12. **POST BALANCE SHEET EVENTS (Continued)**

Details of resumption of property are set out in the press announcement on 18 October 2005 and the Company's Circular dated 8 November 2005.

(b) As at balance sheet date, provisional agreements for sale of certain properties held in Hong Kong to third parties were being entered for total consideration of HK$12,410,000.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Highlights

General Information

For the six months ended 30 September 2005, the Group recorded a turnover of approximately HK$136.7 million, representing a drop of 48% when compared with the HK$264.8 million reported for the corresponding period last year. The Group reported an operating loss of HK$26.5 million compared to an operating loss of HK$2.1 million last year, and a net loss attributable to shareholders of HK$39.1 million when compared to a net loss of HK$5.9 million during the same period last year. The Group's basic loss per share was HK4.5 cents.

No principal subsidiaries or associated companies were acquired or disposed of during the period under review, while investments held have not been materially changed from those disclosed in the latest annual report.

Liquidity and Financial Resources

As at 30 September 2005, the Group's net assets decreased to HK$58.3 million, rendering net asset value per share at HK6.7 cents. The Group's total assets at that date were valued at HK$356.7 million, including cash and bank deposits totaling approximately HK$9 million. Consolidated borrowings amounted to HK$176.2 million. Its debt-to-equity ratio has been increased, from 170% as at 31 March 2005 to 302% as at 30 September 2005.

Capital Structure of the Group

As at 30 September 2005, the Group's major borrowings included a three-year term loan provided by Bank of China, Baoan, Shenzhen, which had an outstanding balance of HK$74.8 million after paying installments of totaling HK$7.5 million during the period under review, and two short-term revolving loans totaling HK$65 million. During the period, a new secured short term loan of HK$15 million has been raised. All of the Group's borrowings have been denominated in Hong Kong dollars.

Charges on Group Assets

Certain assets of the Group having a carrying value of HK$193.9 million as at 30 September 2005 (31 March 2005: HK$188.6 million) were pledged to secure banking facilities of the Group.

Details of Future Plans for Material Investments or Capital Assets

The Group does not have any future plans for material investments. There will, however, be a reasonable amount of expenditure in capital assets including, in particular, new machines and moulds to cope with production and market demands. Sources of funding are expected to come primarily from trading revenue that the Group will generate, coupled with its banking facilities and leasing arrangements.

Exposure to Foreign-Exchange Fluctuations

The Group's monetary assets and liabilities were principally denominated in Hong Kong dollars, Chinese Renminbi and U.S. dollars. Inasmuch as the Hong Kong dollar is pegged to the U.S. dollar, and there had been minimal fluctuation in the Hong Kong dollar-to-Renminbi exchange rate, the Group had minor exposure to currency exchange risk.

Segment Information

Sales distribution by geographical area has not changed significantly. The Group's biggest market was still North America. The sales distribution for North America, Europe, Hong Kong, the PRC and others was 72%, 4%, 8%, 3% and 13% respectively.

Contingent Liabilities

The contingent liabilities of the Group have not changed materially from those disclosed in the latest annual report.

Employee Information

As at 30 September 2005, the Group employed a workforce of 2,354 employees in its various offices and factories in Hong Kong and the PRC. Competitive remuneration packages were structured, commensurate with individual responsibilities, qualification, experience and performance. The Group provided management skills workshop, practical seminars for knowledge update, on-the-job training and safety training programs for its employees. There was a share-option scheme in force but no share option was granted during the period under review.

Review of Operations

Due to the realignment of the customers mix and the escalating oil prices which led to the hike in raw materials costs, Magician recorded an operating loss of HK$26.5 million and a net loss attributable to shareholders of HK$39.1 million for the Period. The rise in labour costs and shortage of labour in Guangdong also further erodes the Group's bottom line.

The Group's major markets remain sluggish too. Demand for household products slackened while competition was fierce. There was mounting pressure on the Group to reduce product prices. Despite the Group's efforts in expanding its customer base, sales order from new OEM customers were disappointing during the Period. Nevertheless, the Group's new and high margin products such as the metal silicone over-mould bakeware and silicon bakeware performed well and recorded considerable increase in sales.

Regarding the legal actions in the PRC, the amount has been reduced to RMB23 million and the Group continues to negotiate with the creditors for orderly settlement of their claims. The Group made efforts to improve its tight cash flow position during the period by selling non-core assets in Hong Kong, disposing excessive inventories, implementing incentive schemes for debt collection from domestic customers, obtaining short term borrowing and strengthening internal control on procurement and production cycle and cutting costs generally.

International Sales

For the six months ended 30 September 2005, overseas sales totaled HK$121.3 million, representing a decrease of 42% when compared to the same period last year. During the Period, sales in the US market declined 47% to HK$90.8 million when compared to HK$171.3 million for the same period last year. The decrease was mainly due to cautious buying attitude and intense competition. There was no improvement in the Canadian market in which sales dropped 30% to HK$7.8 million compared to HK$11.1 million over the same period last year. European sales performance was also down with a turnover of HK$5.8 million, representing a drop of 65% over the HK$16.8 million reported for the same period last year. This overall less than satisfactory performance was attributable to the Group's strategy to realign customer base by focusing our resources on customers with higher profit margins and good payment terms. At the same time the Group made efforts to cut its operating costs but its beneficial effects are yet to be shown. During this transition period, the international sales with its major markets in particular recorded a decline. The turnover from other international markets recorded a combined increase of 88% to HK$16.7 million. The encouraging result is due to the Group's initiative in expanding its customer base in the Asia Pacific region.

