



MAGICIAN INDUSTRIES (HOLDINGS) LIMITED

通達工業(集團)有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 526)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007

The board of directors (the “Board”) of Magician Industries (Holdings) Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2007 (the “Period”) together with the comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 September	
	Notes	2007 HK\$'000 (unaudited)	2006 HK\$'000 (unaudited)
Turnover	3	120,270	124,269
Cost of sales		<u>(100,186)</u>	<u>(110,282)</u>
Gross profit		<u>20,084</u>	<u>13,987</u>
Other revenues		655	1,113
Other income		326	267
Selling and distribution expenses		(4,022)	(4,555)
Administrative and other operating expenses		<u>(18,302)</u>	<u>(26,530)</u>
		<u>(21,343)</u>	<u>(29,705)</u>
Loss from operations	4	(1,259)	(15,718)
Finance costs		<u>(5,988)</u>	<u>(6,252)</u>
Loss before taxation		(7,247)	(21,970)
Taxation	5	<u>(4)</u>	<u>(56)</u>
Loss for the period		<u><u>(7,251)</u></u>	<u><u>(22,026)</u></u>
Loss per share	7		
– Basic, HK cents		<u><u>(0.83)</u></u>	<u><u>(2.54)</u></u>
– Diluted, HK cents		<u><u>(0.78)</u></u>	<u><u>N/A</u></u>

CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Notes</i>	30 September 2007 HK\$'000 (unaudited)	31 March 2007 HK\$'000 (audited and restated)
NON-CURRENT ASSETS			
Property, plant and equipment		<u>221,782</u>	<u>222,011</u>
		221,782	222,011
CURRENT ASSETS			
Inventories		30,355	29,534
Trade and bills receivable	8	30,533	27,015
Prepayments, deposits and other receivables		4,121	4,395
Tax recoverable		–	233
Pledged deposits		5,190	5,058
Cash and bank balances		9,266	7,919
		<u>79,465</u>	<u>74,154</u>
CURRENT LIABILITIES			
Trade payables	9	38,888	38,504
Other payables		45,930	48,488
Advance from a related company	12	–	7,000
Loan from a related company, unsecured	13	7,800	7,800
Loans from a shareholder, unsecured	14	28,000	28,000
Short-term bank and other borrowings, secured		127,994	133,068
Current portion obligations under finance leases		2,483	2,003
Tax payables		1,670	–
		<u>252,765</u>	<u>264,863</u>
NET CURRENT LIABILITIES		(173,300)	(190,709)
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>48,482</u>	<u>31,302</u>
NON-CURRENT LIABILITIES			
Zero-coupon convertible bonds		25,461	–
Obligations under finance leases		2,306	3,666
		<u>27,767</u>	<u>3,666</u>
NET ASSETS		<u>20,715</u>	<u>27,636</u>
CAPITAL AND RESERVES			
Share capital		86,873	86,873
Reserves		(66,158)	(59,237)
		<u>20,715</u>	<u>27,636</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Zero- coupon convertible bonds <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2006	86,873	282,049	1,265	139	51	-	(319,919)	50,458
Loss for the period	-	-	-	-	-	-	(22,026)	(22,026)
At 30 September 2006	<u>86,873</u>	<u>282,049</u>	<u>1,265</u>	<u>139</u>	<u>51</u>	<u>-</u>	<u>(341,945)</u>	<u>28,432</u>
At 1 April 2007	86,873	282,049	1,265	139	51	-	(342,741)	27,636
Movements/Loss for the period	-	-	-	-	-	330	(7,251)	(6,921)
At 30 September 2007	<u>86,873</u>	<u>282,049</u>	<u>1,265</u>	<u>139</u>	<u>51</u>	<u>330</u>	<u>(349,992)</u>	<u>20,715</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 September	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Net cash (outflow)/inflow from operating activities	(5,336)	(26,413)
Net cash from investing activities	(5,524)	8,316
Net cash from financing activities	12,340	22,423
Net increase/(decrease) in cash and cash equivalents	1,480	4,326
Cash and cash equivalents at beginning of Period	12,976	6,759
Cash and cash equivalents at end of Period	<u>14,456</u>	<u>11,085</u>

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 Rule") 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 2007.

