



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 December 2003.

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.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2003 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 20 to 70.

An interim dividend of HK4.8 cents per ordinary share was paid on 2 October 2003.

The directors recommend the payment of a final dividend of HK9.5 cents per ordinary share, amounting to HK\$28,709,000 in aggregate, in respect of the year, to shareholders whose names appear on the register of members of the Company on Wednesday, 19 May 2004. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the capital and reserves section of the balance sheet. Further details of this accounting treatment are set out in note 12 to the financial statements.

FIVE YEARS' FINANCIAL SUMMARY

A five years' summary of the published results and assets, liabilities and minority interests of the Group, as extracted from the Company's annual report and the audited financial statements, and restated as appropriate, is set out on pages 71 and 72. 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.

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 notes 27 and 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.



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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 and in the consolidated summary statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2003, the Company's contributed surplus and retained profits accounts available for cash distribution and/or distribution in specie amounted to HK\$44,232,000 of which HK\$28,709,000 has been proposed as a final dividend for the year. 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.

CHARITABLE CONTRIBUTION

During the year, the Group made charitable contributions totalling HK\$1,148,000.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 56% (nine months ended 31 December 2002: 61%) of the Group's total turnover for the year and sales to the largest customer included therein amounted to approximately 16% (nine months ended 31 December 2002: 25%).

Purchases from the Group's five largest suppliers accounted for approximately 27% (nine months ended 31 December 2002: 25%) of the Group's total purchases for the year and purchases from the largest supplier included therein amounted to approximately 7% (nine months ended 31 December 2002: 6%).

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 December 2003.

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.

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

(resigned on 1 May 2003)

Subsequent to the balance sheet date, on 1 January 2004, Mr. Yasumori Muta resigned as an independent non-executive director of the Company. Also, on 1 January 2004, Mr. Carl Thomas McManis resigned as a non-executive director and was appointed as an independent non-executive director of the Company.

In accordance with clause 86(2) of the Company's bye-laws, Carl Thomas McManis, the newly appointed director of the Company will retire at the Company's forthcoming annual general meeting.

In addition, in accordance with article 87 of the Company's bye-laws, Chu Yuk Man, Simon and Chang Hua Jung will retire by rotation at the forthcoming annual general meeting.

All of the above retiring directors, being eligible, will offer themselves for re-election at the forthcoming 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 9 to 10 of the annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors has entered into a service contract with the Company 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 Company within one 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, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding companies or any of its subsidiaries or fellow subsidiaries was a party during the year.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2003, the interests and short positions of the directors in the share capital of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, 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 (the "Model Code"), were as follows:

(i) Long positions in ordinary shares of the Company:

Name of directors	Number of shares held, capacity and nature of interest			Total	Percentage of the Company's issued share capital
	Directly beneficially owned	Through spouse or minor children	Through controlled corporation#		
Executive directors:					
CHU Chun Man, Augustine	263	1,000,000	181,543,775	182,544,038	60.41%
Takanori MATSUURA	1,155,400	—	—	1,155,400	0.38%
CHU Yuk Man, Simon	636,237	—	—	636,237	0.21%
CHANG Hua Jung	456,793	—	—	456,793	0.15%
	2,248,693	1,000,000	181,543,775	184,792,468	

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (continued)

(ii) Long positions in ordinary and non-voting deferred shares of associated corporations:

Name of director	Name of associated corporation	Relationship with the Company	Shares/equity derivatives	Numbers of shares/equity derivatives held	Capacity and nature of interest	Percentage of the associated corporation's issued non-voting deferred share capital
CHU Chun Man, Augustine	Sino Golf Manufacturing Company Limited	Company's subsidiary	Non-voting deferred shares	1,190,607	Directly beneficially owned	30.98%
Takanori MATSUURA	Sino Golf Manufacturing Company Limited	Company's subsidiary	Non-voting deferred shares	1,841,323	Directly beneficially owned	47.92%
CHU Yuk Man, Simon	Sino Golf Manufacturing Company Limited	Company's subsidiary	Non-voting deferred shares	414,297	Directly beneficially owned	10.78%
CHANG Hua Jung	Sino Golf Manufacturing Company Limited	Company's subsidiary	Non-voting deferred shares	3,600	Directly beneficially owned	0.09%
Carl Thomas McMANIS	Sino Golf Manufacturing Company Limited	Company's subsidiary	Non-voting deferred shares	6,200	Directly beneficially owned	0.16%

The shares of the Company are held by CM Investment Company Limited, a company incorporated in the British Virgin Islands, of which, approximately 67.47% of its issued share capital are owned by A & S Company Limited, approximately 26.32% of its issued share capital are owned by Takanori Matsuura, approximately 4.18% of its issued share capital are owned by Chu Chun Man, Augustine and approximately 1.21% of its issued share capital are owned by Chu Yuk Man, Simon. 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 181,543,775 shares of the Company therefore duplicate each other.



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DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (continued)

The interests of the directors in the share options of the Company are separately disclosed in note 28 to the financial statements.

In addition to the above, a director has non-beneficial personal equity interests in a subsidiary of the Company 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 had registered an interest or short position in the shares or underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed in the share option scheme disclosures in note 28 to the financial statements, 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 minor children, or were any such rights exercised by them; or was the Company, its holding companies, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

Concerning the share options granted during the year to the directors and others, as detailed in note 28, the directors do not consider it appropriate to disclose a theoretical value of the options granted, because the directors are of the view that the theoretical value of the share options generally depends on a number of variables which are either difficult to ascertain or can only be ascertained subject to a number of theoretical basis and speculative assumptions. Accordingly, the directors believe that any calculation of the value of options will not be meaningful and may be misleading to shareholders in these circumstances.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 December 2003, the following interests of 5% or more of the issued share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name	Note	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital	Number of share options held
CM Investment Company Limited		Directly beneficially owned	181,543,775	60.07	—
A & S Company Limited	(a)	Through a controlled corporation	181,543,775	60.07	—

Note:

- (a) The interests disclosed include the shares owned by CM Investment Company Limited. CM Investment Company Limited is held directly as to 67.47% 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 and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

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 letters in respect of connected transactions granted by the Stock Exchange.



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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 of Hong Kong Limited, 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 paragraph 7 of 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
21 April 2004