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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)*

**ANNOUNCEMENT  
MAJOR AND CONNECTED TRANSACTION:  
PROPOSED ACQUISITION OF THE TARGET GROUP**

**SHARE SUBSCRIPTION  
APPLICATION FOR WHITEWASH WAIVER**

**APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER**

**AND RESUMPTION OF TRADING**

**Financial Advisor to the Company**

**CHANCETON CAPITAL**

**川盟融資有限公司**

**CHANCETON CAPITAL PARTNERS LIMITED**

**The Acquisition**

The Board is pleased to announce that on 14 October 2009, the Company has entered into the Acquisition Agreement with the Vendor in respect of the Acquisition. The consideration for the Acquisition shall be 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 of the Company, the Acquisition also constitutes a connected transaction for the Company under the Listing Rules.

### **Share Subscription**

The Board is pleased to announce that after the 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.

### **The Whitewash Waiver**

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 date of this announcement 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 a waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code is granted by the Executive.

A formal application will be 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 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.

### **General**

The Listing Rules Independent Board Committee comprised of all of the independent non-executive Directors of the Company has been established to advise the Independent Shareholders as to whether the terms and conditions of the Acquisition and the Share Subscription are on normal commercial terms and 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 the advice from the Independent Financial Adviser. The Whitewash Independent Board Committee comprised of all of the non-executive Directors of the Company (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 of the Company has been established

to advise the Independent Shareholders as to the Whitewash Waiver and to make a recommendation to the Independent Shareholders on how to vote, taking into account the advise from the Independent Financial Adviser. None of the members of the respective Independent Board Committees is directly or indirectly interested or involved in the Acquisition, the Whitewash Waiver or the Share Subscription.

With the approval of the Independent Board Committees, the Company has appointed Athens Capital Limited as the Independent Financial Adviser to make recommendations to the Independent Board Committees as to whether the terms and conditions of the Acquisition, the Whitewash Waiver and the Share Subscription are on normal commercial terms and 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.

A circular containing, amongst other information, (i) further information on the Acquisition, the Share Subscription and the Whitewash Waiver; (ii) a letter of advice from the Independent Board Committees to the Independent Shareholders as to whether the terms and conditions of the Acquisition, 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 advising the Independent Shareholders on how to vote, taking into account the recommendations from the Independent Financial Adviser; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committees as to whether the terms and conditions of the Acquisition, 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 advising the Independent Board Committees on how to vote; (iv) a notice of the SGM, will be dispatched to the Shareholders as soon as practicable in accordance with the Takeovers Code and the Listing Rules.

### **Suspension and Resumption of trading**

At the request of the Company, trading of the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 14 October 2009 pending the release of this announcement. The Company has made an application to the Stock Exchange for the resumption of trading of the Shares on the Stock Exchange with effect from 9:30 a.m. on 2 November 2009.

## **INTRODUCTION**

The Board announced that the Company and the Subscriber has entered into the Share Subscription Agreement in respect of the Share Subscription after the 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.

## THE ACQUISITION AGREEMENT

### Parties

**Purchaser:** Magician Strategic Limited (通達策略有限公司\*), a company incorporated in the British Virgin Islands 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 date of this announcement, 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 of plastic and household products held by the PRC Vendors (Da Mei New Materials and Ningbo Hua Xing) as at 30 June 2009 and inventories and business contracts held by the PRC Vendors upon completion of the Assets and Business Transfer.

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 Ningbo Lisi Plastic & Rubber Co., Ltd., which is a non-wholly owned subsidiary of Lisi Group, in which Lisi Group Co., Ltd. holds 75% equity interest and Tofle of Hong Kong Limited holds 25% equity interest. The entire issued share capital of 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 date of this announcement.

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 Ningbo Lisi Plastic & Rubber Co., Ltd. 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.

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 date of this announcement, 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 face value of HK\$25,000,000.

#### **Consideration**

The consideration for the sale and purchase of the Interests 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 Consideration was arrived 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.

The audited revenue of Da Mei New Materials for the year ended 31 December 2008 and for the six months ended 30 June 2009 were approximately RMB95,969,000 and RMB47,257,000 respectively. For the year ended 31 December 2008 and for the six months ended 30 June 2009, the audited net profit after tax were approximately RMB8,246,000 and RMB12,334,000 respectively.

