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 AUDITED RESULTS FOR THE YEAR ENDED 31 MARCH 2008

AUDITED RESULTS

The board of directors (the "Directors") of Magician Industries (Holdings) Limited (the "Company") announces that the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2008 with comparative figures of the previous corresponding year are as follows:

Consolidated Income Statement

Year ended 31 March 2008

	Note	**2008** *HK$'000*	2007 *HK$'000*
Turnover	3	**215,997**	219,508
Cost of sales		**(182,104)**	(189,717)
Gross profit		**33,893**	29,791
Other revenue		**2,067**	2,538
Other income	4	**14,271**	10,172
Selling and distribution expenses		**(9,390)**	(9,076)
Administrative and other operating expenses		**(44,699)**	(44,287)
Finance costs	5	**(12,445)**	(11,904)
Loss before taxation	5	**(16,303)**	(22,766)
Taxation credit (charge)	6	**10**	(56)
Loss for the year attributable to equity holders of the Company		**(16,293)**	(22,822)
Loss per share – Basic	7	**HK(1.28) cents**	HK(1.83) cents

* *For identification purpose only*

Consolidated Balance Sheet

At 31 March 2008

	Note	**2008** *HK$'000*	2007 *HK$'000*
Non-current assets			
Property, plant and equipment		**231,695**	222,011
Current assets			
Inventories		**20,202**	29,534
Trade and bills receivables	8	**23,243**	27,015
Prepayments, deposits and other receivables		**3,087**	4,395
Tax recoverable		**–**	233
Pledged deposits		**5,298**	5,058
Bank balances and cash		**14,680**	7,919
		66,510	74,154
Current liabilities			
Trade and other payables	9	**64,579**	86,992
Advance from a related company		**–**	7,000
Loan from a related company		**6,396**	7,800
Loans from a shareholder		**6,000**	28,000
Short-term bank borrowings		**10,374**	133,068
Current portion of long-term bank borrowing		**11,111**	–
Current portion of obligations under finance leases		**3,173**	2,003
Zero-coupon convertible bonds		**17,389**	–
		119,022	264,863
Net current liabilities		**(52,512)**	(190,709)
Total assets less current liabilities		**179,183**	31,302
Non-current liabilities			
Obligations under finance leases		**881**	3,666
Long-term bank borrowing		**116,667**	–
		117,548	3,666
NET ASSETS		**61,635**	27,636
Capital and reserves			
Share capital		**13,849**	86,873
Reserves		**47,786**	(59,237)
TOTAL EQUITY		**61,635**	27,636

Notes:

1. **ACCOUNTING POLICIES**

Statement of compliance

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), which collective term includes all applicable individual HKFRS, Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

These financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2007 financial statements except for the adoption of the following new / revised HKFRS that are effective from the current year.

HKAS 1 (Amendment): Capital disclosures

The amendment requires financial statements to provide additional disclosures in relation to the Group's objectives, policies and processes for managing capital.

HKFRS 7: Financial instruments: Disclosures

HKFRS 7 superseded HKAS 30 Disclosures in the financial statements of banks and similar financial institution and incorporated all the disclosure requirements previously in HKAS 32, while the presentation requirements in HKAS 32 remain unchanged. HKFRS 7 requires financial statements to disclose information for the purpose of evaluating the significance of the Group's financial instruments, the nature and risks arising from those financial instruments to which the Group is exposed to and how the Group manages them. The new disclosures are included throughout the financial statements.

2. **BASIS OF PREPARATION**

The financial statements have been prepared in conformity with the principles applicable to a going concern. The applicability of these principles is dependent upon the continued availability of adequate finance in view of the excess of current liabilities over current assets as at 31 March 2008. The excess of current liabilities over current assets as at 31 March 2008 has been reduced greatly comparing to the last year position.

In preparing the financial statements for the year ended 31 March 2008, the directors adopted a going concern basis as the following actions have been taken by the Group to improve the financial position and performance of the Group:

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

- On 1 August 2007, the Company issued zero-coupon convertible bonds of HK$26,000,000 due on 1 February 2009 ("Convertible Bonds"). The effects of the issuance of Convertible Bonds include:

  – No outflow of cash for settlement of interest is required.