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		Segment results	
	Six months ended		Six months ended	
	30 September		30 September	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
USA	97,723	95,097	6,452	1,054
Canada	2,210	5,523	298	(262)
Hong Kong	8,507	9,976	1,269	1,041
Mainland China	729	89	(38)	(246)
Europe	4,123	5,491	519	(214)
Others	6,978	8,093	879	150
	<u>120,270</u>	<u>124,269</u>	<u>9,379</u>	<u>1,523</u>
Unallocated corporate expenses			<u>(10,638)</u>	<u>(17,241)</u>
Loss from operations			<u>(1,259)</u>	<u>(15,718)</u>
Finance costs			<u>(5,988)</u>	<u>(6,252)</u>
Taxation			<u>(4)</u>	<u>(56)</u>
Loss for the period			<u><u>(7,251)</u></u>	<u><u>(22,026)</u></u>

4. LOSS FROM OPERATIONS

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

	Six months ended 30 September	
	2007	2006
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Amortisation of prepaid lease payments	527	527
Depreciation on property, plant and equipment	7,259	14,347
Provision for inventory obsolescence	37	1,119
(Written back) Provision for bad and doubtful debts	–	287
Exchange loss, net	1,826	2,642
Staff costs	17,064	17,453
Bank interest income	(216)	(109)
Litigation settlements and penalty	1,234	4,927

5. TAXATION

Hong Kong profits tax amounting to HK\$4,000 has been provided as the Group incurred a profit for taxation purposes for the Period (2006: HK\$56,000). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

6. DIVIDENDS

The Directors of the Company do not recommend the payment of interim dividend (2006: Nil) in respect of the Period.

7. LOSS PER SHARE

The calculation of basic loss per share for the Period is based on the net loss of HK\$7,251,000 (2006: loss of HK\$22,026,000), and on the weighted average number of 868,733,440 ordinary shares (2006: 868,733,440 ordinary shares) in issue throughout the periods.

Diluted loss per share for the Period were computed by dividing the loss for the Period by weighted average number of ordinary shares in issue during the Period, after adjusting for the effects of the dilutive potential ordinary shares. All dilutive potential ordinary shares arose from zero-coupon convertible bonds.

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 2007 <i>HK\$'000</i> <i>(unaudited)</i>	31 March 2007 <i>HK\$'000</i> <i>(audited and restated)</i>
Less than 1 month	10,732	14,026
1 month to 2 months	17,260	10,181
2 months to 3 months	2,509	2,267
3 months to 6 months	32	201
6 months to 1 year	—	340
	<u>30,533</u>	<u>27,015</u>

9. TRADE PAYABLES

An aging analysis of trade payables is set out below:

	30 September 2007 <i>HK\$'000</i> <i>(unaudited)</i>	31 March 2007 <i>HK\$'000</i> <i>(audited and restated)</i>
Less than 3 months	24,326	23,158
3 months to 6 months	5,670	5,177
6 months to 1 year	3,079	2,179
More than 1 year	5,813	7,990
	<u>38,888</u>	<u>38,504</u>

10. COMMITMENTS

	30 September 2007 <i>HK\$'000</i> <i>(unaudited)</i>	31 March 2007 <i>HK\$'000</i> <i>(audited and restated)</i>
(a) Capital expenditure commitments		
Contracted but not provided for, net of deposits paid	<u>195</u>	<u>244</u>
(b) Commitment under operating leases		
The Group had total future minimum lease payments under non-cancelable operating leases, which are payable as follows:		

	30 September 2007 <i>HK\$'000</i> <i>(unaudited)</i>	31 March 2007 <i>HK\$'000</i> <i>(audited and restated)</i>
Within 1 year	554	898
In the second to fifth years inclusive	<u>–</u>	<u>149</u>
	<u>554</u>	<u>1,047</u>

11. CONTINGENT LIABILITIES

In addition to the guarantee granted for banking facilities as disclosed in the latest annual report, at the balance sheet date, the Company had contingent liabilities not provided for in the financial statements in respect of claims by various ex-employees of the Company's subsidiary in the PRC court for compensation totaling RMB3,442,158.

