

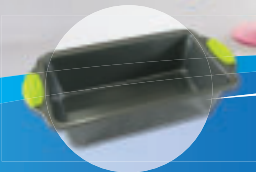


MAGICIAN

INDUSTRIES (HOLDINGS) LIMITED

通達工業(集團)有限公司

Stock Code 股份代號 : 526



2009/2010

Interim Report

中期報告

The board of directors (the “Board”) of Magician Industries (Holdings) Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2009 (the “Period”) together with the comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 September	
	<i>Note</i>	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
Turnover	3	147,934	145,135
Cost of sales		(113,129)	(120,268)
Gross profit		34,805	24,867
Other revenue		913	673
Other income		228	128
Selling and distribution expenses		(5,840)	(4,984)
Administrative and other operating expenses		(21,870)	(20,556)
		(26,569)	(24,739)
Profit/(Loss) from operations	4	8,236	128
Finance costs		(4,077)	(7,082)
Profit/(Loss) before taxation		4,159	(6,954)
Taxation	5	–	–
Profit/(Loss) for the Period		4,159	(6,954)
Earnings/(Loss) per share			
– Basic, HK cents	7	0.27	(0.50)

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	30 September 2009 HK\$'000 (unaudited)	31 March 2009 HK\$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		235,481	237,719
		235,481	237,719
CURRENT ASSETS			
Inventories		23,440	18,233
Trade and bills receivables	8	64,838	25,557
Due from a director		–	170
Prepayments, deposits and other receivables		4,265	3,724
Bank balances and cash		10,561	11,168
		103,104	58,852
CURRENT LIABILITIES			
Trade payables	9	53,219	38,538
Other payables and accruals		39,440	45,898
Advance from a related company, unsecured	11	6,818	3,409
Loan from a related company, unsecured	12	6,355	6,396
Loans from a shareholder, unsecured	13	11,000	6,000
Short-term bank borrowings		33,722	5,568
Current portion of long-term bank borrowing		22,727	17,045
Current portion of obligations under finance leases		639	1,830
		173,920	124,684

	30 September 2009 HK\$'000 (unaudited)	31 March 2009 HK\$'000 (audited)
NET CURRENT LIABILITIES	(70,816)	(65,832)
TOTAL ASSETS LESS CURRENT LIABILITIES	164,665	171,887
NON-CURRENT LIABILITIES		
Obligations under finance leases	123	140
Long-term bank borrowings	90,909	102,273
	91,032	102,413
NET ASSETS	73,633	69,474
CAPITAL AND RESERVES		
Share capital	15,395	15,395
Reserves	58,238	54,079
	73,633	69,474

Note

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Capital redemption reserve	Exchange fluctuation reserve	Contributed surplus	Zero-coupon convertible bonds	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2008	13,849	7,982	1,265	139	54,477	216	(16,293)	61,635
Loss for the Period	-	-	-	-	-	-	(6,954)	(6,954)
At 30 September 2008	13,849	7,982	1,265	139	54,477	216	(23,247)	54,681
At 1 April 2009	15,395	25,352	1,265	139	54,477	-	(27,154)	69,474
Profit for the Period	-	-	-	-	-	-	4,159	4,159
At 30 September 2009	15,395	25,352	1,265	139	54,477	-	(22,995)	73,633

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 September	
	2009	2008
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net cash outflow from operating activities	(22,543)	(23,855)
Net cash used in investing activities	(7,696)	(10,161)
Net cash from financing activities	29,632	24,578
Net decrease in cash and cash equivalents	(607)	(9,438)
Cash and cash equivalents at beginning of Period	11,168	19,978
Cash and cash equivalents at end of Period	10,561	10,540

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**1. BASIS OF PREPARATION**

The Group's condensed consolidated financial statements have been prepared in accordance with applicable disclosure requirements of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" and other relevant HKASs and interpretations and the Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the annual financial statements of the Group for the year ended 31 March 2009.

3. SEGMENT INFORMATION

In accordance with the Group's internal financial reporting, the Group has determined that geographical segments are its primary reporting format and no business segment information is presented as over 90% of the turnover and contribution to the Group's results are attributable to the manufacturing and trading of household products.

