





Directors'

Report

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 2005.

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 33.

The directors do not recommend the payment of any dividend for the year ended 31 March 2005.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 25 to the financial statements.

FIXED ASSETS

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

SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 March 2005 are set out in note 15 to the financial statements.

ASSOCIATES

Particulars of the Group's associates as at 31 March 2005 are set out in note 16 to the financial statements.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 23 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 March 2005, 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 (2004: HK\$158,398,000) is available for distribution, subject to certain conditions as described in note 25 to the financial statements. The Company's share premium account of HK\$282,049,000 (2004: HK\$282,049,000) as at 31 March 2005 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 62.

SHARE OPTIONS

Details of share options of the Company are set out in note 24 to the financial statements.

DIRECTORS

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

Executive directors:

Kong Yick Ming (*Chairman*) (*re-designated as Non-executive Director on 10 December 2004 and re-designated as Executive Director on 4 February 2005*)

Chan Ying Gi, Dorice (*appointed on 19 April 2005 as Non-executive Director and re-designated as Executive Director on 31 May 2005*)

Ku Ling Yu, John (*resigned on 24 February 2005*)

Chan Chun Hing (*appointed on 21 October 2004 as Non-executive Director, re-designated as Executive Director on 4 February 2005 and resigned on 19 April 2005*)

Lee Kwa Ching, Peter (*appointed on 15 March 2005 and resigned on 10 May 2005*)

Non-executive directors:

Lau Chi Kit, Edwin (*appointed on 1 February 2005*)
 Hoon Wee Teng, Will (*appointed on 18 October 2004*)
 Zee Patrick (*appointed as Executive Director on 10 December 2004 and re-designated as Non-executive Director on 4 February 2005*)
 Kok Zhi Yi, Katrina (*appointed as Non-executive Director on 21 October 2004, re-designated as Executive Director on 4 February 2005 and re-designated as Non-executive Director on 19 April 2005*)
 Lau Kin Hon
 (*appointed as Independent Non-executive Director on 19 April 2005 and re-designated as Non-executive Director on 31 May 2005*)
 Keung Sau Tim (*resigned on 24 September 2004*)
 Tam Chi Kwan, Michael
 (*resigned on 24 September 2004*)
 Wong Kwong Chi (*resigned on 10 March 2005*)
 Hui Yat On (*appointed on 1 February 2005 and resigned on 15 March 2005*)

Ho Cheuk Lai (*appointed on 1 February 2005 and resigned on 17 March 2005*)
 Yau Sui Ki, Christie (*appointed on 1 February 2005 and resigned on 25 April 2005*)
 Lee Lok Man (*appointed on 1 February 2005 and resigned on 27 April 2005*)
 Leung Ka Cheuk (*appointed on 1 February 2005 and resigned on 27 April 2005*)

Independent non-executive directors:

Fok Kam Chau, Peter (*appointed on 1 April 2005*)
 Wong Hui Ching, Jeffrey (*appointed on 11 April 2005*)
 Tso Hon Sai, Bosco (*appointed on 31 May 2005*)
 Tsui Sing Kee, Rawdon (*resigned on 31 January 2005*)
 Cheung Sun Lung (*resigned on 2 February 2005*)
 Ma Chiu Cheung, Andrew
 (*appointed on 18 October 2004 and resigned on 1 April 2005*)
 U Keng Tin (*appointed on 1 February 2005 and resigned on 19 April 2005*)
 Lee Kwan Hung, Eddie (*appointed on 1 February 2005 and resigned on 23 April 2005*)



Based on the terms defined in the Company's bye-laws, all directors, except Chairman, are subject to retirement by rotation and are eligible for re-election. Ms Chan Ying Gi, Dorice, Mr Hoon Wee Teng, Will, Mr Zee Patrick, Ms Kok Zhi Yi, Katrina, Mr Lau Kin Hon, Mr Fok Kam Chau, Peter, Mr Wong Hui Ching, Jeoffrey and Mr Tso Hon Sai, Bosco, all being new directors appointed by the board after the last annual general meeting, will retire at the forthcoming annual general meeting in accordance with the Company's Bye-laws and, being eligible, offer themselves for re-election.

The Company received confirmation of independence in respect of the year ended 31 March 2005 from each of the independent non-executive directors pursuant to rule 3.13 of the Listing Rules. Up to and as at the date of this report, the Company still considers 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

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 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 and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") 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 (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		
Mr Kong Yick Ming (Note 1)	-	286,984,000	286,984,000	33.0%
Ms Chan Ying Gi, Dorice (Note 2)	32,703,421	117,491,777	150,195,198	17.3%

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.

Note 2: 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.

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

Save as disclosed herein, as at 31 March 2005, 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.

DISCLOSURE UNDER LISTING RULES 13.20 Trade receivables from an entity

Trade receivables due to the Group from an entity as at 31 March 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")	22,628

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 year ended 31 March 2005.

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).

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 2005 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 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
Concept Developments Limited (Note 1)	286,984,000	33.0%
Transpac Nominees Pte Ltd.	213,279,577	24.6%
Primewell Investment Limited (Note 1)	117,491,777	13.5%
Silvermark International Limited (Note 2)	55,657,926	6.4%

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 in the notes to the description under the paragraph above headed "Directors and chief executives' interests and short positions in shares, underlying shares and debentures."

Note 2: 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 31 March 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.

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	16.1%
– five largest suppliers	28.2%

Sales

– the largest customer	42.5%
– five largest customers	57%

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 28 to the financial statements.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the Model Code as set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all directors, all directors confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 March 2005.

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 31 March 2005, 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 has reviewed the annual results of the Group for the year ended 31 March 2005 in conjunction with the Company's external auditors. The Committee comprises two independent non-executive directors, namely Mr Fok Kam Chau, Peter and Mr Wong Hui Ching, Jeffrey and one non-executive director, namely Mr Lau Kin Hon.

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.

AUDITORS

The financial statements for the financial year ended 31 March 2002 were audited by Arthur Andersen & Co. The financial statements for the financial year ended 31 March 2003 were audited by PricewaterhouseCoopers. The financial statements for the financial year ended 31 March 2004 were audited by Moores Rowland Mazars.

The financial statements have been audited by Moores Rowland Mazars, *Chartered Accountants, Certified Public Accountants*. A resolution for their reappointment as auditors for the ensuing year is to be proposed at the forthcoming annual general meeting.

On behalf of the Board

Kong Yick Ming
Chairman

Hong Kong, 22 July 2005