For Ningbo Hua Xing, the audited revenue for the year ended 31 December 2008 and for the six months ended 30 June 2009 were approximately RMB3,839,000 and RMB1,611,000 respectively. The audited net loss after tax for the year ended 31 December 2008 and for the six months ended 30 June 2009 were approximately RMB485,000 and RMB2,000 respectively. The Directors having noted that Ningbo Hua Xing was making an insignificant loss, and 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 is 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 audited values of the assets to be transferred from Da Mei New Materials is approximately RMB29,628,000 as at 30 June 2009 and the audited values of assets being transferred from Ningbo Hua Xing is approximately RMB3,460,000 as at 30 June 2009. The Directors considered that, taken into account of the historical financial performances of the PRC Vendors, the fact that the Acquisition provides a golden opportunity for the Group to diversify its product lines into a more comprehensive range of household products, develop different customer groups and different household product mix between the Group and the Target Group, enjoy synergies on a larger customer base and enhancement of the Group's presence in the market through larger market share and wider range of products of the Enlarged Group, the Consideration, albeit representing a premium over the audited asset values of the assets to be transferred from the PRC Vendors to the Target Group, is justifiable and is 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" below, 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.

#### *The consideration for the Assets and Business Transfer*

All the manufacturing equipment of plastic and household products held by the PRC Vendors as at 30 June 2009 and inventories held by the PRC Vendors at the time of completion of the Assets and Business Transfer will be transferred to the Target Group upon completion of the Assets and Business Transfer. It is currently estimated that the Target Group will acquire the assets of carrying value of HK\$25,000,000 from the PRC Vendors under Assets and Business Transfer.

As at 30 June 2009, the assets value of the subject matter to be transferred to the Target Group is approximately RMB33,088,000 which comprised the following assets (as per accounts of Da Mei New Materials and Ningbo Hua Xing as at 30 June 2009 audited by Lo and Kwong C.P.A Company Limited): machinery in the sum of RMB5,485,000; furniture & fixture in the sum of RMB241,000; moulds in the sum of RMB9,459,000; equipment in the sum of RMB1,612,000 and inventories in the sum of 16,291,000. The assets value of the Target Group represents the assets to be transferred to the WFOE from Da Mei New Materials and Ningbo Hua Xing. The machinery, furniture and fixture, moulds and equipment are stated at net carrying values as at 30 June 2009 and the inventories are stated at cost as at 30 June 2009. The difference between the asset values of the subject matter to be transferred to the Target Group as at 30 June 2009 and the estimated carrying values of the subject matter to be transferred to the Target Group upon the completion of the Assets and Business Transfer is due to, according to the PRC Vendors, an expected decrease in inventory level in the second half of 2009 as well as the depreciation of machinery and equipment. In the event that a change of values of the subject matter takes place upon completion of the Assets and Business Transfer, the Consideration will not be altered.

As at the date hereof, the Target Group is still undergoing the Assets and Business Transfer. It is expected that the Assets and Business Transfer shall be completed on 31 December 2009.

#### *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 using the proceeds from the Share Subscription.

#### **Conditions to Completion**

Completion is subject to, among other things, the satisfaction of the following conditions 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 Hong Kong, BVI and the PRC reasonably required by the Purchaser to be confirmed including but not limited to opinions relevant to the transactions contemplated under the Acquisition and the Assets and Business Transfer;

- (d) the continued 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 by the Acquisition Agreement having been obtained and effective including but not limited to:
  - (i) the approval by the Independent Shareholders at the SGM in respect of (A) the Acquisition by the Purchaser, (B) the possible continuing connected transactions contemplated under the WFOE Agreements (if any), (C) the Share Subscription; and (D) the Whitewash Waiver;
  - (ii) all relevant PRC approvals from relevant PRC government authorities and agencies necessary for the implementation of the transactions contemplated by 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 by 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 to the Subscriber or its nominees 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 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 31 December 2009 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 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.

## **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. The non-competition undertaking shall be given by the PRC Vendors in favour of the WFOE upon execution of the WFOE Agreements.

