Annual Report 2009 年報

MAGICIAN
INDUSTRIES (HOLDINGS) LIMITED
通達工業(集團)有限公司

Stock Code 股份代號：526

Contents

BOARD OF DIRECTORS

Chairman
Mr LI Li Xin *(non-executive director)*

Executive Director
Mr CHENG Jian He

Non-Executive Directors
Mr XU Jin
Mr LAU Kin Hon

Independent Non-Executive Directors
Mr HE Chengying
Mr CHAN Man Sum Ivan
Mr CHEUNG Kiu Cho Vincent

COMPANY SECRETARY

Mr LAU Kin Hon

REGISTERED OFFICE

Clarendon House
Church Street
Hamilton
HM11, Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Flat A, 2/F, Yeung Yiu Chung (No.6)
Industrial Building, 19 Cheung Shun Street
Cheung Sha Wan, Kowloon, Hong Kong

SECURITIES CODE

Hong Kong Stock Code: 526

AUDITOR

Mazars CPA Limited
34/F, The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong

PRINCIPAL BANKERS

Bank of Communications, Shenzhen Branch, PRC
Bank of Communications, Hong Kong Branch
Agricultural Bank of China, Shenzhen Branch, PRC

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Corporate Services Limited
Rosebank Centre, 11 Bermudiana Road, Pembroke,
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Secretaries Limited
26th Floor, Tesbury Centre
28 Queen’s Road East
Wanchai, Hong Kong

CHAIRMAN

Mr LI Li Xin, aged 41, is the non-executive director and chairman of the Group. Mr Li holds an Executive Master of Business Administration degree from Fudan University, and is the founder and current chairman of Lisi Group (a private group of companies established in the PRC). The principal businesses of Lisi Group include manufacturing, retail, and real property development. As regards manufacturing, the group mainly manufactures and sells plastic and hardware products and products for daily consumption. On the retail business side, the group owns a number of department stores and a local supermarkets chain. The group also has investments in real property development in the PRC. Mr Li has 18 years of experience in the manufacture and sale of plastic and hardware products and products for daily consumption.

Mr Li is currently a committee member of the Eleventh National Committee of the Chinese People's Political Consultative Conference, a committee member of All-China Youth Federation, the vice chairman of the China Plastics Processing Industry Association, an executive committee member of National Industrial and Commercial Union, the vice chairman of Ningbo City Industrial and Commercial Union, a member of Chinese People's Political Consultative Conference of Ningbo City, a representative of the People's Congress of Yinzhou District of Ningbo City, a standing committee member of the Political Consultative Conference of Yinzhou District, and the chairman of the Yinzhou District Federation of Industry and Commerce.

Mr Li was awarded the title of model worker in Ningbo City for the years 2001 to 2003. He was awarded the titles of "Outstanding Builder of Socialist Undertakings of Chinese Characteristics" in both 2003 and 2006 and was renowned for his contribution to the "Honourable Undertakings" promotional programme by the People's Government of Ningbo City. He was appointed as non-executive director and chairman of the Group in September 2008.

EXECUTIVE DIRECTOR

Mr CHENG Jian He, aged 43, is the Chief Executive Officer of the Group. Mr Cheng has over 20 years of experience in the financial management, tax planning, cost control, investment and financing management fields in various industries, including manufacturing, business and paper mills. He is currently the Chief Financial Officer of Lisi Group. Mr Cheng graduated from the Jiangxi University of Finance and Economics and majored in financial accounting, and completed the Advanced Programme in Business Administration for Managers offered by Tsinghua University. By profession, Mr Cheng is a Certified Public Accountant in the PRC and a member of the Chinese Institute of Certified Public Accountants.

He was appointed as executive director and Chief Executive Officer of the Group in September 2008.

NON-EXECUTIVE DIRECTORS

Mr XU Jin, aged 43, is the founder and currently the chairman of a private enterprise incorporated in the People's Republic of China whose principal businesses include manufacturing and trading of plastic and metal household products. Mr Xu has extensive experience in manufacturing and trading of plastic and metal products. He joined the Group in March 2006.

Mr LAU Kin Hon, aged 41, is a Hong Kong practicing solicitor. He has been practicing law in Hong Kong for 17 years. Mr Lau received his bachelor of laws degree from University College, London, UK. He was appointed as non-executive director and company secretary of the Company in May 2005.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr HE Chengying, aged 46, graduated from the Department of Accountancy of South Western University of Finance and Economics, holds a Master Degree of Economics from Zhejiang University and a Doctoral Degree of Economics from Xiamen University. He previously worked for Shenzhen Investment Holding Corporation, China Eagle Securities and United Securities. Mr He is currently the Assistant to President and General Manager of the R&D Department of Guosen Securities. He is also an associate professor, senior economist and a special research fellow of the China Management Science Research Institute. Mr He had previously engaged in state enterprise, state-owned asset management, as well as directly participated in drafting and formulating policies for state enterprise and state-owned asset management reforms. Subsequently, Mr He has engaged in stock market innovation, assets reorganization, as well as capital market operation and research. He has accumulated extensive experience in corporate reform, assets reorganization and capital management planning. He was appointed as independent non-executive director of the Company in September 2006.

Mr CHAN Man Sum Ivan, aged 35, is a member of the American Institute of Certified Public Accountants and holds a Bachelor of Science Degree in Business Administration with emphasis on Accounting issued by California State University Los Angeles. Currently Mr Chan is working in an investment bank. Prior to his current occupation, he was a chief financial officer of a listed company. Mr Chan has over 11 years of experience in the field of investment banking, accounting and financial management. He was appointed as independent non-executive director of the Company in June 2006.

Mr CHEUNG Kiu Cho Vincent, aged 33, is a Registered Professional Surveyor in the General Practice Division and member of both The Hong Kong Institute of Surveyors and The Royal Institution of Chartered Surveyors, UK. Mr Cheung holds a Master of Business Administration degree in International Management granted by University of London in association with Royal Holloway and Bedford New College and a Bachelor of Science (Honours) degree in Real Estate granted by The Hong Kong Polytechnic University. Mr Cheung is an Associate Director of an international corporate valuation and advisory company. Mr Cheung has over 12 years of experience in the field of assets valuation, assets management and corporate advisory. He was appointed as independent non-executive director of the Company in June 2006.

SENIOR MANAGEMENT

Mr TANG Yu Ping, aged 39, is the Chief Financial Officer of the Group. Mr Tang possesses over 15 years of experience in corporate development, financial management and consulting for various industries including logistics and manufacturing. He was the financial controller of a Greater China group listed in Hong Kong for which he led the successful IPO process. By profession, Mr Tang is a Certified Public Accountant of Hong Kong and a Chartered Accountant in England and Wales, and he is also a Fellow of the Association of Chartered Certified Accountants in UK. Moreover, he holds a Master degree in Operational Research and Information Systems from the London School of Economics and Political Science. He joined the Group in April 2006.

Mr MUNG Chin Yue, aged 43, is the General Manager of the Group and is responsible for overall business operations of the Group including marketing, sales, product development and manufacturing. Mr Mung possesses more than 19 years of experience in sales and marketing of consumer products and in management of manufacturing companies. Prior to joining the Group, he was the general manager of a manufacturing company in Greater China. Mr Mung obtained his Bachelor Degree in Sociology and Politics, Combined Honors, from the University College of Swansea, UK. He joined the Group in June 2007.

Ms YANG Shu Ying, aged 46, is the Senior Sales and Marketing Manager of the Group. Ms Yang is responsible for the international marketing and sales of the Group. She has over 25 years experience in marketing and sales of household products, garment and sundry. Ms Yang graduated from Ming Chuan College, Taiwan. She joined the Group in 1992, left in 1995 and rejoined in 1996.

Mr CHEN Tao Li, aged 35, is the Operation Manager of the Group. He is responsible for the production management, production planning, quality control, logistic and plant's operation. He has over 10 years' experience in production management. Prior to joining the Group, he was the production manager (vice-president), quality control manager and management representative of an electronic components specialists company in Guangdong. Mr Chen obtained his Bachelor Degree in machine manufacturing from Henan Mechanical and Electrical Engineering College. Moreover, he obtained his second degree in Business Administration from Shenzhen University. He joined the Group in January 2007.

Dear Shareholders,

This year was another challenging year for Magician. Like other manufacturing counterparts, the Group's bottom-line was facing severe pressure in several aspects, especially in the historical high prices of raw materials and the elevation of labor wages. The sluggish market had further posed pressure on the performance of the Group as well as the entire industry during the year under review.

