Target Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the Relevant Period. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods, and it further excludes items of income or expense that are never taxable or deductible. The Target Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position when the Target Group becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Target Group's financial assets are mainly loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the Relevant Period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables (including bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment loss on financial assets

Financial assets are assessed for indicators of impairment at end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For all financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade and other receivable, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Target's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on trade and other receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade and other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Target Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Target Group after deducting all of its liabilities. The Target Group's financial liabilities are mainly other financial liabilities. The accounting policies adopted in respect of other financial liabilities and equity instruments are set out below:

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the Relevant Period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities including other payables and amount due to ultimate holding company are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

Equity instruments issued by the Target are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Target Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss. If the Target Group retains substantially all the risks and rewards of ownership of a transferred asset, the Target Group continues to recognise the financial asset and recognise a collateralised borrowing for proceeds received.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit and loss.

Foreign currencies

In preparing the Financial Information of the Target Group, transactions in currencies other than the functional currency (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the Target operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

4. CAPITAL RISK MANAGEMENT

The Target Group manages its capital to ensure that the Target Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Target Group consists of cash and cash equivalents and equity attributable to owner of the Target, comprising paid-up capital and retained earnings.

The director of the Target review the capital structure periodically. As part of this review, the director of the Target consider the cost of capital and risks associated with each class of capital. The Target Group will balance its overall capital structure through payments of dividends, new share issue as well as raise of new borrowing. No changes were made in the objectives, policies or processes during the Relevant Period.

5. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	As at 31 October 2009 *HK$'000*
Financial assets	
Loan and receivables:	
Bank balances and cash	25,000
Financial liabilities	
Other financial liabilities at amortised costs:	
Other payables	4
Amount due to ultimate holding company	24,636
	24,640

b. Financial risk management objectives and policies

The Target Group's major financial instruments include bank balances and cash, other payables and amount due to ultimate holding company. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (foreign currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Foreign Currency risk

The Target Group is mainly exposed to the currency risk of RMB.

The following table details the Target Group's sensitivity to a 5% increase and decrease in RMB against the relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency rates. A negative number below indicates an increase in loss where RMB strengthen 5% against the relevant currency, there would be an equal and opposite impact on the loss, and the balance below would be positive.

	HK$'000
Impact on loss for the period	1,250

Interest rate risk

The Target Group is exposed to cash flow interest rate risk to bank balances at prevailing market rate. However, such exposure is minimal to the Target Group as the bank balances are all short-term in nature and the Target Group's income and operating cash flows are substantially independent of changes in market interest rates. The Target Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider to hedge significant interest rate exposure should the needs arise.

Credit risk

The Target Group has no significant concentrations of credit risk.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Liquidity risk

In the management of the liquidity risk, the Target Group monitors and maintains a sufficient level of cash and cash equivalents considered adequate by management to finance the Target Group's operation and mitigate the effects of fluctuation in cash flows. Management reviews and monitors its working capital requirements regularly.

The following table details the Target Group's remaining contractual maturity for its financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Target Group can be required to pay.

As at 31 October 2009

	Within 1 year	**Total undiscounted cash flows**	**Carrying amount at 31 October 2009**
	HK$'000	*HK$'000*	*HK$'000*
Non-derivative financial liabilities			
Other payables	4	4	4
Amount due to ultimate holding company	24,636	24,636	24,636
	24,640	24,640	24,640

6. INCOME TAX EXPENSE

	For the period from 19 May 2009 (date of incorporation) to 31 October 2009
	HK$'000
Current period	–

No provision for Hong Kong Profits Tax has been made as the Target Group's income neither arises in, nor is derived from, Hong Kong for the Relevant Period.

During the 5th Session of the 10th National People's Congress, which was concluded on 16 March 2007, the PRC Corporate Income Tax Law (the "New Corporate Income Tax Law") was approved and will become effective on 1 January 2008. The New Corporate Income Tax Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rate for domestic-invested and foreign-invested enterprises at 25%.

The taxation for the Relevant Period can be reconciled to the loss per the consolidated statement of comprehensive income as follows:

	For the period from 19 May 2009 (date of incorporation) to 31 October 2009
	HK$'000
Loss before tax	(30)
Tax at respective applicable tax rates	(5)
Tax effect on expenses not deductible for tax purpose	5
Tax expense for the period	–

At the end of the reporting period, the Target Group has no significant unprovided deferred tax asset and liabilities.

7. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging:

	For the period from 19 May 2009 (date of incorporation) to 31 October 2009
	HK$'000
Auditor's remuneration	–
Directors' remuneration	–

8. DIVIDEND

No dividend was paid or proposed during the Relevant Period.

9. BANK BALANCES AND CASH

All the bank balances and cash are denominated in HKD and deposited with banks in the Hong Kong. The bank balances carry interest at average market rates ranged from 0.36% to 0.72% per annum during the Relevant Period.

The directors of the Target consider that the fair value of the amounts at the end of the reporting period approximate to the corresponding carrying amounts.

10. AMOUNT DUE TO ULTIMATE HOLDING COMPANY

The amount due is unsecured, interest free and has no fixed terms of repayment.

The directors of the Target consider that the fair value of the amounts at the end of the reporting period approximate to the corresponding carrying amounts.

11. PAID-UP CAPITAL

	Number of shares	Amount
Ordinary shares of US$1 each		*HK$'000*
Authorised:		
At 19 May 2009 and 31 October 2009	50,000	390
Issued and fully paid:		
Issue of shares for incorporation at par value (Note) and at 31 October 2009	50,000	390

Note: During the Relevant Period, the Target allotted 50,000 ordinary shares of US$1 each at par value to the shareholders of the Target. The allotment was made on 19 May 2009.

12. RELATED PARTY TRANSACTIONS

The balances with related parties at the end of reporting period are disclosed elsewhere in the consolidation financial statements.

No remuneration was paid to key management personnel during the Relevant Period.

II. SUBSEQUENT EVENTS

Subsequent to 31 October 2009, the Target Group will undergoing the Assets Transfer. On completion of the Assets Transfer, the Target Group will own all the manufacturing equipments of plastic, household and hardware products, inventories and business contracts currently held by Da Mei (Ningbo) New Materials Company Limited and Ningbo Hua Xing Mould Manufacturing Company Limited with a total consideration of HK$25,000,000 settled by cash. Details are set out in this Circular.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Target Group in respect of any period subsequent to 31 October 2009.

Yours faithfully,
Lo and Kwong C.P.A Company Limited
Certified Public Accountants (Practising)
Chan Chi Kei, Ronald
Practising Certificate Number: P04255
Hong Kong

Suites 216-218, 2/F Shui On Centre
6-8 Harbour Road, Wanchai
Hong Kong

1. FINANCIAL INFORMATION OF THE ASSETS

The unaudited profit and loss statements attributable to the Assets (the "Unaudited Profit and Loss Statements") for the three years ended 31 December 2007, 2008 and 2009 (the "Reporting Years") as set out below have been prepared based on the financial and other information provided by the management of Da Mei (Ningbo) New Materials Company Limited ("Da Mei New Materials") and Ningbo Hua Xing Mould Manufacturing Company Limited ("Ningbo Hua Xing"). The Unaudited Profit and Loss Statements have been properly complied and prepared by the management of Da Mei New Materials and Ningbo Hua Xing based on the underlying books and records of Da Mei New Materials and Ningbo Hua Xing, using the accounting policies which are materially consistent with those of the Group in all material respects. The reporting accountants have performed limited procedures of (i) enquired and discussed with the management of the Group, Da Mei New Materials and Ningbo Hua Xing in respect of the accounting policies adopted in preparing the Unaudited Profit and Loss Statements; (ii) reviewed the Unaudited Profit and Loss Statements; and (iii) ensured that the Unaudited Profit and Loss Statements have been complied and derived from the underlying books and records of Da Mei New Materials and Ningbo Hua Xing. The Directors, and the management of Da Mei New Materials and Ningbo Hua Xing has emphasised that the Unaudited Profit and Loss Statements do not purport to predict the future actual financial contributions to be derived from the (the assets and business of the PRC Vendors to be transferred to the Target Group under the Assets and Business Transfer "Assets") after completion of the Assets and Business Transfer.

Under the Assets Transfer, all the manufacturing equipment of plastic and household products, inventories and business with respect to the Respective Cut-off Dates, except of the land and building and the immaterial assets of Da Mei New Materials and Ningbo Hua Xing will be transferred. The Directors of the PRC Vendors have made the following principal assumptions in the preparation of the Unaudited Profit and Loss Statements:

– there was no material extraordinary item which arised in respect of the Reporting Years.

– there was no depreciation of land and building which arised from the operation of the Reporting Years.

– the working capital running the business was solely financed by Magician Industries (Holdings) Limited during the Reporting Years.

– operating lease payment was incurred for the land and building for the operation during the Reporting Years.

– the taxation was calculated at 33% for the year ended 31 December 2007 and 25% for the years ended 31 December 2008 and 2009. This assumption is based on the New Corporate Income Tax Law which was concluded on 16 March 2007 and was approved and would become effective on 1 January 2008. The New Corporate Income Tax Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rate for domestic-invested and foreign-invested enterprised from 33% to 25%.

Notes:

1. The revenue for each of the Reporting Years represented the revenue generated from the Assets, as provided by Da Mei New Materials and Ningbo Hua Xing.