– The financial position of the Group will be strengthened upon with the conversion of Convertible Bonds into equity capital upon exercise of the conversion right. As at 31 March 2008, HK$9,000,000 Convertible Bonds had been converted to 81,818,180 shares which contributes to a reduction of projected cash outflow effect of HK$9,900,000 upon maturity of the Convertible Bonds.

• In October 2007, the Group obtained a 3-year term loan facility in the amount of RMB120,000,000 (equivalent to HK$133,333,000) to refinance the then outstanding short term bank loan of HK$108,750,000. Such 3-year term loan provides a long-term funding to the Group and improves its liquidity position.

• On 19 December 2007, the Company made an open offer of 434,366,720 shares of HK$0.1 each in proportion of one offer share for every two existing shares held on 28 November 2007 ("Open Offer"). The proceeds from this Open Offer increased the cash flow, enhanced working capital, strengthened capital base and financial position of the Group. To raise the capital through the Open Offer would allow shareholders who entitled to take up the shares maintaining their respective pro rata shareholdings in the Company and participate in the future growth of the Group.

• The Group has agreed with a related company and a shareholder to extend their loans of US$820,000 (equivalent to HK$6,396,000) and HK$6,000,000 to 7 September 2008 and 30 July 2008 respectively.

(ii) The Group improved the productivity through the replacement of machineries in new models. Among others, the Group signed a sale and purchase contract to purchase 9 sets of plastic injection machines on 2 April 2008 for replacing some machines of low productivity.

(iii) In order to improve the cash flow of the Group, the management continues to keep up the effort in debts collection from the customers of the Group's sales division in the People's Republic of China ("PRC") by pursuing litigation and appointing external professionals for collection. Besides, excessive inventories have been and being sold at discount and idle assets have been and being disposed of. Moreover, the management negotiates with suppliers for the extension of credit period from time to time. Credits periods granted to customers are reviewed from time to time in order to determine if any revision is needed. Furthermore, the credit limits of export credit insurance has been increased for facilitating a corresponding increase in bank trade finance facilities in order to improve the working capital base of the Group.

(iv) The management will continue the strategy to focus on higher-margin business opportunities and creditworthy customers so as to boost up the quality and return of sales.

(v) Since the change of management in March 2006, the Group has committed substantial effort in improving production efficiency, cost effectiveness and sales effort, and resulted in improvement in performance of the Group. Recently, sales effort has been stepped up by reorganizing the sale staff structure and management and by exploring the markets with greater potential such as non-US markets. Measures in productivity improvement, supply chain streamlining, cost reengineering, technology updating and strengthening of internal controls will continue to be implemented.

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.

An analysis of the Group's turnover and results for the year by location of customers is as follows:

	Turnover		Segment results	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
United States of America	**164,573**	167,462	**3,067**	3,365
Canada	**8,316**	10,463	**416**	(1,120)
Hong Kong	**19,995**	16,533	**1,932**	1,737
PRC	**2,154**	493	**(359)**	124
Europe	**5,646**	10,396	**344**	439
Others	**15,313**	14,161	**927**	893
	215,997	219,508	**6,327**	5,438
Unallocated corporate expenses			**(10,185)**	(16,300)
Finance costs			**(12,445)**	(11,904)
Taxation credit (charge)			**10**	(56)
Loss for the year attributable to equity holders of the Company			**(16,293)**	(22,822)

No analysis of the segment assets, liabilities and capital expenditure information by geographical location is presented as approximately 90% (2007: 90%) of the Group's assets are located in the PRC.