Despite the financial tsunami affecting our main market, the United States, the Group recorded an increased turnover with an improved gross profitability during the year under review. This was the result of the Group's continuous efforts in cost management and sales enhancement that led the Group in the right direction with the strategies in place.

For the year ended 31 March 2009, the Group reported a net loss attributable to shareholders of HK$10.9 million, compared to HK$16.3 million loss for the last year. With the Group's strategies of focusing on profitability and product portfolio realignment, the Group's turnover increased by 16.5%, from HK$216.0 million recorded last year to HK$251.6 million. Basic loss per share was HK0.77 cent (2008: HK1.28 cents).

The board of directors has resolved not to recommend any final dividend for the year ended 31 March 2009.

CLEAR BUSINESS STRATEGIES

The Group kept on adopting effective sales and cost management measures throughout the year, which resulted in narrowing the loss of the Group. In order to cope with the environment of fierce competition and gloomy market outlook, the Group continued to realign our client base with higher-margin products and customers.

Moreover, being one of the household products suppliers with multi-product categories in Asia, Magician will capitalise on this competitive edge to develop and offer more sophisticated range of household products with favourable margins. Meanwhile, by stepping up the development effort, the product lines will be diversified and characterised with different life cycles.

Besides, the Group has further strengthened its sales and marketing effort by better allocation of sales staff with specialized scope of duties. Together with the support of a solid production base and know-how on producing the most comprehensive range of household products, the Group is going to have more intensive strategies to boost sales as well as maintaining sustainable earnings.

COST MANAGEMENT

A series of cost management measures was successfully implemented during the past few years, which has led to the Group's improved results. The Group will continue to impose effective measures on the establishment as well as the organisation. During the year under review, the number of employees increased slightly from 984 to 1022 to cope with increased turnover.

To enhance cost-effectiveness, the Group continues to realign its product lines and extend the product mix. The Group is able to maintain a better allocation of workforce after merging of departments. Furthermore, the Group has invested in machinery replacement to raise production efficiency. From the above measures, the team spirits of our staff as well as operation efficiency have further been improved.

To cope with the increasing raw material cost, the Group has made use of bulk procurement and futures delivery to hedge against the cost fluctuation in raw materials where appropriate. Besides, the Group will continue to negotiate more favourable terms with key raw material suppliers and logistic service providers. Magician will closely monitor the trends of raw material prices and take swift actions to manage the risk.

APPRECIATION

With clear business strategies, stringent cost control measures, strong product development capabilities and strengthened sales team, the Group has undergone changes that position Magician to grasp the business opportunities lying ahead resulting from consolidation among competition under this tough economic environment and the anticipated recovery. I am truly optimistic with Magician's business prospect.

On behalf of the Board, I would like to thank our customers, suppliers, business partners and shareholders for their continuous support. Last but not least, I would also like to take this opportunity to express my heartfelt gratitude and pride in having an outstanding workforce at Magician. We shall continue to work hard in order to overcome all the challenges and strive for better results in the near future.

Li Li Xin
Chairman

Hong Kong, 26 June 2009

FINANCIAL HIGHLIGHTS

General Information

For the year ended 31 March 2009, the Group 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 cent.

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 demand. 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 report 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.

CORPORATE GOVERNANCE PRACTICES

The Company recognises that maintaining good corporate governance is essential for enhancing shareholder value. The Company has complied with the code provisions of the Code on Corporate Governance Practices ("the Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules"), save for the deviations discussed below.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the directors (the "Model Code"). Having made specific enquiry of all directors, the Company confirmed that all directors have complied with the required standards as set out in the Model Code during the year.

BOARD OF DIRECTORS

The Board is responsible for the formulation of strategies and control of the Group and for monitoring the performance of the management teams. The Board is currently comprised of one executive director, three non-executive directors and three independent non-executive directors. The names of the directors and their attendances are as follows :

	Attendance
Executive director	
Cheng Jian He	
(appointed on 18 September 2008)	2/5
Non-Executive directors	
Li Li Xin *(Chairman)*	
(appointed on 18 September 2008)	1/5
Xu Jin (re-designated as non-executive director on 18 September 2008)	4/5
Lau Kin Hon	5/5
Independent non-executive directors	
He Chengying	2/5
Chan Man Sum Ivan	3/5
Cheung Kiu Cho Vincent	2/5

During the year, 5 full board meetings were held. Notice of at least 14 days was given to directors for regular board meetings during the year as required by Code Provision A.1.3.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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 was 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.

NON-EXECUTIVE DIRECTORS

Non-executive directors are appointed for a fixed term of two years, subject to retirement and re-election at the annual general meeting in accordance with the Bye-laws of the Company.

REMUNERATION OF DIRECTORS

The role and function of the remuneration committee are principally advising the board on the policy and structure for remuneration of directors and senior management and on establishing a formal and transparent procedure for developing policy on such remuneration, determining the specific remuneration packages of all executive directors and senior management and ensuring that no director or any of his associates is involved in deciding his own remuneration.

The remuneration committee is currently comprised of two independent non-executive directors, namely Mr Chan Man Sum Ivan and Mr Cheung Kiu Cho Vincent and one non-executive director, namely Mr Xu Jin. No meeting was held during the year under review.

NOMINATION OF DIRECTORS

The Company does not have a nomination committee. All appointments of directors were determined by the board as a whole based on considerations including the vacancy available, competence and experience, possession of requisite skills and qualifications, independence and integrity.

AUDITOR'S REMUNERATION

During the year under review, the auditor's remuneration paid and payable in respect of the audit services and non-audit services, provided by the auditor to the Group amounted to HK$550,000 and HK$Nil respectively.

AUDIT COMMITTEE

The audit committee is currently comprised of three independent non-executive directors. 2 audit committee meetings were held during the year under review. The names of the committee members and their attendances are set out below :

	Attendance
Chan Man Sum, Ivan *(Chairman)*	2/2
Cheung Kiu Cho Vincent	2/2
He Chengying	2/2

The roles and function of the audit committee are principally making recommendation to the board on the engagement of external auditors, reviewing the financial information of the Group and overseeing the Group's financial reporting system and internal control procedures.

During the year under review, the audit committee reviewed the Group's annual results for the year ended on 31 March 2008 and the interim results for the six months ended on 30 September 2008.

ACCOUNTABILITY AND AUDIT

The directors acknowledge their responsibility for preparing the financial statements of the Group. As stated in the independent auditor's report, the directors are currently undertaking and intend to take such measures detailed in note 2 to the financial statements to generate sufficient liquid funds to finance its operations and 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 board has conducted an annual review of the effectiveness of the system of internal control of the Company and its subsidiaries.

The directors submit their report together with the audited financial statements of Magician Industries (Holdings) Limited (hereinafter as the "Company") and its subsidiaries (together with the Company hereinafter as the "Group") for the year ended 31 March 2009.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are the manufacturing and trading of household products.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 19.

The directors do not recommend the payment of dividend.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 26 to the financial statements.

FIXED ASSETS

Details of the movement in fixed assets of the Group are set out in note 13 to the financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 March 2009 are set out in note 14 to the financial statements.

SHARE CAPITAL, SHARE OPTIONS AND CONVERTIBLE BONDS

Details of the share capital, share options and convertible bonds of the Company are set out in notes 25, 28 and 24 respectively to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 March 2009, the Company had no retained profits available for cash distribution and/or distribution in specie. Under the Companies Act 1981 of Bermuda (as amended), the Company's contributed surplus of approximately HK$77,753,000 (2008: HK$77,753,000) is available for distribution, subject to certain conditions as described in note 26 to the financial statements. The Company's share premium account of HK$25,352,000 (2008: HK$7,982,000) as at 31 March 2009 may be distributed in the form of fully paid bonus shares.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's bye-laws and there was no restriction against such rights under the laws of Bermuda.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 60.

DIRECTORS

The directors during the year and up to the date of this report were:

Executive director:

Cheng Jian He (appointed on 18 September 2008)

Non-executive directors:

Li Li Xin *(Chairman)*
(appointed on 18 September 2008)
Xu Jin (re-designated as non-executive director on 18 September 2008)
Lau Kin Hon

Independent non-executive directors:

He Chengying
Chan Man Sum Ivan
Cheung Kiu Cho, Vincent

In accordance with bye-law 87 of the Company's bye-laws, Mr Xu Jin, Mr Lau Kin Hon and Mr He Chengying will retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

The Company has received confirmation of independence from each of the independent non-executive directors pursuant to rule 3.13 of the Listing Rules and considers all the independent non-executive directors to be independent.

EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST PAID EMPLOYEES

Details of the directors' emoluments and of the five highest paid individuals of the Group are set out in notes 8 and 9 to the financial statements respectively.

DIRECTORS' SERVICE CONTRACTS

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Save as set out in notes 17, 19, 20, 21 and 30 of the financial statements, no contracts of significance in relation to the Group's business to which the Company, its fellow subsidiaries or its holding company, was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2009, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") contained in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") were as follows:

Name of director	**Nature of interests**	**Number of issued ordinary shares of HK$0.01 each in the Company**	**Percentage of total issued ordinary shares**
Mr Li Li Xin *(note 1)*	Through controlled corporation	377,247,014	24.5%
Mr Xu Jin	Personal	253,837,198	16.5%

Note 1: Mr Li Li Xin's interest in 377,247,014 shares is held through Big-Max Manufacturing Co., Limited, 90% of its issued share capital is beneficially owned by Mr Li Li Xin. Ms Jin Ya Er being the spouse of Mr Li Li Xin, is also deemed to have a beneficial interest in 377,247,014 shares of the Company.

Save as disclosed herein, as at 31 March 2009, none of the directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company pursuant to the Model Code.

Share option scheme

The company adopted a share option scheme (the "Scheme") on 8 August 2002 and the particulars of the Scheme are as follows:

Purpose of the Scheme:

To enable the Company to grant options to the participant who accepts the offer of the grant of the options as incentives and/or rewards for their contributions made to the Group.

Participants:

Full-time employees and directors (including executive, non-executive and independent non-executive directors) of any member of the Group.

Total number of ordinary shares available for issue and the percentage of the issued share capital that it represents as at the date of the annual report:

86,873,344 ordinary shares ("Shares") (10% of the issued share capital of the Company at the date of approval of the Scheme).

Maximum entitlement of each participant:

Shall not exceed 1% of the aggregate number of ordinary shares issued and issuable under the Scheme.

Period within which the securities must be taken up as an option:

No option will be exercisable later than 10 years after its date of grant.

Minimum holding period before an option can be exercised:

Will be defined by directors based on grantee's seniority and other relevant factors.

Period within which payments or loans must be made or repaid:

Not applicable

Basis of determining the exercise price:

Determined by the Board of Directors and shall be:

(1) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheets on the date of offer; and

(2) the average of closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of offer,

whichever is higher provided that it shall not be lower than the nominal value of the Shares.

The remaining life of the Scheme:

The Scheme remains in force until 8 August 2012.

No share options had been granted under the Scheme up to 31 March 2009 and there were no other options outstanding at the beginning or at the end of the year.

Saved as disclosed above, at no time during the year was the Company or any of its subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and none of the directors, their spouses or their children under the age of 18 have any right to subscribe for the securities of the Company, or had exercised any such right during the year.

SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed above in respect of the directors and chief executives, as at 31 March 2009, the register of substantial shareholders maintained under Section 336 of Part XV of the SFO by the Company recorded no other interests or short positions in shares of the Company being 5% or more of the Company's issued share capital.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases	
– the largest supplier	17%
– five largest suppliers	43%
Sales	
– the largest customer	63%
– five largest customers	76%

None of the directors, their associate or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

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.

RETIREMENT SCHEME

Particulars of retirement scheme of the Group are set out in note 29 to the financial statements.

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the directors, the Company maintained sufficient public float at all times during the year.

AUDITOR

The financial statements for the financial years ended 31 March 2007, 2008 and 2009 were audited by Mazars CPA Limited, Certified Public Accountants. A resolution for its reappointment as auditor for the ensuing year is to be proposed at the forthcoming annual general meeting.

On behalf of the Board

Li Li Xin
Chairman

Hong Kong, 26 June 2009

MAZARS

To the members of
Magician Industries (Holdings) Limited
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Magician Industries (Holdings) Limited ("the Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 19 to 59, which comprise the consolidated and the Company's balance sheets as at 31 March 2009, the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda (as amended), and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our 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 prepared 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.

Mazars CPA Limited
Certified Public Accountants
Hong Kong, 26 June 2009

Eunice Y M Kwok
Practising Certificate number: P04604

	Note	2009 HK$'000	2008 HK$'000
Turnover	5	251,605	215,997
Cost of sales		(203,618)	(182,104)
Gross profit		47,987	33,893
Other revenue	5	1,990	2,067
Other income	6	6,580	14,271
Selling and distribution expenses		(10,424)	(9,390)
Administrative and other operating expenses		(44,401)	(44,699)
Finance costs	7	(12,593)	(12,445)
Loss before taxation	7	(10,861)	(16,303)
Taxation credit	10	–	10
Loss for the year attributable to equity holders of the Company	11	(10,861)	(16,293)
Loss per share			
Basic	12	HK(0.77) cent	HK(1.28) cents

Consolidated Balance Sheet

At 31 March 2009

	Note	2009 HK$'000	2008 HK$'000
Non-current assets			
Property, plant and equipment	13	237,719	231,695
Current assets			
Inventories	15	18,233	20,202
Trade and bills receivables	16	25,557	23,243
Due from a director	17	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	18	84,436	64,579
Advance from a related company	19	3,409	–
Loan from a related company	20	6,396	6,396
Loan from a shareholder	21	6,000	6,000
Short-term bank borrowings	22(a)	5,568	10,374
Current portion of long-term bank borrowing	22(b)	17,045	11,111
Current portion of obligations under finance leases	23	1,830	3,173
Zero-coupon convertible bonds	24	–	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	23	140	881
Long-term bank borrowing	22(b)	102,273	116,667
		102,413	117,548
NET ASSETS		69,474	61,635
Capital and reserves			
Share capital	25	15,395	13,849
Reserves	26	54,079	47,786
TOTAL EQUITY		69,474	61,635

Approved and authorised for issue by the Board of Directors on 26 June 2009.

Li Li Xin *Chairman*	**Cheng Jian He** *Director*

Balance Sheet

At 31 March 2009

	Note	2009 HK$'000	2008 HK$'000
Non-current assets			
Interests in subsidiaries	14	101,100	110,063
Current assets			
Prepayments, deposits and other receivables		554	534
Bank balances and cash		53	113
		607	647
Current liabilities			
Other payables and accruals		3,140	2,368
Loan from a related company	20	6,396	6,396
Loan from a shareholder	21	6,000	6,000
Zero-coupon convertible bonds	24	–	17,389
		15,536	32,153
Net current liabilities		(14,929)	(31,506)
NET ASSETS		86,171	78,557
Capital and reserves			
Share capital	25	15,395	13,849
Reserves	26	70,776	64,708
TOTAL EQUITY		86,171	78,557

Approved and authorised for issue by the Board of Directors on 26 June 2009.

Li Li Xin	**Cheng Jian He**
Chairman	*Director*

Consolidated Statement of Changes in Equity

Year ended 31 March 2009

	2009 HK$'000	2008 HK$'000
Opening balance – Total equity at 1 April	61,635	27,636
Issue of zero-coupon convertible bonds, net of issuing expenses	–	330
Issue of shares for Open Offer, net of issuing expenses	–	41,276
Issue of shares on conversion of zero-coupon convertible bonds	18,700	8,686
Loss for the year	(10,861)	(16,293)
Closing balance – Total equity at 31 March	69,474	61,635

	2009 HK$'000	2008 HK$'000
OPERATING ACTIVITIES		
Loss before taxation	(10,861)	(16,303)
Depreciation	15,188	15,991
Reversal of impairment loss on property, plant and equipment, net	(4,814)	(12,731)
Interest income	(513)	(802)
Interest expense	12,593	12,445
Gain on disposal of property, plant and equipment	(831)	(1,245)
Bad debts written off	86	–
Allowance for bad and doubtful debts	500	2,010
Write-back of allowance for bad and doubtful debts	(935)	(295)
Allowance for inventory obsolescence	477	917
Changes in working capital:		
Inventories	1,492	8,415
Trade and bills receivables	(2,900)	4,067
Prepayments, deposits and other receivables	298	(702)
Trade and other payables	19,857	(21,902)
Cash generated from (used in) operating activities	29,637	(10,135)
Interest paid	(10,919)	(11,586)
Hong Kong Profits Tax refund	–	135
Net cash from (used in) operating activities	18,718	(21,586)
INVESTING ACTIVITIES		
Interest received	513	802
Decrease (Increase) in pledged deposits	5,298	(240)
Purchase of property, plant and equipment	(15,427)	(14,267)
Proceeds on disposal of property, plant and equipment	1,419	2,568
Net cash used in investing activities	(8,197)	(11,137)