2. The costs of sales for each of the Reporting Years represented the costs incurred by the Assets in generating such revenue, as provided by Da Mei New Materials and Ningbo Hua Xing.

3. The selling and distribution expenses and administrative and other expenses for each of the Reporting Years represented the operating costs incurred by the Assets, as provided by Da Mei New Materials and Ningbo Hua Xing.

4. The taxation for each of the Reporting Years represented the taxation expenses incurred by the Assets, as provided by Da Mei New Materials and Ningbo Hua Xing.

The Unaudited Profit and Loss Statements attributable to the Assets:

	For the year ended 31 December 2009	**For the year ended 31 December 2008**	**For the year ended 31 December 2007**
	RMB'000	*RMB'000*	*RMB'000*
Turnover	94,325	95,969	92,336
Cost of sales	(67,006)	(79,710)	(76,785)
Gross profit	27,319	16,259	15,551
Selling and distribution expenses	(5,026)	(2,264)	(368)
Administrative and other expenses	(8,327)	(7,424)	(8,511)
Profit before taxation	13,966	6,571	6,672
Taxation	(3,492)	(1,643)	(2,202)
Profit for the year	10,474	4,928	4,470

2. MANAGEMENT DISCUSSION AND ANALYSIS

Set out below is the management discussion and analysis of the financial information of the Assets for the three years ended 31 December 2007, 2008 and 2009.

Liquidity and capital structure

The Assets do not comprised of any bank borrowings. There is no debt under the Assets as at 31 December 2009.

The gearing ratio of the Assets as at 31 December 2009 was nil.

For the three years ended 31 December 2007, 2008 and 2009, the Assets has met its working capital and other capital requirements principally from cash provided by operations.

Significant investment held

As at 31 December 2009, the Assets did not include any significant investment.

Acquisition and disposal

There was no acquisition or disposal of any subsidiaries or associated companies of the Assets during the three years ended 31 December 2007, 2008 and 2009.

Guarantees

The Assets did not provide any guarantees to any third party.

Charges on Assets

As at 31 December 2009, the Assets had no charges against any asset.

Exposure to fluctuation in exchange rates

The Sales of the Assets are conducted predominately in US dollars. The management of PRC Vendors and, upon completion of the Assets and Business Transfer, will consider to use hedging tools against the foreign exchange exposure when necessary.

Number and remuneration of employees

As at 31 December 2009, the Assets employed approximately 380 employees who were all based in the PRC. They are remunerated at market level with benefits such as medical and retirement benefits.

3. LETTERS

Set out below are the texts of letters from Lo and Kwong C.P.A. Co. Limited the Reporting Accountant to the Company, and Chanceton Capital Partners Limited, the Financial Advisor to the Company, in connection with the financial information of the Assets as set out in the Circular and this appendix.

(i) Letter from Lo and Kwong C.P.A. Company Limited

The Board of Directors
Magician Industries (Holdings) Limited
Flat A, 2/F., Yeung Yiu Chung (No.6)
Industrial Building, 19 Cheung Shun Street
Cheung Sha Wan, Kowloon, Hong Kong

Dear Sirs,

We have reviewed the accounting policies and calculations adopted in arriving at the profit and loss statements of the Assets for the three years ended 31 December 2007, 2008 and 2009 (the "Unaudited Profit and Loss Statements"), for which the directors of the Company (the "Directors") are solely responsible, as set out under "Financial Information of the Assets" in the circular of Magician Industries (Holdings) Limited (the "Company"), together with its subsidiaries (hereinafter collectively referred to as the "Group") to be dated on 31 March 2010 (the "Circular").

The Unaudited Profit and Loss Statements has been prepared by the Directors based on the underlying books and records of Da Mei (Ningbo) New Materials Company Limited ("Da Mei New Materials") and Ningbo Hua Xing Mould Manufacturing Company Limited ("Ningbo Hua Xing") for the three years ended 31 December 2007, 2008 and 2009 and other information provided by the management of Da Mei New Materials and Ningbo Hua Xing.

In our opinion, so far as the accounting policies and calculation are concerned, the Unaudited Profit and Loss Statements has been properly compiled on the bases and assumptions adopted by the Directors as set out under "Financial Information of the Assets" in the Circular and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in Appendix I of the Circular.

Yours faithfully,
Lo and Kwong C.P.A. Company Limited
Certified Public Accountants
Chan Chi Kei, Ronald
Practising Certificate Number: P04255

31 March 2010, Hong Kong

(ii) Letter from the Financial Adviser to the Company

Chanceton Capital Partners Limited
Suties 06-12, 33/F
Shui On Centre,
6-8 Harbour Road,
Wanchai,
Hong Kong

31 March 2010

The Board of Directors
Magician Industries (Holdings) Limited
Flat A, 2nd Floor,
Yeung Yiu Chung (No.6) Industrial Building,
19 Cheung Shun Street, Cheung Sha Wan,
Kowloon, Hong Kong

Dear Sirs,

We refer to the unaudited profit and loss statements of the Assets for the three years ended 31 December 2007, 2008 and 2009 (the "Unaudited Profit and Loss Statements") set out in Appendix III to the circular of the Company to be dated 31 March 2010 (the "Circular"), of which this report forms part. Unless specified otherwise, capitalized terms used herein shall have the same meanings as those defined in this Circular.

We have reviewed the Unaudited Profit and Loss Statements for which you as the Directors are solely responsible. The Unaudited Profit and Loss Statements has been prepared by the Directors based on the underlying books and records of Da Mei (Ningbo) New Materials Company Limited ("Da Mei New Materials") and Ningbo Hua Xing Mould Manufacturing Company Limited ("Ningbo Hua Xing for the three years ended 31 December 2007, 2008 and 2009 and other information provided by the management of Da Mei New Materials and Ningbo Hua Xing.

We have discussed with you the bases and assumptions upon which the Unaudited Profit and Loss Statements has been made. We have also considered the letter dated 31 March 2010 addressed to you from Lo and Kwong C.P.A. Company Limited as set out in Appendix III to the Circular regarding accounting policies and calculations upon which the Unaudited Profit and Loss Statements has been made and noted that Lo and Kwong C.P.A. Company Limited is satisfied that the Unaudited Profit and Loss Statements has been complied on a basis consistent in all material respects with the accounting policies normally adopted in preparation of the audited consolidated financial statements of the Group for the year ended 31 March 2009 as set out in Appendix I to the Circular.

On the basis of the foregoing, we are of the opinion that the Unaudited Profit and Loss Statements, for which you as the Directors are solely responsible, has been made after due care and consideration.

Yours faithfully,
For and on behalf of
Chanceton Capital Partners Limited
Johnny Wong
Managing Director

I. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

A. Unaudited Pro Forma Financial Information of the Enlarged Group

On 13 October 2009, Magician Industries (Holdings) Limited (the "Company") entered into a subscription agreement with Big Max Manufacturing Co., Limited ("Big Max") pursuant to which the Company agreed to issue, and Big Max agreed to subscribe a total of 937,500,000 subscription shares at the subscription price of HK$0.160 per share an aggregate consideration of HK$150,000,000 in cash (the "Proposed Subscription"). In addition, the Company entered into an acquisition agreement with Big-Max in respect of the acquisition of entire issued share capital of Wealthy Glory Holdings Limited (the "Target") for a total consideration of HK$90,000,000 (the "Proposed Acquisition").

The accompanying unaudited pro forma statement of financial position of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") (the "Unaudited Pro Forma Financial Information") have been prepared to illustrate the effect of the Proposed Subscription and Proposed Acquisition might have affected the financial information of the Group. The Group immediately after the completion of the Proposed Subscription and Proposed Acquisition is referred to as the "Enlarged Group".

The unaudited pro forma consolidated statement of financial position of the Enlarged Group as at 30 September 2009 is prepared based on (i) the unaudited consolidated balance sheet of the Group as at 30 September 2009 as extracted from the published interim report of the Company as set out in Appendix I to this Circular; (ii) the statement of financial position of the Da Mei (Ningbo) New Materials Company Limited ("Da Mei New Materials") and Ningbo Hua Xing Mould Manufacturing Company Limited ("Ningbo Hua Xing") as at 31 December 2009 as reviewed by Lo and Kwong C.P.A. Company Limited and (iii) the audited statement of financial positions of the Target and its subsidiaries (hereinafter collectively referred to as the "Target Group") as at 31 October 2009 as set out in Appendix II to this Circular and adjusted in accordance with pro forma adjustments described in the notes thereto as if the Proposed Subscription and Proposed Acquisition had been completed on 30 September 2009. In accordance with the Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circular" issued by the Hong Kong Institute of Certificated Public Accountants, the financial information of Da Mei New Materials and Ningbo Hua Xing as 31 December 2008 and Target Group as at 31 October 2009 have been assumed to carry their fair values as at 30 September 2009.

The Unaudited Pro Forma Financial Information has been prepared based on a number of assumptions, estimates, uncertainties and currently available information and is provided for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated financial position of the Enlarged Group had Proposed Subscription and Proposed Acquisition been completed as at the respective date to which it is made up to or at any future dates.