12. ADVANCE FROM A RELATED COMPANY

The advance from a related company, a company in which Mr. Xu Jin has beneficial interest, was unsecured and interest-free. The advance was repaid on 8 August 2007.

13. LOAN FROM A RELATED COMPANY, UNSECURED

The loan from a related company, a company in which Mr. Xu Jin has beneficial interest, was unsecured, interest bearing at a fixed interest rate of 7% per annum. The loan was renewed and repayable in January 2008.

14. LOANS FROM A SHAREHOLDER, UNSECURED

The loans from a shareholder were unsecured and interest bearing at HIBOR plus 3% per annum. The loans were renewed and repayable in December 2007.

15. POST BALANCE SHEET EVENTS

Subsequent to 30 September 2007, the Group has the following post balance sheet events:

- (a) The bank loan in the principal amount of around HK\$108.8 million (outstanding as at the balance sheet date) was settled in late October 2007. Moreover, a 3-year term loan facility in the amount of RMB120 million at the interest rate of 105% of the base leading rate published by the People's Bank of China was obtained in October 2007. As at the date hereof, RMB100 million has been drawn and it is expected that the remaining amount of the said loan in the sum of RMB20 million will be released to the Group in due course. The assets pledged for the said loan had a value of approximately HK\$178 million which are fixed assets located in the PRC, which accommodate certain production facilities of the Group.
- (b) The Company announced on 21 October 2007 to raise approximately HK\$43.3 million by way of a proposed open offer at the price of HK\$0.1 per offer shares on the basis of one offer share for every two shares held on the record date.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

General Information

For the six months ended 30 September 2007, Magician recorded a turnover of approximately HK\$120.3 million, representing a slight drop of 3.2% when compared with the HK\$124.3 million reported for the corresponding period last year. The Group reported a loss from operation of HK\$1.3 million compared to a loss of HK\$15.7 million last year, and a loss for the Period of HK\$7.3 million when compared to a loss of HK\$22.0 million during the same period last year. The Group's basic loss per share was HK0.83 cents.

There was neither acquisition nor disposal of principal subsidiaries or associated companies during the period under review, while investments held have not been materially changed from those disclosed in the latest annual report.

Liquidity and Financial Resources

As at 30 September 2007, the Group's net assets decreased to HK\$20.7 million, rendering net asset value per share at HK2.38 cents. The Group's total assets at that date were valued at HK\$301.2 million, including cash and bank deposits totaling approximately HK\$9.3 million. Consolidated borrowings amounted to HK\$194.0 million. Its debt-to-equity ratio (bank and other borrowings over total equity) has been increased from 656.9 % as at 31 March 2007 to 936.7% as at 30 September 2007.

Capital Structure of the Group

As at 30 September 2007, the Group's major borrowings included a one-year term loan provided by Bank of China, Baoan, Shenzhen, which had an outstanding balance of HK\$108.8 million, other bank borrowings of HK\$19.2 million and advance and borrowings from a shareholder and a related company totaling HK\$35.8 million. On 1 August 2007, the Company issued convertible bonds in the principal amount of HK\$26 million to various placees. The full amount of the convertible bonds was outstanding as at 30 September 2007. All of the Group's borrowings have been denominated in Hong Kong dollar and U.S. dollar made on a floating-rate and fixed rate basis respectively. Change in the Group's major borrowings subsequent to 30 September 2007 is set out in Note 15 to the financial statements.

Charges on Group Assets

Certain assets of the Group having a carrying value of HK\$181.1 million as at 30 September 2007 (31 March 2007: HK\$183.4 million) were pledged to secure banking facilities of the Group.

Capital Expenditure and Commitments

The Group will continue to allocate a reasonable amount of resources to acquisition and improvement of capital assets such as moulds and new machines to maintain efficiency and to meet production and market demands. Sources of funding are expected to come primarily from trading revenue that the Group will generate and alternative debt and equity financing

Exposure to Foreign-Exchange Fluctuations

The Group's trading income, monetary assets and liabilities were principally denominated in Hong Kong dollar, PRC Renminbi and U.S. dollar. As far as the Hong Kong dollar remains pegged to the U.S. dollar and the PRC government continues to be conservative in their foreign exchange and monetary policies, the exposure to foreign exchange fluctuations is not significant.

