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 2009

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 2009 with comparative figures of the previous corresponding year are as follows:

Consolidated Income Statement
Year ended 31 March 2009

	Note	**2009** *HK$'000*	2008 *HK$'000*
Turnover	3	**251,605**	215,997
Cost of sales		**(203,618)**	(182,104)
Gross profit		**47,987**	33,893
Other revenue		**1,990**	2,067
Other income	4	**6,580**	14,271
Selling and distribution expenses		**(10,424)**	(9,390)
Administrative and other operating expenses		**(44,401)**	(44,699)
Finance costs	5	**(12,593)**	(12,445)
Loss before taxation	5	**(10,861)**	(16,303)
Taxation credit	6	**–**	10
Loss for the year attributable to equity holders of the Company		**(10,861)**	(16,293)
Loss per share – Basic	7	**HK(0.77) cent**	HK(1.28) cents

* *For identification purpose only*

Consolidated Balance Sheet
At 31 March 2009

	Note	**2009** *HK$'000*	2008 *HK$'000*
Non-current assets			
Property, plant and equipment		**237,719**	231,695
Current assets			
Inventories		**18,233**	20,202
Trade and bills receivables	8	**25,557**	23,243
Due from a director		**170**	–
Prepayments, deposits and other receivables		**3,724**	3,087
Pledged deposits		**–**	5,298
Bank balances and cash		**11,168**	14,680
		58,852	66,510
Current liabilities			
Trade and other payables	9	**84,436**	64,579
Advance from a related company		**3,409**	–
Loan from a related company		**6,396**	6,396
Loan from a shareholder		**6,000**	6,000
Short-term bank borrowings		**5,568**	10,374
Current portion of long-term bank borrowing		**17,045**	11,111
Current portion of obligations under finance leases		**1,830**	3,173
Zero-coupon convertible bonds		**–**	17,389
		124,684	119,022
Net current liabilities		**(65,832)**	(52,512)
Total assets less current liabilities		**171,887**	179,183
Non-current liabilities			
Obligations under finance leases		**140**	881
Long-term bank borrowing		**102,273**	116,667
		102,413	117,548
NET ASSETS		**69,474**	61,635
Capital and reserves			
Share capital		**15,395**	13,849
Reserves		**54,079**	47,786
TOTAL EQUITY		**69,474**	61,635

Notes:

1. **PRINCIPAL 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 Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong, and 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 2008 financial statements. The new/revised HKFRS that are effective from the current year has had no significant effects on the results and financial position of the Group and the Company for the current and prior years.

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 2009.

In preparing the financial statements for the year ended 31 March 2009, the directors adopted a going concern basis as the following actions and measures 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.

- In August 2007, the Company issued zero-coupon convertible bonds of HK$ 26,000,000 due on 1 February 2009 ("Convertible Bonds"). During the year 2009, the remaining HK$17,000,000 Convertible Bond were converted into 154,545,454 shares which contributed to a reduction of expected cash outflow of HK$18,700,000 upon the maturity of the Convertible Bonds on 1 February 2009, and further strengthened the Group's equity base.

- In March 2009, the Group obtained a 1-year term loan facility in the amount of RMB4,900,000 at an interest rate of 95% of the base lending rate published by the People's Bank of China from the Shajing sub-branch of a bank in the People's Republic of China ("PRC"). This secured loan provided short-term funding to the Group and improved its liquidity position.

- The Group had agreed with a related company and a shareholder to extend the maturity of their loans of US$820,000 (equivalent to HK$6,396,000) and HK$6,000,000 to September 2009 and August 2009 respectively.

- Inventories have been regularly reviewed and any excessive inventories would be sold and idle assets would be disposed of.

ii) From time to time, the Group engages the suppliers to negotiate for more favourable credit terms. Meanwhile, credit periods granted to customers are reviewed in order to determine if any revision is needed.

iii) Credit limits of export credit insurance had been granted by China Export & Credit Insurance Corporation in May 2009 for facilitating a trade finance facility of RMB17,000,000 from a PRC bank in May 2009.

iv) The Group improved the productivity through the replacement of machineries with new models. Nineteen sets of plastic injection machines were purchased during the year to replace certain machines of low productivity.

v) Since the change of management in March 2006, the Group has committed substantial efforts in improving production efficiency, cost effectiveness and sales impetus. The results of all these efforts had been gradually materialized and evidenced in various forms such as new customers signed, cost reductions in both direct input and overheads, improved gross margins and sales turnover.

vi) The Group would continue its current successful strategies, especially focusing on higher-margin business opportunities and creditworthy customers so as to boost up the quality and return of sales. With the newly established outsourcing unit and other continuous improvement in organization, controls and productivity, any substantial sales increment could be comfortably accommodated without further substantial capital investment.