	2009 HK$'000	2008 HK$'000
FINANCING ACTIVITIES		
(Repayment) Advance from a related company	3,409	(7,000)
Advance to a director	(170)	–
Loans from a shareholder	–	10,000
Net proceeds from Open Offer	–	25,075
New short-term bank borrowings	5,568	–
Net proceeds from issue of zero-coupon convertible bonds	–	25,423
New long-term bank borrowing	–	133,333
Repayment of loan from a related company	–	(1,404)
Repayment of loan from a shareholder	–	(15,799)
Repayment of short-term bank borrowings	(10,374)	(122,694)
Repayment of long-term bank borrowing	(8,460)	(5,555)
Repayment of obligation under finance leases	(3,643)	(1,615)
Interest paid on obligation under finance leases	(363)	(280)
Net cash (used in) from financing activities	(14,033)	39,484
Net (decrease) increase in cash and cash equivalents	(3,512)	6,761
Cash and cash equivalents at beginning of year	14,680	7,919
Cash and cash equivalents at end of year, represented by bank balances and cash	11,168	14,680

Note: **Major non-cash transaction**

During the year, the Group entered into finance lease arrangements not required the use of cash in respect of assets with a total capital value at the inception of the lease of HK$1,559,000 (2008: Nil).

1. CORPORATE INFORMATION

Magician Industries (Holdings) Limited ("the Company") is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's principal place of business is located at Flat A, 2/F, Yeung Yiu Chung (No. 6) Industrial Building, 19 Cheung Shun Street, Cheung Sha Wan, Kowloon, Hong Kong. The principal activity of the Company is investment holding and the principal activities of its principal subsidiaries are detailed in note 14 to 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 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 Bonds 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. Details of the loans are described in notes 20 and 21 to the financial statements.

- 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, credits periods granted to customers are reviewed in order to determine if any revision is needed.

2. BASIS OF PREPARATION (CONTINUED)

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 materialised 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 organisation, controls and productivity, any substantial sales increment could be comfortably accommodated without further substantial capital investment.

3. 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.

A summary of the principal accounting policies adopted by the Group is set out below.

Basis of measurement

The measurement basis used in the preparation of these financial statements is historical cost.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries as at 31 March each year. The financial statements of the subsidiaries are prepared for the same reporting year as that of the Company using consistent accounting policies.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full. The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Subsidiaries

A subsidiary is an entity in which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's balance sheet, investments in subsidiaries are stated at cost less accumulated impairment losses. The carrying amount of the investment is reduced to its recoverable amount on an individual basis. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Property, plant and equipment

Property, plant and equipment, other than construction-in-progress, are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to the income statement during the year in which they are incurred.

As the Group's lease payments for its leasehold land and buildings cannot be allocated reliably between the land and buildings elements at the inception of the lease because similar land and buildings are not sold or leased separately, the entire lease payments are included in the cost of the leasehold land and buildings as a finance lease in property, plant and equipment.

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment, other than construction in progress, over their estimated useful lives as set out below from the date on which they are available for use and after taking into account their estimated residual values, using the straight-line method. Where parts of an item of property, plant and equipment have different useful lives, the cost of the items is allocated on a reasonable basis and depreciated separately:

Leasehold land and buildings	Over the unexpired term of lease
Leasehold improvements	14.3% – 20%
Plant and machinery	20%
Furniture, fixtures, office and computer equipment	20%
Motor vehicles	20% – 25%
Moulds	10% – 14.3%

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (Continued)

Assets held under finance leases are depreciated over the shorter of their expected useful lives or the term of the leases.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year in which the item is derecognised.

Construction in progress

Construction in progress is stated at cost less accumulated impairment losses. Cost includes all construction expenditure and other direct costs, including interest costs, attributable to such projects. Costs on completed construction works are transferred to the appropriate asset category. No depreciation is provided in respect of construction in progress until it is completed and ready for their intended use.

Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instruments and on a trade date basis.

A financial asset is derecognised when the Group's contractual rights to future cash flows from the financial asset expire or when the Group transfers substantially all the risks and rewards of ownership of the financial asset. A financial liability is derecognised only when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expires.

Loans and receivables

Loans and receivables including trade and bills receivables and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading. They are measured at amortised cost using the effective interest method, except where receivables are interest-free loans and without any fixed repayment term or the effect of discounting would be insignificant. In such case, the receivables are stated at cost less impairment loss. Amortised cost is calculated by taking into account any discount or premium on acquisition over the year to maturity. Gains and losses arising from derecognition, impairment or through the amortisation process are recognised in the income statement.

Impairment of loan and receivables

At each balance sheet date, the Group assesses whether there is objective evidence that financial assets are impaired.

An allowance for impairment of loans and receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Impairment of loan and receivables (Continued)

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicator that the trade receivable is impaired.

The amount of the impairment loss is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement.

Financial liabilities

The Group's financial liabilities include trade and other payables, loans from related parties, bank and other borrowings and obligations under finance leases. All financial liabilities are recognised initially at their fair value and subsequently measured at amortised cost, using effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

Convertible bonds

The component of the convertible bond that exhibits characteristics of a liability is recognised as a liability in the balance sheet, net of issue costs. On the issue of the convertible bond, the fair value of the liability component is determined using a market rate for a similar bond that does not have a conversion option; and this amount is carried as a current liability on the amortised cost basis until extinguished on conversion or redemption.

The remainder of the proceeds is allocated to the conversion option that is recognised and included in the convertible bond equity reserve within shareholders' equity, net of issue costs. The value of the conversion option carried in equity is not changed in subsequent years. When the conversion option is exercised, the balance of the convertible bond equity reserve is transferred to share premium account or other appropriate reserve. When the conversion option remains unexercised at the expiry date, the balance remained in the convertible bond equity reserve is transferred to retained earnings. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Issue costs are apportioned between the liability and equity components of the convertible bond based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

Cash equivalents

For the purpose of the consolidated cash flow statement, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue and costs, if applicable, can be measured reliably, and on the following bases:

Sale of goods is recognised on transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title is passed.

Rental income under operating lease is recognised when the properties are let out and on the straight-line basis over the lease terms.

Interest income from financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

The results and financial position of entities within the Group that have a functional currency different from the presentation currency ("foreign operations") are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet date;

- Income and expenses for each income statement are translated at average exchange rate; and

- All resulting exchange differences arising from the above translation and exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised as a separate component of equity. On disposal of a foreign operation, the cumulative amount of the exchange differences deferred in separate component of equity relating to that foreign operation is recognised in income statement when the gain or loss on disposal is recognised.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average cost method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period of the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Impairment of other assets

At each balance sheet date, the Group reviews internal and external sources of information to determine whether its property, plant and equipment and investment in subsidiaries have suffered an impairment loss or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs to sell and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. a cash-generating unit).

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

A reversal of impairment loss is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior years. Reversal of impairment loss is recognised as income immediately.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made. Expenditures for which a provision has been recognised are charged against the related provision in the year in which the expenditures are incurred. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount provided is the present value of the expenditures expected to be required to settle the obligation. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

As lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

As lessee

Assets held under finance leases are recognised as assets of the Group at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as finance lease obligation. Finance charges, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Rental payable under operating leases are charged to profit or loss on a straight-line basis over the term of relevant lease.

Lease incentives are recognised in the income statement as an integral part of the net consideration agreed for the use of the leased asset. Contingent rentals are recognised as expenses in the accounting period in which they are incurred.

Employee benefits

Defined contribution plans

The Group operates a defined contribution retirement scheme for the Hong Kong employees based on local laws and regulations. The scheme covers all eligible employees. The obligations for contributions to defined contribution retirement scheme are recognised as an expense in the income statement as incurred. The assets of the scheme are held separately from those of the Group in an independently administered fund.

Pursuant to the law and regulations of the PRC, contributions to the defined contribution retirement schemes for the Group's PRC staff are made to the relevant government authorities in the PRC, which are calculated on certain percentages of the applicable payroll costs as stipulated under the requirements in the PRC. These contributions are expensed as incurred.

Taxation

The charge for current income tax is based on the results for the year as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, any deferred tax arising from initial recognition of goodwill; or other asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss is not recognised.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Taxation (Continued)

The deferred tax liabilities and assets are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.

