



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 2008**

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 2008 (the “Period”) together with the comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended	
		30 September	
	<i>Note</i>	2008	2007
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Turnover	3	145,135	120,270
Cost of sales		(120,268)	(100,186)
Gross profit		24,867	20,084
Other revenue		673	655
Other income		128	326
Selling and distribution expenses		(4,984)	(4,022)
Administrative and other operating expenses		(20,556)	(18,302)
		(24,739)	(21,343)
Profit/(Loss) from operations	4	128	(1,259)
Finance costs		(7,082)	(5,988)
Loss before taxation		(6,954)	(7,247)
Taxation	5	–	(4)
Loss for the Period		(6,954)	(7,251)
Loss per share			
– Basic, HK cents	7	(0.50)	(0.58)

CONDENSED CONSOLIDATED BALANCE SHEET

		30 September 2008 <i>HK\$'000</i> <i>(unaudited)</i>	31 March 2008 <i>HK\$'000</i> <i>(audited)</i>
	<i>Note</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		<u>235,727</u>	<u>231,695</u>
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CURRENT ASSETS			
Inventories		37,301	20,202
Trade and bills receivables	8	61,190	23,243
Prepayments, deposits and other receivables		2,644	3,087
Pledged deposits		5,370	5,298
Bank balances and cash		5,170	14,680
		<u>111,675</u>	<u>66,510</u>
CURRENT LIABILITIES			
Trade payables	9	60,886	27,081
Other payables and accruals		35,266	37,498
Advance from a related company, unsecured	12	3,409	–
Loan from a related company, unsecured	13	6,396	6,396
Loan from a shareholder, unsecured	14	6,000	6,000
Short-term bank borrowings		33,997	10,374
Current portion of long-term bank borrowing		11,364	11,111
Current portion of obligations under finance leases		2,971	3,173
Zero-coupon convertible bonds		18,164	17,389
		<u>178,453</u>	<u>119,022</u>
NET CURRENT LIABILITIES		<u>(66,778)</u>	<u>(52,512)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>168,949</u>	<u>179,183</u>
NON-CURRENT LIABILITIES			
Obligations under finance leases		632	881
Long-term bank borrowing		113,636	116,667
		<u>114,268</u>	<u>117,548</u>
NET ASSETS		<u><u>54,681</u></u>	<u><u>61,635</u></u>
CAPITAL AND RESERVES			
Share capital		13,849	13,849
Reserves		40,832	47,786
		<u>54,681</u>	<u>61,635</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 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>
At 1 April 2008	13,849	7,982	1,265	139	54,477	216	(16,293)	61,635
Loss for the Period	-	-	-	-	-	-	(6,954)	(6,954)
At 30 September 2008	<u>13,849</u>	<u>7,982</u>	<u>1,265</u>	<u>139</u>	<u>54,477</u>	<u>216</u>	<u>(23,247)</u>	<u>54,681</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended	
	30 September	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Net cash (outflow) from operating activities	(23,855)	(5,336)
Net cash from investing activities	(10,161)	(5,524)
Net cash from financing activities	24,578	12,340
Net (decrease)/increase in cash and cash equivalents	(9,438)	1,480
Cash and cash equivalents at beginning of Period	19,978	12,976
Cash and cash equivalents at end of Period	<u>10,540</u>	<u>14,456</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 Rules") 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 2008.