B. Unaudited Pro Forma Consolidated Statement of Financial Position of the Enlarged Group

	Unaudited consolidated balance sheet of the Group as at 30 September 2009	Audited consolidated statement of financial position of Target Group as at 31 October 2009	Pro Forma adjustments	Pro Forma adjustments	Pro Forma adjustments	Pro Forma adjustments	Unaudited Pro Forma consolidated statement of financial position of the Enlarge Group as at 30 September 2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)	(audited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
			Note a	*Note b*	*Note b*	*Note b*	
Non-Current Assets							
Property, plant and equipment	235,481	–	–	22,238	–	–	257,719
Goodwill	–	–	–	–	–	38,731	38,731
Investment in subsidiaries	–	–	–	–	90,000	(90,000)	–
	235,481	–	–	22,238	90,000	(51,269)	296,450
Current Assets							
Inventories	23,440	–	–	29,035	–	–	52,475
Trade and bills receivables	64,838	–	–	–	–	–	64,838
Prepayments, deposits and other receivables	4,265	–	–	–	–	–	4,265
Bank balances and cash	10,561	25,000	150,000	(25,000)	(90,000)	–	70,561
	103,104	25,000	150,000	4,035	(90,000)	–	192,139
Current Liabilities							
Trade and other payables	92,659	4	–	–	–	–	92,663
Advance from a related company	6,818	–	–	–	–	–	6,818
Loan from a related company, unsecured	6,355	–	–	–	–	–	6,355
Loan from a shareholder, unsecured	11,000	–	–	–	–	–	11,000
Amount due to ultimate holding company	–	24,636	–	–	–	(24,636)	–
Short-term bank borrowings, unsecured	33,722	–	–	–	–	–	33,722
Current portion of long-term bank borrowing, unsecured	22,727	–	–	–	–	–	22,727
Current portion of obligations under finance leases	639	–	–	–	–	–	639
	173,920	24,640	–	–	–	(24,636)	173,924

	Unaudited consolidated balance sheet of the Group as at 30 September 2009	Audited consolidated statement of financial position of Target Group as at 31 October 2009	Pro Forma adjustments	Pro Forma adjustments	Pro Forma adjustments	Pro Forma adjustments	Unaudited Pro Forma consolidated statement of financial position of the Enlarge Group as at 30 September 2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)	(audited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
			Note a	*Note b*	*Note b*	*Note b*	
Net current (liabilities) assets	(70,816)	360	150,000	4,035	(90,000)	24,636	18,215
Total assets less current liabilities	164,665	360	150,000	26,273	–	(26,633)	314,665
Non-current liabilities							
Long-term bank borrowing	90,909	–	–	–	–	–	90,909
Obligations under finance leases	123	–	–	–	–	–	123
	91,032	–	–	–	–	–	91,032
Net assets	73,633	360	150,000	26,273	–	(26,633)	223,633
Capital and reserves							
Share capital	15,395	390	9,375	–	–	–	25,160
Reserves	58,238	(30)	140,625	26,273	–	(26,633)	198,473
Total Equity	73,633	360	150,000	26,273	–	(26,633)	223,633

Note:

(a) On 13 October 2009, the Company and Big-Max entered into the subscription agreement to subscribe the share issued by the Company with total of 937,500,000 shares at subscription price of HK$0.160 per share ("Subscription Price") for an aggregate consideration of HK$150,000,000 in cash. The adjustment represented issue of shares of the Company and the recognition of share premium as if the Proposed Subscription was completed on 30 September 2009. It is assumed that the Subscription Price was the fair value of shares of the Company as at 30 September 2009.

The net assets of the Group as at 30 September 2009 is approximately HK$223,633,000 after the completion of the subscription as if the Proposed Subscription was completed on 30 September 2009 and before the Proposed Acquisition taken place.

(b) On 14 October 2009, Magician Strategic Limited ("Magician Strategic"), a wholly owned subsidiary of the Company and Big-Max entered into the an agreement for the sale and purchase of the 100% equity interests of the Wealthy Glory Holdings Limited (the "Target") for a total consideration of HK$90,000,000. ("Acquisition agreement"). The consideration payable shall be settled by cash.

The Target owns the entire issued and outstanding share capital of Golden Time Group Holdings Limited ("Golden Time"), which in turn owns the entire issued and outstanding equity interest of 寧波利時日用品有限公司 ("formerly known as 寧波奧爾嘉新材料有限公司") ("WFOE") (hereinafter, collectively refer to the "Target Group").

The Target Group is currently undergoing the Assets and Business Transfer. On Completion of the Assets and Business Transfer, the Target Group will own all the manufacturing equipments of plastic and household products, inventories and business contracts with respect to the Respective Cut-off Dates held by Da Mei (Ningbo) New Materials Company Limited ("Da Mei New Materials") and Ningbo Hua Xing Mould Manufacturing Company Limited ("Ningbo Hua Xing")(hereinafter collectively refer to "PRC Vendors"). Upon completion, all of the manufacturing equipments of plastic and household products, inventories and businesses of the PRC Vendors will be transferred to the WFOE with a total consideration HK$25,000,000.

Business contracts as mentioned in above represents all of the contracts held by the PRC vendors in relation to their operations. The objective for acquiring these business contracts is to facilitate the smooth transaction of all business of PRC Vendors to the Target Group upon completion. Business contracts of the PRC vendors comprised of sales contracts, purchase contracts, staff employment contracts and other contracts of administration nature which facilitate the operations of the business.

As stated in the above, the value of the business contracts could not be ascertained primary because of its nature and there would not be any valuation of these business contracts because of their fundamental uncertainty. Therefore, it is not possible to determine the fair value of these business contracts. According to Hong Kong Accounting Standard 38, if it is uncertain whether the Target Group has control over the business contracts and economic benefits will be continuously flow into the Target Group, it is not possible to recognise the business contracts in fair value.

The Target is an investment holding company and does not have any operation as at the date of this Circular. Upon the completion of the Assets and Business Transfer, the Target Group will be principally engaged in the manufacturing and sales of plastic and household products.

i) Details of the assets related to the business being transferred to WFOE are as below:

	Extracted from the statement of financial position of Da Mei New Materials as at 31 December 2009	**Extracted from statement of financial position of Ningbo Hua Xing as at 31 December 2009**	**Total**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*HK$'000*
Plant and machinery	7,191	1,870	9,061	10,290
Furniture and fixture, office and computer equipment	206	–	206	234
Moulds	10,315	–	10,315	11,714
Inventories	22,256	3,311	25,567	29,035
	39,968	5,181	45,149	51,273

The balances have been extracted from the statement of financial position of Da Mei New Materials and Ningbo Hua Xing reviewed by Lo and Kwong C.P.A. Company Limited which is assumed that the carrying values of the assets related to business being transferred to WFOE at their fair value as if the acquisition was completed on 30 September 2009.

For the purpose of preparing the Unaudited Pro Forma Financial Information of the Enlarged Group, it is assumed that the manufacturing equipment of plastic and household products, inventories and businesses of the PRC Vendors are transferred to the Target Group as if the Assets and Business Transfer was completed on 30 September 2009.

ii) Details of the net identified assets and liabilities of the Target Group, which related to 100% equity interest of the Target acquired by the Company arising on the abovementioned acquisition are as below:

	Note	*HK$'000*
Consideration		90,000
Less: Fair value of net identified assets and liabilities	a(iii)	(51,269)
Goodwill	a(v)	38,731

iii) The fair value of net identified assets and liabilities acquired in the above acquisition as at 30 September 2009 are as follows as if the Assets and Business Transfer was completed on 30 September 2009:

	Note	**Extracted from the statement of financial position of Da Mei New Materials as at 31 December 2009** *RMB'000*	**Extracted from the statement of financial position of Ningbo Hua Xing as at 31 December 2009** *RMB'000*	**Extracted from the accountants report of Target Group as at 31 October 2009** *HK$'000*	**Target Group's fair value if the Assets and Business Transfer was completed on 30 September 2009** *HK$'000*
Net assets and liabilities acquired					
Plant, machinery and equipment, furniture and fixture and moulds		17,712	1,870	–	22,238
Inventories		22,256	3,311	–	29,035
Bank balance and cash		–	–	25,000	25,000
Trade and other payables		–	–	(4)	(4)
Less: Amount due to ultimate holding company		–	–	(24,636)	(24,636)
		39,968	5,181	360	51,633
Consideration paid for the Assets and Business Transfer	b(iv)				(25,000)
Assignment of amount due to ultimate holding company upon completion of Acquisition	b(v)				24,636
					51,269

iv) Balance of approximately HK$25,000,000 represents the amount paid to the PRC Vendors as the consideration for the Assets and Business Transfer is excluded in the fair value of net identified assets acquired as if the Assets and Business Transfer was completed on 30 September 2009.

v) On 18 August 2009, Big-Max and Golden Time entered into loan agreement that Big-Max agreed to provide loan approximately HK$25,000,000 to Golden Time (the "Loan"). Under the Acquisition Agreement, the Loan will be assigned to the Magician Strategic Limited upon the completion of the acquisition at face value of HK$25,000,000. The Loan is excluded from the calculation in the fair value of net identifiable assets acquired as Big-Max is agreed to assign the loan to the Company upon the completion of the acquisition. The amount due to ultimate holding company mentioned above represents the loan from Big-Max to Golden Time and the amount due from Big-Max by the Target after deducted the transaction costs.