4. OTHER INCOME

	Group	
	2008	2007
	HK$'000	*HK$'000*
Reversal of impairment losses on property, plant and equipment	**12,731**	9,709
Gain on disposal of property, plant and equipment	**1,245**	319
Write-back of allowance for bad and doubtful debts	**295**	144
	14,271	10,172

5. LOSS BEFORE TAXATION

	Group 2008 HK$'000	Group 2007 HK$'000
This is stated after charging:		
Finance costs		
Amortised costs on zero-coupon Convertible Bonds	**982**	–
Interest on bank borrowings wholly repayable within five years	**8,856**	9,495
Interest on mortgage loan wholly repayable within five years	**–**	87
Interest on loans from a shareholder wholly repayable within five years	**1,802**	1,026
Interest on loan from a related company wholly repayable within five years	**525**	330
Finance charges on obligations under finance leases	**280**	272
Interest on trade payables overdue	**–**	528
Other interest expenses	**–**	166
	12,445	11,904
Other items		
Auditors' remuneration		
– Current year	**600**	600
– Underprovision in previous year	**–**	200
	600	800
Allowance for bad and doubtful debts in respect of prepayments, deposits and other receivables	**2,010**	–
Cost of inventories	**182,104**	189,717
Depreciation of property, plant and equipment	**15,991**	17,563
Exchange losses, net	**15,412**	4,762
Operating lease charge on premises	**922**	907
Allowance for inventory obsolescence	**917**	–
Staff costs (excluding directors' emoluments):		
Wages and salaries	**33,061**	32,452
Termination benefits	**1,636**	1,558
Contributions to retirement schemes	**1,018**	987
	35,715	34,997

6. TAXATION

Hong Kong Profits Tax has not been provided as the Group incurred a loss for taxation purposes.

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

	Group	
	2008	2007
	HK$'000	*HK$'000*
The (credit) charge comprises:		
Current tax		
Hong Kong Profits Tax:		
(Over) Under provision in prior years	**(10)**	56
Total taxation (credit) charge for the year	**(10)**	56

7. LOSS PER SHARE

The calculation of basic loss per share for the years 2008 and 2007 is based on the net loss for the year of HK$16,293,000 (2007: HK$22,822,000) and on the weighted average number of 1,276,727,000 (2007: 1,248,348,000) shares in issue during the year.

No diluted loss per share is presented for 2008 as the potential ordinary shares under the Convertible Bonds are anti-dilutive. No diluted loss per share is presented for 2007 as there were no dilutive events during the year ended 31 March 2007.

The comparative amount of the loss per share has been adjusted as a result of the Open Offer effected during the year.

8. TRADE AND BILLS RECEIVABLES

	Note	Group 2008 HK$'000	Group 2007 HK$'000
Trade and bills receivables from third parties		**64,644**	66,855
Allowance for bad and doubtful debts	16(a)	**(41,401)**	(39,840)
		23,243	27,015

In general, the Group allows a credit period of 30 to 60 days to its trade customers. Included in the Group's trade receivable balance are debtors with a carrying amount of HK$6,537,000 (2007: HK$14,585,000), which were past due at the balance sheet date but not impaired as there has not been a significant change in credit quality and management believes that the amounts are still considered receivable. These relate to a wide range of customers for whom there is no recent history of default.

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

	Group 2008 HK$'000	Group 2007 HK$'000
Current	**16,706**	12,430
Less than 1 month past due	**4,358**	1,596
1 month to 2 months past due	**328**	10,181
2 months to 3 months past due	**1,294**	2,267
3 months to 6 months past due	**22**	201
6 months to 1 year past due	**3**	132
Over 1 year past due	**532**	208
	6,537	14,585
	23,243	27,015

During the year, the Group's discounted bills receivable to banks in exchange for cash with recourse in the ordinary course of business. The Group continues to recognise the full carrying amount of bills receivable and has recognised the cash received as secured bank borrowings. At the balance sheet date, the carrying amount of discounted bills receivable and the associated liability is HK$10,374,000 (2007: HK$13,068,000).

Allowance for bad and doubtful debts

As at 31 March 2008, trade receivables of HK$41,401,000 (2007: HK$39,840,000) were impaired. The amount of the provision was HK$41,401,000 as at 31 March 2008 (2007: HK$39,840,000). The individual impaired receivables mainly related to unsuccessful collection of receivables from the customers of the Group's sales division in the PRC, which has been recognised in 2005. It was assessed that no portion of the receivables is expected to be recovered.

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

	Group	
	2008	2007
	HK$'000	*HK$'000*
At beginning of year	**(39,840)**	(39,984)
Amount written off	**2,088**	–
Amount recovered	**295**	144
Exchange difference	**(3,944)**	–
At balance sheet date	**(41,401)**	(39,840)

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no history of default.