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	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
USA	115,921	97,723	6,667	6,452
Canada	3,137	2,210	597	298
Hong Kong	10,580	8,507	1,599	1,269
PRC	184	729	(10)	(38)
Europe	4,652	4,123	687	519
Others	10,661	6,978	2,086	879
	<u>145,135</u>	<u>120,270</u>	<u>11,626</u>	<u>9,379</u>
Unallocated corporate expenses			<u>(11,498)</u>	<u>(10,638)</u>
Profit/(Loss) from operations			<u>128</u>	<u>(1,259)</u>
Finance costs			<u>(7,082)</u>	<u>(5,988)</u>
Taxation			<u>-</u>	<u>(4)</u>
Loss for the Period			<u><u>(6,954)</u></u>	<u><u>(7,251)</u></u>

4. PROFIT/(LOSS) FROM OPERATIONS

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

	Six months ended	
	30 September	
	2008	2007
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Amortisation of prepaid lease payments	558	527
Depreciation on property, plant and equipment	6,475	7,259
Provision for inventory obsolescence	(5)	37
Provision for bad and doubtful debts	85	–
Exchange loss, net	3,904	1,826
Staff costs	22,544	17,064
Termination benefits	424	661

5. TAXATION

Hong Kong profits tax has not been provided as the Group incurred a loss for taxation purposes for the Period (2007: HK\$4,000). PRC enterprise income tax has not been provided as the PRC subsidiaries incurred a loss for taxation purposes.

6. DIVIDENDS

The Directors of the Company do not recommend the payment of interim dividend (2007: 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 for the Period of HK\$6,954,000 (2007: loss of HK\$7,251,000) and on the weighted average number of 1,384,918,340 ordinary shares (2007: 1,248,348,000 ordinary shares) in issue throughout the Periods.

No diluted loss per share is for the Period as the potential ordinary shares under the zero-coupon convertible bonds are anti-dilutive.

The comparative amount of the loss per share has been adjusted as a result of Open Offer effected in December 2007.

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 2008 HK\$'000 (unaudited)	31 March 2008 HK\$'000 (audited)
Current	<u>57,454</u>	<u>16,706</u>
Less than 1 month past due	2,087	4,358
1 month to 2 months past due	906	328
2 months to 3 months past due	1	1,294
3 months to 6 months past due	179	22
6 months to 1 year past due	5	3
Over 1 year past due	<u>558</u>	<u>532</u>
	<u>3,736</u>	<u>6,537</u>
	<u>61,190</u>	<u>23,243</u>

9. TRADE PAYABLES

An aging analysis of trade payables is set out below:

	30 September 2008 HK\$'000 (unaudited)	31 March 2008 HK\$'000 (audited)
Less than 3 months	44,460	14,623
3 months to 6 months	8,955	4,928
6 months to 1 year	1,282	200
More than 1 year	<u>6,189</u>	<u>7,330</u>
	<u>60,886</u>	<u>27,081</u>

10. COMMITMENTS

Commitment under operating leases

The Group had total future minimum lease payments under non-cancelable operating leases, which are payable as follows:

	30 September 2008 HK\$'000 (unaudited)	31 March 2008 HK\$'000 (audited)
Within 1 year	884	824
In the second to fifth years inclusive	529	926
	<hr/> 1,413 <hr/>	<hr/> 1,750 <hr/>

11. CONTINGENT LIABILITIES

At the balance sheet date, the Company has contingent liabilities not provided for in the financial statements in respect of corporate guarantees of HK\$33,600,000 (31 March 2008: HK\$33,600,000) for banking facilities granted to its subsidiaries, which were utilized by the subsidiaries to the extent of approximately HK\$33,997,000 (31 March 2008:HK\$ 10,374,000).

The Company has not recognized any deferred income for the corporate guarantees given in respect of the banking facilities for subsidiaries as their fair value cannot be reliably measured and their transaction price was zero.

12. ADVANCE FROM A RELATED COMPANY, UNSECURED

The advance from a related company, in which Mr. Li Li Xin has beneficial interest, was unsecured, interest free and repayable on demand.

13. LOAN FROM A RELATED COMPANY, UNSECURED

The loan from a related company, in which Mr. Xu Jin has beneficial interest, was unsecured, interest-bearing at 7% per annum and repayable in November 2008.

