

# Directors' Report

The Directors present their annual report and the audited financial statements of the Company and the Group for the year ended 31 December 2001.

## PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of the subsidiaries and an associate are set out in note 44 and 19 respectively to the financial statements.

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2001 are set out in the consolidated income statement on page 23.

The Directors do not recommend the payment of a final dividend (2000: HK2.2 cents per share amounting to HK\$7,889,000 was paid to the shareholders during the year).

## RESERVES

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

## FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on pages 69 and 70.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group are set out in note 16 to the financial statements.

## SHARE CAPITAL

Details of movements in the share capital of the Company are set out in notes 25 to the financial statements.

During the year, neither the Company nor any of its subsidiaries repurchased, sold or redeemed any of the Company's listed securities.

## SHARES OPTIONS

The Company's share option scheme (the Scheme) was adopted pursuant to a resolution passed on 8 November 1996 for the primary purpose of providing incentives to directors and eligible employees, and will expire in November 2006. Under the Scheme, the board of directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

# Directors' Report (Continued)

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the issued shares of the Company from time to time excluding the aggregate number of shares of the Company which have been duly allotted and issued pursuant to the Scheme, without prior approval from the Company's shareholders. The number of shares in respect of which options may be granted to any individual in aggregate is not permitted to exceed 25% of the shares of the Company in issue and issuable.

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Options granted must be taken up within 30 days of the date of grant, upon payment of HK\$1 per option. Options may be exercised at any time from the date of acceptance of the share option to the 10th anniversary of the date of acceptance of the option. The exercise price is determined by the Directors, and will not be less than the higher of the 80% of the average closing price of the shares for the five business days immediately preceding the date of grant and the nominal value of the Company's shares.

No option was granted by the Company during the year.

The following table discloses movements in the Company's share options during the year:

	Option type	Outstanding at beginning and end of year
<b>Directors</b>		
Ms. Ho Yin King, Helena	1997A	3,750,000
Ms. Ho Yat Wah, Hermia	1997B	1,475,000
Mr. Ho Fai Keung, Jacky	1997A	2,537,000
Total		<u>7,762,000</u>
<b>Employees</b>		
	1997B	4,300,000
	1999	1,050,000
Total		<u>5,350,000</u>

Details of specific categories of options are as follows:

	Date of grant	Vesting period	Exercise period	Exercise price per share
1997A	24 December 1996	8 January 1997 to 7 January 2007	8 January 1997 to 7 January 2007	HK\$1.0336
1997B	24 December 1996	24 January 1997 to 23 January 2007	24 January 1997 to 23 January 2007	HK\$1.0336
1999	4 September 1999	4 September 1999 to 3 September 2009	4 September 1999 to 3 September 2009	HK\$0.8832

## RETIREMENT AND PENSION PLAN

The Group operates a defined contribution mandatory provident fund under the Mandatory Provident Fund Schemes Ordinance for all employees in Hong Kong. The assets of the scheme are held separately from those of the Group in funds under the control of independent trustee.

The employees of the Group's subsidiaries in other jurisdictions are members of state-managed retirement benefits schemes operated by the government of the jurisdictions. The subsidiaries are required to contribute a specified percentage of their payroll costs to the retirement benefits schemes. The only obligations of the Group with respect of the retirement benefits schemes is to make the specified contributions.

During the year, the Group made retirement benefits scheme contributions amounting to HK\$1,522,000 (2000: Nil).

## MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2001, turnover attributable to the Group's largest customer accounted for approximately 18% of the Group's consolidated turnover and aggregate turnover attributable to the five largest customers of the Group accounted for approximately 64% of the Group's consolidated turnover.

For the year ended 31 December 2001, purchases attributable to the Group's largest supplier accounted for approximately 12% of the Group's total purchases and aggregate purchases attributable to the five largest suppliers of the Group accounted for approximately 37% of the Group's total purchases.

To the knowledge of the Directors, none of the Directors, or their respective associates, or shareholders owning more than 5% of the Company's issued share capital had any beneficial interests in any of the five largest customers or suppliers.

## DIRECTORS

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

### *Executive Directors*

Ms. Ho Yin King, Helena (*Chairman and Managing Director*)

Ms. Ho Yat Wah, Hermia (*Joint Deputy Chairman*)

Mr. Ho Fai Keung, Jacky (*Joint Deputy Chairman*)

Mr. Yung Kwok Wah (*resigned on 1 March 2001*)

### *Non-executive Directors*

Dr. Li Sau Hung, Eddy\*

Mr. Leung Ka Kui, Johnny\*

Mrs. Lau Law Siu Hung, Monique (*resigned on 9 May 2001*)

\* *Independent non-executive directors*

In accordance with Clauses 86 and 87 of the Company's Bye-laws, Mr. Leung Ka Kui, Johnny retires, and Mr. Ho Fai Keung, Jacky retires by rotation and, being eligible, offer themselves for re-election.