For the purpose of preparing the Unaudited Pro Forma Financial Information of the Enlarged Group, it is assumed that the carrying values of Target Group are recorded in the Unaudited Pro Forma Financial Information at their fair values as if the acquisition was completed on 30 September 2009.

In accordance with Hong Kong Financial Reporting Standard 3 "Business Combinations", the Group applied the purchase method to account for the acquisition of Target as subsidiary if the Group has the power, directly or indirectly, to govern the financial and operating policies of the the Target, so as to obtain benefits from its activities after the completion of the Proposed Acquisition. As of the date of this Circular, the directors of the Company consider that the Group will have control over the Target after the completion of the Proposed Acquisition.

In applying the purchase method, the identifiable assets, liabilities and contingent liabilities of Target Group will be recorded in the consolidated statements of financial position of the Group at their fair values at the date of the completion of the Proposed Acquisition.

On completion of the acquisition of the Target Group, the fair value of net identifiable assets, liabilities and contingent liabilities of the Target Group will have to be reassessed. As a result of the assessment, the goodwill may be different from that estimated based on the basis stated above for the purpose of preparation of the Unaudited Pro Forma Financial Information. Accordingly, the actual goodwill at the completion of the transaction may be different from that presented above.

The adjustment represented the completion of Assets and Business Transfer, the elimination of the Group's investment in Target Group and the recognition of goodwill from acquisition.

(c) In the opinion of the directors, the transactions costs in connection of the Proposed Subscription and Proposed Acquisition are insignificant and have not been taken into account.

(d) No adjustment has been made to reflect any other transactions of the Group and the Target Group entered into subsequent to 30 September 2009.

(e) Basis of translation

Translation of RMB into HK$ is make in the Unaudited Pro Forma Financial Information of the Target Group at the closing rate of HK$1= RMB0.88017 for the preparation of unaudited pro forma consolidated statement of financial position.

II. REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

31 March 2010

The Directors
Magician Industries (Holdings) Limited
Flat A, 2/F.
Yeung Yiu Chung, (No. 6) Industrial Building
19 Cheung Shun Street
Cheung Sha Wan
Kowloon, Hong Kong

Dear Sirs,

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 Appendix IV of the circular dated 31 March 2010 (the "Circular") in connection with the proposed acquisition of the 100% equity interests of the Wealthy Glory Holdings Limited by Company's subsidiary, Magician Strategic Ltd (the "Proposed Acquisition") and the subscription of 937,500,000 of the Company by Big Max Manufacturing Co., Limited, which has been prepared by the directors of the Company (the "Directors"), solely for illustrative purpose only, to provide information about how the Proposed Acquisition might have affected the financial information presented.

Respective responsibilities of Directors and reporting accountants

It is the sole responsibility of the Directors 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 (the "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 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 the source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the Directors. This engagement does 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 unaudited 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 purpose 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 purpose only, based on the judgments 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 2009 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,

Lo and Kwong C.P.A Company Limited
Certified Public Accountants
Chan Chi Kei, Ronald
Practising Certificate Number: P04255

Suit 216-218, 2/F Shui On Centre
6-8 Habour Road, Wanchai
Hong Kong

III. STATEMENT OF INDEBTEDNESS

Statement of indebtedness

Borrowings

As at 28 February 2010, being the Latest Practicable Date of this indebtedness statement, the Enlarged Group had total outstanding borrowings of approximately HK$165,632,000, comprising bank loans of approximately HK$138,459,000 and other loans of approximately HK$27,173,000. The Enlarged Group had aggregate bank facilities of approximately HK$183,610,000, among which approximately HK$138,459,000 comprising bank borrowings had been utilised by the Enlarged Group at 28 February 2010. In addition, the Enlarged Group had outstanding at that date obligations under finance leases of approximately HK$198,000.

Securities

As at 28 February 2010, (i) the Enlarged Group's bank loans of approximately HK$107,955,000 in aggregate were secured by the leasehold land and building and guaranteed by a company owned by the beneficial owner of the Company's shareholder; (ii) the Enlarged Group's bank loan of approximately HK$11,875,000 in aggregate was secured by the Group's leasehold land and buildings; (iii) A PRC Bank granted a trade finance facility of US$4,560,000 to the Group with related outstanding bank borrowings approximately HK$18,629,000, which was secured by leasehold land and building and the export credit insurance policy issued by China Export & Credit Insurance Corporation. The bank loans and bank borrowings as mentioned in (i) to (iii) were secured by leasehold land and building with net carrying value of approximately HK$164 million; (iv) the amount due to the Company's related companies and shareholder, of approximately HK$27,173,000 were unsecured.

Contingent liabilities

As at 28 February 2010, the Enlarged Group did not have material contingent liabilities.

Saved as aforesaid, apart from intra-group liabilities, normal trade payables and other payables, the Enlarged Group did not have any loan capital issued or agreed to be issued, bank overdrafts, loans or other similar indebtedness, debt securities issued and outstanding, and authorized or otherwise created but unissued term loans or other borrowings, indebtedness in nature of borrowings, liabilities under acceptances (other than trade bills) or acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, which are either guaranteed, unguarantees, secured, or unsecured, guaranteed or other material contingent liabilities outstanding at the close of business on 28 February 2010. The Directors of the Company were not aware of any material change in respect of the indebtedness or other contingent liabilities of the Enlarged Group since 28 February 2010 and up to Latest Practicable Date.

IV. WORKING CAPITAL

The Directors are of the opinion that taking into account the existing cash and bank balances, the Enlarged Group has sufficient working capital for its present requirements for the next 12 months from date of this circular.

V. MATERIAL CHANGES

The Directors confirm that there has been no material change in the financial or trading position or outlook of the Group since 31 March 2009, the date to which the latest published audited financial statements of the Group were made up.

Vigers Appraisal & Consulting Limited
International Assets Appraisal Consultants

10th Floor, The Grande Building
398 Kwun Tong Road
Kowloon
Hong Kong

31 March 2010

The Directors
Magician Industries (Holdings) Limited
Flat A, 2nd Floor
Yeung Yiu Chung (No. 6) Industrial Building
No. 19 Cheung Shun Street
Cheung Sha Wan
Kowloon
Hong Kong

Dear Sirs,

In accordance with your instructions for us to value the property interests held by Magician Industries (Holdings) Limited (the "Company") and its subsidiaries (hereinafter referred to as the "Group") in the People's Republic of China ("the PRC"), we confirm that we have carried out an inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of such property interests as at 31 January 2010 (the "date of valuation") for the purpose of incorporation in the circular.

Our valuation is our opinion of the market value of the property interest which we would define market value as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

In valuing the property interests, which are held and occupied by the Group in the PRC, we have adopted a combination of the market and depreciated replacement cost approach in assessing the land portion of the property and the buildings and structures standing on the land respectively. Hence, the sum of the two results represents the market value of the property as a whole. In the valuation of the land portion, reference has been made to the standard land price in Shenzhen City and the sales evidence as available to us in the locality. As the nature of the buildings and structures cannot be valued on the basis of market value, they have therefore been valued on the basis of their depreciated replacement costs. The depreciated replacement cost approach considers the current cost of replacement (reproduction) of the buildings and improvements less deductions for physical deterioration and all relevant forms of obsolescence and optimization. The depreciated replacement cost approach generally furnishes the most reliable indication of value for property in the absence of a known market based on comparable sales. The approach is subject to adequate potential profitability of the business. We have carried out our valuation not based on discounted cash flow approach or projections of profits, earnings or cash flows.

Our valuation has been made on the assumption that the owner sells the property interests on the open market in its existing state without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to increase the value of the property interests. In addition, no forced sale situation in any manner is assumed in our valuation.

We have not caused title searches to be made for the property interest at the relevant government bureau in the PRC. We have been provided with certain extracts of title documents relating to the property interests. However, we have not inspected the original documents to verify the ownership, encumbrances or the existence of any subsequent amendments which may not appear on the copies handed to us. In undertaking our valuation for the property interest, we have relied on the legal opinion ("the PRC legal opinion") provided by the Group's PRC legal adviser, GFE Law Office.

We have relied to a considerable extent on information provided by the Group and have accepted advice given to us by the Group on such matters as planning approvals or statutory notices, easements, tenure, occupation, lettings, site and floor areas and in the identification of the properties and other relevant matter. We have also been advised by the Group that no material facts had been concealed or omitted in the information provided to us.

All dimensions, measurements and areas included in the valuation certificates are based on information contained in the documents provided to us by the Group and are approximations only. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out a structural survey nor have we inspected woodwork or other parts of the structures which are covered, unexposed or inaccessible and we are therefore unable to report that any such parts of the properties are free from defect. No tests were carried out on any of the services.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property interests nor for any expenses or taxation which may be incurred in effecting a sale. With reference to the PRC legal opinion in Note 9 of Property 1 and Note 5 of Property 2, the property interests are subject to mortgages but are not subject to any restriction of an onerous nature.

Our valuation is prepared in accordance with the HKIS Valuation Standards on Properties (First Edition 2005) published by The Hong Kong Institute of Surveyors (HKIS), the requirements set out in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and Rule 11 of The Codes on Takeovers and Mergers and Share Repurchases issued by the Securities and Futures Commission.

Unless otherwise stated, all money amounts stated are in Renminbi (RMB). The exchange rate used in valuing the property interests in the PRC as at 31 January 2010 was HK$1=RMB0.881. There has been no significant fluctuation in the exchange rate for Renminbi against Hong Kong Dollars between that date and the date of this letter.