14. LOAN FROM A SHAREHOLDER, UNSECURED

The loan from a shareholder, in which Mr. Li Li Xin has beneficial interest, was unsecured and interest-bearing at HIBOR plus 3% per annum and repayable in November 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

General Information

For the six months ended 30 September 2008, Magician recorded a turnover of approximately HK\$145.1 million, representing an increase of 20.7% when compared with the HK\$120.3 million reported for the corresponding period last year. The Group reported an operating profit of HK\$0.1 million compared to an operating loss of HK\$1.3 million last year, and a loss for the period of HK\$7.0 million when compared to a loss of HK\$7.3 million during the same period last year. The Group's basic loss per share was HK0.5 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 2008, the Group's net assets decreased to HK\$54.7 million, rendering net asset value per share at HK3.9 cents. The Group's total assets at that date were valued at HK\$347.4 million, including cash and bank deposits totaling approximately HK\$5.2 million. Consolidated borrowings amounted to HK\$196.6 million. Its debt-to-equity ratio (bank and other borrowings over total equity) has been increased from 279.1% as at 31 March 2008 to 359.5% as at 30 September 2008.

Capital Structure of the Group

As at 30 September 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 HK\$125.0 million, other bank borrowings of HK\$34.0 million and advance and borrowings from a shareholder and two related companies totaling HK\$15.8 million. All of the Group's borrowings have been denominated in Hong Kong dollar, U.S. dollar and PRC Renminbi made on a floating-rate and fixed rate basis. As at 30 September 2008, the principal amount outstanding on the convertible bonds of the Company was HK\$17 million and there was no conversion during the Period.

Charges on Group Assets

Certain assets of the Group having a carrying value of HK\$172.9 million as at 30 September 2008 (31 March 2008: HK\$172.8 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 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 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. dollar and Hong Kong dollar, 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 30 September 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 82.0% of total sales. The remaining comprised sales to Europe, Hong Kong, PRC and others.

Contingent Liabilities

As at 30 September 2008 the Company has contingent liabilities not provided for in the financial statements in respect of corporate guarantees of HK\$33.6 million (31 March 2008: HK\$33.6 million) for banking facilities to its subsidiaries, which were utilized by the subsidiaries to the extent of approximately HK\$34.0 million (31 March 2008: HK\$10.4 million).

Employee Information

As at 30 September 2008, the Group employed a workforce of 1,229 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\$7.0 million. As a result of the Group's cost reduction measures and revised business strategy, the loss was reduced compared to a loss for the period of HK\$7.3 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 2008 increased by 21.0% to HK\$134.4 million from HK\$111.0 million reported for the same period last year. For the period under review, sales in the US market increased by 18.6% to HK\$115.9 million when compared to HK\$97.7 million for the same period last year. Sales in the Canadian market increased by 41.9% to HK\$3.1 million from the HK\$2.2 million recorded for the same period last year. The sales performance of the European market increased to HK\$4.7 million, compared to HK\$4.1 million recorded for the same period last year.

PROSPECTS

The Group will continue its cost control measures and business strategy of focusing on better return products and customers that successfully led to the Group's narrowed loss. Apart from the continuing effort in cost control measures such as structural changes in procurement and manufacturing planning and/or considering relocation of its production facilities (or part of them) to lower cost areas, the Group will step up its efforts to explore new business. 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. In the long run, the Group will further develop its business into the markets outside United States.

With the Group's innovative R&D team, we believe that we can produce quality products to meet market needs and to maintain better profit margins. The Group has been developing new products in the categories such as kitchen gadgets, metal silicone over-mould bakeware and silicone bakeware. In the short to medium term, we will diversify new product line to optimize the product cycles and the production capacity planning.

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 was both the chairman and interim chief executive officer of the Company until he resigned as chief executive officer and re-designated as non-executive director on 18 September 2008. The Company appointed Mr. Li Li Xin as chairman of the Company and Mr. Cheng Jian He as chief executive officer on 18 September 2008.

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
Li Li Xin
Chairman

Hong Kong, 27 November 2008

As at the date of this announcement, the Board comprises of 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.

* *for identification purpose only*