	Turnover		Segment results	
	Six months ended 30 September		Six months ended 30 September	
	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
USA	121,399	115,921	13,247	6,667
Canada	4,294	3,137	1,316	597
Hong Kong	5,929	10,580	1,326	1,599
PRC	197	184	5	(10)
Europe	6,259	4,652	1,668	687
Others	9,856	10,661	2,137	2,086
	147,934	145,135	19,699	11,626
Unallocated corporate expenses			(11,463)	(11,498)
Profit/(Loss) from operations			8,236	128
Finance costs			(4,077)	(7,082)
Taxation			-	-
Profit/(Loss) for the Period			4,159	(6,954)

4. PROFIT/(LOSS) FROM OPERATIONS

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

	Six months ended 30 September	
	2009	2008
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Depreciation on property, plant and equipment	8,116	7,033
Allowance for inventory obsolescence	(107)	(5)
Provision for bad and doubtful debts	-	85
Exchange loss, net	131	3,904
Staff costs	23,127	22,544
Termination benefits	83	424

5. TAXATION

Hong Kong profits tax has not been provided as the Group incurred a loss for taxation purposes for the Period (2008: HK\$Nil). PRC enterprise income tax has not been provided as the PRC subsidiaries incurred a loss for taxation purposes.

6. DIVIDENDS

The Directors of the Company do not recommend the payment of interim dividend (2008: Nil) in respect of the Period.

7. EARNINGS PER SHARE

The calculation of basic earnings per share for the Period is based on the net profit for the Period of HK\$4,159,000 (2008: loss of HK\$6,954,000) and on the weighted average number of 1,539,463,794 ordinary shares (2008: 1,384,918,340) in issue throughout the Period.

No diluted earnings per share is shown for the Period as there was not any dilutive event occurred.

No diluted loss per share is shown for the period ended 30 September 2008 as the then potential ordinary shares under the zero- coupon convertible bonds were anti-dilutive.

8. TRADE AND BILLS RECEIVABLES

The Group in general allows a credit period of 30 to 60 days to its trade customers. An aging analysis of the Group's trade and bills receivables (net of provision for bad and doubtful debts) is set out below:

	30 September 2009 HK\$'000 (Unaudited)	31 March 2009 HK\$'000 (audited)
Current	63,384	20,495
Less than 1 month past due	1,322	4,717
1 month to 2 month past due	–	24
2 months to 3 months past due	–	14
3 months to 6 months past due	–	183
6 months to 1 year past due	11	3
Over 1 year past due	121	121
	1,454	5,062
	64,838	25,557

9. TRADE PAYABLES

An aging analysis of trade payables is set out below:

	30 September 2009 HK\$'000 (Unaudited)	31 March 2009 HK\$'000 (audited)
Less than 3 months	33,518	15,157
3 months to 6 months	8,254	7,468
6 months to 1 year	8,230	10,712
More than 1 year	3,217	5,201
	53,219	38,538

Included in the trade payables of an amount HK\$5,406,000 to a related company as at 30 September 2009 (31 March 2009: HK\$1,073,000) is unsecured, interest-free and with no fixed repayment term. The company's director, Mr. Li Li Xin, has beneficial interest in the related company.

10. COMMITMENTS

Commitment under operating leases

As lessee

The Group has total future minimum lease payments under non-cancellable operating leases, which are payables as follows:

	30 September 2009 HK\$'000 (Unaudited)	31 March 2009 HK\$'000 (audited)
Within 1 year	769	1,057
In the second to fifth years inclusive	37	268
	806	1,325

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 as follows :

	30 September 2009 HK\$'000 (Unaudited)	31 March 2009 HK\$'000 (audited)
Within 1 year	979	1,244
In the second to fifth years inclusive	-	244
	979	1,488

11. ADVANCE FROM A RELATED COMPANY, UNSECURED

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

12. LOAN FROM A RELATED COMPANY, UNSECURED

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

13. LOANS FROM A SHAREHOLDER, UNSECURED

HK\$6,000,000 loan from a shareholder was unsecured and interest-bearing at HIBOR plus 3% per annum and repayable in February 2010 and another HK\$5,000,000 loan from this shareholder was also unsecured and interest-bearing at HIBOR plus 2% per annum with no fixed terms of repayment.

14. POST BALANCE SHEET DATE EVENT

The Company has entered into the Share Subscription Agreement with Big-Max Manufacturing Co., Limited ("Big Max"), a substantial shareholder of the Company, on 13 October 2009 in relation to the subscription of 937,500,000 shares of the Company at HK\$0.16 per share. Magician Strategic Limited, a wholly owned subsidiary of the Company, has entered into the Acquisition Agreement with Big-Max on 14 October 2009 in respect of the acquisition of the business of plastics and household products and the related manufacturing equipment of Big-Max at the consideration of HK\$90,000,000.