The potential tax liability which would arise on the disposal of the property interests held by the Group in the PRC mainly includes PRC sales tax (5% of sales revenue), PRC land appreciation tax (30%-60% of the net appreciation amount) and PRC corporate income tax (25%). It is unlikely that such tax liability will be crystalized in the recent future as the Group has no intention to dispose of or transfer the relevant property interests. According to our established practice, in the course of our valuation, we have neither verified nor taken into account such tax liability.

We enclose herewith a summary of valuation and the valuation certificates.

Yours faithfully,
For and on behalf of
Vigers Appraisal & Consulting Limited
Raymond Ho Kai Kwong
Registered Professional Surveyor
MRICS MHKIS MSc (e-com)
Managing Director

Note: Mr. Raymond Ho Kai Kwong, Chartered Surveyor, MRICS MHKIS MSc(e-com), has over twenty-two years' experiences in undertaking valuations of properties in Hong Kong and has over fifteen years' experiences in valuations of properties in the PRC.

SUMMARY OF VALUATION

Property interests held and occupied by the Group in the PRC

	Property	Market Value in existing state as at 31 January 2010
1.	An industrial complex located at Shajing Road, Shajing Town, Baoan District, Shenzhen, the PRC	RMB143,300,000 (equivalent to approximately HK$162,660,000) (See Note 1 below)
2.	A parcel of land located at Shatou Cun, Shajing Town, Baoan District, Shenzhen, the PRC	No commercial value (See Note 2 below)
	Total	**RMB143,300,000** **(equivalent to approximately HK$162,660,000)**

Note 1: In the course of our valuation, we have ascribed no commercial value to part of the property as the Real Estate Certificate has not been obtained. However, for reference purpose, the market value of that part of the property as at the date of valuation was RMB32,820,000 (equivalent to approximately HK$37,250,000) assuming that part of the property is entitled to be transferred in the open market and has obtained the Real Estate Ownership Certificate and such market value has not been included in the market value of Property 1.

Note 2: In the course of our valuation, we have ascribed no commercial value to the property as the property is not permitted to be transferred. However, for reference purpose, the market value of the property as at the date of valuation was RMB3,400,000 (equivalent to approximately HK$3,860,000) assuming that the property is entitled to be transferred in the open market.

VALUATION CERTIFICATE

Property interests held and occupied by the Group in the PRC

	Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 January 2010
1.	An industrial complex located at Shajing Road, Shajing Town, Baoan District, Shenzhen, the PRC	The property comprises 8 parcels of land together with 15 buildings completed between 1993 and 2005 erected thereon. The property has a total site area of approximately 71,012.94 sq.m. and has a total gross floor area of approximately 117,347.2 sq.m. In which, 12 buildings having a total gross floor area of approximately 96,997.2 sq.m. have obtained the Real Estate Ownership Certificates and the remaining 3 buildings with a total gross floor area of approximately 20,350 sq.m. have not obtained the Real Estate Ownership Certificates. Particulars of the land portion and the building portion of the property are summarized in Notes 2 and 3. The property has been granted a land use rights for a term of 50 years with an expiry date on 9 November 2041 for industrial and quarter uses.	The property is occupied by the Group for factory, warehouse and ancillary uses. Portion of the property has been leased out.	RMB143,300,000 (equivalent to approximately HK$162,660,000) (See Note 7 below)

Notes:

1. According to 65 Real Estate Ownership Certificates (Document Nos.: Shen Fang Di Zi No. 7211057, 7211056, 7211055, 7211054, 7211053, 7211062, 7211061, 7211060, 7211059, 7211058, 5000324523, 5000324526, 5000324528, 5000324530, 5000324532, 5000324540, 5000324541, 5000324543, 5000324518, 5000324521, 5000324542, 5000324533, 5000324535, 5000324536, 5000324538, 5000324531, 5000324519, 5000324520, 5000324522, 5000324524, 5000324525, 5000324527, 5000324529, 7211046, 7211045, 7211067, 7211065, 7211066, 7211064, 7211051, 7211047, 7211048, 7211049, 7211050, 7211052, 5000095958, 5000095959, 5000095960, 5000095961, 5000095962, 5000341283, 5000341287, 5000341285, 5000341289, 5000341292, 5000324534, 5000324537, 5000324539, 5000397107, 5000397230, 7217707, 7217708, 7217709, 7217710 and 7217712), the land use rights of the property having a total site area of approximately 71,012.94 sq.m. have been granted to Jinda Plastic Metal Products (Shenzhen) Co., Ltd. ("Jinda Plastic") for a term of 50 years commencing from 10 November 1991 to 9 November 2041. The ownerships of the building portion with a total gross floor area of approximately 96,997.2 sq.m. have been vested in Jinda Plastic.

2. The land portion of the property comprises 8 parcels of land having a total site area of approximately 71,012.94 sq.m., the particulars of these 8 parcels of land are summarized as follow:

Site No.	**Site Area** *(sq.m.)*	**Usage**
A309-0247	26,499.15	Industrial
A309-221	5,269.8	Industrial
A309-0245	9,175.09	Industrial
A309-003	11,702.90	Industrial
A309-0219	7,398.7	Industrial
A309-220	2,563.9	Quarter
A309-004	4,470.8	Quarter
A309-013	3,932.6	Quarter
Total	**71,012.94**	

3. The building portion of the property comprises 15 buildings having a total gross floor area of approximately 117,347.2 sq.m. In which, 12 buildings have obtained the Real Estate Ownership Certificates and the remaining 3 buildings with a total gross floor area of approximately 20,350 sq.m. have not yet obtained. The particulars of the building portion have been summarized as follows:

Building	**Gross Floor Area** *(sq.m.)*	**No. of storey**	**Year of completion**	**Real Estate Ownership Certificate (Document No.)**
Plastic Cement Factory	28,661.8	5	1993	Shen Fang Di Zi No. 7217707 Shen Fang Di Zi No. 7217708 Shen Fang Di Zi No. 7217709 Shen Fang Di Zi No. 7217710 Shen Fang Di Zi No. 7217712
Metal Factory	28,567.1	5	2001	Shen Fang Di Zi No. 5000341283 Shen Fang Di Zi No. 5000341287 Shen Fang Di Zi No. 5000341285 Shen Fang Di Zi No. 5000341289 Shen Fang Di Zi No. 5000341292
Jinda Plastics City (金達塑膠城) (also known as Quarter A)	7,212.7	8	1995	Shen Fang Di Zi No. 5000324531 Shen Fang Di Zi No. 5000324519 Shen Fang Di Zi No. 5000324520 Shen Fang Di Zi No. 5000324522 Shen Fang Di Zi No. 5000324524 Shen Fang Di Zi No. 5000324525 Shen Fang Di Zi No. 5000324527 Shen Fang Di Zi No. 5000324529

Building	**Gross Floor Area** *(sq.m.)*	**No. of storey**	**Year of completion**	**Real Estate Ownership Certificate (Document No.)**
Main Warehouse	17,618.3	5	1994	Shen Fang Di Zi No. 5000095958 Shen Fang Di Zi No. 5000095959 Shen Fang Di Zi No. 5000095960 Shen Fang Di Zi No. 5000095961 Shen Fang Di Zi No. 5000095962
Quarter A	1,584.3	5	1993	Shen Fang Di Zi No. 5000324542 Shen Fang Di Zi No. 5000324533 Shen Fang Di Zi No. 5000324535 Shen Fang Di Zi No. 5000324536 Shen Fang Di Zi No. 5000324538
Quarter B	1,585.3	5	1993	Shen Fang Di Zi No. 5000324540 Shen Fang Di Zi No. 5000324541 Shen Fang Di Zi No. 5000324543 Shen Fang Di Zi No. 5000324518 Shen Fang Di Zi No. 5000324521
Quarter C	1,588.3	5	1993	Shen Fang Di Zi No. 5000324523 Shen Fang Di Zi No. 5000324526 Shen Fang Di Zi No. 5000324528 Shen Fang Di Zi No. 5000324530 Shen Fang Di Zi No. 5000324532
Quarter D	1,728.9	5	1994	Shen Fang Di Zi No. 7211062 Shen Fang Di Zi No. 7211061 Shen Fang Di Zi No. 7211060 Shen Fang Di Zi No. 7211059 Shen Fang Di Zi No. 7211058
Quarter E	1,728.9	5	1994	Shen Fang Di Zi No. 7211057 Shen Fang Di Zi No. 7211056 Shen Fang Di Zi No. 7211055 Shen Fang Di Zi No. 7211054 Shen Fang Di Zi No. 7211053
Quarter F	2,457.8	6	1994	Shen Fang Di Zi No. 7211052 Shen Fang Di Zi No. 7211051 Shen Fang Di Zi No. 7211050 Shen Fang Di Zi No. 7211049 Shen Fang Di Zi No. 7211048 Shen Fang Di Zi No. 7211047
Quarter G	2,457.8	6	1994	Shen Fang Di Zi No. 7211046 Shen Fang Di Zi No. 7211045 Shen Fang Di Zi No. 7211067 Shen Fang Di Zi No. 7211065 Shen Fang Di Zi No. 7211066 Shen Fang Di Zi No. 7211064
Canteen D	1,806	3	1993	Shen Fang Di Zi No. 5000324534 Shen Fang Di Zi No. 5000324537 Shen Fang Di Zi No. 5000324539
Large Machine Factory	15,240	4	1999	Not applicable
Metal Material Godown	1,942	1	2005	Not applicable
Public Godown	3,168	1	1996	Not applicable
Total	**117,347.2**			

4. Pursuant to a Mortgage Agreement entered into between Jinda Plastic (the "Mortgagor") and Bank of Communications (Shenzhen Shajing Branch) (the "Mortgagee") dated 31 October 2007 (Document No.: Jiao Yin Shen 2007 Nian Shajing Di Zi No. 003), the buildings – Jinda Plastics City (金達塑膠城), Main Warehouse, Metal Factory, Plastic Cement Factory, Quarters A to G and Canteen D and land parcels – Site Nos. A309-221 and A309-155 of Property 1 and Property 2 are subject to a mortgage in favour of the Mortgagee at a loan amount of RMB120,000,000.

