



# Report of the Directors

The directors herein present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2002.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 16 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

## SEGMENT INFORMATION

Details of the Group's segment information for the year ended 31 March 2002 is set out in note 4 to the financial statements.

## RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 March 2002 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 28 to 77.

The directors recommend the payment of a final dividend of HK10 cents per ordinary share, amounting to HK\$30,220,000 in aggregate, in respect of the year to shareholders whose names appear on the register of members of the Company on Wednesday, 31 July 2002. This recommendation has been incorporated in the financial statements as an allocation of retained profits within capital and reserves in the balance sheet. Further details of this accounting treatment are set out in note 12 to the financial statements.

## FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the Company's annual report and the audited financial statements, and reclassified and restated as appropriate, is set out on pages 78 to 79. This summary does not form part of the audited financial statements.

## FIXED ASSETS

Details of movements in the Group's fixed assets during the year are set out in note 14 to the financial statements.





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## SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year, together with the reasons therefor, are set out in note 28 to the financial statements.

## 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 its existing shareholders.

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

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

## RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 29 to the financial statements.

## DISTRIBUTABLE RESERVES

As at 31 March 2002, the Company's reserves available for cash distribution and/or distribution in specie, calculated in accordance with the Companies Act 1981 of Bermuda (as amended), amounted to HK\$45,914,000. In addition, under the laws of Bermuda, the Company's share premium account, in the amount of HK\$57,270,000, may be distributed in the form of fully paid bonus shares.

## MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 62 per cent (2001: 68 per cent) of the Group's total turnover for the year and sales to the largest customer included therein amounted to approximately 22 per cent (2001: 30 per cent).

Purchases from the Group's five largest suppliers accounted for approximately 37 per cent (2001: 54 per cent) of the Group's total purchases for the year and purchases from the largest supplier included therein amounted to approximately 11 per cent (2001: 16 per cent).

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## MAJOR CUSTOMERS AND SUPPLIERS *(Continued)*

Nikko Bussan Co., Ltd., a company in which Takanori Matsuura, an executive director of the Company, has beneficial interests, is one of the Group's five largest customers for the year ended 31 March 2002.

Save as disclosed above, none of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, owned more than 5 per cent of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or five largest suppliers.

## DIRECTORS

The directors of the Company during the year were:

### *Executive directors:*

CHU Chun Man, Augustine  
Takanori MATSUURA  
CHU Yuk Man, Simon  
CHANG Hua Jung

### *Non-executive director:*

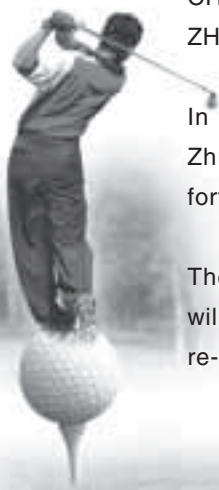
Carl Thomas McMANIS

### *Independent non-executive directors:*

Yasumori MUTA  
CHOY Tak Ho  
ZHU Wan Li

In accordance with article 87 of the Company's bye-laws, Yasumori Muta, Choy Tak Ho and Zhu Wan Li will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The appointments of the non-executive director and the independent non-executive directors will cease at the forthcoming annual general meeting. They are required to offer themselves for re-election at the annual general meeting.



# Report of the Directors

## DIRECTORS' SERVICE CONTRACTS

Each of the executive directors has entered into a service contract with the Company for a term of three years commencing on 1 December 2000 which will continue thereafter unless terminated in accordance with the relevant clauses of the service contracts.

Save as disclosed above, no director of the Company proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

## DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 33 to the financial statements, no director had a material beneficial interest in any contract of significance to the business of the Group to which the Company, its holding companies or any of its subsidiaries was a party during the year.