For details, please refer to the announcement of the Company on 2 November 2009.

MANAGEMENT DISCUSSION AND ANALYSIS**FINANCIAL HIGHLIGHTS*****General Information***

During the Period, the Group recorded a turnover of approximately HK\$147.9 million, representing an increase of 1.9% when compared with the turnover of HK\$145.1 million for the corresponding period last year. During the Period under review, the Group reported an operating profit of HK\$8.2 million compared to an operating profit of HK\$0.1 million last year, and a net profit of HK\$4.2 million when compared to a loss of HK\$7.0 million during the same period last year. The Group's basic earnings per share was HK\$0.3 cents.

There was neither acquisition nor disposal of principal subsidiaries or associated companies during the Period under review, while investments held have not been materially changed from those disclosed in the latest annual report.

Liquidity and Financial Resources

As at 30 September 2009, the Group's net assets increased to HK\$73.6 million, rendering net asset value per share at HK\$4.8 cents. The Group's total assets at that date were valued at HK\$338.6 million, including cash and bank deposits totaling approximately HK\$10.6 million. Consolidated borrowings amounted to HK\$171.5 million. Its debt-to-equity ratio (bank and other borrowings over total equity) has been increased from 205.3% as at 31 March 2009 to 233.0% as at 30 September 2009.

Capital Structure of the Group

As at 30 September 2009, the Group's major borrowings included a three-year term loan provided by Bank of Communications, Shenzhen Branch, which had an outstanding balance of HK\$113.6 million, other bank borrowings of HK\$33.7 million and advance and borrowings from a shareholder and two related companies totaling HK\$24.2 million. All of the Group's borrowings have been denominated in Hong Kong dollar, U.S. dollar and PRC Renminbi made on a floating-rate and fixed rate basis.

Charges on Group Assets

Certain assets of the Group having a carrying value of HK\$167.9 million as at 30 September 2009 (31 March 2009: HK\$168.2 million) were pledged to secure banking facilities of the Group.

Capital Expenditures and Commitments

Other than as disclosed in the Post Balance Sheet Date Event Section above, the Group will continue to allocate a reasonable amount of resources to acquisition and improvement of capital assets such as moulds and new machines to maintain efficiency and to meet production and market demands. Sources of funding are expected to come primarily from trading revenue that the Group will generate and alternative debt and equity financing.

Exposure to Foreign-Exchange Fluctuations

The Group's monetary assets and liabilities were principally denominated in Hong Kong dollar, PRC Renminbi and U.S. dollar. As far as the Hong Kong dollar remains pegged to the U.S. dollar and the PRC government takes prudent and gradual measures against the appreciation of Renminbi, the Group's exposure to currency exchange fluctuation risk would be in line with the gradual appreciation of Renminbi widely expected in the foreign exchange market. 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, the exchange rate of Renminbi to U.S. dollar and Hong Kong dollar for the Period under review remained quite stable as compared to the corresponding period of last year. The management considers the Group does not expose to any significant exchange rate risk.

As at 30 September 2009, the Group had no financial instrument for foreign exchange hedging purposes. However, the Group will continue to monitor the Renminbi currency fluctuation and adopt appropriate measures available in the market should there be any business needs identified.

Segment Information

North America remained the Group's primary market, which accounted for 85.0% of total sales. The remaining comprised sales to Europe, Hong Kong, the PRC and others.

Contingent Liabilities

As at 30 September 2009, the Company had no material contingent liabilities.

Employee Information

As at 30 September 2009, the Group employed a workforce of 1,201 employees in its various offices and factories located in Hong Kong and the PRC. Competitive remuneration packages were provided and commensurate with individual responsibilities, qualifications, experience and performance. The Group provided management skills workshops, practical seminars for knowledge update, on-the-job training and safety training programs to its employees. There was a share-option scheme in force but no share option was granted during the Period under review.

