

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2005.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are set out in note 38 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2005 are set out in the consolidated income statement on page 33.

The directors do not recommend the payment of a dividend.

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 page 98.

PROPERTY, PLANT AND EQUIPMENT

During the year, the directors conducted a review on the recoverable amount of the Group's property, plant and equipment and determined that impairment loss of approximately HK\$86,834,000 should be made in the current year.

The Group's leasehold land and buildings were revalued at 31 December 2005. The revaluation resulted in a surplus over book values amounting to approximately HK\$59,000, which has been credited directly to the properties revaluation reserve.

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

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SHARE CAPITAL

On 3 December 2004, the Company announced a proposal to raise not less than approximately HK\$22.9 million, before expenses, by issuing not less than 229,154,272 new shares but not more than 234,972,772 new shares by way of an open offer to its shareholders whose names appear on the register of members of the Company dated 23 December 2004 at the subscription price of HK\$0.10 per share on the basis of one offer share for every two existing shares held by the shareholders (the "Open Offer"). The Open Offer became unconditional on 10 January 2005 resulting in 229,154,272 offer shares having been issued on 12 January 2005.

Details of these 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 shares.

DISTRIBUTABLE RESERVES OF THE COMPANY

In the opinion of the directors, the reserves of the Company which are available for distribution to shareholders at 31 December 2005, calculated in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, amounted to approximately HK\$128,412,000 (2004: HK\$136,142,000), representing the aggregate of share premium of HK\$111,575,000 (2004: HK\$113,225,000), contributed surplus of HK\$15,048,000 (2004: HK\$15,048,000) and retained profits of HK\$1,789,000 (2004: HK\$7,869,000).

DIRECTORS' REPORT

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

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 and resigned on 23 September 2005)

Independent non-executive directors

Dr. Li Sau Hung, Eddy

Mr. Leung Ka Kui, Johnny

Mr. Chan Kam Kwan, Jason

In accordance with Bye-law 87 of the Company's Bye-laws, the directors retiring by rotation at the annual general meeting will be Mr. Low Nyap Heng and Dr. Li Sau Hung, Eddy, 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 director is the period up to his retirement by rotation in accordance with the Company's Bye-laws.

DIRECTORS' SERVICE CONTRACTS

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).

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DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2005, the interests or 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 issued share capital of the Company
		Personal interests	Corporate interests (Note)	Total	
Ms. Ho Yin King, Helena	Beneficial owner and interest of controlled corporation	19,361,000	178,194,000	197,555,000	28.74%
Mr. Ho Fai Keung, Jacky	Beneficial owner and interest of controlled corporation	16,268,000	178,194,000	194,462,000	28.29%

Note: The 178,194,000 shares are directly owned 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.

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(b) Share options

Name of director	Share option scheme category (Note)	Number of options held	Number of underlying shares
Ms. Ho Yin King, Helena	2005	6,872,628	6,872,628
Mr. Ho Fai Keung, Jacky	2005	6,872,628	6,872,628
Mr. Low Nyap Heng	2005	6,872,628	6,872,628
Mr. Cheung Sze Ming	2005	6,872,628	6,872,628
Dr. Li Sau Hung, Eddy	2005	2,291,542	2,291,542
Mr. Leung Ka Kui, Johnny	2005	2,291,542	2,291,542
Mr. Chan Kam Kwan, Jason	2005	2,291,542	2,291,542
		34,365,138	34,365,138

Note: The 2005 options were granted under the scheme adopted on 12 June 2004.

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(c) *Shares in associated corporation*

As at 31 December 2005, 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	Capacity	Number of shares		Total
		Personal interests	Family interests	
Ms. Ho Yin King, Helena	Beneficial owner and interest of spouse	4	4 (note 1)	8
Mr. Ho Fai Keung, Jacky	Beneficial owner and interest of spouse	4	4 (note 2)	8
Ms. Lo Suk King	Beneficial owner and interest of spouse	4	4 (note 2)	8

Notes:

1. The shares are held by the spouse of Ms. Ho Yin King, Helena.
2. Ms. Lo Suk King is the spouse of Mr. Ho Fai Keung, Jacky.

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 2005 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

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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 the directors in trust for the Group, none of the directors or chief executives of the Company had any interests or short position in any shares, underlying shares and debenture 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 schemes are set out in note 26 to the financial statements.

