

Report of The Directors





The directors submit their report together with the audited accounts of Magician Industries (Holdings) Limited (hereinafter as the “Company”) and its subsidiaries (together with the Company hereinafter as the “Group”) for the year ended 31st March, 2003.

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 profit and loss account on page 32.

The directors do not recommend the payment of a dividend.

RESERVES

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

FIXED ASSETS

Details of the movement in fixed assets of the Group are set out in note 14 to the accounts.

SUBSIDIARIES

Particulars of the Company’s principal subsidiaries as at 31st March, 2003 are set out in note 15 to the accounts.

ASSOCIATED COMPANY

Particulars of the Group’s associated company as at 31st March, 2003 are set out in note 16 to the accounts.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 24 to the accounts.

DISTRIBUTABLE RESERVES

As at 31st March, 2003, 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\$158,398,000 (2002 – HK\$158,398,000) is available for distribution, subject to certain conditions as described in note 26 to the accounts. The Company’s share premium account of HK\$282,049,000 (2002 – HK\$282,049,000) as at 31st March, 2003 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 66.



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SHARE OPTIONS

Details of share options of the Company are set out in note 25 to the accounts.

DIRECTORS

The directors during the year were:

Executive directors:

Kong Yick Ming (*Chairman*)
Ku Ling Yu, John

Non-executive directors:

Wong Kwong Chi
Ku Yee Hong, Derek (*resigned on 15th November, 2002*)
Keung Sau Tim

Independent non-executive directors:

Tsui Sing Kee, Rawdon
Cheung Sun Lung
Ng Wai Lung

In accordance with the provisions of the Company's bye-laws, Mr Cheung Sun Lung and Mr Ng Wai Lung, retire from the board at the forthcoming annual general meeting and, being eligible, offer themselves for re-election. Based on the terms defined in the Company's bye-laws, all directors, except Chairman, are subject to retirement by rotation and offer themselves for re-election.

EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST PAID EMPLOYEES

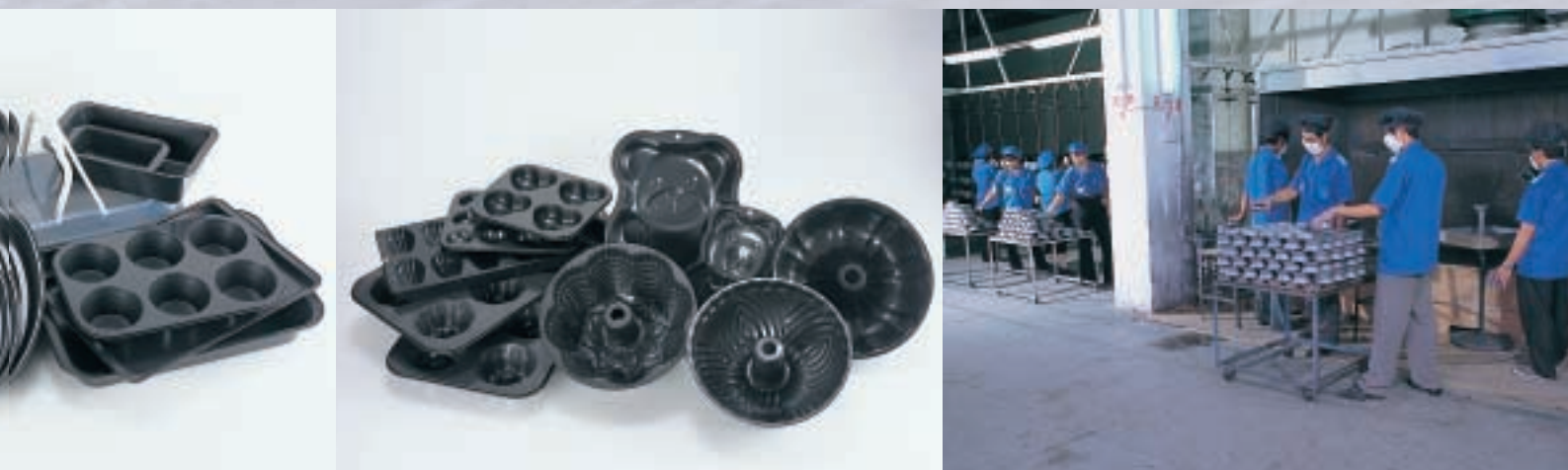
Details of the directors' emoluments and of the five highest paid employees of the Group are set out in notes 11 and 12 to the accounts, respectively.