Review of Operations

During the Period, the Group recorded a net profit of HK\$4.2 million. As a result of the Group's cost reduction measures and revised business strategy, the result has been improved as compared to a loss of HK\$7.0 million for the corresponding period last year. There was a decrease in raw materials costs comparing to the corresponding period of last year as the Group had substituted the purchase of metals from the Hong Kong suppliers with the purchases from the PRC suppliers, which were of a lower price. Moreover, the worldwide financial turmoil since the second half of 2008 drove the purchase price of major raw materials downward during the Period. Besides, the Group has been focusing on higher margin products to maintain and improve the gross profit margin, such as OEM products and silicone bakewares, which is another factor for the improvement of the Group's margin performance. All these factors contributed to the improvement of profit margin as compared to that of last year.

The decrease in finance costs by HK\$3.0 million as compared with the corresponding period of last year was mainly due to the drop in interest rates in the financial markets during the Period and there was no more amortised costs for the zero-coupon convertible bonds, which were completely converted in the year ended 31 March 2009.

International sales for the Period increased by 5.5% to HK\$141.8 million from HK\$134.4 million reported for the same period last year. During the Period, sales in the US market increased by 4.7% to HK\$121.4 million when compared to HK\$115.9 million for the same period last year. Sales in the Canadian market increased by 36.9% to HK\$4.3 million from the HK\$3.1 million recorded for the same period last year. The sales performance of the European market increased to HK\$6.3 million by 34.5%, compared to HK\$4.7 million recorded for the same period last year.

PROSPECTS

The Group will continue its cost control measures and business strategy of focusing on higher margin products and customers that has successfully improved the Group's business and financial performance during the Period under review. Apart from the continuing effort in cost control measures such as structural changes in procurement and manufacturing planning and/or considering relocation of its production facilities (or part of them) to lower cost areas, the Group will step up its efforts to explore new business. The Group took initiative and will continue its effort in expanding its customer base, especially the higher margin OEM customers, who are more willing to invest in tailor-made products that fit their specific requirements. In the long run, the Group will further enhance the development of its business into different markets.

The Group is always seeking enhancement of its products. With the Group's innovative R&D team, we believe that we can produce quality products to meet market needs and to maintain good profit margins. The Group has been developing new products such as kitchenware gadgets, metal silicone over-mould bakeware and silicone bakeware. In the short to medium term, we will diversify new product lines to optimize the production capacity and to get hold of the market opportunities in the global economic recovery after financial tsunami.

Looking ahead, we believe that the Group's persistent efforts in enhancing both the profit margins as well as reducing the operational costs will eventually allow shareholders to reap fruitful results.

As announced on 2 November 2009, the Company has entered into the Share Subscription Agreement with Big-Max Manufacturing Co. Ltd. ("Big-Max"), a substantial shareholder of the Company, on 13 October 2009 in relation to the subscription of the 937,500,000 new shares of the Company at HK\$0.16 per share. Magician Strategic Limited, a wholly owned subsidiary of the Company, has entered into the Acquisition of Agreement of Big-Max on 14 October 2009 in respect of the acquisition of business of plastics and household products and the related manufacturing equipment of Big-Max at a consideration HK\$90,000,000.

It is expected that after completion of the subscription and acquisition, the Group's capital base will be strengthened and the Group will be able to diversify its product lines into more comprehensive range of household products.

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

As at 30 September 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	Number of shares held, capacity and nature of interest		Total	Percentage of total Issued ordinary shares
	Directly beneficially owned	Through controlled corporation		
Li Li Xin	–	377,247,014	377,247,014	24.5%
Xu Jin	253,837,198	–	253,837,198	16.5%

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

Save as disclosed herein, as at 30 September 2009, 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 Period.

SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed above in respect of the directors and chief executives, as at 30 September 2009, 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
Big-Max Manufacturing Co., Limited (<i>Note 1</i>)	377,247,014	24.5%

Note 1: Mr Li Li Xin is deemed to have a beneficial interest in 377,247,014 shares of the Company 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 deemed to have a beneficial interest in 377,247,014 shares of the Company.

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

Save as disclosed above, as at 30 September 2009, 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 Chan Man Sum Ivan (Chairman), Mr He Chengying and Mr Cheung Kiu Cho Vincent had reviewed with the management the accounting principles and practices adopted by the Group and discussed financial reporting matters including the review of the unaudited interim financial statements for the Period.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

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.

MODEL CODE

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

By Order of the Board
Magician Industries (Holdings) Limited
Li Li Xin
Chairman

Hong Kong, 28 December 2009



MAGICIAN

INDUSTRIES (HOLDINGS) LIMITED

通達工業(集團)有限公司

香港九龍長沙灣長順街十九號楊耀松第六工業大廈2樓A室

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