Related parties

A party is related to the Group if

(a) directly, or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Group; or has an interest in the Group that gives it significant influence over the Group; or has joint control over the Group;

(b) the party is an associate of the Group;

(c) the party is a joint venture in which the Group is a venturer;

(d) the party is a member of the key management personnel of the Group;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

Critical accounting estimates and judgements

Estimates, assumptions concerning the future and judgements are made by the management in the preparation of the financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Where appropriate, revisions to accounting estimates are recognised in the period of revision and future periods, in case the revision also affects future periods.

Allowance for bad and doubtful debts

The provisioning policy for bad and doubtful debts of the Group is based on the evaluation by management of the collectability of the accounts receivables. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including assessing the current creditworthiness and the past collection history of each customer. If the financial conditions of these customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance will be required. At the balance sheet date, the carrying amount of trade receivables after provision for impairment amounted to HK$25,557,000 (2008: HK$23,243,000).

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Critical accounting estimates and judgements (Continued)

Allowance for inventories

The Group's management reviews the condition of inventories, as stated in note 15 to the financial statements, at each balance sheet date, and makes allowance for inventories that are identified as obsolete, slow-moving or no longer recoverable or suitable for use in production. Management carries out the inventory review on a product-by-product basis and makes allowances by reference to the latest market prices and current market conditions.

Impairment of investments and receivables

The Company assesses annually if investment in subsidiaries has suffered any impairment in accordance with HKAS 36 and follows the guidance of HKAS 39 in determining whether amounts due from those entities are impaired. Details of the approach are stated in the respective accounting policies. The assessment requires an estimation of future cash flows, including expected dividends, from the assets and the selection of appropriate discount rates. Future changes in financial performance and position of these entities would affect the estimation of impairment loss and cause the adjustments of their carrying amounts.

Future changes in HKFRS

At the date of authorisation of these financial statements, the HKICPA has issued a number of new/revised HKFRS that are not yet effective for the current year, which the Group has not early adopted.

HKFRS 8	Operating Segments[1]
HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
Amendments to HKFRS 2	Share-based Payment – Vesting Conditions and Cancellations[1]
Amendments to HKAS 32 and HKAS 1	Puttable Financial Instruments and Obligations Arising on Liquidations[1]
Amendments to HKFRS 1 and HKAS 27	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKFRS 1 (Revised)	First-time adoption of HKFRS[2]
Amendments to HKAS 39	Eligible Hedge Items[2]
Improvements to HKFRS	Improvements to HKFRS[3]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[4]
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation[5]
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate[1]
HK(IFRIC) – Int 17	Distributions of non-cash Assets to Owners[2]

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 July 2009
3 Effective for annual periods beginning on or after 1 January 2009 except for the amendments to HKFRS 5 which are effective for annual periods beginning on or after 1 July 2009
4 Effective for annual periods beginning on or after 1 July 2008
5 Effective for annual periods beginning on or after 1 October 2008

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Future changes in HKFRS (Continued)

The directors are in the process of assessing the possible impact on the future adoption of these new/revised HKFRS, but are not yet in a position to reasonably estimate their impact on the Group's financial statements.

4. 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:

	Group			
	Turnover		Segment results	
	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'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.

5. TURNOVER AND REVENUE

Turnover and revenue recognised by category for the Group are analysed as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
Turnover		
Sale of goods	251,605	215,997
Other revenue		
Rental income	1,219	–
Interest income	513	802
Others	258	1,265
	1,990	2,067
Total revenue	253,595	218,064

6. OTHER INCOME

		Group	
		2009	2008
	Note	HK$'000	HK$'000
Gain on disposal of property, plant and equipment		831	1,245
Reversal of impairment loss on property, plant and equipment, net	13	4,814	12,731
Write-back of allowance for bad and doubtful debts		935	295
		6,580	14,271

7. LOSS BEFORE TAXATION

	Group	
	2009	2008
This is stated after charging:	HK$'000	HK$'000
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

8. DIRECTORS' EMOLUMENTS

The aggregate amounts of remuneration received and receivable by the Company's directors are as follows:

	Note	2009 Directors' fees HK$'000	2009 Salaries, allowances and benefits in kind HK$'000	2009 Retirement scheme contributions HK$'000	2009 Total HK$'000
Executive director					
Cheng Jian He	ii	–	–	–	–
Non-executive directors					
Lau Kin Hon		–	175	3	178
Xu Jin	i	–	–	–	–
Li Li Xin	ii	–	–	–	–
Independent non-executive directors					
Chan Man Sum Ivan		144	–	–	144
Cheung Kiu Cho Vincent		120	–	–	120
He Chengying		120	–	–	120
		384	175	3	562

	Note	2008 Directors' fees HK$'000	2008 Salaries, allowances and benefits in kind HK$'000	2008 Retirement scheme contributions HK$'000	2008 Total HK$'000
Executive director					
Xu Jin	i	–	–	–	–
Non-executive director					
Lau Kin Hon		–	653	12	665
Independent non-executive directors					
Chan Man Sum Ivan		144	–	–	144
Cheung Kiu Cho Vincent		120	–	–	120
He Chengying		120	–	–	120
		384	653	12	1,049

8. DIRECTORS' EMOLUMENTS (CONTINUED)

Note:

i) Redesignated as non-executive director on 18 September 2008.
ii) Appointed on 18 September 2008.

9. FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS

The emoluments of the five (2008: four) highest paid individuals of the Group during the year are as follows:

	Group	
	2009 HK$'000	2008 HK$'000
Salaries and other benefits	3,917	2,743
Contributions to retirement scheme	51	46
	3,968	2,789

The emoluments fell within the following bands:

	Group Number of individuals	
	2009	2008
Nil to HK$1,000,000	3	4
Over HK$1,000,000	2	–
	5	4

In 2009, the above highest paid individuals do not include any director of the Company. In 2008, a director of the Company was one of the five highest paid individuals, details of whose emoluments are set out in note 8 above.

No emoluments were paid by the Group to the directors or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the year.

10. 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.

	Group	
	2009	2008
Reconciliation of effective tax rate	%	%
Applicable tax rate	(17)	(18)
Non-deductible expenses	10	8
Unrecognised temporary differences	1	(21)
Unrecognised tax losses	20	31
Recognition of previously unrecognised deferred tax assets	(15)	–
Differences in overseas tax rates	1	–
Effective tax rate for the year	–	–

The applicable tax rate is the Hong Kong Profits Tax rate of 16.5% (2008: 17.5%).

11. LOSS FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

Of the Group's loss for the year of HK$10,861,000 (2008: HK$16,293,000), a loss of HK$11,086,000 (2008: HK$22,508,000) has been dealt with in the financial statements of the Company.

12. 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.

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures, office and computer equipment HK$'000	Motor vehicles HK$'000	Moulds HK$'000	Construction in progress HK$'000	Total HK$'000
Group								
Reconciliation of carrying amount – year ended 31 March 2008								
At beginning of year	178,366	2,424	10,856	817	247	28,943	358	222,011
Additions	–	–	37	305	70	3,969	9,886	14,267
Disposals and write-off	–	–	(1,221)	(5)	(13)	(84)	–	(1,323)
Depreciation	(4,732)	(1,121)	(3,098)	(757)	(68)	(6,215)	–	(15,991)
Impairment loss	–	–	–	–	–	(5,175)	–	(5,175)
Reversal of impairment loss	17,906	–	–	–	–	–	–	17,906
Transferred from construction in progress	8,881	536	12	63	–	–	(9,492)	–
At balance sheet date	200,421	1,839	6,586	423	236	21,438	752	231,695
Reconciliation of carrying amount – year ended 31 March 2009								
At beginning of year	200,421	1,839	6,586	423	236	21,438	752	231,695
Additions	5,142	–	3,504	462	92	5,705	2,081	16,986
Disposals and write-off	–	–	(505)	(69)	–	(14)	–	(588)
Depreciation	(6,552)	(528)	(2,950)	(338)	(75)	(4,745)	–	(15,188)
Impairment loss	–	–	–	–	–	(1,521)	–	(1,521)
Reversal of impairment loss	6,335	–	–	–	–	–	–	6,335
Transferred from construction in progress	422	1,122	698	80	59	–	(2,381)	–
At balance sheet date	**205,768**	**2,433**	**7,333**	**558**	**312**	**20,863**	**452**	**237,719**
At 1 April 2008								
Cost	262,822	16,053	75,584	32,659	5,901	198,173	752	591,944
Accumulated depreciation and impairment losses	(62,401)	(14,214)	(68,998)	(32,236)	(5,665)	(176,735)	–	(360,249)
	200,421	1,839	6,586	423	236	21,438	752	231,695
At 31 March 2009								
Cost	268,386	17,175	74,694	32,857	6,030	203,823	452	603,417
Accumulated depreciation and impairment losses	(62,618)	(14,742)	(67,361)	(32,299)	(5,718)	(182,960)	–	(365,698)
	205,768	**2,433**	**7,333**	**558**	**312**	**20,863**	**452**	**237,719**

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Group's leasehold land and buildings were situated in the PRC under medium-term leases.