## DIRECTORS' INTERESTS IN SHARES

As at 31 March 2002, the interests of the directors and their associates in the issued share capital of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), were as follows:

### (i) *The Company*

	Number of shares held	
	Personal interests	Corporate interests
<b>Executive directors:</b>		
CHU Chun Man, Augustine	11,350,220	200,249,775 <sup>#</sup>
Takanori MATSUURA	11,155,400	200,249,775 <sup>#</sup>
CHU Yuk Man, Simon	2,836,237	— <sup>#</sup>
CHANG Hua Jung	710,793	—
<b>Non-executive director:</b>		
Carl Thomas McMANIS	363,022	—

# Report of the Directors

## DIRECTORS' INTERESTS IN SHARES *(Continued)*

- # The shares of the Company are held by CM Investment Company Limited, a company incorporated in the British Virgin Islands, of which, approximately 51.17 per cent and approximately 48.83 per cent of its issued share capital are owned by A & S Company Limited and Takanori Matsuura, respectively. A & S Company Limited is a company incorporated in the British Virgin Islands and owned as to approximately 64.00 per cent by Chu Chun Man, Augustine, approximately 21.71 per cent by Chu Yuk Man, Simon and 14.29 per cent by another family member. The interests of Chu Chun Man, Augustine, Takanori Matsuura and Chu Yuk Man, Simon, in the 200,249,775 shares of the Company therefore duplicate each other.

### *(ii) Associated corporation*

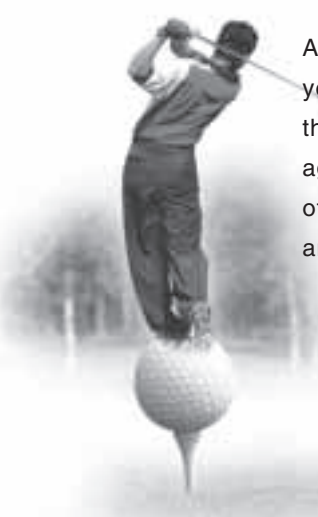
3,456,027 non-voting deferred shares in Sino Golf Manufacturing Company Limited, an indirectly held wholly-owned subsidiary of the Company, are owned as to 1,190,607 shares by Chu Chun Man, Augustine, as to 1,841,323 shares by Takanori Matsuura, as to 414,297 shares by Chu Yuk Man, Simon, as to 3,600 shares by Chang Hua Jung and as to 6,200 shares by Carl Thomas McManis.

In addition to the above, a director has non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Group solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed above, none of the directors or their associates had any personal, family, corporate or other interests in the equity or debt securities of the Company or any of its associated corporations, as defined in the SDI Ordinance, as recorded in the register required to be kept under Section 29 of the SDI Ordinance or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the heading "Share option scheme" below, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were such rights exercised by them; or was the Company, its holding companies, or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.



# Report of the Directors

## SHARE OPTION SCHEME

The Company operates a share option scheme (the “Existing Scheme”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Eligible participants of the Existing Scheme include any full time employees, including executive directors, of the Company and any of its subsidiaries. The Existing Scheme was adopted on 5 December 2000 and, unless otherwise cancelled or amended, will remain in force until 4 December 2010.

The maximum number of share options currently permitted to be granted under the Existing Scheme (the “Maximum Number”) may not exceed 10 per cent of the issued share capital of the Company at any time. No option may be granted to any one person which if exercised in full would result in the total number of ordinary shares of the Company already issued and issuable to him/her under all the options previously granted to him/her and the said option exceeding 25 per cent of the Maximum Number for the time being issued and issuable under the Existing Scheme. As at 31 March 2002, the number of shares issuable under share options, which may be granted under the Existing Scheme, was 30,220,000, which represented 10 per cent of the Company’s shares in issue as at that date.

The offer of a grant of share options may be accepted within 30 days from the date of the offer for a consideration of HK\$1 being payable by the grantee. The period during which an option may be exercised will be determined by the directors at their discretion, save that no option may be exercised later than 10 years after it has been granted.

The exercise price of the share options is determinable by the directors, but may not be less than the higher of (i) 80 per cent of the average of the closing prices of the Company’s ordinary shares on the Stock Exchange on the five trading days immediately preceding the date of the grant of options; and (ii) the nominal value of an ordinary share.