Further, the Vendor shall undertake to the Purchaser (in accordance with the terms of the Acquisition Agreement) that during the period from the Completion to March 31, 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 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 the date of this announcement, 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 the Lisi Group (a private group which is not listed on any stock exchange) established in the PRC, the principal businesses of which 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. 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 include 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 include 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 Ningbo Lisi Plastic & Rubber Co., Ltd.; whereas the shareholding structure of the latter company is: Lisi Group Co., Ltd. holds 70.86%, Big-Max holds 25.81% and Ningbo Lisi Plastic & Rubber Co., Ltd. holds 3.33% of equity interest. Ningbo Lisi Plastic & Rubber Co., Ltd. is a non-wholly owned subsidiary of Lisi Group, in which Lisi Group Co., Ltd. holds 75% equity interest and Tofle of Hong Kong Limited holds 25% equity interest. The entire issued share capital of 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 date of this announcement. 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 date of this announcement, 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 will be transferred to the WFOE upon completion of the Assets and Business Transfer for a consideration preliminary estimated to be approximately HK\$25,000,000.

The Target is an investment holding company and does not have any operations as at the date of this announcement. 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.

As at the date of this announcement, the Assets and Business Transfer and the relevant registration procedures at the relevant PRC authorities have not yet been completed.

The Directors considered that, as substantially all of the revenue generating assets and business of the PRC Vendors will be transferred to the Target Group upon completion of the Asset and Business Transfer, the following historical financial information which were extracted from the accounts of the PRC Vendors audited by Lo and Kwong C.P.A. Company Limited shall provide a good reference as to historical financial position of the Target Group:

#### Da Mei New Materials

	<b>For the year ended 31 December 2006 (RMB'000s)</b>	<b>For the year ended 31 December 2007 (RMB'000s)</b>	<b>For the year ended 31 December 2008 (RMB'000s)</b>	<b>For the 6 months ended 30 June 2009 (RMB'000s)</b>
Revenue	120,477	92,336	95,969	47,257
Profit before tax and extraordinary items	13,495	10,429	9,906	13,383
Profit after tax and extraordinary items	13,495	10,429	8,246	12,334

#### Ningbo Hua Xing

	<b>For the year ended 31 December 2006 (RMB'000s)</b>	<b>For the year ended 31 December 2007 (RMB'000s)</b>	<b>For the year ended 31 December 2008 (RMB'000s)</b>	<b>For the 6 months ended 30 June 2009 (RMB'000s)</b>
Revenue	8,820	7,083	3,839	1,611
Profit (loss) before tax	1,280	443	(482)	(2)
Profit (loss) after tax and extraordinary items	1,111	385	(485)	(2)

Based on the best knowledge of the Directors, as at the date of this announcement, 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, none of the Target, Golden Time and the WFOE had any assets/business since its incorporation and therefore the Target Group has no revenue, profit and loss and only comprised of minimal bank interest and administrative expenses.

It is currently estimated that the total assets value of the Target Group upon completion of the Assets and Business Transfer will be approximately HK\$25,000,000.

### **Pro forma financial information of the Enlarged Group**

The pro forma financial information of the Enlarged Group as at 30 June 2009 which has been prepared in accordance with HKFRS and in compliance with Rule 4.29 of the Listing Rules will be included in the circular to be despatched by the Company to the Shareholders in relation to the matters associated with the details of this announcement in accordance with the Listing Rules and the Takeovers Code.

### **POSSIBLE CONTINUING CONNECTED TRANSACTIONS**

It is expected that the entering of the WFOE Agreements and the performance of the obligations therein by the WFOE (which shall, subsequent to the Acquisition, be part of the Enlarged Group) and the PRC Vendors and/or Lisi Group, of which Mr. Li Li Xin and Ms. Jin Ya Er (connected persons under the Listing Rules by virtue of their interests in Big-Max as disclosed above) together beneficially owns the controlling equity interest thereof, would constitute continuing connected transactions to the Company.

The terms of the WFOE Agreements have not been finalized and the involved parties are still negotiating the terms and conditions. The Company will comply with the relevant requirements under the Listing Rules in respect of any continuing connected transactions resulting when the WFOE Agreements are executed.

