





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 31st March, 2004.

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 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 23 to the financial statements.

FIXED ASSETS

Details of the movement in fixed assets of the Group are set out in note 12 to the financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31st March, 2004 are set out in note 13 to the financial statements.

ASSOCIATE

Particulars of the Group's associate as at 31st March, 2004 are set out in note 14 to the financial statements.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 21 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31st March, 2004, 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 (2003: HK\$158,398,000) is available for distribution, subject to certain conditions as described in note 23 to the financial statements. The Company's share premium account of HK\$282,049,000 (2003: HK\$282,049,000) as at 31st March, 2004 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 22 to the financial statements.

DIRECTORS

The directors during the year were:

Executive directors:

Kong Yick Ming (*Chairman*)

Ku Ling Yu, John

Non-executive directors:

Wong Kwong Chi

Keung Sau Tim

Independent non-executive directors:

Tsui Sing Kee, Rawdon

Cheung Sun Lung

Ng Wai Lung (*resigned on 8th December, 2003*)

Tam Chi Kwan, Michael

(*appointed on 12th December, 2003*)

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. In accordance with the provisions of the Company's Bye-Laws, Mr. Wong Kwong Chi and Mr. Keung Sau Tim, retire from the board at the forthcoming annual general meeting and, being eligible, offer themselves for re-election. Mr. Tam Chi Kwan, Michael, being a new director appointed by the board on 12th December, 2003, will also retire at the forthcoming annual general meeting in accordance with the Company's Bye-Laws and, being eligible, offers himself for re-election.

The Company received confirmation of independence in respect of the year ended 31st March, 2004 from each of the independent non-executive directors pursuant to rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"). Up to and as at the date of the 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 7 and 8 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 31st March, 2004, 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 Listing Rules 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)	Corporate	286,984,000

Note: 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.

Save as disclosed herein, as at 31st March, 2004, 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 8th 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 8th August, 2012

No share options had been granted under the Scheme up to 31st March, 2004 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 31st March, 2004, 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	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: 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.

Note 2: Ms Zhou Hui Lian is deemed to have a beneficial interest in 55,657,926 ordinary shares of the Company through Silvermark International Limited, the entire issued share capital of which is beneficially owned by Ms Zhou Hui Lian.

Save as disclosed above, as at 31st March, 2004, 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 SUPPLIERS AND CUSTOMERS

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

Purchases

– the largest supplier	6.6%
– five largest suppliers	17.9%

Sales

– the largest customer	32%
– five largest customers	41.8%

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 27 to the financial statements.

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, 2004, 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 Tam Chi Kwan, Michael, and one non-executive director, namely Mr Keung Sau Tim. Two meetings were held during the current financial year.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITORS

The financial statements for the financial years ended 31st March, 2001 and 31st March, 2002 were audited by Arthur Andersen & Co. The financial statements for the financial year ended 31st March, 2003 were audited by PricewaterhouseCoopers. The Company's former auditors resigned during the year and the Company appointed Moores Rowland Mazars to fill the casual vacancy.

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, 16th July, 2004