Segment Information

North America remained the Group's primary market, which accounted for 83.1% of total sales. The remaining comprised sales to Europe, Hong Kong, PRC and others.

Contingent Liabilities

In addition to the guarantee granted for banking facilities as disclosed in the latest annual report, at the balance sheet date, the Company had contingent liabilities not provided for in the financial statements in respect of claims by various ex-employees of the Company's subsidiary in the PRC court for compensation totaling approximately RMB3.4 million.

Employee Information

As at 30 September 2007, the Group employed a workforce of 1,151 employees in its various offices and factories located in Hong Kong and the PRC. Competitive remuneration packages were provided and commensurate with individual responsibilities, qualifications, experience and performance. The Group provided management skills workshops, practical seminars for knowledge update, on-the-job training and safety training programs to its employees. There was a share-option scheme in force but no share option was granted during the period under review.

Review of Operations

During the period under review, the Group recorded a loss for the period of HK\$7.3 million. As a result of the Group's cost reduction measures and revised business strategy, the loss was significantly reduced compared to a loss for the period of HK\$22.0 million for the corresponding period last year. The Group has been declining low margin sales orders while focusing on higher margin products to maintain the gross profit margin, such as OEM products and silicone bakeware, which is the major reason for improving the Group's bottom-line.

International sales for the six months ended 30 September 2007 remained stable at HK\$111.0 million as compared with HK\$114.2 million recorded for the same period last year. For the period under review, sales in the US market increased by 2.8% to HK\$97.7 million when compared to HK\$95.1 million for the same period last year. Sales in the Canadian market fell by 60% to HK\$2.2 million from the HK\$5.5 million recorded for the same period last year. The sales performance of the European market dropped to HK\$4.1 million, compared to HK\$5.5 million recorded for the same period last year. To enhance the quality of earnings, the Group focused its efforts on orders with higher profit margins and favourable payment terms, which also contributed to the reduction in sales.

PROSPECTS

The Group will continue its cost control measures and business strategy of focusing on better return products and customers which successfully led to the Group's narrowed loss. If the production costs continue to rise, the Group will consider adopting further cost control measures such as structural changes in procurement and manufacturing planning and/or relocation of its production facilities (or part of them) to lower cost areas. On the other hand, the Group will step up its efforts to explore new business. With the Group's innovative R&D team, we believe that we can produce quality products to meet market needs and to maintain high profit margins.

The Group took initiative in expanding its customer base, especially the higher margin OEM customers, who are willing to invest in tailor-made products that fit their specific requirements. The Group has been developing new products such as kitchenware gadgets, metal silicone over-mould bakeware and silicone bakeware. In the short to medium term, we will diversify new product line to optimize the production capacity. In the long run, the Group will further develop its business into the European, Australian and Japanese markets.

We believe that the Group's clear business strategies and their robust implementation will eventually bear fruitful results to our shareholders.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Period.

AUDIT COMMITTEE

The Audit committee, comprising three independent non-executive directors, Mr Chan Man Sum Ivan (Chairman), Mr He Chengying and Mr Cheung Kiu Cho Vincent had reviewed with management the accounting principles and practices adopted by the Group and discussed financial reporting matters including the review of the unaudited interim financial statements for the Period.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors, the Company has complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the Period, except for the following:–

Code Provision A.2.1 The roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and the chief executive officer should be clearly established and set out in writing. During the Period, Mr Xu Jin, chairman of the Group, has been acting as interim chief executive officer of the Company pending a suitable candidate for the vacancy. The Company is in the process of identifying an appropriate candidate as the Company's chief executive officer.

MODEL CODE

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules. All directors have confirmed that they have complied with the required standard set out in the Model Code throughout the Period following enquiry by the Company.

By Order of the Board
Magician Industries (Holdings) Limited
Xu Jin
Chairman

Hong Kong, 27 November 2007

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

** for identification purpose only*