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

9. TRADE AND OTHER PAYABLES

	Group	
	2008	2007
	HK$'000	*HK$'000*
Trade payables		
From a related company	**6**	1,923
From third parties	**27,075**	36,581
	27,081	38,504
Other payables and accruals	**37,498**	48,488
	64,579	86,992

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

	Group	
	2008	2007
	HK$'000	*HK$'000*
Less than 3 months	**14,623**	23,158
3 months to 6 months	**4,928**	5,177
6 months to 1 year	**200**	2,179
More than 1 year	**7,330**	7,990
	27,081	38,504

Included in the other payables and accruals is an advance from a third party of HK$8,401,000 (2007: HK$13,177,000) which is unsecured, interest-free and has no fixed repayment term.

SUMMARY OF THE AUDITORS' REPORT

A summary of the auditors' report to the shareholders is set out below:

Basis for disclaimer of opinion

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

As stated in note 13 to the financial statements, in light of the continuing operating loss experienced by the Group, management has carried out an impairment review of its property, plant and equipment. However, we have not been able to obtain sufficient information from management to support its assessment on the value in use of property, plant and equipment with a carrying amount of HK$95,607,000 as of 31 March 2008 and therefore unable to satisfy ourselves whether the recognition of the reversal of impairment loss of HK$14,207,000 are appropriate. Consequently, we have been unable to satisfy ourselves whether the property, plant and equipment of HK$95,607,000 were fairly stated at 31 March 2008 and whether the loss for the year then ended was fairly stated.

There were no other satisfactory audit procedures that we could adopt to satisfy ourselves as to the matter set out in the above paragraphs. Any adjustments to the above figures may have a consequential significant effect on the Company's interests in subsidiaries as recorded in the Company's balance sheet, the Group's loss for the year and the Group's net assets as at 31 March 2008.

Qualified opinion: Disclaimer of opinion on view given by financial statements

Because of the significance of the possible effect of the limitation in evidence available to us on the matter as set out in the basis for disclaimer of opinion section, we do not express an opinion on the financial statements as to whether they give a true and fair view of the state of the affairs of the Company and the Group as at 31 March 2008 and of the loss and cash flows of the Group for the year then ended in accordance with Hong Kong Financial Reporting Standards. In all other respects, in our opinion, the financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Without qualifying our report in this respect, we draw attention to note 2 to the financial statements which explains the measures that the directors are currently undertaking and intend to take to generate sufficient liquid funds to finance its operations and, accordingly, that it is appropriate to prepare the financial statements on a going concern basis. At the balance sheet date, the Group had net current liabilities of HK$52,512,000. The validity of the going concern basis depends on the Group's future profitable operation and the outcome of the measures as detailed in note 2 to the financial statements. The financial statements do not include any adjustments that would result from a failure of these measures to accomplish successful outcome. We consider that appropriate disclosures have been made in this respect.

DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2008 (2007 : Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

General Information

For the year ended 31 March 2008, the Group recorded a turnover of HK$216.0 million, representing a slightly drop of 1.6% compared to HK$219.5 million recorded last year. Loss for the year attributable to equity holders of the Company was HK$16.3 million, compared to a loss of HK$22.8 million for last year. The Group's basic loss per share was HK1.28 cents.

There was neither acquisition nor disposal of principal subsidiaries or associated companies during the year.

Liquidity and Financial Resources

As at 31 March 2008, the Group's net assets increased to HK$61.6 million, representing net asset value per share at HK4.45 cents. The Group's total assets as at that date were valued at HK$298.2 million, including cash and bank deposits totaling approximately HK$14.7 million. Consolidated borrowings amounted to HK$172.0 million. Its debt-to-equity ratio has been decreased from 656.9% as at 31 March 2007 to 279.1% as at 31 March 2008.

Capital Structure

As at 31 March 2008, the Group's major borrowings included a three-year term loan provided by Bank of Communications, Shenzhen branch, which had an outstanding balance of approximately HK$127.8 million, other bank borrowings of HK$10.4 million and advance and borrowings from a shareholder and a related company totaling approximately HK$12.4 million. On 1 August 2007, the Company issued convertible bonds in the principal amount of HK$26 million to various placees. During the year ended 31 March 2008, Convertible Bonds in the aggregate amount of HK$9 million were converted into 81,818,180 ordinary shares.