## DIRECTORS' SERVICE CONTRACTS

Each of the Executive Directors has entered into a service agreement with the Company for a term of one year commencing on 1 January 2001, which expired on 31 December 2001.

No director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Other than the Chairman of the Board and the Managing Director of the Company, all of the other Directors are subject to retirement by rotation at the annual general meeting in accordance with the Company's Bye-laws.

The term of office of each Non-executive Director is the period up to his/her retirement by rotation in accordance with the Company's Bye-laws.

## DIRECTORS' INTERESTS IN SHARES

### (i) Shares

As at 31 December 2001, the interests of the Directors and their associates in the share capital of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interest) Ordinance ("SDI Ordinance") were as follows:

Name of Directors	Number of shares held	
	Personal interests	Corporate interests (Note)
Ms. Ho Yin King, Helena	10,574,000	174,094,000
Ms. Ho Yat Wah, Hermia	4,416,000	–
Mr. Ho Fai Keung, Jacky	8,792,000	174,094,000

*Note:* The 174,094,000 shares are directly owned by Sun Union Enterprises Limited which is beneficially owned as to approximately 62.6% by Complete Associates Limited (which is, in turn, beneficially owned as to approximately 61.8% by Ms. Ho Yin King, Helena and as to approximately 38.2% by Mr. Ho Fai Keung, Jacky), as to approximately 23.9% by Ms. Ho Yat Wah, Hermia and as to approximately 13.5% by other family members of the Executive Directors.

### (ii) Shares in a subsidiary

As at 31 December 2001, the following Directors and their associates held interests in the shares of Jackin Video Cassette (Taiwan) Limited, a 99.9% owned subsidiary of the Company as follows:

	Number of ordinary shares of NT\$10 each
Ms. Ho Yin King, Helena	4
Mr. Yung Kwok Wah (the husband of Ms. Ho Yin King, Helena)	4
Ms. Ho Yat Wah, Hermia	4
Mr. Ho Fai Keung, Jacky	4
Ms. Lo Suk King (the wife of Mr. Ho Fai Keung, Jacky)	4
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# Directors' Report (Continued)

In addition to the above, the following Directors held interests in the non-voting deferred shares of wholly owned subsidiaries of the Company as at 31 December 2001 as follows:

Name of subsidiary	Name of Director	Number of non-voting deferred shares held
Jackin Magnetic Company Limited	Ms. Ho Yin King, Helena	3,600 shares of HK\$100 each
	Ms. Ho Yat Wah, Hermia	3,200 shares of HK\$100 each
	Mr. Ho Fai Keung, Jacky	3,200 shares of HK\$100 each
Jackin Video Cassette Co. Limited	Ms. Ho Yin King, Helena	330,000 shares of HK\$1 each
	Ms. Ho Yat Wah, Hermia	330,000 shares of HK\$1 each
	Mr. Ho Fai Keung, Jacky	340,000 shares of HK\$1 each

### (iii) Options

Details of personal interests of the directors in the share options to subscribe for shares in the Company are disclosed under "Share Options" above.

Other than as disclosed above and certain nominee shares in subsidiaries held by the Directors in trust for the Group, none of the Directors or chief executives, or their associates, had any interests in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance, and none of the Directors or chief executives, or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

## ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

The Company adopted a share option scheme for employees including Directors in 1996. There was no movements of share options during the year.

Other than the share option scheme for employees of the Company or any of its subsidiaries 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 to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company, or any of its subsidiaries, 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.

## **SUBSTANTIAL SHAREHOLDERS**

As at 31 December 2001, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that, other than the interests disclosed above in respect of the Directors, the Company was not notified of any other interests representing 10% or more of the Company's issued share capital.

## **PRE-EMPTIVE RIGHTS**

There are no provisions for pre-emptive rights under the Company's Bye-laws, or the laws of Bermuda, being the jurisdiction in which the Company was incorporated.

## **CORPORATE GOVERNANCE**

The Company has complied throughout the year ended 31 December 2001 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

## **AUDITORS**

A resolution to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

**HO YIN KING, HELENA**  
*CHAIRMAN*

Hong Kong, 26 April 2002