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

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' INTERESTS IN EQUITY OR DEBT SECURITIES

At 31st March, 2003, the interests of the directors and chief executive in the equity or debt securities of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")), as recorded in the register maintained by the Company under Section 29 of the SDI Ordinance or as notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Section 28 of the SDI Ordinance and the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

| Name of director | Nature of interests | Number of issued ordinary shares of HK\$0.10 each in the Company |
|-------------------------------|---------------------|--|
| Mr Kong Yick Ming (Note 1) | Corporate | 286,984,000 |

Note 1:

Mr Kong Yick Ming is deemed to have a beneficial interest in 286,984,000 ordinary shares of the Company through Concept Developments Limited, the entire issued share capital of which is beneficially owned by Mr Kong Yick Ming.

The interests of the directors in the share options of the Company are disclosed below in the section "Share option scheme".

Save as disclosed above, at no time during the year, none of the directors and chief executive (including their spouse and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for shares of the Company and its associated corporations, as defined in the SDI Ordinance.

SHARE OPTION SCHEME

The share option scheme adopted by the Company on 20th September, 1995 ("Old Option Scheme") was terminated on 8th August, 2002. A new share option scheme was adopted by the Company on 8th August, 2002, pursuant to which options may be granted to full-time employees (including directors) of the Company or its subsidiaries to subscribe for ordinary shares in the Company. As at 31st March, 2003, the particulars in relation to the share option scheme of the Company (the "Scheme"), as required under Rules 17.02 to 17.05 of Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

(a) Summary of details of the Scheme:

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)

Maximum entitlement of each participant:

Shall not exceed 1% of the aggregate number of ordinary shares issued and issuable under the share option 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 sheet 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 8th August, 2012

No share options had been granted under the Scheme up to 31st March, 2003.

(b) All share options granted under the Old Option Scheme lapsed in 2001 and no share options were granted or cancelled upon termination of employment during 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

The register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance shows that as at 31st March, 2003, the Company had been notified of the following substantial shareholders' interests, being 10% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the directors and chief executive.

| Name | Number of issued ordinary shares held |
|------------------------------|---------------------------------------|
| Transpac Nominees Pte Ltd. | 213,279,577 |
| Concept Developments Limited | 286,984,000 |
| Primewell Investment Limited | 117,491,777 |
| (Note 1) | |

Note 1:

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.

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 | 7.2% |
| – five largest suppliers | 25.7% |

Sales

| | |
|--------------------------|-------|
| – the largest customer | 41.0% |
| – five largest customers | 49.8% |

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 23 to the accounts.

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules issued by the Stock Exchange throughout the year ended 31st March, 2003, except that the independent non-executive directors are not appointed for specific terms.

AUDIT COMMITTEE

The written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted with reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Society of Accountants.

The Audit Committee provides an important link between the Board and the Company's auditors in matters coming within the scope of the Group audit. It also reviews the effectiveness of both the external and internal audit and of internal controls and risk evaluation. The Committee comprises two independent non-executive directors, namely Mr Tsui Sing Kee, Rawdon and Mr Ng Wai Lung and one non-executive director, namely Mr Keung Sau Tim. Four meetings were held during the current financial year.

AUDITORS

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment. PricewaterhouseCoopers replaced Arthur Andersen & Co when it did not stand for reappointment at the annual general meeting in July 2002.

On behalf of the Board

Kong Yick Ming
Chairman

Hong Kong, 18th July, 2003