### **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, losses of the Group were narrowed from HK\$22.8 million in 2007 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 focused 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.

In light of the above, the Directors (excluding all the independent non-executive Directors whose views will be contained in the circular), are of the view that the terms of the Acquisition Agreement are on normal commercial terms, in the ordinary course of business, and in the interests of the Group, the Company and the Shareholders as a whole.

## **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 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 this announcement and approximately 37.8% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares.

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

- (a) 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 last trading day prior to the date of this announcement;
- (b) 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 5 trading days up to and including 13 October 2009, being the date of the Share Subscription Agreement;

- (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 of 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 during the years ended 31 March 2008 and 31 March 2009 of 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.

The Board (excluding the respective members of the Independent Board Committees whose views will be contained in the circular) is of the view that the terms of the Share Subscription Agreement together with the Whitewash Waiver (as described below) are on normal commercial terms, fair and reasonable and in the interests of the Group, the Company and the Shareholders as a whole.

### **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 respective 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 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 this 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 shall have any claim of any nature whatsoever against the other under the Share Subscription Agreement.

### **Completion**

The completion of the Share Subscription Agreement 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).

### **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 a golden opportunity for the Group to diversify its product lines into a more comprehensive range of household products targeting with 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 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.

The Company has not conducted any equity-related fund raising exercise during the past 12 months immediately prior to the date of this announcement.

### **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 date of this announcement until completion of the Share Subscription):

Name of Shareholders	As at the date of this announcement		Immediately after completion of the Share Subscription Agreement	
	Shares	%	Shares	%
Big-Max and its concert parties ( <i>Note 1</i> )	377,247,014	24.5	1,314,747,014	53.1
Mr. Xu Jin ( <i>Note 2</i> )	254,011,526	16.5	254,011,526	10.3
Public	908,205,254	59.0	908,205,254	36.7
Total	<u>1,539,463,794</u>	<u>100</u>	<u>2,476,963,794</u>	<u>100</u>

*Notes:*

- As at the date of this announcement, Mr. Li 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 and as to 10% by Mr. Li's spouse.
- Mr. Xu Jin is a non-executive Director of the Company.

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 securities 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 consider that the Subscription is an appropriate mean 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 in the Company will increase from approximately 24.5% as at the date of this 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 a waiver pursuant to Note 1 of the Notes on dispensations from Rule 26 of the Takeovers Code is granted by the Executive.

A formal application will be 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 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 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 this announcement, 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 as at the date of this announcement.

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 date of this announcement. 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 this announcement.

Save for the proposed issuance of the Subscription Shares and for the transactions as disclosed in this announcement, 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, the Share Subscription Agreement and the Acquisition as at the date of this announcement.

As at the date of this announcement, 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 Share Subscription, the Acquisition and the Whitewash Waiver (save for the condition to the Share Subscription and the Acquisition).

None of the Subscriber or any person acting in concert with it had borrowed or lent any relevant securities (as defined in the Takeovers Code) of the Company as at the date of this announcement.

As at the date hereof, 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.

## **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) 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 date of this announcement, 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 constitutes connected transactions of the Company under Chapter 14A of the Listing Rules. The Acquisition and the Share Subscription is therefore subject to the announcement, reporting and Independent Shareholders' approval requirements under Chapters 14 and 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 on the Company, neither the Vendor, Lisi Group Co., Ltd, Ningbo Hua Xing, Da Mei New Materials nor any of their associates holds any Shares as at the date of this announcement.

## **GENERAL INFORMATION**

### **Independent Board Committees**

The Listing Rules Independent Board Committee comprised of all of the independent non-executive Directors of the Company has been established to advise the Independent Shareholders as to whether the terms and conditions of the Acquisition and the Share Subscription are on normal commercial terms and 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 the advice from the Independent Financial Adviser. The Whitewash Independent Board Committee comprised of all of the non-executive Directors of the Company (except Mr. Li Li Xin whom 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 of the Company has been established to advise the Independent Shareholders as to the Whitewash Waiver and to make a recommendation to the Independent Shareholders on how to vote, taking into account the advice from the Independent Financial Adviser. None of the members of the respective Independent Board Committees is directly or indirectly interested or involved in the Acquisition, the Whitewash Waiver or the Share Subscription.