The PRC Sales

During the Period, PRC sales suffered a decline of 87% to HK$3.9 million when compared to HK$30.6 million for the same period last year. The decline was due to our restructuring plan regarding our PRC sales strategy in response to the significant provision for trade receivables recorded in our last annual report. Under-performing sales offices were scaled down to align with our strategy towards wholesale distribution in the PRC market.

Hong Kong Sales

During the Period, Hong Kong sales suffered from fierce competition recorded a decrease of 56% to HK$11.5 million from last year's HK$26.1 million.

Prospects

At Magician, our challenge is tough but our prospects remain positive. Our challenge lies in the ever-climbing costs in raw materials-plastics and steel. We expect the raw materials costs will remain high in the second half of the year. To cope with this Magician has adopted two-pronged strategies, namely cost-cutting and focusing on better returns products and customers. The Group has implemented a series of stringent cost cutting measures such as trimming down its workforce in both the PRC and Hong Kong. The Group will negotiate with banks and creditors for more favourable repayment terms so as to reduce finance costs and relieve cash flow problem. On customers and products front, the Group will continue to realign its customers' base and launch new products with high profit margin. The Group believes it will generate better returns in future years. Looking ahead, the Group anticipates a tough second half year but a gradual rebound in future years.

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

As at 30 September 2005, 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:

	Number of shares held, capacity and nature of interest			Percentage of total
Name of director	**Directly beneficially owned**	**Through controlled corporation**	**Total**	**Issued ordinary shares**
Ms Chan Ying Gi, Dorice *(Note 1)*	32,703,421	117,491,777	150,195,198	17.3%
Mr Kong Yick Ming *(Note 2)*	–	143,492,000	143,492,000	16.5%

Note1: Ms Chan Ying Gi, Dorice is deemed to have a beneficial interest in 117,491,777 ordinary shares of the Company through Primewell Investment Limited, the entire issued share capital of which is beneficially owned by Ms Chan Ying Gi, Dorice. Included her personal interest of 32,703,421 ordinary shares, she is deemed to have a total of 150,195,198 ordinary shares of the Company.

Note2: Mr Kong Yick Ming is deemed to have a beneficial interest in 143,492,000 ordinary shares of the Company through Concept Developments Limited, the entire issued share capital of which is beneficially owned by Mr Kong Yick Ming.

All interests disclosed above represent long position in the shares of the Company.

Save as disclosed herein, as at 30 September 2005, none of the directors or chief executive of the Company had any interests or short position 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.

Furthermore, no share options were granted under the Company's share option scheme since its adoption on 8 August 2002. Other than that, at no time during the Period 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 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.

DISCLOSURE UNDER LISTING RULES 13.20

Trade receivables from an entity

Trade receivables due to the Group from an entity as at 30 September 2005 required to be disclosed under Rule 13.20 of the Listing Rules is as follows:

Entity	**Trade receivables** *HK$'000*
Bradshaw International, Inc. ("BI")	29,248

The trade receivables are unsecured and with credit terms 60 days or letter of credit. They primarily arose from and in the ordinary course of business of the Group transacted with BI during the Period.

SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed above in respect of the directors and chief executives, as at 30 September 2005, the register of substantial shareholders maintained under Section 336 of Part XV of the SFO showed that the Company had been notified of the following substantial shareholders' interests, being 5% or more of the Company's issued share capital.

Name	Number of issued ordinary shares held	Percentage of total issued ordinary shares
Transpac Nominees Pte Ltd.	213,279,577	24.6%
Concept Developments Limited *(Note 1)*	143,492,000	16.5%
Big-Max Manufacturing Co. *(Note 2)*	143,492,000	16.5%
Primewell Investment Limited *(Note 1)*	117,491,777	13.5%
Silvermark International Limited *(Note 3)*	55,657,926	6.4%
Standard Chartered Bank	53,544,655	5.8%

Note 1: The interests herein disclosed represent the same interests, as the corporate interests of Mr Kong Yick Ming (being held through Concept Developments Limited) and Ms Chan Ying Gi, Dorice (being held through Primewell Investment Limited) as disclosed under the paragraph above headed "Directors' and Chief Executives' interests and short positions in shares, underlying shares and debentures".

Note 2: Mr Li Li Xin is deemed to have a beneficial interest in 143,492,000 shares of the Company through Big-Max Manufacturing Co., 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 deemed to have a beneficial interest in 143,492,000 shares of the Company.

Note 3: Ms Zhou Hui Lian is deemed to have a beneficial interest in 55,657,926 shares of the Company through Silvermark International Limited, the entire issued share capital of which is beneficially owned by Ms Zhou Hui Lian.

All interests disclosed above represent long positions in the shares of the Company.

Save as disclosed above, as at 30 September 2005, the register maintained by the Company pursuant to Section 336 of the SFO recorded no other interests or short positions in shares of the Company.

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

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

AUDIT COMMITTEE

The Audit committee, comprising three independent non-executive directors, Mr Yim Kai Pung (Chairman), Mr Yeung Po Chin and Mr Milton Kwan Leung had reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the unaudited interim financial statements for the Period.

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

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

Code Provision A.2.1 The roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and the chief executive officer should be clearly established and set out in writing. Ms Chan Ying Gi, Dorice is the chairman and chief executive officer of the Company. The Company considers that the present arrangement provides strong leadership and enables the Company to formulate and implement policies and measures efficiently. Six out of the eight members of the Board are non-executive directors who constantly monitor and contribute independent views to the management. Therefore the Company considers that there is sufficient check and balance of power and responsibility and accountability has not been compromised. The Company will review separation of the two roles periodically.

MODEL CODE

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

On behalf of the Board
Chan Ying Gi, Dorice
Chairman

Hong Kong, 16 December 2005