5. Pursuant to a Mortgage Contract (Document No. 81906200900005106) Site No. A309-0247 of Property 1 is subject to a mortgage in favour of Agricultural Bank of China (Shenzhen Shajing Branch) to guarantee a maximum loan of RMB10,450,000.

6. Pursuant to a Mortgage Agreement entered into between Jinda Plastic (the "Mortgagor") and Bank of Communications (Shenzhen Shajing Branch) (the "Mortgagee") dated 11 May 2009 (Document No.: Jiao Yin Shen 2009 Nian Shajing Zui Di Zi No. 009), the buildings – Jinda Plastics City ("金達塑膠城"), Main Warehouse, Metal Factory, Plastic Cement Factory, Quarters A to G and Canteen D of Property 1 are subject to a mortgage in favour of the Mortgagee at bank borrowing amount of RMB17,000,000. A supplementary bank borrowing agreement was signed on 21 August 2009 between the Mortgagor and the Mortgagee for increasing the facility from RMB17,000,000 to USD4,560,000.

7. As advised by the Company, the Company has applied for the Real Estate Ownership Certificates of the Large Machine Factory, Metal Material Godown and Public Godown in early December 2009 and pending approval by the relevant government authorities. We have ascribed no commercial value to these three buildings.

   However, for reference purpose, the market value of the above-mentioned buildings as at the date of valuation was RMB32,820,000 (equivalent to approximately HK$37,250,000) assuming the property is entitled to be transferred in the open market.

8. Jinda Plastic is a wholly-owned subsidiary of the Company.

9. The PRC legal opinion states, inter alia, the following:

   (i) Jinda Plastic has obtained the legal title of the property excluding the Large Machine Factory, Metal Material Godown and Public Godown which is protected by the law of PRC.

   (ii) Jinda Plastic is the sole registered owner of the property excluding the Large Machine Factory, Metal Material Godown and Public Godown.

   (iii) Site No. A309-0247 of the property is subject to a mortgage in favour of Agricultural Bank of China (Shenzhen Shajing Branch).

   (iv) Site No. A309-0221 of the property is subject to a mortgage in favour of Bank of Communications (Shenzhen Shajing Branch).

   (v) According to the law of PRC, the rights of the Mortgagee is established upon the mortgage is registered. The mortgage of Site Nos. A309-0247 and A309-0221 had been registered. During the mortgage period, a consent from the Mortgagee is required to be obtained before these sites can be sold or rent.

   (vi) Site Nos. A309-0245, A309-003, A309-0219, A309-220, A309-004 and A309-013 and the buildings erected thereon is subject to a mortgage in favour of Bank of Communications (Shenzhen Shajing Branch). The mortgage of these sites and buildings had been registered. During the mortgage period, a consent from the Mortgagee is required to be obtained before these sites and buildings can be sold or rent.

   (vii) According to the Real Estate Ownership Certificates, the Site Nos. A309-0247 and A309-221 and Site Nos. A309-0245, A309-0220 and A309-004 and the buildings erected thereon upon transfer, must be transferred as a whole but not be sub-divided.

   (viii) Subject to the restrictions as stated in Notes (iii) to (vii) above, the Group is legally entitled to use, occupy, transfer, lease and mortgage of the property excluding the Large Machine Factory, Metal Material Godown and Public Godown.

   (ix) The property is not subject to any restriction of an onerous nature.

VALUATION CERTIFICATE

	Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 31 January 2010
2.	A parcel of land located at Shatou Cun, Shajing Town, Baoan District, Shenzhen, the PRC	The property comprises a parcel of land with certain structures erected thereon. The property is a leveled land with a site area of approximately 9,995.5 sq.m. The property has been granted a land use rights for a term of 50 years with an expiry date on 7th May 2042 for industrial uses.	The property is a vacant site with certain structures erected thereon.	No commercial value (See Note 2 below)

Notes:

1. According to a Real Estate Ownership Certificate (Document No.: Shen Fang Di Zi No. 7224714), the land use rights of the property (Site No.: A309-155) having a site area of approximately 9,995.5 sq.m. has been granted to Jinda Plastic Metal Products (Shenzhen) Co., Ltd. ("Jinda Plastic") for a term of 50 years commencing from 8 May 1992 to 7 May 2042 for industrial uses.

2. On account of the statement stated on the Real Estate Ownership Certificates that the property is not permitted to be transferred in the open market, we have ascribed no commercial value to the property (Site No.: A309-155). However, for reference purpose, the market value of the property as at the date of valuation was RMB3,400,000 (equivalent to approximately HK$3,860,000) assuming the property is entitled to be transferred in the open market.

3. Pursuant to a Mortgage Agreement entered into between Jinda Plastic (the "Mortgagor") and Bank of Communications (Shenzhen Shajing Branch) (the "Mortgagee") dated 31 October 2007 (Document No.: Jiao Yin Shen 2007 Nian Shajing Di Zi No. 003), the buildings – Jinda Plastics City (金達塑膠城), Main Warehouse, Metal Factory, Plastic Cement Factory, Quarters A to G and Canteen D and land parcels – Site Nos. A309-221 and A309-155 of Property 1 and Property 2 are subject to a mortgage in favour of the Mortgagee at a loan amount of RMB120,000,000.

4. Jinda Plastic is a wholly-owned subsidiary of the Company.

5. The PRC legal opinion states, inter alia, the following:

   (i) Jinda Plastic has obtained the legal title of the property which is protected by the law of PRC.

   (ii) Jinda Plastic is the sole registered owner of the property.

   (iii) According to the statement stated on the Real Estate Ownership Certificate of the property, the property is not permitted to be transferred.

   (iv) The property is subject to a mortgage in favour of Bank of Communications (Shenzhen Shajing Branch). The mortgage of the property had been registered. The rights of the Mortgagee is established upon the mortgage is registered. During the mortgage period, a consent from the Mortgagee is required to be obtained before the property can be rented out.

   (v) Subject to the restrictions as stated in Note (iii) & (iv) above, the Group is legally entitled to use, occupy, transfer, lease and mortgage of the property.

   (vi) The property is not subject to any restriction of an onerous nature.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Takeovers Code and the Listing Rules for the purpose of giving information with regard to the Group and the Subscriber.

This circular, for which the Directors collectively and individually accept full responsibility, 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 information contained in this circular and confirm that, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this document, the omission of which would make any statement in this circular misleading.

The directors of Big-Max, namely Mr Li Li Xin and Ms Jin Ya Er, jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than the information in relation to the Company) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular (other than those expressed by the Company) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular 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 Share Subscription will be, as follows:

Authorised share capital:		*HK$*
10,000,000,000	Shares as at the Latest Practicable Date and upon completion of the Share Subscription	100,000,000
Issued and fully paid share capital or credited as fully paid:		
1,539,463,794	Shares in issue as at the Latest Practicable Date	15,394,638
937,500,000	Shares to be issued pursuant to the Share Subscription	9,375,000
2,476,963,794	Shares in issue upon completion of the Share Subscription	24,769,638

No Shares have been issued by the Company since the end of the financial year of the Company ended 31 March 2009 up to the Latest Practicable Date.

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 Subscription 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 Subscription 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.

In addition, as at the Latest Practicable Date, the Company had no convertible securities, options, derivatives or warrants outstanding and had not entered into any agreement for the issue of any convertible securities, options, warrants or derivatives of the Company.

3. DISCLOSURE OF INTERESTS

(a) Directors' interests in the Company

As at the Latest Practicable Date, (other than Big-Max's interest in the Subscription Shares) 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; or were required to be disclosed in this circular pursuant to the requirements of the Takeovers Code were as follows:

Name of director	Nature of interests	Number of issued ordinary shares of HK$0.01 each in the Company	Percentage of total issued ordinary shares
Mr Li Li Xin *(Note 1)*	Interest of a controlled corporation	377,247,014	24.5%
Mr Xu Jin	Personal	253,837,198	16.5%

Note 1: Mr Li Li Xin's interest in 377,247,014 Shares is held through Big-Max, 90% of the issued share capital of which is beneficially owned by Mr Li Li Xin. Ms Jin Ya Er, being the spouse of Mr Li Li Xin, is also deemed to have a beneficial interest in 377,247,014 shares of the Company.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the Chief Executive of the Company has any interests or 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 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; or were required to be disclosed in this circular pursuant to the requirements of the Takeovers Code.

