

REPORT OF THE DIRECTORS

The Directors present their annual report and the audited financial statements of the Company and the Group for the year ended 31 December 2003.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of the principal subsidiaries are set out in note 42 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2003 are set out in the consolidated income statement on page 21.

The Directors do not recommend the payment of a final dividend and propose that the profit for the year be retained.

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 15 to the financial statements.

SHARE CAPITAL

Details of movements during the year in the share capital are set out in note 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.

DIRECTORS

The Directors of the Company during the year and up to the 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*)

Independent Non-executive Directors

Mr. Li Sau Hung, Eddy

Mr. Leung Ka Kui, Johnny

In accordance with Bye-law 87 of the Company's Bye-laws, the Director retiring by rotation at the annual general meeting will be Mr. Leung Ka Kui, Johnny who, being eligible, will offer himself for re-election.

DIRECTORS' SERVICE CONTRACTS

None of the Directors 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.

REPORT OF THE DIRECTORS *(continued)*

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2003, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long positions

(a) *Ordinary shares of HK\$0.10 each of the Company*

Name of director	Capacity	Number of issued ordinary shares held			Percentage of the share capital of the Company
		Personal interests	Corporate interests (Note)	Total	
Ms. Ho Yin King, Helena	Beneficial Owner and Interest of Controlled Corporations	10,574,000	118,796,000	129,370,000	28.23%
Mr. Ho Fai Keung, Jacky	Beneficial Owner and Interest of Controlled Corporations	8,792,000	118,796,000	127,588,000	27.84%

Note: The 118,796,000 shares are directly held by Sun Union Enterprises Limited which is wholly owned by Complete Associates Limited. The share capital of Complete Associates Limited is 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.

(b) *Share options*

Name of director	Option type	Outstanding	Granted	Outstanding	Number of
		held at 1 January 2003	(exercised)/ (lapsed) during the period	held at 31 December 2003	underlying shares held at 31 December 2003
Ms. Ho Yin King, Helena	1997A	3,750,000	–	3,750,000	3,750,000
Mr. Ho Fai Keung, Jacky	1997A	2,537,000	–	2,537,000	2,537,000
		<u>6,287,000</u>	<u>–</u>	<u>6,287,000</u>	<u>6,287,000</u>

(c) *Shares in associated corporation*

As at 31 December 2003, the following Directors held interests in the shares of Jackin Video Cassette (Taiwan) Limited, a 99.9% owned subsidiary of the Company as follows:

Name of Director	Number of shares		Total
	Personal interests	Family interests	
Ms. Ho Yin King, Helena	4	4	8
Mr. Ho Fai Keung, Jacky	4	4	8

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 2003 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

In addition, a number of directors held non-beneficial interests in shares in certain subsidiaries of the Company as qualifying shares.

REPORT OF THE DIRECTORS *(continued)*

Save as disclosed above and certain nominee shares in subsidiaries held by Directors in trust for the Group, none of the Directors or chief executive of the Company had any interests or short positions in any shares, underlying shares and 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 by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies 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.

SHARE OPTIONS

Particulars of the Company's share option scheme adopted pursuant to a resolution passed on 8 November 1996 ("the Scheme") are set out in note 26 to the financial statements.

At 31 December 2003, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 11,637,000, representing 2.5% of the shares of the Company in issue at that date.

As at the date of this report, the number of shares available for issue under the Scheme, other than the number of shares in respect of which options had been granted, is 9,330,854, representing approximately 2.04% of the shares of the Company in issue at the date of this report.

No option was granted, exercised, lapsed or cancelled during the year.

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

Option type and employees	Outstanding at 1 January 2003 and 31 December 2003
Directors	
1997A	6,287,000
1997B	4,300,000
1999	1,050,000
	<u>11,637,000</u>

Option type	Outstanding at 1 January 2003 and 31 December 2003
Directors	
Ms. Ho Yin King, Helena	3,750,000
Mr. Ho Fai Keung, Jacky	2,537,000
Total	<u>6,287,000</u>
Employee	
	4,300,000
	1,050,000
	<u>5,350,000</u>

Details of specific categories of options are as follows:

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

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the 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.

REPORT OF THE DIRECTORS *(continued)*

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31 December 2003, the register of shareholders maintained by the Company pursuant to Section 336 of the SFO showed that other than the interests of certain directors and chief executives, the following shareholders had notified the Company of interests and short positions in the shares and underlying shares of the Company:

Long positions

(a) *Ordinary shares of HK\$0.10 each of the Company*

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Complete Associates Limited	Interest of controlled corporation	118,796,000 (Note 1)	25.92%
Ho Yat Wah, Hermia	Beneficial owner	33,830,000	7.38%
Ho Fai Sing, Alfred	Beneficial owner and interest held jointly with another person	23,950,000 (Note 2)	5.23%
Martin Currie China Hedge Fund Limited	Investment manager	33,092,000	7.22%
Chiu Kin Lok, Rocko	Beneficial owner and interest of controlled corporation	59,494,545 (Note 3)	12.98%

Note: 1. The 118,796,000 shares are directly held by Sun Union Enterprises Limited which is wholly owned by Complete Associates Limited. The share capital of Complete Associates Limited is 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. Both Ms. Ho Yin King, Helena and Mr. Ho Fai Keung, Jacky are Directors of the Company.

2. Mr. Ho Fai Sing, Alfred was interested in 23,950,000 shares, of which 23,750,000 shares were held in the capacity of beneficial owner and 200,000 shares were held in the capacity of interest held jointly with another person.

3. Mr. Chiu Kin Lok, Rocko was interested in 59,494,545 shares, of which 59,454,545 shares were held by Art-Tech Enterprises Limited, a company in which Mr. Chiu has 100% interest, and 40,000 shares were held by Mr. Chiu in the capacity of beneficial owner.

Other than as disclosed above, the register required to be kept by the Company under Section 336 of the SFO showed that the Company had not been notified of any other interests or short positions in the shares and underlying shares of the Company as at 31 December 2003.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2003, turnover attributable to the Group's largest customer accounted for approximately 17% of the Group's consolidated turnover and aggregate turnover attributable to the five largest customers of the Group accounted for approximately 39% of the Group's consolidated turnover.

For the year ended 31 December 2003, purchases attributable to the Group's largest supplier accounted for approximately 20% of the Group's total purchases and aggregate purchases attributable to the five largest suppliers of the Group accounted for approximately 40% 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 2003 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange.

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, 27 April 2004