In light of the improvement of the efficiency and effectiveness of the Group's operation, productivity and sales during the year, management considers that there is indication that the impairment loss previously recognised no longer exists or may be reduced. Therefore, management has assessed the carrying value of the property, plant and equipment. Based on this assessment, management considered that the recoverable amount of the leasehold land and buildings located in the PRC has been increased by HK$6,335,000 (2008: HK$14,207,000). Accordingly, the carrying amount of these leasehold land and buildings has been increased by the same amount. The recoverable amount of these land and buildings is determined by reference to the value in use of the relevant assets, using the discount rate of 17.9% (2008: 16.9%) per annum.

On the other hand, management considered that further provision on certain idle moulds of HK$1,521,000 (2008: HK$5,175,000), by reference to their utilisation analysis, should be made.

The reversal (net of provision) of impairment loss on property, plant and equipment of HK$4,814,000 (2008: HK$12,731,000) has been allocated to the geographical segment by reference to its turnover ratio as disclosed in note 4 to the financial statements.

The net book value of the Group's property, plant and equipment includes an amount of HK$1,773,000 (2008: HK$632,000) in respect of assets held under finance leases.

14. INTERESTS IN SUBSIDIARIES

	Company	
	2009 HK$'000	2008 HK$'000
Unlisted shares, at cost	158,598	158,598
Provision for impairment loss	(158,598)	(158,598)
	–	–
Due from subsidiaries	454,636	452,979
Allowance for bad and doubtful debts	(353,536)	(342,916)
	101,100	110,063
	101,100	110,063

The amounts due from subsidiaries are unsecured, interest-free and have no fixed repayment term. The carrying value of the amounts due approximates their fair values.

14. INTERESTS IN SUBSIDIARIES (CONTINUED)

Details of the principal subsidiaries at the balance sheet date are as follows:

Name of subsidiary	Place of incorporation/ registration	Nominal value of issued ordinary share/registered capital	Percentage of equity interest attributable to the Company		Principal activities
			Directly	Indirectly	
Magician Investments (BVI) Limited	British Virgin Islands	US$6 ordinary	100%	–	Investment holding
Magician Strategic Limited	British Virgin Islands	US$1 ordinary	100%	–	Investment holding
Well Harbour Development Limited	Hong Kong	HK$1 ordinary	–	100%	Purchasing of paper, plastic and metal materials and products
Falton Investment Limited	Hong Kong	HK$2 ordinary	–	100%	Subletting of premises to the group companies
Magicgrand Development Limited	British Virgin Islands	US$1 ordinary	–	100%	Manufacturing and trading of plastic and metal products
Jinda Plastic Metal Products (Shenzhen) Co., Ltd.	The PRC	HK$180,000,000 registered capital	–	100%	Manufacturing and trading of plastic and metal products
Magician Industrial Company Limited	Hong Kong	HK$5 ordinary	–	100%	Marketing and trading of plastic and metal products
More Concept Limited	Hong Kong	HK$3 ordinary	–	100%	Marketing and trading of plastic and metal products
Grandmate Industrial Company Limited	Hong Kong	HK$251,000 ordinary	–	100%	Marketing and trading of plastic and metal products
Magician Lifestyle Limited	Hong Kong	HK$1 ordinary	–	100%	Marketing and trading of plastic and metal products

14. INTERESTS IN SUBSIDIARIES (CONTINUED)

All of the above subsidiaries operate principally in Hong Kong except for Jinda Plastic Metal Products (Shenzhen) Co., Ltd. which operate principally in the PRC.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

15. INVENTORIES

	Group	
	2009 HK$'000	2008 HK$'000
Raw materials	6,862	8,876
Work-in-progress	8,690	8,194
Finished goods	2,681	3,132
	18,233	20,202

16. TRADE AND BILLS RECEIVABLES

		Group	
	Note	2009 HK$'000	2008 HK$'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.

16. TRADE AND BILLS RECEIVABLES (CONTINUED)

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 HK$'000	2008 HK$'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 HK$'000	2008 HK$'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.

17. DUE FROM A DIRECTOR

The amount due from a director is unsecured, interest-free and has no fixed repayment term.

Name of director	Maximum amount outstanding during the year HK$'000	31 March 2009 HK$'000	1 April 2008 HK$'000
Mr. Xu Jin	227	170	–

18. TRADE AND OTHER PAYABLES

	Group	
	2009 HK$'000	2008 HK$'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$'000	2008 HK$'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.

19. ADVANCE FROM A RELATED COMPANY

The advance from a related company, in which the Company's director and beneficial owner, Mr. Li Li Xin, has beneficial interest, is unsecured, interest-free and has no fixed repayment term.

20. LOAN FROM A RELATED COMPANY

The loan from a related company, in which the Company's director and shareholder, Mr. Xu Jin has beneficial interest, is unsecured, interest-bearing at 7% per annum and repayable in September 2009.

21. LOAN FROM A SHAREHOLDER

The loan from a shareholder is unsecured, interest-bearing at HIBOR plus 3% per annum at the date of drawdown and repayable in August 2009.

22. BANK BORROWINGS

(a) Short-term bank borrowings, secured

At 31 March 2008, the short-term bank borrowings represented the associated liability of the discounted bills receivable, which was interest-bearing at LIBOR/HIBOR plus 1.75% to 2% per annum.

As at 31 March 2009, the short-term bank borrowing represents a 1-year term loan of RMB4,900,000 (equivalent to HK$5,568,000) obtained during the year. It is interest-bearing at 95% of the base lending rate published by the People's Bank of China and repayable in March 2010. The interest rate is adjusted by the PRC bank in March of every year and the current interest rate is 5.04%.

(b) Long-term bank borrowing, secured

	Group	
	2009 HK$'000	2008 HK$'000
Within one year	17,045	11,111
In the second to fifth years inclusive	102,273	116,667
	119,318	127,778

The long-term bank borrowing represents a 3-year term loan of RMB120,000,000 (equivalent to HK$136,364,000), which was interest-bearing at 105% of the base lending rate published by the People's Bank of China and repayable in various quarterly installments up to October 2010.

23. OBLIGATIONS UNDER FINANCE LEASES

	Group			
	Minimum lease Payments		Present value of minimum lease payments	
	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
Amounts payable:				
Within one year	1,943	3,486	1,830	3,173
In the second to fifth years inclusive	158	953	140	881
	2,101	4,439	1,970	4,054
Future finance charges	(131)	(385)	–	–
Present value of lease obligations	1,970	4,054	1,970	4,054

The lease term ranged from two to five years. All lease agreements are on a fixed repayment basis.

24. ZERO-COUPON CONVERTIBLE BONDS

On 1 August 2007, the Company issued zero-coupon convertible bonds in an aggregate principal amount of HK$26,000,000 with maturity date on 1 February 2009. The convertible bonds can be converted into ordinary shares of the Company at a conversion price of HK$0.15 at any time from the date of issue and up to the maturity date. The conversion price of the convertible bonds was adjusted from HK$0.15 to HK$0.11 with effect from 19 December 2007 following the Open Offer.

As at 31 March 2008, convertible bonds with principal amount of HK$9,000,000 were converted into 81,818,180 ordinary shares of HK$0.01 each of the Company at a conversion price of HK$0.11 per share.

During the year, the remaining convertible bonds with principal amount of HK$17,000,000 were fully converted into 154,545,454 ordinary shares of HK$0.01 each of the Company at a conversion price of HK$0.11 per share.