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**	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
United States of America	**187,377**	164,573	**9,168**	3,067
Canada	**6,519**	8,316	**1,035**	416
Hong Kong	**28,212**	19,995	**3,259**	1,932
PRC	**245**	2,154	**1**	(359)
Europe	**9,494**	5,646	**1,362**	344
Others	**19,758**	15,313	**3,293**	927
	251,605	215,997	**18,118**	6,327
Unallocated corporate expenses			**(16,386)**	(10,185)
Finance costs			**(12,593)**	(12,445)
Taxation credit			**–**	10
Loss for the year attributable to equity holders of the Company			**(10,861)**	(16,293)

No analysis of the segment assets, liabilities and capital expenditure information by geographical location is presented as approximately 90% (2008: 90%) of the Group's assets are located in the PRC.

4. OTHER INCOME

	Group	
	2009	2008
	HK$'000	*HK$'000*
Gain on disposal of property, plant and equipment	**831**	1,245
Reversal of impairment loss on property, plant and equipment	**4,814**	12,731
Write-back of allowance for bad and doubtful debts	**935**	295
	6,580	14,271

5. LOSS BEFORE TAXATION

	Group	
	2009	2008
	HK$'000	*HK$'000*
This is stated after charging:		
Finance costs		
Amortised costs on zero-coupon convertible bonds	**1,311**	982
Interest on bank borrowings wholly repayable within five years	**9,969**	8,856
Interest on loans from a shareholder wholly repayable within five years	**503**	1,802
Interest on loan from a related company wholly repayable within five years	**447**	525
Finance charges on obligations under finance leases	**363**	280
	12,593	12,445
Other items		
Auditor's remuneration	**550**	600
Allowance for bad and doubtful debts	**500**	2,010
Bad debts written off	**86**	–
Cost of inventories	**203,618**	182,104
Depreciation of property, plant and equipment	**15,188**	15,991
Exchange losses, net	**4,521**	15,412
Operating lease charges on premises	**972**	922
Allowance for inventory obsolescence	**477**	917
Staff costs (excluding directors' emoluments):		
Wages and salaries	**40,501**	33,061
Termination benefits	**1,017**	1,636
Contributions to retirement schemes	**1,159**	1,018
	42,677	35,715

6. TAXATION

Hong Kong Profits Tax has not been provided for the year as the Group incurred a loss for taxation purposes. Last year's tax credit represented overprovision for Hong Kong Profits Tax in prior years.

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

7. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss for the year of HK$10,861,000 (2008: HK$16,293,000) and on the weighted average number of 1,410,323,000 (2008: 1,276,727,000) shares in issue during the year.

No diluted loss per share is presented for 2009 as there were no dilutive events during the year ended 31 March 2009. No diluted loss per share is presented for 2008 as the potential ordinary shares under the Convertible Bonds are anti-dilutive.

8. TRADE AND BILLS RECEIVABLES

		Group	
		2009	2008
	Note	***HK$'000***	*HK$'000*
Trade and bills receivables from third parties		**67,485**	64,644
Allowance for bad and doubtful debts	(i)	**(41,928)**	(41,401)
		25,557	23,243

In general, the Group allows a credit period of 30 to 60 days to its trade customers. Included in the Group's trade receivables balance are debtors with a carrying amount of HK$5,062,000 (2008: HK$6,537,000), which were past due at the balance sheet date but not impaired as there has not been a significant change in credit quality and were subsequently settled. These relate to a wide range of customers for whom there is no recent history of default.

