

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 2002.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of the principal subsidiaries and an associate are set out in note 43 and 19 respectively to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2002 are set out in the consolidated income statement on page 25.

The directors now recommend the payment of a final dividend of HK0.5 cent per share to the shareholders on the register of members on 20 June 2003.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out note 27 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 75 and 76.

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

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

DIRECTORS' REPORT *(continued)*

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*)

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

Mr. Low Nyap Heng

(appointed on 22 April 2003)

Ms. Ho Yat Wah, Hermia

(resigned on 30 September 2002)

Independent Non-Executive Directors

Mr. Li Sau Hung, Eddy

Mr. Leung Ka Kui, Johnny

In accordance with Clauses 86 and 87 of the Company's Bye-laws, Mr. Low Nyap Heng retires, and Mr. Li Sau Hung, Eddy retires by rotation and, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

Other than Mr. Low Nyap Heng who has entered into a service agreement with the Company for a term of one year effective from 22 April 2003 and will expire on 21 April 2004, each of the Executive Directors has entered into a service agreement with the Company for a term of one year commencing on 1 January 2002, which expired on 31 December 2002.

Subject to the foregoing, 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 of the Independent Non-executive Director is the period up to his retirement by rotation in accordance with the Company's Bye-laws.

DIRECTORS' INTERESTS IN SHARES

(i) Shares in the Company

As at 31 December 2002, 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 Interests) 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
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 2002, 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
Mr. Ho Fai Keung, Jacky	4
Ms. Lo Suk King (the wife of Mr. Ho Fai Keung, Jacky)	4
	16

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 2002 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
	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
	Mr. Ho Fai Keung, Jacky	340,000 shares of HK\$1 each

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 their associates had any interests in any share capital of the Company or any of its associated corporations (within the meaning of the SDI Ordinance) which is required to be recorded in the Register of Directors' Interests pursuant to Section 29 of the SDI Ordinance or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

The Company adopted a share option scheme for employees including Directors in 1996. Details of the share option scheme and options granted are set out in note 26 to the financial statements.

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

	Option type	Outstanding at beginning of year	Lapsed during the year	Outstanding at end of year
Directors				
Ms. Ho Yin King, Helena	1997A	3,750,000	–	3,750,000
Mr. Ho Fai Keung, Jacky	1997A	2,537,000	–	2,537,000
Ms. Ho Yat Wah, Hermia (resigned on 30 September 2002)	1997B	1,475,000	(1,475,000)	–
Total		<u>7,762,000</u>	<u>(1,475,000)</u>	<u>6,287,000</u>
Employees				
	1997B	4,300,000	–	4,300,000
	1999	1,050,000	–	1,050,000
Total		<u>5,350,000</u>	<u>–</u>	<u>5,350,000</u>
Total all categories		<u>13,112,000</u>	<u>(1,475,000)</u>	<u>11,637,000</u>

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, and neither the Directors nor the chief executives, nor 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 rights.

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.

DIRECTORS' REPORT *(continued)*

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2002, 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 following shareholder was directly or indirectly interested in 10% or more of the Company's issued share capital:

Name of shareholder	Number of shares held	
	Personal interests	Corporate interests
Ms. Ho Yat Wah, Hermia	4,416,000	174,094,000

Ms. Ho Yat Wah, Hermia is deemed to have corporate interest in 174,094,000 shares by virtue of her interests in Sun Union Enterprises Limited. The interests are detailed in the paragraph "Directors' Interests in Shares" above.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2002, turnover attributable to the Group's largest customer accounted for approximately 16% of the Group's consolidated turnover and aggregate turnover attributable to the five largest customers of the Group accounted for approximately 50% of the Group's consolidated turnover.

For the year ended 31 December 2002, purchases attributable to the Group's largest supplier accounted for approximately 18% of the Group's total purchases and aggregate purchases attributable to the five largest suppliers of the Group accounted for approximately 47% 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.

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31 December 2002 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.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

AUDITORS

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

On behalf of the Board

Ho Yin King, Helena

Chairman

Hong Kong, 23 April 2003