25. SHARE CAPITAL

	Note	No. of shares of HK$0.1 each	No. of shares of HK$0.01 each	HK$'000
Authorised:				
At 1 April 2007		4,000,000,000	–	400,000
Subdivision of shares		(4,000,000,000)	40,000,000,000	–
		–	40,000,000,000	400,000
Cancellation of shares		–	(30,000,000,000)	(300,000)
At 31 March 2008 and 2009		**–**	**10,000,000,000**	**100,000**
Issued and fully paid:				
At 1 April 2007		868,733,440	–	86,873
Issue of shares on Open Offer		434,366,720	–	43,437
Capital reduction		(1,303,100,160)	1,303,100,160	(117,279)
		–	1,303,100,160	13,031
Conversion of zero-coupon convertible bonds	24	–	81,818,180	818
At 31 March 2008		–	1,384,918,340	13,849
Conversion of zero-coupon convertible bonds	24	–	154,545,454	1,546
At 31 March 2009		**–**	**1,539,463,794**	**15,395**

All the shares issued during the year rank pari passu in all respects with the then existing shares.

26. RESERVES

	Share premium HK$'000	Zero-coupon convertible bonds HK$'000	Capital redemption reserve HK$'000	Translation reserve HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
Group							
At 1 April 2007	282,049	–	1,265	139	51	(342,741)	(59,237)
Issue of zero-coupon convertible bonds, net of issuing expenses	–	330	–	–	–	–	330
Expenses relating to Open Offer	–	–	–	–	(2,161)	–	(2,161)
Creation of contributed surplus pursuant to the Capital Reorganisation	(282,049)	–	–	–	399,328	–	117,279
Contributed surplus set off against accumulated losses pursuant to the Capital Reorganisation	–	–	–	–	(342,741)	342,741	–
Conversion of zero-coupon convertible bonds *(Note 24)*	7,982	(114)	–	–	–	–	7,868
Loss for the year	–	–	–	–	–	(16,293)	(16,293)
At 31 March 2008	7,982	216	1,265	139	54,477	(16,293)	47,786
At 1 April 2008	7,982	216	1,265	139	54,477	(16,293)	47,786
Conversion of zero-coupon convertible bonds *(Note 24)*	17,370	(216)	–	–	–	–	17,154
Loss for the year	–	–	–	–	–	(10,861)	(10,861)
At 31 March 2009	**25,352**	**–**	**1,265**	**139**	**54,477**	**(27,154)**	**54,079**

26. RESERVES (CONTINUED)

	Share premium HK$'000	Zero-coupon convertible bonds HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
Company						
At 1 April 2007	282,049	–	1,265	158,398	(477,812)	(36,100)
Issue of zero-coupon convertible bonds, net of issuing expenses	–	330	–	–	–	330
Expenses relating to Open Offer	–	–	–	(2,161)	–	(2,161)
Creation of contributed surplus pursuant to the Capital Reorganisation	(282,049)	–	–	399,328	–	117,279
Contributed surplus set off against accumulated losses pursuant to the Capital Reorganisation	–	–	–	(477,812)	477,812	–
Conversion of zero-coupon convertible bonds *(Note 24)*	7,982	(114)	–	–	–	7,868
Loss for the year	–	–	–	–	(22,508)	(22,508)
At 31 March 2008	7,982	216	1,265	77,753	(22,508)	64,708
At 1 April 2008	7,982	216	1,265	77,753	(22,508)	64,708
Conversion of zero-coupon convertible bonds *(Note 24)*	17,370	(216)	–	–	–	17,154
Loss for the year	–	–	–	–	(11,086)	(11,086)
At 31 March 2009	**25,352**	**–**	**1,265**	**77,753**	**(33,594)**	**70,776**

26. RESERVES (CONTINUED)

Note:

(i) The laws and regulations of the PRC require wholly foreign-owned enterprises in the PRC ("WFOE") to provide for certain statutory reserves, namely general reserve, enterprise expansion fund and staff welfare and bonus fund which are appropriated from net profit as reported in the statutory accounts.

The Group's subsidiaries in the PRC, which are WFOE, are required to allocate at least 10% of their after-tax profit to the general reserve until the reserve has reached 50% of its registered capital. The general reserve can only be used, upon approval by the relevant authority, to offset accumulated losses or increase capital. The enterprise expansion fund can only be used to increase capital upon approval by the relevant authority. The staff welfare and bonus fund can only be used for the welfare of the employees of the subsidiaries in the PRC. Appropriation to the enterprise expansion fund and staff welfare and bonus fund is at the discretion of the Board of Directors of the subsidiaries in the PRC.

The subsidiaries in the PRC had not generated any profits for appropriations to these statutory reserves for the year ended 31 March 2008 and 2009.

(ii) The contributed surplus of the Group represents the difference between the nominal value of the aggregate share capital of the subsidiaries at the date on which they were acquired by the Group and the nominal value of the Company's shares issued as consideration for the acquisition at the date of the Group reorganisation in 1995.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of the contributed surplus if there are reasonable grounds for believing that:

(a) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

At 31 March 2009, the aggregate amount of reserves available for distribution to the equity holders of the Company comprising the contributed surplus and accumulated losses amounted to HK$44,159,000 (2008: HK$55,245,000).

27. DEFERRED TAXATION

Recognised deferred tax assets and liabilities at the balance sheet date represent the following:

	Group			
	Assets		Liabilities	
	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
Depreciation allowances	–	–	(2,863)	–
Tax losses	2,863	–	–	–
Deferred tax assets (liabilities)	2,863	–	(2,863)	–
Offsetting	(2,863)	–	2,863	–
Net deferred tax assets (liabilities) at the balance sheet date	–	–	–	–

Unrecognised deferred tax assets arising from

	Group	
	2009 HK$'000	2008 HK$'000
Deductible temporary differences	825	1,227
Tax losses	340,141	335,559
At the balance sheet date	340,966	336,786

The tax losses of HK$117,344,000 (2008: HK$107,215,000) and deductible temporary differences of HK$825,000 (2008: HK$1,227,000) arising in Hong Kong have no expiry date under current tax legislation. The tax losses of HK$222,797,000 (2008: HK$228,344,000) arising in the PRC can be used to offset against future taxable profits of the respective subsidiaries for a maximum of 5 years. The Group has not recognised deferred tax asset in respect of tax losses and deductible temporary differences because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

27. DEFERRED TAXATION (CONTINUED)

The unrecognised tax losses arising in the PRC at the balance sheet date will expire as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
Year of expiry		
2010	165,195	41,543
2011	33,769	135,106
2012	17,926	33,769
2013	5,907	17,926
At the balance sheet date	222,797	228,344

28. SHARE OPTION SCHEME

On 8 August 2002, a share option scheme was approved by the shareholders of the Company, under which the directors of the Company may, at their discretion, invite any full-time employee or directors of the Company or its subsidiaries to take up options at a nominal consideration of HK$1 for each option allotment to subscribe for ordinary shares in the Company, subject to a maximum of 10% of the issued share capital of the Company at the date of approval of the share option scheme. Each option will entitle the holder thereof to subscribe for one ordinary share of the Company and the subscription price is determined by the Board of Directors and shall be:

(1) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of offer; and

(2) the average of closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of offer,

whichever is higher provided that it shall not be lower than the nominal value of the Company's shares.

No share options have ever been granted by the Company under the share options scheme since adoption.

29. PENSION RETIREMENT OBLIGATIONS

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme (the "MPF Scheme"). The assets of the MPF Scheme are held separately in provident fund managed by independent trustee. Under the MPF Scheme, the Group and each of the employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. Both the employer's and the employees' contributions are subject to a cap of monthly earnings of HK$20,000.

The Group's subsidiaries in the PRC also participated in defined contribution retirement schemes covering its full-time PRC employees. The schemes are administered by the relevant government authorities undertake to assume the retirement benefit obligations of all existing and future retired employees of the Group's PRC subsidiaries.

During the year, the amount of employer's contributions made by the Group to the defined contribution plans was approximately HK$1,162,000 (2008: HK$1,030,000).

30. RELATED PARTY TRANSACTIONS

Other than disclosed elsewhere in these financial statements, during the year, the Group had the following transactions with related parties:

		Group	
		2009	2008
Related party relationship	Nature of transaction	HK$'000	HK$'000
Key management personnel, including directors *(Note (i))*	Compensation		
	Salaries and other benefits	2,701	3,895
	Contribution to MPF Scheme	55	70
	Total compensation	2,756	3,965
A company owned by Mr. Xu Jin, a director and shareholder of the Company	Interest expenses on loans granted	447	525
A company owned by the beneficial owner of the Company's shareholder	Guarantee for long-term bank borrowing granted to the Group	136,364	133,333
A shareholder	Interest expenses on loans granted	503	1,802
A firm in which Mr. Lau Kin Hon, a director of the Company, is a partner	Company secretarial service fee	248	–

30. RELATED PARTY TRANSACTIONS (CONTINUED)

Note:

(i) The remuneration of directors and key executives is reviewed by the Board having regard to the performance of individuals and market trends.

