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

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

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

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

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**MAGICIAN INDUSTRIES (HOLDINGS) LIMITED**

**通達工業（集團）有限公司\***

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 526)

**PROPOSED CAPITAL REORGANIZATION,  
AMENDMENTS TO BYE-LAWS  
AND  
NOTICE OF SPECIAL GENERAL MEETING**

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A notice convening a special general meeting of Magician Industries (Holdings) Limited to be held at Flat A, 2nd Floor, Yeung Yiu Chung (No.6) Industrial Building, 19 Cheung Shun Street, Cheung Sha Wan, Kowloon, Hong Kong at 10:00 a.m. on Tuesday, 19 February 2008 is set out on pages 10 and 11 of this circular. Whether or not you intend to attend the meeting, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same with Magician Industries (Holdings) Limited at its principal place of business in Hong Kong at Flat A, 2nd Floor, Yeung Yiu Chung (No.6) Industrial Building, 19 Cheung Shun Street, Cheung Sha Wan, Kowloon, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the meeting or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

\* For identification purpose only

18 January 2008

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## DEFINITIONS

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

“Amendments”	the proposed amendments to the Bye-laws pursuant to the special resolution no.2 as set out in the notice of the SGM
“Board”	the board of Directors
“Business Day”	any day (excluding Saturday) on which banks in Hong Kong are open for business throughout their normal business hours
“Bye-laws”	Bye-laws of the Company
“Capital Reduction”	the proposed reduction of the par value of each issued Share from HK\$0.10 to HK\$0.01 by cancelling paid up capital to the extent of HK\$0.09 on each issued Share
“Capital Reorganisation”	the proposed capital reorganisation of the Company comprising (i) the Capital Reduction, (ii) the Share Premium Cancellation, (iii) the subdivision of each authorized but unissued Share into 10 New Shares and (iv) the reduction of the authorized share capital of the Company from HK\$400,000,000 to HK\$100,000,000 by canceling 30,000,000,000 unissued New Shares
“Company”	Magician Industries (Holdings) Limited, a company incorporated in Bermuda with limited liability and the Shares of which are listed on the main board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	the lawful currency for the time being of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	17 January 2008, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Share(s)”	new ordinary share(s) of HK\$0.01 each in the capital of the Company after the Capital Reorganization becoming effective

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## DEFINITIONS

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“SGM”	the special general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving the Capital Reorganization and the Amendments
“Shareholder(s)”	the holder(s) of the Shares
“Share(s)”	ordinary share(s) of HK\$0.10 each in the capital of the Company
“Share Premium Cancellation”	the proposed cancellation of the entire balance standing to the credit of the share premium account of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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## EXPECTED TIME TABLE

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Set out below is an indicative timetable for the implementation of the Capital Reorganisation. The timetable is subject to the results of the SGM and other changes. The Company will notify the Shareholders of any significant changes to the expected timetable by way of announcement(s) as and when appropriate.

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

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

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

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

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

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## LETTER FROM THE BOARD

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MAGICIAN INDUSTRIES (HOLDINGS) LIMITED

通達工業(集團)有限公司\*

(Incorporated in Bermuda with limited liability)

(Stock Code: 526)

*Execution Director:*

Mr Xu Jin (*Chairman*)

*Non-executive Director:*

Mr Lau Kin Hon

*Independent non-executive Directors:*

Mr He Chengyin

Mr Chan Man Sum Ivan

Mr Cheung Kiu Cho Vincent

*Registered office:*

Clarendon House

Church Street

Hamilton HM 11

Bermuda

*Principal place of business in*

*Hong Kong:*

Flat A, 2nd Floor

Yeung Yiu Chung (No.6)

Industrial Building

19 Cheung Shun Street

Cheung Sha Wan

Kowloon

Hong Kong

18 January 2008

To the Shareholders

Dear Sir/Madam,

**PROPOSED CAPITAL REORGANIZATION,  
AMENDMENTS TO BYE-LAWS  
AND  
NOTICE OF SPECIAL GENERAL MEETING**

**INTRODUCTION**

Reference is made to the announcement made by the Company dated 7 January 2008 and 11 January 2008 relating to the Capital Reorganization and the Amendments respectively. The purpose of this circular is to provide you with information on the Capital Reorganization and the Amendments and to give you a notice of the SGM at which special resolutions will be proposed to consider and, if thought fit, approve the Capital Reorganization and the Amendments.

**CAPITAL REORGANIZATION**

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

1. the par value of each issued Share of HK\$0.10 will be reduced to HK\$0.01 by canceling paid-up capital to the extent of HK\$0.09 on each issued Share;
2. each authorized but unissued Share will be subdivided into 10 New Shares of HK\$0.01 each;

\* For identification purpose only

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## LETTER FROM THE BOARD

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3. the authorised share capital of the Company will be reduced from HK\$400,000,000 to HK\$100,000,000 by canceling 30,000,000,000 unissued New Shares; and
4. the entire balance standing to the credit of the share premium account of the Company, which was HK\$282,048,503.56 as at 31 March 2007, will be cancelled.