(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 2009, 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 service contract with the Company or any of its subsidiaries or associated companies in force which: (i) (including both continuous and fixed term contracts) have been entered into or amended within six months before the date of the Announcement; (ii) are continuous contracts with a notice period of 12 months or more; or (iii) are fixed term contracts with more than 12 months to run irrespective of the notice period.

(d) Other Director's interests

Save as set out in notes 17, 19, 20, 21 and 30 of the financial statements, 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.

4. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to the Directors and the Chief Executive of the Company, the following persons, other than a Director or the Chief Executive of the Company, had interests or short positions in the Shares and underlying shares of the Company (other than their interest in the Subscription Shares) which would need 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	377,247,014 Shares (L) *(Note 1)*	24.5%
Li Li Xin	Interest of a controlled corporation	377,247,014 Shares (L)	24.5%
Jin Ya Er	Interest of spouse	377,247,014 Shares (L)	24.5%

Notes:

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

2. The percentage figures shown are calculated based on 1,539,463,794 Shares in issue as at the Latest Practicable Date.

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 the Chief Executive of the Company, there is no other person (other than the Director or the Chief Executive of the Company) who held interests or short positions in the Shares and underlying shares of the Company which would need 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. ADDITIONAL DISCLOSURE OF INTERESTS AND DEALINGS IN THE SHARES

(a) Interests of Big-Max and its concert parties

As at the Latest Practicable Date, other than the 377,247,014 Shares held by Big-Max and the interest of Mr. Li Li Xin and Ms. Jin Ya Er in the 377,247,014 Shares through Big-Max, Big-Max, its directors and its concert parties had no interest in any shares, convertible securities, warrants, options or derivatives which carry voting rights of the Company.

Save as the transactions contemplated under the Share Subscription Agreement, none of Big-Max, its directors (namely Mr. Li Li Xin and Ms. Jin Ya Er) and its concert parties had dealt in any Shares, convertible securities, warrants, options or derivatives which carry voting rights of the Company during the period commencing on the date six months prior to the date of the Share Subscription Agreement and up to the Latest Practicable Date.

(b) Additional disclosure of interests and dealings in the Shares

(a) None of the Directors had dealt in any shares, convertible securities, warrants, options or derivatives which carry voting rights of the Company during the period commencing on the date six months prior to the date of the Share Subscription Agreement and up to the Latest Practicable Date (the "Relevant Period").

(b) During the Relevant Period, none of the subsidiaries of the Company, nor any pension fund of the Company or of any of its subsidiaries, nor advisers to the Company as specified in class (2) of the definition of "Associate" under the Takeovers Code had any interest in or had dealt for value in any shares, convertible securities, warrants, options of derivatives which carry voting rights of the Company.

(c) As at the Latest Practicable Date,

(i) save that Mr. Li Li Xin beneficially owned 90% of the issued and outstanding share capital of Big-Max, the Company and the Directors did not have any interest in the shares, convertible securities, warrants, options, or derivatives of Big-Max and had no dealings in the shares, convertible securities, warrants, options, or derivatives of Big-Max during the Relevant Period.

(ii) no shareholdings in the Company were managed on a discretionary basis by any fund manager connected with the Company nor did any such fund manager deal in any shares, convertible securities, warrants, options or derivatives which carry voting rights of the Company during the Relevant Period.

(iii) no persons had irrevocably committed themselves to vote for or against the resolutions to be proposed at the SGM to approve the Share Subscription or the Whitewash Waiver and none of them had dealt for value in any relevant securities as defined in Note 4 to Rule 22 of the Takeovers Code in the Company during the Relevant Period.

(iv) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with Big-Max or any of its concert parties or its associates, and none of them had dealt for value in any relevant securities as defined in Note 4 to Rule 22 of the Takeovers Code in the Company during the Relevant Period.

(v) no agreements, arrangements or understandings (including any compensation arrangement) exist between (i) Big-Max or any of its concert parties; and (ii) any Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Share Subscription or the Whitewash Waiver.

(vi) no agreements or arrangements exist between any Director and any other person which is conditional on or dependent upon the outcome of the Share Subscription or the Whitewash Waiver or otherwise connected with the Share Subscription or Whitewash Waiver.

(vii) no benefit has been given or will be given to any Director as compensation for loss of office or otherwise in connection with the Share Subscription or the Whitewash Waiver.

(viii) there were no contracts or arrangements subsisting in which a Director is materially interested and which is significant in relation to the business of the Group.

(ix) there were no material contracts entered into by Big-Max or any of its concert parties in which any Director has a material personal interest.

(x) none of the Directors had any interest in any assets which have been, since 31 March 2009, the date to which the latest published audited accounts of the Company were made up, 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.

(xi) none of the Directors or the Company had borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takovers Code) in the Company.

(xii) no persons had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or any person who is an associate of the Company by virtue of clauses (1), (2), (3) and (4) of the definition of "Associate" under the Takeovers Code, or with the Subscriber or its concert parties.

(xiii) there were no agreements, arrangements or understandings to which the Subscriber is a party which relate to the circumstances in which it may or may not involve or seek to involve a condition to the Whitewash Waiver.

(xiv) there was no agreements, arrangements or understandings among the Subscriber or its concert parties and other persons in relation to the transfer, charge or pledge of the Subscription Shares that may be subscribed by the Subscriber or its concert parties under the Subscription Agreement.

(xv) As at the Latest Practicable Date, other than Mr. Li Li Xin and his spouse Ms. Jin Ya Er who together hold the entire issued share capital of Big-Max which in turn holds approximately 24.5% of the Company's entire issued and outstanding share capital, none of the shareholders of Da Mei New Materials, Lisi Import and Export and Lisi Plastics holds any Shares or has made any arrangements with the Company and/or Big-Max and its concert parties.

(xvi) As at the Latest Practicable Date, the Company did not own or control any securities, convertible securities, warrants, options, and derivatives of Big-Max.

6. EXPERTS

The following are the qualifications of the experts who have given an opinion or advice to the contents of this circular:

Lo & Kwong C.P.A. Co. Ltd.	Certified Public Accountants
Vigers Appraisal & Consulting Limited	Professional Property surveyors and valuers
Chanceton Capital Partners Limited	a licensed corporation to carry on Type 6 (advising on corporate finance) regulated activity under the SFO
Athens Capital Limited	a licensed corporation to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activity under the SFO
GFE Law Office	Licensed legal advisers on PRC laws

As at the Latest Practicable Date, none of Lo & Kwong C.P.A. Co. Ltd,. GFE Law Office, Vigers Appraisal & Consulting Limited, Chanceton Capital Partners Limited, and Athens Capital Limited have any interest, either direct or indirect, in any assets which have been, since 31 March 2009, the date to which the latest audited consolidated financial statements of the Company were published, 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.

All of Lo & Kwong C.P.A. Co. Ltd, GFE Law Office, Vigers Appraisal & Consulting Limited, Chanceton Capital Partners Limited, and Athens Capital Limited have given and have not withdrawn its written consent to the issue of this circular with the inclusion of its report and/or reference to its name, in the form and context in which they appear.

7. LITIGATION

As at the Latest Practicable Date, none of the members of the Group were engaged in any litigation or claims of material importance and no litigation or claims of material importance were known to the Directors to be pending or threatened against any members of the Group.

8. MATERIAL CONTRACTS

The following contracts (not being contracts entered into the ordinary course of business) have been entered into by members of the Group after the date the two years before the date of Announcement and up to and including the Latest Practicable Date and which are or may be material:

(i) a loan agreement dated 7 August 2006 (which had been subsequently amended and extended for 16 times on 7 May 2007, 12 September 2007, 12 November 2007, 17 December 2007, 28 January 2008, 28 February 2008, 28 March 2008, 28 May 2008, 1 September 2008, 2 October 2008, 30 October 2008, 7 January 2009, 10 March 2009, 14 August 2009, 4 December 2009 and 1 February 2010) and entered into between the Company and Hong Kong Winko Polymers Corporation Limited, pursuant to which the Company borrowed an unsecured loan of US$1,000,000 (which had been partially repaid and reduced to US$820,000) at an interest of 7% per annum from Hong Kong Winko Polymers Corporation Limited in accordance with the terms and conditions thereof;

(ii) a loan agreement dated 22 August 2007 (which had been subsequently amended and extended for 11 times on 11 February 2008, 25 March 2008, 25 April 2008, 8 July 2008, 15 October 2008, 7 November 2008, 7 January 2009, 10 March 2009, 14 August 2009, 11 November 2009 and 17 February 2010) and entered into between the Company and Big-Max, pursuant to which the Company borrowed, an unsecured loan of HK$10,000,000 (which had been partially repaid and reduced to HK$6,000,000) at HIBOR+3% per annum from Big-Max in accordance with the terms and conditions thereof;

(iii) a loan agreement for a loan facility of HK$30,000,000 dated 5 August 2009 (which had been subsequently amended and extended once on 1 November 2009) and entered into between the Company and Big-Max, pursuant to which the Company may borrow and draw down within the loan facility limit from Big-Max at HIBOR+2% per annum (the Company borrowed and drew down HK$5,000,000 and HK$3,000,000 from Big-Max on 11 August 2009 and 29 October 2009 respectively with a loan facility of HK22,000,000 remained unutilized);

(iv) the Share Subscription Agreement;

(v) the Acquisition Agreement; and

(vi) the WFOE Agreements.