All of the Group's borrowings have been denominated in Hong Kong dollar, U.S. dollar and PRC Renminbi made on a floating rate or fixed rate basis. The finance costs for the year under review increased slightly to approximately HK$12.4 million as compared to HK$11.9 million for the previous year.

During the year under review, the Company carried out an open offer on the basis of one offer share for every two existing shares held. A total of 434,366,720 offer shares were issued at the subscription price of HK$0.10.

Charges on Group Assets

Certain assets of the Group having a carrying value of approximately HK$172.8 million as at 31 March 2008 (2007: HK$183.4 million) were pledged to secure bank facilities for 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 on Foreign-Exchange Fluctuations

The Group's monetary assets and liabilities were principally denominated in Hong Kong dollars, PRC Renminbi and U.S. dollars. As far as the Hong Kong dollar remains pegged to the U.S. dollar and the PRC government takes prudent and gradual measures against the appreciation of Renminbi, the Group's exposure to currency exchange fluctuation risk would be in line with the gradual appreciation of Renminbi. Given that Renminbi is not an international currency, there is no effective method to hedge the relevant risk for the size and cashflow pattern of the Group. However, as most of our raw materials procurement have been settled in U.S. dollars and Hong Kong dollars, and most of the Group's customers accept the passing-on of the rising costs, to various extent, due to the appreciation of Renminbi, the effect arising from the relevant risk can be reduced significantly.

As at 31 March 2008, the Group had no financial instrument for foreign exchange hedging purposes. However, the Group would continue to monitor the Renminbi currency fluctuation and adopt appropriate measures if the need arises.

Segment Information

North America remained the Group's primary market, which accounted for 80.0% of total sales. The remaining comprised of sales to Europe (2.6%), Hong Kong (9.3%), PRC (1.0%) and others (7.1%).

Contingent Liabilities

As at 31 March 2008, the Company had contingent liabilities not provided for in the financial statements in respect of corporate guarantee of HK$33.6 million (2007: HK$152.5 million) for banking facilities granted to its subsidiaries, which were utilized by subsidiaries to the extent of approximately HK$10.4 million (2007: HK$133.1 million).

Employee Information

As at 31 March 2008, the Group employed a workforce of 984 (2007: 1,517) 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 year under review. No bonus has been paid other than sums, each equivalent to one additional month's salary, paid to individual staff members in the period between December 2007 and March 2008 as part of agreed salary package, which applied to the employees who joined the Group before January 2008.

Staff costs including directors' emolument during the year amounted to HK$36.8 million (2007: HK$36.8 million), which remain constant compared to that of last year.

REVIEW OF OPERATIONS

For the year ended 31 March 2008, Magician recorded a loss for the year of HK$16.3 million. The loss was mainly caused by the stagnant sales and the sustaining high levels of production costs which included surging price level of raw materials, e.g. iron, plastic, paper, etc. Elevation of minimum wage, reduction of export tax rebate and RMB appreciation also further increased the effective costs of production.

During the year under review, the Group continued to experience severe challenges. The Group's major markets remained sluggish. Demand for household products slackened while competition was fierce that resulted in intense pressure on profit margins. The Group responded by declining low margin sales orders while focusing on higher margin products such as metal silicone over-mould bakeware, silicone bakeware and OEM products. Meanwhile, Magician also stepped up its effort in developing new products to achieve a greater share of new product in its product portfolio.

International sales for the year ended 31 March 2008 slightly dropped by 4.3% to HK$193.8 million as compared with HK$202.5 million in prior year. For the year under review, sales in the US market slightly dropped by 1.7% to HK$164.6 million when compared to HK$167.5 million for last year. Sales in the Canadian market fell by 21.0% to HK$8.3 million from the HK$10.5 million recorded last year. The sales performance of the European market dropped to HK$5.6 million, compared to HK$10.4 million in the previous year. Sustained high crude oil prices had a negative impact on the demand for household products in these markets. To enhance the quality of earnings, the Group focused its efforts in accordance with the strategy of quality sales and customers, which also contributed to the reduction in sales. In addition, the Group had successfully opened the business opportunity in a new market, Russia, by the end of 2007.