### EFFECTS OF THE CAPITAL REORGANIZATION

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

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

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

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

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

### CONDITIONS FOR CAPITAL REORGANIZATION

The Capital Reorganization is conditional upon the following :

- (1) the passing of the necessary resolutions by the Shareholders to approve the Capital Reorganisation at the SGM;

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## LETTER FROM THE BOARD

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

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

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

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

### **REASONS FOR CAPITAL REORGANIZATION**

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

### **AMENDMENTS TO BYE-LAWS**

The Directors proposed to amend the Bye-laws to reflect the changes as a result of the Capital Reorganization in the following manner :

Subject to the Capital Reorganization becoming effective, the existing Bye-law 3(1) of the Bye-laws be deleted in its entirety and substituted by the following :

“3 (1) The share capital of the Company shall be divided into shares of a par value of \$0.01 each or such other amount as the Company may determine from time to time.”



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## LETTER FROM THE BOARD

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### SGM

The SGM will be convened and held to approve the Capital Reorganization and the Amendments. Notice of the SGM is set out on pages 10 and 11 of this circular.

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

### RECOMMENDATION

The Directors are of the opinion that the Capital Reorganization and the Amendments are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that all Shareholders should vote in favour of the relevant resolutions to be proposed at the SGM.

### RIGHT TO DEMAND A POLL

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

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

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## LETTER FROM THE BOARD

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

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

### **ADDITIONAL INFORMATION**

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

Yours faithfully,

By Order of the Board

**MAGICIAN INDUSTRIES (HOLDINGS) LIMITED**

**Xu Jin**

*Chairman*

## 1. RESPONSIBILITY STATEMENT

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

## 2. SHARE CAPITAL

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

<i>Authorised:</i>	<i>HK\$</i>
<u>4,000,000,000</u> ordinary shares of HK\$0.10 each	<u>400,000,000.00</u>
<i>Issued and fully paid:</i>	<i>HK\$</i>
<u>1,303,100,160</u> ordinary shares of HK\$0.10 each	<u>130,310,016</u>

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

## 3. MISCELLANEOUS

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

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## NOTICE OF THE SPECIAL GENERAL MEETING

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### MAGICIAN INDUSTRIES (HOLDINGS) LIMITED

通達工業(集團)有限公司\*

(Incorporated in Bermuda with limited liability)

(Stock Code: 526)

**NOTICE IS HEREBY GIVEN** that a special general meeting of Magician Industries (Holdings) Limited(通達工業(集團)有限公司) (“**Company**”) will be held at Flat A, 2nd Floor, Yeung Yiu Chung (No.6) Industrial Building, 19 Cheung Shun Street, Cheung Sha Wan, Kowloon, Hong Kong on Tuesday, 19 February 2008 at 10:00 a.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolutions as special resolutions:

#### SPECIAL RESOLUTIONS

1. “**THAT** subject to compliance with the relevant legal procedures and requirements under Bermuda laws and the Listing Committee of The Hong Kong Stock Exchange Limited granting approval for the listing of, and permission to deal in, the New Shares (as defined below) in issue, with effect from the business day immediately following the day of passing of this resolution:
  - (a) the par value of each issued share of HK\$0.10 (“Share”) in the capital of the Company be reduced to HK\$0.01 by canceling paid-up capital to the extent of HK\$0.09 on each issued Share (“Capital Reduction”);
  - (b) immediately following the Capital Reduction, each authorized but unissued Share in the capital of the Company be subdivided into 10 new shares of HK\$0.01 each (“New Share”) (“Subdivision”);
  - (c) immediately following the Capital Reduction and the Subdivision, the authorised share capital of the Company be reduced from HK\$400,000,000 to HK\$100,000,000 by cancelling 30,000,000,000 unissued New Shares;
  - (d) the entire balance standing to the credit of the share premium account of the Company be cancelled (“Share Premium Cancellation”);
  - (e) the credits arising from the Capital Reduction and the Share Premium Cancellation be transferred to the contributed surplus account of the Company and applied by the directors (“**Directors**”) of the Company in accordance with the bye-laws of the Company and all applicable laws, including towards setting off the accumulated losses of the Company; and
  - (f) the Directors be and are hereby authorised to do all such acts, deeds and things and to effect all necessary actions as they may consider necessary or desirable in order to effect, implement and complete any and all of the foregoing.”

\* For identification purpose only

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## NOTICE OF THE SPECIAL GENERAL MEETING

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2. “**THAT** subject to the Capital Reduction and the Subdivision ( as defined in Resolution 1) becoming effective, the existing bye-law 3(1) of the Company’s bye-laws be deleted in its entirety and substituted by the following:

“3 (1) The share capital of the Company shall be divided into shares of a par value of \$0.01 each or such other amount as the Company may determine from time to time.””

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

Date: 18 January 2008

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

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

*Notes:*

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

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