

## The FRC publishes its second enquiry report

(11 September 2009, Hong Kong) Today, the Financial Reporting Council (the “FRC”) publishes its second enquiry report.

The enquiry relates to the consolidated financial statements of Magician Industries (Holdings) Limited (“Magician”) (Stock code: 526) for the year ended 31 March 2008. The enquiry was initiated from the review of modified auditors’ reports by the FRC since July 2008.

The FRC has issued a [statement \(www.frc.org.hk\)](http://www.frc.org.hk) accompanying the enquiry report. The statement provides a brief chronology and the findings of the enquiry and an account of the events subsequent to the adoption of the enquiry report by the FRC.

On 6 November 2008, the FRC resolved to appoint a Financial Reporting Review Committee (the “FRRC”) to conduct the enquiry after an initial review. On 25 June 2009, the FRRC completed the enquiry and prepared a report on the findings of the enquiry, which was subsequently adopted by the FRC on 10 July 2009.

Mr. M.T. Shum, the Chief Executive Officer of the FRC, said “This is the first enquiry report initiated from our review of modified auditors’ reports. Our main concern of this enquiry is that Magician did not measure the value in use of the property, plant and equipment (the “PPE”) as at 31 March 2008 in accordance with the relevant financial reporting standards. It is understood that in preparing its latest financial statements, Magician performed the value-in-use calculations for measuring the recoverable amounts of the PPE as at 31 March 2008 and 31 March 2009 taking into account all the findings in the enquiry report.”

“We would like to remind the management of all listed entities to exercise due care in preparing cash flow projections for measurement of the value in use of an asset or cash-generating unit, in particular, reasonable and supportable assumptions should always be used as the basis for cash flow projections.” Mr. Shum added.

The FRRC comprised 5 members, including Mr. Fung Ying-wai Wilson as the Chairman, Mrs. Cheng Tang Ho-kuen Lina, Mr. Lam Chi-yuen Nelson, Mr. Roger Thomas Best, J.P. and Mr. Tsoi Tong-hoo Tony as members.

The [full report](http://www.frc.org.hk) is available on the website of the FRC ([www.frc.org.hk](http://www.frc.org.hk)).