### **Independent Financial Adviser**

The Board announces that with the approval of the Independent Board Committees, the Company has appointed Athens Capital Limited as the Independent Financial Adviser to make recommendations to the Independent Board Committees as to whether the terms and conditions of the Acquisition, the Whitewash Waiver and the Share Subscription are on normal commercial terms and 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.

## **DESPATCH OF SHAREHOLDERS' CIRCULAR**

A circular containing, amongst other information, (i) further information on the Acquisition, the Share Subscription and the Whitewash Waiver; (ii) a letter of advice from the Independent Board Committees to the Independent Shareholders as to whether the terms and conditions of the Acquisition, 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 advising the Independent Shareholders on how to vote, taking into account the recommendations from the Independent Financial Adviser; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committees as to whether the terms and conditions of the Acquisition, 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 advising the Independent Board Committees on how to vote; (iv) a notice of the SGM, will be dispatched to the Shareholders as soon as practicable in accordance with the Takeovers Code and the Listing Rules.

## **RESUMPTION OF TRADING**

At the request of the Company, trading of the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 14 October 2009 pending the release of this announcement. The Company has made an application to the Stock Exchange for the resumption of trading of the Shares on the Stock Exchange with effect from 9:30 a.m. on 2 November 2009.

## **DEFINITIONS**

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

“Acquisition Agreement”	the conditional sale and purchase agreement dated 14 October 2009 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
“Assets and Business Transfer”	all of the manufacturing equipment of plastic and household products, inventories and businesses of the PRC Vendors would be transferred to the Target 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 date of this announcement, 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 date of this announcement
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“Business Day”	a day (other than a Saturday or a Sunday) on which banks generally are open for business in Hong Kong
“Company”	Magician Industries (Holdings) Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“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 of HK\$90,000,000 under the Acquisition Agreement
“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 subsequent to the Acquisition

“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate(s) of the Executive Director
“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
“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 Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong) to carry out type 6 (advising on corporate financial) 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 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
“Independent Shareholder(s)”	Shareholders other than Big-Max, its associates and parties acting in concert with them and any person who is involved in, or interested in, the Acquisition, 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 having made all reasonable enquiry) third parties independent of the Company and its connected person
“Interests”	collectively the Target Shares and the Loan
“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 and his associates and two senior executives Mr. Cheng Jian He and Mr. Xu Jin Bo in 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 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 of principal amount 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 announcement, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“PRC Vendors”	Da Mei New Materials and Ningbo Hua Xing

“Purchaser”	Magician Strategic Limited (通達策略有限公司*), a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of the Company
“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 or about 7 December 2009 at which, <i>inter alia</i> , the Share Subscription Agreement, Acquisition Agreement, and the Whitewash Waiver will be approved by the Independent Shareholders
“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 entered into between the Company and Big-Max in relation to the subscription of the Subscription Shares
“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 British Virgin Islands with limited liability and the wholly owned subsidiary of Big-Max as at the date of this announcement
“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 share of Target with par value of USD 1 each
“USD”	the United States of America Dollars, a lawful currency of the United States of America
“WFOE”	寧波奧爾嘉新材料有限公司, the wholly-owned subsidiary of Golden Time, a wholly-foreign owned enterprise incorporated under the laws of the PRC
“WFOE Agreements”	agreement(s) that may be entered by the WFOE with the PRC Vendors (in relation to, among other things, the lease of a factory & office premises, the provision of add-valued facilities, import agency, export agency, factory inspection agency) to facilitate the continued operations of the businesses of the Target Group following Completion
“Whitewash Independent Board Committee”	the independent board committee established by the Company consisting of all the non-executive Directors (except Mr. Li Li Xin) and all the independent non-executive Directors to advise the Independent Shareholders as to the Whitewash Waiver and to advise the Independent Shareholders on how to vote, taking into account the recommendations of the Independent Financial Adviser
“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.

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

**Li Li Xin**

*Chairman*

Hong Kong, 2 November 2009

*As at the date of this announcement, 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.*

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

\* *For identification purposes only*