On the other hand, the Group had taken effective measures for internal productivity and cost management. Through merging of departments, the Group had a more flexible allocation of workforce, which optimized the human resources deployment as well as cost saving in slack labor. In order to increase the operating effectiveness, the Group rationalised the sales establishment to achieve better customer services as well as efficient product development and delivery.

PROSPECTS

Looking ahead, the Group is facing several major challenges in the industry, namely the rising production factors of materials and labor cost, sustaining appreciation of RMB, diminishing support from the PRC government for the labor-intensive industry, and shareholders' expectation of improved bottom-line. We believe that we have the qualities to gain from the consolidation of industry among household product manufacturers. As a manufacturer in the mainland China, Magician cannot overturn the macroeconomic environment, however, we will keep a proactive approach to ride on those rapid changes and challenges and to achieve favourable returns for our shareholders.

To cope with the rapid changes in the macro environment, the Group will continue to adopt a series of strategy, namely, product innovation, cost management, productivity enhancement and balanced market development.

As one of the leading household products manufacturer in Asia, Magician has always emphasized innovation. Apart from tailor-made products for clients, the Group will focus on developing its own new products so as to serve different clients of various market demands. By refreshing the product mix, the Group appreciates that on the one hand, new products of quality attract greater return for the Group; while on the other hand, the Group can explore business opportunities beyond existing market segments in order to optimize resource utilization as well as market risk exposure. With our strong innovative capabilities and commitment, the Group firmly believes that we can produce quality products meeting different emerging market needs while commanding better margins and more stable income stream.

Cost management is one of the important means for improving our bottom-line. Apart from rationalising our workforce, the Group in future will instill cost efficacy consciousness into all of our staff, for example, adopting flexible allocation of workforce and production schedule for various workflows in different seasons in order to reduce overtime wages. Meanwhile, the Group will continue to monitor the sustainability of the current operating environment for a profitable operation, and take appropriate corresponding measures. With the gradual implementation of various cost containment measures, we are confident to maintain our production and administrative costs at a competitive level.

The Group will adopt various measures to enhance productivity. These measures include replacing machines of low efficiency and high maintenance effort, streamlining workflow, revision of work practice and parameters, exploring opportunities for utlitising the idle capacity.

Moreover, we are now expanding our business in some markets such as Middle East, Japan and Australia in order to obtain a balanced market portfolio and a covered position to market fluctuation. We shall carry on to try our best endeavor to achieve continuous improvement in our results.

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 year.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed the annual results of the Group for the year ended 31 March 2008 in conjunction with the Company's external auditors.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE PRACTICES OF THE LISTING RULES

In the opinion of the directors, the Company has compiled with the Code of Corporate Governance Practices as set out in Appendix 14 of the Listing Rules issued by the Stock Exchange throughout the year ended 31 March 2008, except for the following:

Code Provision A.2.1 provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The roles of chairman and chief executive officer had been separate and performed by different individuals during the period until resignation of the former chief executive officer with effect from 1 August 2006. Since then Mr. Xu Jin, the chairman, has been acting as interim chief executive officer of the Company until the vacancy is filled by an appropriate candidate. The Company considers that the arrangement is temporary and the Company is in the process of identifying an appropriate candidate as the Company's chief executive officer.

SCOPE OF WORK OF THE AUDITORS

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2008 have been agreed by the Group's auditors, Mazars CPA Limited ("the Auditors") to the amounts set out in the Group's draft consolidated financial statements for the year ended 31 March 2008. The work performed by the Auditors in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Auditors on the preliminary announcement.

PUBLICATION OF THE FURTHER INFORMATION

The 2008 annual report of the Company containing all information required by Appendix 16 to the Listing Rules will be published on both the websites of The Stock Exchange of Hong Kong Limited and the Company in due course.

By Order of the Board
Xu Jin
Chairman

Hong Kong, 8 July 2008

As at the date of this announcement, the Board comprises Mr Xu Jin (Chairman) being executive director, 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.