# Report of the Directors

## SHARE OPTION SCHEME (Continued)

On 28 April 2001, 2,200,000 share options in total were granted under the Existing Scheme to the executive directors of the Company and certain employees of the Group as follows:

	Number of share options
<b>Executive directors:</b>	
CHU Chun Man, Augustine	550,000
Takanori MATSUURA	300,000
CHU Yuk Man, Simon	500,000
CHANG Hua Jung	400,000
	<hr/> 1,750,000
Employees in aggregate	450,000
	<hr/> 2,200,000

### Notes:

- (i) The above options were granted at an exercise price per share of HK\$0.62. Immediately before the grant of such options on 28 April 2001, the price of the Company's shares on the Stock Exchange on 27 April 2001 was closed at HK\$0.67. The cash consideration paid by each director and employee for the options granted was HK\$1 per grant of options. The options granted could be exercised at any time in the next nine years commencing on 28 April 2001.
- (ii) All such options were fully exercised on 17 July 2001. The closing price of the Company's shares on the Stock Exchange on 16 July 2001, the date immediately before the date of exercise of such options, was HK\$0.91.

Save as disclosed above, no other options were granted under the Existing Scheme during the year and there were no options outstanding as at 31 March 2002.

Summary details of the Existing Scheme are also set out in note 28 to the financial statements.

Pursuant to the amendments (the "New Rules") to Chapter 17 of The Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") which became effective from 1 September 2001, any options granted after 1 September 2001 must comply with the provisions of the New Rules. In order for the Company to be able to grant options to the directors and/or other eligible participants after 1 September 2001, a new share option scheme in compliance with the New Rules is proposed to be approved and adopted by the shareholders of the Company in the forthcoming annual general meeting.



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## SHARE OPTION SCHEME (Continued)

The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or the balance sheet for their cost. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

The directors do not consider it appropriate to disclose a theoretical value of the share options granted during the year to the directors and employees because a number of factors crucial for the valuation are subjective and uncertain. Accordingly, in their opinion, any valuation of the options based on various speculative assumptions would not be meaningful and would be misleading.

## SUBSTANTIAL SHAREHOLDERS

As at 31 March 2002, the following interests of 10 per cent or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

Name	Number of shares held	Percentage of holding
CM Investment Company Limited	200,249,775	66.26
A & S Company Limited ( <i>Note</i> )	200,249,775	66.26

*Note:* The interests disclosed include the shares owned by CM Investment Company Limited. CM Investment Company Limited is held directly as to 51.17 per cent by A & S Company Limited. Accordingly, A & S Company Limited is deemed to be interested in the shares owned by CM Investment Company Limited.

Save as disclosed above, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests in shares" above, had registered an interest in the issued share capital of the Company that was required to be recorded pursuant to Section 16(1) of the SDI Ordinance.





# Report of the Directors

## PROPOSED CHANGE OF FINANCIAL YEAR END DATE

The directors propose to change the financial year end date of the Company and its subsidiaries incorporated in Hong Kong from 31 March to 31 December. The reason for the proposed change is to standardise the reporting dates of all subsidiaries within the Group. Such change is proposed to be approved and adopted by the shareholders of the Company in the forthcoming annual general meeting.

## CONNECTED TRANSACTIONS

Details of the connected transactions undertaken by the Group during the year are set out in note 33 to the financial statements.

The independent non-executive directors of the Company have reviewed and confirmed that the aforesaid connected transactions entered into by the Group were (i) in the ordinary course of the Group's business either on normal commercial terms, or on terms that are fair and reasonable so far as the shareholders of the Company are concerned; (ii) in accordance with the terms of the relevant agreements governing the transactions; and (iii) within the prescribed limits as set out in the waiver letter in respect of the connected transactions granted by the Stock Exchange.

## CODE OF BEST PRACTICE

In the opinion of the directors, the Company complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules throughout the accounting period covered by the annual report.

## AUDIT COMMITTEE

The Company has an audit committee, which was established in accordance with the requirements of the Code, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises two independent non-executive directors of the Company.





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## USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The net proceeds from the initial public offering of 75,000,000 shares of the Company, which took place in December 2000, amounted to approximately HK\$85.9 million, net of related issue expenses. Out of these proceeds, HK\$18.5 million had been applied in the expansion of the production lines and the acquisition of plant and machinery in year 2000/2001. Out of the remaining balance of approximately 67.4 million, approximately HK\$41.6 million was applied in the acquisition of new business, setting up new plant and the acquisition of plant and machinery during the year.

## AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

**Chu Chun Man, Augustine**

*Chairman*

Hong Kong  
5 July 2002