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

	Group	
	2009	2008
	HK$'000	*HK$'000*
Current	**20,495**	16,706
Less than 1 month past due	**4,717**	4,358
1 month to 2 months past due	**24**	328
2 months to 3 months past due	**14**	1,294
3 months to 6 months past due	**183**	22
6 months to 1 year past due	**3**	3
Over 1 year past due	**121**	532
	5,062	6,537
	25,557	23,243

Note:

(i) Allowance for bad and doubtful debts

As at 31 March 2009, trade receivables of HK$41,928,000 (2008: HK$41,401,000) were impaired. The individual impaired receivables mainly related to unsuccessful collection of receivables from the customers of the Group's sales division in the PRC, which were impaired in 2005 and were not expected to be recovered.

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

	Group	
	2009	2008
	HK$'000	*HK$'000*
At beginning of year	**(41,401)**	(39,840)
Amounts provided	**(500)**	–
Amount written off	**857**	2,088
Amount recovered	**30**	295
Exchange difference	**(914)**	(3,944)
At balance sheet date	**(41,928)**	(41,401)

The creation and release of provision for impaired receivables have been included in "administrative and other operating 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 2009 HK$'000	Group 2008 HK$'000
Trade payables		
To a related company	**1,073**	6
To third parties	**37,465**	27,075
	38,538	27,081
Other payables and accruals	**45,898**	37,498
	84,436	64,579

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

	Group 2009 HK$'000	Group 2008 HK$'000
Less than 3 months	**15,157**	14,623
3 months to 6 months	**7,468**	4,928
6 months to 1 year	**10,712**	200
More than 1 year	**5,201**	7,330
	38,538	27,081

The trade payable to a related company is unsecured, interest-free and has no fixed repayment term. The Company's directors, Mr. Li Li Xin and Mr. Xu Jin have beneficial interests in the related companies as at 31 March 2009 and 2008 respectively.

Included in the other payables and accruals is an advance from a third party of approximately HK$9,700,000 (2008: HK$8,401,000) which is unsecured, interest-free and has no fixed repayment term.

SUMMARY OF THE INDEPENDENT AUDITOR'S REPORT

A summary of the independent auditor's report to the Shareholders is set out below:

Opinion

In the opinion, the consolidated financial statements give a true and fair view of the state of the affairs of the Company and the Group as at 31 March 2009 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly perpared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Without qualifying our opinion, 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$65,832,000. The validity of the going concern basis depends on the Group's future profitable operation and the effectiveness 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 2009 (2008: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

General Information

For the year ended 31 March 2009, Magician recorded a turnover of HK$251.6 million, representing an increase of 16.5% compared to HK$216.0 million recorded last year. Loss for the year attributable to equity holders of the Company was HK$10.9 million, compared to a loss of HK$16.3 million for last year. The Group's basic loss per share was HK0.77 cents.

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

Liquidity and Financial Resources

As at 31 March 2009, the Group's net assets increased to HK$69.5 million, representing net asset value per share at HK4.51 cents. The Group's total assets as at that date were valued at HK$296.6 million, including cash and bank deposits totaling approximately HK$11.2 million. Consolidated borrowings amounted to HK$142.7 million. Its debt-to-equity ratio has been decreased from 279.1% as at 31 March 2008 to 205.3% as at 31 March 2009.

Capital Structure

As at 31 March 2009, the Group's major borrowings included a three -year term loan provided by a PRC bank which had an outstanding balance of approximately HK$119.3 million, other bank borrowings of HK$5.6 million and advance and borrowings from a shareholder and related companies totaling approximately HK$15.8 million. During the year ended 31 March 2009, convertible bonds in the aggregate amount of HK$17 million were converted into 154,545,454 ordinary shares. No convertible bonds were outstanding as at 31 March 2009.

All of the Group's borrowings have been denominated in Hong Kong dollars, U.S. dollars 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$12.6 million as compared to HK$12.4 million for the previous year.

Charges on Group Assets

Certain assets of the Group having a carrying value of approximately HK$168.2 million as at 31 March 2009 (2008: HK$172.8 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 dollars remains pegged to the U.S. dollars 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 movement of Renminbi. The Group would monitor the Renminbi currency fluctuation and adopt appropriate measures if the need arises. 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 substantial proportion of our raw materials procurement have been settled in U.S. dollars and Hong Kong dollars, and most of the Group's customers accepted the passing-on of the rising costs, to various extents, due to the appreciation of Renminbi, the effect arising from the relevant risk could be reduced significantly.