The following table discloses movements in the Company's share options during the year ended 31 December 2005:

	Date of share option granted	Share option scheme category	Outstanding at beginning of the year	Granted during the year (Note)	Cancelled during the year (Note)	Outstanding at end of the year	Subscription price	Exercise period
Directors								
Ms. Ho Yin King, Helena	24.12.1996	1997A	3,750,000	–	(3,750,000)	–	1.0336	8.1.1997 – 7.1.2007
	25.1.2005	2005	–	6,872,628	–	6,872,628	0.1580	25.1.2005 – 24.1.2015
Mr. Ho Fai Keung, Jacky	24.12.1996	1997A	2,537,000	–	(2,537,000)	–	1.0336	8.1.1997 – 7.1.2007
	25.1.2005	2005	–	6,872,628	–	6,872,628	0.1580	25.1.2005 – 24.1.2015
Mr. Low Nyap Heng	25.1.2005	2005	–	6,872,628	–	6,872,628	0.1580	25.1.2005 – 24.1.2015
Mr. Cheung Sze Ming	25.1.2005	2005	–	6,872,628	–	6,872,628	0.1580	25.1.2005 – 24.1.2015
Dr. Li Sau Hung, Eddy	25.1.2005	2005	–	2,291,542	–	2,291,542	0.1580	25.1.2005 – 24.1.2015
Mr. Leung Ka Kui, Johnny	25.1.2005	2005	–	2,291,542	–	2,291,542	0.1580	25.1.2005 – 24.1.2015
Mr. Chan Kam Kwan, Jason	25.1.2005	2005	–	2,291,542	–	2,291,542	0.1580	25.1.2005 – 24.1.2015
Total for directors			6,287,000	34,365,138	(6,287,000)	34,365,138		

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	Date of share option granted	Share option scheme category	Outstanding at beginning of the year	Granted during the year (Note)	Cancelled during the year (Note)	Outstanding at end of the year	Subscription price	Exercise period
Employees	25.12.1996	1997B	4,300,000	–	(4,300,000)	–	1.0336	24.1.1997 – 23.1.2007
	4.9.1999	1999	1,050,000	–	(1,050,000)	–	0.8832	4.9.1999 – 3.9.2009
	25.1.2005	2005	–	11,464,628	–	11,464,628	0.1580	25.1.2005 – 24.1.2015
Total for employees			5,350,000	11,464,628	(5,350,000)	11,464,628		
			11,637,000	45,829,766	(11,637,000)	45,829,766		
Total under Old Scheme								Percentage to total Company's shares in issue at end of the year
– 1997A			6,287,000	–	(6,287,000)	–		N/A
– 1997B			4,300,000	–	(4,300,000)	–		N/A
– 1999			1,050,000	–	(1,050,000)	–		N/A
			11,637,000	–	(11,637,000)	–		N/A
Total under New Scheme								
– 2005			–	45,829,766	–	45,829,766		6.67%
			11,637,000	45,829,766	(11,637,000)	45,829,766		

Notes:

- (i) The 1997A, 1997B and 1999 options were granted under the scheme adopted on 8 November 1996 and terminated on 12 June 2004, the outstanding options granted there under were cancelled on 30 December 2005. The 2005 options were granted under the scheme adopted on 12 June 2004.
- (ii) Other than that mentioned in note (i), no option was exercised or lapsed during the year ended 31 December 2005.
- (iii) The closing price of the Company's shares immediately before 25 January 2005, the date of grant of 2005 options, was HK\$0.1590.

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ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the share option holdings 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.

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 2005, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests of certain directors and chief executives, the following shareholders had notified the Company of relevant interests and short positions in the share capital of the Company.

Long positions

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	178,194,000 (Note 1)	25.92%
Martin Currie China Hedge Fund Limited	Investment manager	50,772,000	7.39%
Chiu Kin Lok, Rocko	Beneficial owner and interest of controlled corporation	75,407,187 (Note 2)	10.97%

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Notes:

1. The 178,194,000 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. Chiu Kin Lok, Rocko was interested in 75,407,817 shares, of which entire shares were held by Art-Tech Enterprises Limited, a company in which Mr. Chiu has 100% interest.

Other than as disclosed above, the register of substantial shareholders 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 2005.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2005, revenue attributable to the Group's largest customer accounted for approximately 14% of the Group's consolidated revenue and aggregate revenue attributable to the five largest customers of the Group accounted for approximately 38% of the Group's consolidated revenue.

For the year ended 31 December 2005, 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.

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APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing Securities on the Stock Exchange. The Company considers all of the independent non-executive directors are independent.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted share option schemes as an incentive to directors and eligible employees, details of the scheme is set out in note 26 to the financial statements.

CORPORATE GOVERNANCE PRACTICES

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 13 to 18 of this annual report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Following specific enquiry by the Company, all Directors have confirmed that they have complied with the required standard as set out in the Model Code during the year ended 31 December 2005.

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AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors, namely, Dr. Li Sau Hung, Eddy, Mr. Leung Ka Kui, Johnny and Mr. Chan Kam Kwan, Jason. The Audit Committee has reviewed the management accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the audited results for the year ended 31 December 2005.

PURCHASE, SALE OR REDEMPTION OF 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.

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.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2005.

POST BALANCE SHEET EVENTS

Details of significant events occurring after the balance sheet date are set out in note 37 to the financial statements.

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AUDITORS

The consolidated financial statements of the Group for the year ended 31 December 2003 were audited by Messrs Deloitte Touche Tohmatsu. Messrs. Grant Thornton, who acted as auditors of the Company for the past year, resigned and Messrs. Deloitte Touche Tohmatsu were appointed, subsequent to the year end date, as auditors of the Company to fill the vacancy.

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

MS. HO YIN KING, HELENA

CHAIRMAN

18 May 2006