

# 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 2004.

## PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are set out in note 41 to the financial statements.

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2004 and the state of affairs of the Group and the Company at that date are set out in the financial statements on pages 22 to 74.

The directors do not recommend the payment of a dividend (2003: Nil).

## 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 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 14 to the financial statements.

## SHARE CAPITAL

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

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

## RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 27 to the financial statements.

## 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

Mr. Cheung Sze Ming

*(appointed on 22 April 2005)*

Ms. Lo Suk King

*(appointed on 22 April 2005)*

Mr. Lai Kam Hung

*(appointed on 22 April 2005)*

### Independent Non-executive Directors

Mr. Li Sau Hung, Eddy

Mr. Leung Ka Kui, Johnny

Mr. Chan Kam Kwan, Jason

*(appointed on 11 August 2004)*

In accordance with Bye-laws 86 and 87 of the Company's Bye-laws, the directors retiring by rotation at the annual general meeting will be Mr. Ho Fai Keung, Jacky, Mr. Chan Kam Kwan, Jason, Mr. Cheung Sze Ming, Ms. Lo Suk King and Mr. Lai Kam Hung who, being eligible, will offer themselves for re-election.

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 directors is the period up to his retirement by rotation in accordance with the Company's Bye-laws.

## 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' REPORT *(continued)*

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 December 2004, the interests and short positions of each director and chief executive in the shares, underlying shares and debentures of the Company and of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register maintained by the Company under Section 352 of the SFO or as otherwise notified to the Company 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*

<b>Name of director</b>	<b>Option type</b>	<b>Outstanding share options held at 1 January 2004 and 31 December 2004</b>	<b>Number of underlying shares held at 1 January 2004 and 31 December 2004</b>
Ms. Ho Yin King, Helena	1997A	3,750,000	3,750,000
Mr. Ho Fai Keung, Jacky	1997A	2,537,000	2,537,000
		<u>6,287,000</u>	<u>6,287,000</u>

Details of the share options are set out in "Share Options" below.

(c) *Shares in associated corporation*

As at 31 December 2004, the following directors held interests in the shares of Jackin Video Cassette (Taiwan) Limited, a 99.9% owned subsidiary of the Company as follows:

<b>Name of director</b>	<b>Number of shares</b>		<b>Total</b>
	<b>Personal interests</b>	<b>Family interests</b>	
Ms. Ho Yin King, Helena	4	4	8
Mr. Ho Fai Keung, Jacky	4	–	4
Ms. Lo Suk King	4	–	4

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 2004 as follows:

<b>Name of subsidiary</b>	<b>Name of director</b>	<b>Number of non-voting deferred shares held</b>
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

## DIRECTORS' REPORT *(continued)*

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

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 and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company under Section 352 of the SFO or as otherwise notified to the Company 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

Pursuant to a resolution passed by the shareholders at the annual general meeting held on 12 June 2004, the Company adopted a new share option scheme ("New Scheme") and the share option scheme adopted on 8 November 1996 ("Old Scheme") was terminated on the same date, but the rights and benefits of the outstanding options already granted under the Old Scheme would not be affected. Particulars of the Old and New Schemes are set out in note 26 to the financial statements.

At as 31 December 2004, the number of shares in respect of which options had been granted and remained outstanding under the Old Scheme was 11,637,000, representing approximately 2.5% (2003 : 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 schemes, other than the number of shares in respect of which options had been granted, is 1,088, representing less than 0.1% of the shares of the Company in issue at the date of this report.

No option under the Old and New Schemes was granted, exercised, lapsed or cancelled during the year.

The following table discloses the movements during the year in the Company's share options granted under the Old Scheme:

Option type	Outstanding at 1 January 2004 and 31 December 2004
<b>Directors</b>	
Ms. Ho Yin King, Helena	3,750,000
Mr. Ho Fai Keung, Jacky	2,537,000
	6,287,000
<b>Employee</b>	
	4,300,000
	1,050,000
	5,350,000
Total	11,637,000

Details of specific categories of share options granted under the Old Scheme 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

## DIRECTORS' REPORT *(continued)*

### ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the share option schemes 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 and chief executives (including their spouse and children under the age of 18) to acquire any interests or short positions in the shares or underlying 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' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

The register of substantial shareholders maintained by the Company under Section 336 of the SFO showed that as at 31 December 2004, the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the directors and chief executives:

#### 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 Fai Sing, Alfred	Beneficial owner	23,750,000	5.18%
Martin Currie China Hedge Fund Limited	Investment manager	33,848,000 (Note 2)	7.39%
Chiu Kin Lok, Rocko	Beneficial owner and interest of controlled corporation	59,494,545 (Note 3)	12.98%

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. Both Ms. Ho Yin King, Helena and Mr. Ho Fai Keung, Jacky are directors of the Company.

2. The register of Corporate Substantial Shareholder Notices kept by the Company pursuant to the SFO recorded as follows:–
- (i) the Corporate Substantial Shareholder Notice filed by Martin Currie China Hedge Fund Limited ( "Martin Currie") on 19 March 2004, showed that Martin Currie, as beneficial owner, was interested in 33,092,000 shares;
  - (ii) the Corporate Substantial Shareholder Notice filed by Martin Currie Investment Management Limited on 18 August 2004, showed that Martin Currie Investment Management Limited, as investment manager, was interested in 33,848,000 shares; and
  - (iii) the Corporate Substantial Shareholder Notice filed by UBS AG on 2 July 2004, showed that UBS AG had a security interest in 33,092,000 shares.

On 29 November 2004, Martin Currie confirmed that it was interested in 33,848,000 shares as at that date instead of 33,092,000 shares. It also confirmed that Martin Currie, Martin Currie Investment Management Limited and UBS AG were interested in the same block of shares but in different nature of interests. The confirmation has not been withdrawn or otherwise varied by Martin Currie up to 31 December 2004.

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 maintained 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 2004.

## MAJOR CUSTOMERS AND SUPPLIERS

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

### Purchases

– the largest supplier	13%
– five largest suppliers combined	36%

### Sales

– the largest customer	11%
– five largest customers combined	36%

None of the directors, their associates, or any shareholders (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) had an interest in the major suppliers or customers noted above.



## DIRECTORS' REPORT *(continued)*

### COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

Throughout the year, the Company was in compliance with the Code of Best Practice as set out in the 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.

### POST BALANCE SHEET EVENTS

Details of the post balance sheet events are set out in note 40 to the financial statements.

### AUDITORS

During the year, Messrs. Deloitte Touche Tohmatsu, who acted as auditors of the Company for the past two years, resigned and Messrs. Grant Thornton were appointed subsequent to the year end date as auditors of the Company to fill the casual vacancy.

Grant Thornton retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-appointment.

On behalf of the Board

**HO YIN KING, HELENA**

*Chairman*

Hong Kong, 22 April 2005