9. COMPETING BUSINESS

As at the Latest Practicable Date, save as disclosed below, 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.

Mr. Li Li Xin, a non-executive Directors, together with his spouse beneficially owns 98.15% equity interest of Lisi Group Co., Ltd.. Mr. Cheng Jian He, an executive Director, is also a director of Lisi Group Co., Ltd. As at the Latest Practicable Date, the principal business of Lisi Group Co., Ltd. and its subsidiaries include the manufacturing and sale of plastic and hardware products, the operation of department stores and chain supermarkets, and investments in property development in the PRC.

10. MARKET PRICES

The table below shows the closing prices of the Shares quoted on the Stock Exchange (i) at the end of each of the six calendar months immediately preceding the date of the Announcement; (ii) on the Last Trading Day; (iii) at the end of the calendar month following the date of the Announcement up to the Latest Practicable Date; and (iv) on the Latest Practicable Date:

Date	**Closing Price** *(HK$)*
Latest Practicable Date	0.260
26 February 2010	0.280
29 January 2010	0.280
31 December 2009	0.330
30 November 2009	0.310
30 October 2009	0.212
Last Trading Day	0.212
30 September 2009	0.197
31 August 2009	0.198
31 July 2009	0.215
30 June 2009	0.275
29 May 2009	0.270
30 April 2009	0.180

Note: The lowest and highest closing prices of the Shares as quoted on the Stock Exchange during the period between the beginning of the six months preceding the date of the Announcement and the Latest Practicable Date were HK$0.123 on 1 April 2009 and HK$0.360 on 3 November 2009 respectively.

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 audit committee of the Company comprised entirely all the independent non-executive Directors, namely Mr. He Chengying, Mr. Chan Man Sum Ivan, Mr. Cheung Kiu Cho Vincent.

Mr HE Chengying, aged 46, graduated from the Department of Accountancy from Southwestern University of Finance and Economics, holds a Master Degree of Economics from Zhejiang University and a Doctoral Degree in 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 a professor, senior economist and a special research fellow of the China Management Science Research Institute. Mr He was 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 was 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 35, is a member of the American Institute of 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 the chief financial officer of a listed company. Mr Chan has over 11 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 33, 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, UK. Mr Cheung holds a Master of Business Administration degree in International Management granted by the 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 12 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.

(c) The registered office of the Company is located at Clarendon House, Church Street Hamilton HM11, Bermuda.

(d) The principal place of business of the Company is Flat A, 2nd Floor, Yeung Yiu Chung (No.6) Industrial Building, 19 Cheung Shun Street, Cheung Sha Wan, Kowloon, Hong Kong.

(e) The registered office and correspondence address of the Subscriber is Unit A, 5/F, Garment Centre, 576-586 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong.

(f) The principal place of business of Athens Capital Limited is Room 803, Chinese Bank Building 61-65 Des Voeux Road, Central, Hong Kong.

(g) The principal place of business of Lisi Group Co., Ltd is 518 Chengxin Road, Yinzhou Investment & Business Incubation of Ningbo, PRC.

(h) As at the Latest Practicable Date, the directors of Lisi Group Co., Ltd. are Mr. Li Li Xin, Ms. Jin Ya Er, Mr. Cheng Jian He, Ms. Jin Ya Xue and Mr. Li Zhi Hong.

(i) The branch share registrar of the Company is Tricor Secretaries Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

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

(k) The principal place of business of Chanceton Capital Partners Limited is suites 06-12, 33/F., Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection (i) on the website of the SFC (www.sfc.hk); (ii) website of the Company (www.magician.com.hk); and (iii) during normal business hours (i.e. from 9:30 a.m. to 5:00 p.m. on Monday to Friday except public holidays) 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 circular up to and including the date of the SGM:

(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 2009 and the interim report of the Company for the period ended 30 September 2009;

(c) the Letter from the Board, the text of which is set out in this circular;

(d) the letters from the Listing Rules Independent Board Committee and the Whitewash Independent Board Committee, the text of which are set out in this circular;

(e) the letter of advice from Athens Capital Limited to the Independent Board Committees and the Independent Shareholders, the text of which are set out in this circular;

(f) the accountant's report of the Target Group;

(g) the report from Lo & Kwong C.P.A. Co. Ltd. on the unaudited pro forma financial information of the Enlarged Group dated 30 September 2009, the text of which is set out on pages IV-1 to IV-10 of this circular;

(h) the valuation report of the Group's properties;

(i) the written consents referred to in the paragraph headed "EXPERTS" in this appendix;

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

(k) the written confirmation letters on contingent liabilities from the Vendor to the Company.

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

NOTICE IS HEREBY GIVEN that the special general meeting of Magician Industries (Holdings) Limited ("**Company**") will be held at 9:30 a.m. on 20 April 2010 at Flat A, 2nd Floor, Yeung Yiu Chung (No. 6) Industrial Building, 19 Cheung Shum Street, Cheung Sha Wan, Kowloon, Hong Kong for the purpose of considering and, if thought fit, passing the following resolutions as ordinary resolutions of the Company:

Ordinary Resolutions

1. "**THAT**

   (a) the conditional sale and purchase agreement dated 14 October 2009 (the "Acquisition Agreement") entered into between Magician Strategic Limited (a wholly owned subsidiary of the Company) as the buyer and Big-Max Manufacturing Co., Limited ("Big-Max") as the seller in respect of the Acquisition (as defined and described in the circular of the Company dated 31 March 2010 to the shareholders of the Company (the "Circular"), a copy of which is tabled at the meeting marked "A" and initialed by the chairman of the meeting for identification purpose) at a consideration of HK$90,000,000 (a copy of which is tabled at the meeting marked "B" and initialed by the chairman of the meeting for identification purpose) and the transactions contemplated thereunder be and is hereby confirmed, approved and ratified;

   (b) any one director of the Company, or any two directors of the Company if the affixation of the common seal of the Company is necessary, be and are hereby authorized to execute all documents and to do all such things and take all such other steps which, in his/her opinion, may be necessary or desirable in connection with the matters contemplated in and for completion of the Acquisition Agreement."

2. "**THAT**

   (a) the share subscription agreement dated 13 October 2009 (the "Share Subscription Agreement") entered into between the Company and Big-Max in relation to the subscription of 937,500,000 ordinary shares of HK$0.01 each in the share capital of the Company ("Subscription Shares") at a subscription price of HK$0.160 per Subscription Share, a copy of the Share Subscription Agreement is tabled at the meeting and marked "C" and initialed by the chairman of the meeting for identification purpose, and the transactions contemplated thereunder be and is hereby confirmed, approved and ratified;

   (b) conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and the permission to deal in, the Subscription Shares, the allotment and issue of the Subscription Shares pursuant to the Subscription Agreement be and is hereby approved;

* *For identification purpose only*

(c) any one director of the Company, or any two directors of the Company if the affixation of the common seal of the Company is necessary, be and are hereby authorized to execute all documents and to do all such things and take all such other steps which, in his/her opinion, may be necessary or desirable in connection with the matters contemplated in and for completion of the Share Subscription Agreement."

3. "**THAT** the waiver of the obligation of Big-Max and the parties acting in concert with it to make a mandatory general offer to the shareholders of the Company to acquire the shares of the Company and all other securities of the Company in issue not already owned or agreed to be acquired by Big-Max and parties acting in concert with it, arising from the issue of the Subscription Shares (as defined in the resolution no. 2 set out in the notice of which this resolution forms part) under the Subscription Agreement (as defined in resolution no. 2 set out in the notice of which this resolution forms part) granted by the Executive pursuant to Note 1 on dispensations for Rule 26 of the Hong Kong Code on Takeovers and Mergers be and is hereby approved."

4. "**THAT**

(a) The WFOE Agreements (as defined and described in the Circular), copies of which are tabled at the meeting and marked "D" and initialed by the chairman of the meeting for identification purpose, and the transaction contemplated thereunder be and are hereby confirmed, approved and ratified;

(b) the annual caps (as set out in the Circular, of which this notice forms part) of each of the WFOE Agreements for each of the three periods ending 31 December 2012 be and is hereby approved;

(c) any one director of the Company be and is hereby authorized on behalf of the Company to do all such acts and sign, seal, execute and deliver all such documents and take all such actions as he/she may consider necessary or desirable for the purpose of or in connection with or to give effect to the WFOE Agreements and the transactions contemplated thereunder."

By Order of the Board
MAGICIAN INDUSTRIES (HOLDINGS) LIMITED
Li Li Xin
Chairman

Hong Kong, 31 March 2010

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

Notes:

(1) A shareholder entitled to attend and vote at the meeting may appoint another person as his proxy to attend and to vote instead of him. A proxy need not be a shareholder of the Company.

(2) In the case of joint holders of any share, any one of such persons may vote at the said meeting, either personally or by proxy, in respect of such share as if he was solely entitled thereto, but if more than one of such joint holders is present at the said meeting, personally or by proxy, that one of the said persons so present whose name stands first on the register of members in respect of such share shall alone be entitled to vote in respect thereof.

(3) In order to be valid, the form of proxy together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority, must be deposited at the Company's branch share registrar, Tricor Secretaries Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person should they so wish.

(4) In order to determine the identity of the shareholders who are entitled to attend and vote at the meeting, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Tricor Secretaries Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 16 April 2010.