Segment Information

North America remained the Group's primary market, which accounted for 77.1% of total sales. The remaining comprised of sales to Europe 3.8%, Hong Kong 11.2%, PRC 0.1% and others 7.9%.

Contingent Liabilities

As at the date of this announcement and as at 31 March 2009, the directors are not aware of any material contingent liabilities. As at 31 March 2008, the Company had contingent liabilities not provided for in the financial statements in respect of guarantee of HK$33.6 million for banking facilities granted to subsidiaries, which were utilized by subsidiaries to the extent of HK$10.4 million.

Employee Information

As at 31 March 2009, the Group employed a workforce of 1,022 employees (2008: 984) 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 December 2008 as part of agreed salary package, which applied to most of the employees in Hong Kong.

Staff costs including directors' emolument during the year amounted to HK$43.2 million (2008: HK$36.8 million), which represents an increase of 17.4%.

REVIEW OF OPERATIONS

For the year ended 31 March 2009, the Group recorded a loss for the year of HK$10.9 million. The loss was mainly caused by the sustaining high levels of production costs which included surging price level of raw materials in 2008, e.g. iron, plastic, paper, etc. The finance costs further eroded the profitability of the business.

During the year under review, the Group continued to experience severe challenges. The current economic turmoil exerted great pressure on the Group's performance in terms of demands in both North America and European markets. The Group responded by continuing its strategies of focusing on profitability and of product portfolio realignment that led to aggressive sales effort in better margin products and stepping-up of effort in development of new products.

International sales for the year ended 31 March 2009 grew to HK$223.1 million as compared with HK$193.8 million in prior year. For the year under review, sales in the US market increased by 13.9% to HK$187.4 million when compared to HK$164.6 million for last year. Sales in the Canadian market fell by 21.6% to HK$6.5 million from the HK$8.3 million recorded last year. The sales performance of the European market increased to HK$9.5 million, compared to HK$5.6 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. In addition, the Group had tried to open the business opportunity in some emerging market, such as Dubai and Russia.

On the other hand, the Group had taken effective measures for internal productivity and cost management. Through further re-organisation of units and replacement of aged machineries, the Group had aligned its production resources with the demand, which optimized the resources deployment as well as cost saving in production. In order to increase the operating effectiveness, the Group enhanced both sales and supply chain establishment in order to achieve more effective customer services as well as product delivery.

PROSPECTS

Looking ahead, the Group is facing several major challenges in the industry, namely global economic crisis as well as shareholders' expectation of improved bottom-line. To cope with these changes in the current dynamic environment, the Group will continue to adopt a four-pronged 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. 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. Moreover, we will diversify new product lines in order to optimize the product cycles and the production capacity planning.

Cost management is another major means for improving our bottom-line. Apart from rationalising our workforce in terms of establishment, the Group will continue to instill cost efficacy and quality consciousness into all levels of staff through revised work organisation and practice. 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.

Besides, measures will continue to be adopted to enhance productivity. These measures include replacing machines of low efficiency and high maintenance effort, streamlining workflow, revision of work practice and parameters, and exploring opportunities for utlitising the idle capacity.

In order to achieve a covered position to market fluctuation through a balanced approach, the Group will keep on exploring opportunities with our current and potential customers in our current and potential markets for our current and possible product segments.

The effectiveness of these strategies had been recognized by the improved performance of the Group, so we believe these strategies would continue to bear fruit for the Group in the future.

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 with the management the accounting principles and practice adopted by the Group and discussed internal controls, auditing and financial reporting matters including a review of the audited consolidated financial statements for the year ended 31 March 2009, 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 2009, 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 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.

SCOPE OF WORK OF THE AUDITOR

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2009 have been agreed by the Group's auditor, Mazars CPA Limited ("the Auditor") to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 March 2009. The work performed by the Auditor 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 Auditor on the preliminary announcement.

PUBLICATION OF THE FURTHER INFORMATION

The 2009 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
Cheng Jian He
Executive Director

Hong Kong, 26 June 2009

As at the date of this announcement, the Board comprises Mr Li Li Xin (Chairman) being non-executive director, Mr. Cheng Jian He being executive director, Mr. Xin 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.