

Report of the Directors

The directors herein present their report and the audited financial statements of the Company and the Group for the nine months ended 31 December 2002.

CHANGE OF FINANCIAL YEAR END DATE

The Group changed its financial year end date from 31 March to 31 December with effect from 1 April 2002. The current accounting period covers a period of nine months from 1 April 2002 to 31 December 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 period.

RESULTS AND DIVIDENDS

The Group's profit for the nine months ended 31 December 2002 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 19 to 62.

An interim dividend of HK4.5 cents per ordinary share was paid on 26 November 2002.

The directors recommend the payment of a final dividend of HK3.9 cents per ordinary share, amounting to HK\$11,786,000 in aggregate, in respect of the period to shareholders whose names appear on the register of members of the Company on Tuesday, 13 May 2003. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the capital and reserves section of the balance sheets. 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 63 and 64. This summary does not form part of the audited financial statements.

FIXED ASSETS

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

SHARE CAPITAL AND SHARE OPTIONS

There are no movement in the Company's share capital and share options during the period, which are set out in notes 26 and 27 to the financial statements.



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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 period.

RESERVES

Details of movements in the reserves of the Company and the Group during the period are set out in note 28 to the financial statements and in the consolidated summary statement of changes in equity.

DISTRIBUTABLE RESERVES

At 31 December 2002, the Company's contributed surplus and retained profits accounts available for cash distribution and/or distribution in specie amounted to HK\$27,353,000 of which HK\$11,786,000 has been proposed as a final dividend for the period. In accordance with the Bermuda Companies Act 1981 (as amended), the Company's contributed surplus may be distributed in certain circumstances. In addition, 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 period under review, sales to the Group's five largest customers accounted for approximately 61% (year ended 31 March 2002: 62%) of the Group's total turnover for the period and sales to the largest customer included therein amounted to approximately 25% (year ended 31 March 2002: 22%).

Purchases from the Group's five largest suppliers accounted for approximately 25% (year ended 31 March 2002: 37%) of the Group's total purchases for the period and purchases from the largest supplier included therein amounted to approximately 6% (year ended 31 March 2002: 11%).

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 nine months ended 31 December 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% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or five largest suppliers.



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DIRECTORS

The directors of the Company during the period 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.


DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 10 and 11 of the annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors has entered into a service contract with the Company for a term of 3 years commencing on 1 December 2000 which will continue thereafter unless terminated in accordance with the relevant clauses of the service contracts.

Apart from the foregoing, 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 1 year without payment of compensation, other than statutory compensation.



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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 period.

DIRECTORS' INTERESTS IN SHARES

At 31 December 2002, the interests of the directors and their associates in the issued share capital of the Company or 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) Ordinary shares of the Company

	Number of shares held	
	Personal interests	Corporate interests
Executive directors:		
CHU Chun Man, Augustine	8,594,263	200,249,775 [#]
Takanori MATSUURA	11,155,400	200,249,775 [#]
CHU Yuk Man, Simon	2,836,237	– [#]
CHANG Hua Jung	606,793	–
Non-executive director:		
Carl Thomas McMANIS	363,022	–

[#] 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% and approximately 48.83% 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% by Chu Chun Man, Augustine, approximately 21.71% by Chu Yuk Man, Simon and 14.29% 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.



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DIRECTORS' INTERESTS IN SHARES (Continued)

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 of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the period 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 any 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.

SHARE OPTION SCHEME

Due to the adoption during the period of Statement of Standard Accounting Practice No. 34 "Employee benefits", the detailed disclosures relating to the Company's share option scheme have been moved to note 27 to the financial statements.


SUBSTANTIAL SHAREHOLDERS

At 31 December 2002, the following interests of 10% 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% by A & S Company Limited. Accordingly, A & S Company Limited is deemed to be interested in 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.



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CONNECTED TRANSACTIONS

Details of the connected transactions undertaken by the Group during the period 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 letters in respect of connected transactions granted by the Stock Exchange.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 32 to the financial statements.

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 Rules Governing the Listing of Securities on the Stock Exchange, throughout the accounting period covered by the annual report, except that the non-executive directors of the Company are not appointed for specific terms as required by the Code, but are subject to retirement by rotation in accordance with the Company's bye-laws.

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.

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

15 April 2003