(ii) In November 2006, the Group entered into two agency agreements with its related companies, companies owned by Mr. Xu Jin, a director and shareholder of the Company, and Mr. Li Li Xin, a director and beneficial owner of the Company, respectively for providing trade finance assistance in relation to the procurement of the Group's raw materials. The related companies would recover the charges and expenses incurred for the provision of such services from the Group.

31. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

The Group's principal financial instruments comprise bank and other borrowings, zero-coupon convertible bonds, finance leases and bank balances and cash. The main purpose of these financial instruments is to raise and maintain finance for the Group's operations. The Group has various other financial instruments such as trade and bill receivables and trade and other payables, which arise directly from its business activities.

The main risks arising from the Group's financial instruments are credit risk, interest rate risk, foreign currency risk and liquidity risk. The Group does not have any written risk management policies and guidelines. However, the board of directors generally adopts conservative strategies on its risk management and limit the Group's exposure to these risks to a minimum. Management reviews and agrees policies for managing each of these risks and they are summarised below. The Group also monitors the market price risk arising from all financial instruments.

Credit risk

Credit risk refers to the risk that debtors will default on their obligations to repay the amounts due to the Group resulting in a loss to the Group. The Group's credit risk is primarily attributable to trade and bills receivables and bank balances.

A detailed discussion of the Group's credit risk in respect of trade and bills receivables is set out in note 16 to the financial statements. The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In extending credit terms to customers the Group has carefully assessed creditworthiness and financial standing of each customer. Management also closely monitors all outstanding debts and reviews the collectibility of trade debtors periodically. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. The Group does not hold any collateral over these assets.

At the balance sheet date, the Group had a concentration of credit risk as 66% (2008: 65%) and 90% (2008: 81%) of the total trade and bills receivables were made up by the Group's largest customer's and the five largest customers' outstanding balances respectively.

The Group's bank balances are placed with credit-worthy banks in Hong Kong and in the PRC.

31. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's interest-bearing bank and other borrowings with fixed or floating interest rates as at balance sheet date. The interest rates and terms of repayment of these borrowings have been disclosed in notes 20, 21 and 22 to the financial statements. Management do not expect any significant interest rate risk as at the balance sheet date.

Sensitivity analysis

The sensitivity analysis below has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to both derivative and non-derivative financial instruments that would have affected the profit or loss and equity. A change of 100 basis points ("bps") was applied to the yield curves at the respective balance sheet date.

At the balance sheet date, if interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's net loss would increase/decrease by HK$1,253,000 (2008: HK$1,442,000), but there would be no impact on the other equity reserves.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for all financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2008.

Foreign currency risk

Most of the Group business transactions were conducted in Hong Kong dollar, Renminbi and United States dollar. As at 31 March 2009, the Group's debts borrowings were denominated in Hong Kong dollar, Renminbi and United States dollar.

The Group considers the risk exposure to foreign currency fluctuation would be in line with the gradual appreciation of Renminbi as long as the Hong Kong dollar remains pegged to the United States dollar and the PRC government takes prudent and gradual measures against the 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 the Group's raw materials procurement were settled in United States dollar and Hong Kong dollars, and most of the Group's customers accepted 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.

Sensitivity analysis

The sensitivity analysis has been determined assuming that the change in exchange rate had occurred at the balance sheet date and had been applied to both derivative and non-derivative financial instruments (excluding items which are denominated in United States dollar) that would have affected the profit or loss.

At the balance sheet date, if Renminbi had weakened/strengthened by 10% with all other variables held constant, the Group's net loss for the year would have been HK$17,676,000 (2008: HK$17,146,000) lower/higher, but there would be no impact on the other equity reserves.

31. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Foreign currency risk (Continued)

Sensitivity analysis (Continued)

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet date and had been applied to each of the Group entities' exposure to currency risk for financial instruments in existence at the date, and that all other variables, in particular interest rates, remain constant. No impact on the other equity reserves is expected. The analysis is performed on the same basis for 2008.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual balance sheet date. In this respect, it is assumed that the pegged rate between Hong Kong dollar and United States dollar would be materially unaffected by any changes in movement in value of United States dollar against other currencies.

Liquidity risk

The Group closely monitors its liquidity requirements and the sufficiency of cash and available banking facilities so as to ensure that the payment obligations are met.

The following table details the remaining contractual maturity of the Group for their non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group is required to pay. For cash flows denominated in currencies other than Hong Kong dollar, the prevailing foreign exchange rates at the balance sheet date are used to convert the cash flows into Hong Kong dollar.

	2009				2008			
	On demand HK$'000	Less than 1 year HK$'000	1-2 years HK$'000	Total HK$'000	On demand HK$'000	Less than 1 year HK$'000	1-2 years HK$'000	Total HK$'000
Trade and other payables	71,470	12,966	–	84,436	58,857	5,722	–	64,579
Advance from a related company	3,409	–	–	3,409	–	–	–	–
Loan from a related company	–	6,592	–	6,592	–	6,479	–	6,479
Loan from a shareholder	–	6,211	–	6,211	–	6,031	–	6,031
Short-term bank borrowings	–	5,833	–	5,833	–	10,415	–	10,415
Long-term bank borrowing	–	23,530	105,099	128,629	–	20,924	129,412	150,336
Obligations under finance leases	–	1,943	158	2,101	–	3,486	953	4,439
Zero-coupon convertible bonds	–	–	–	–	–	18,700	–	18,700
	74,879	57,075	105,257	237,211	58,857	71,757	130,365	260,979

Fair value

The directors consider that the carrying amounts of financial assets and liabilities in the consolidated financial statements approximate their fair values.

32. CAPITAL MANAGEMENT

The objectives of the Group's capital management are to safeguard the entity's ability to continue as a going concern and to provide returns for shareholders. The Group manages its capital structure and makes adjustments, including payment of dividend to shareholders, return capital to shareholders or issue new shares or sell assets to reduce debts. No changes were made in the objectives, policies or processes during the years ended 31 March 2009 and 2008.

33. COMMITMENTS

(a) **Capital commitments**

As at balance sheet date, the Group has capital commitment of HK$334,000 in respect of construction of factory plant and acquisition of moulds for production.

(b) **Commitments under operating leases**

As lessee

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases, which are payable as follows:

	Group	
	2009 HK$'000	2008 HK$'000
Within one year	1,057	824
In the second to fifth years inclusive	268	926
	1,325	1,750

As lessor

The Group leases out a portion of its leasehold land and buildings under operating leases with average terms of 2 years. At the balance sheet date, the future aggregate minimum rental receivables under non-cancellable operating leases are as follows:

	Group	
	2009 HK$'000	2008 HK$'000
Within one year	1,466	–
In the second to fifth years inclusive	244	–
	1,710	–

34. PLEDGE OF ASSETS

At the balance sheet date, certain assets of the Group with the following carrying values were pledged to secure general banking facilities granted to the Group:

	Group	
	2009 HK$'000	2008 HK$'000
Leasehold land and buildings	168,163	167,480
Bank deposits	–	5,298
	168,163	172,778

35. POST BALANCE SHEET EVENT

In May 2009, a PRC bank granted a trade finance facility of RMB17,000,000 to the Group, which is secured by the export credit insurance policy issued by China Export & Credit Insurance Corporation.

GENERAL INFORMATION

The consolidated results and the assets and liabilities of the Group of the last five financial years, as extracted from the Group's published audited accounts and reclassified as appropriate, are set below:

	2009 HK$'000	2008 HK$'000	2007 HK$'000	2006 HK$'000	2005 HK$'000
Turnover	251,605	215,997	219,508	233,865	445,830
Loss before taxation	(10,861)	(16,303)	(22,766)	(52,509)	(175,953)
Taxation credit (charge)	–	10	(56)	5,537	–
Net loss for the year	(10,861)	(16,293)	(22,822)	(46,972)	(175,953)
Assets and liabilities					
Total assets	296,571	298,205	296,165	309,503	405,490
Total liabilities	(227,097)	(236,570)	(268,529)	(259,045)	(308,060)
Net assets	69,474	61,635	27,636	50,458	97,430

MAGICIAN
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