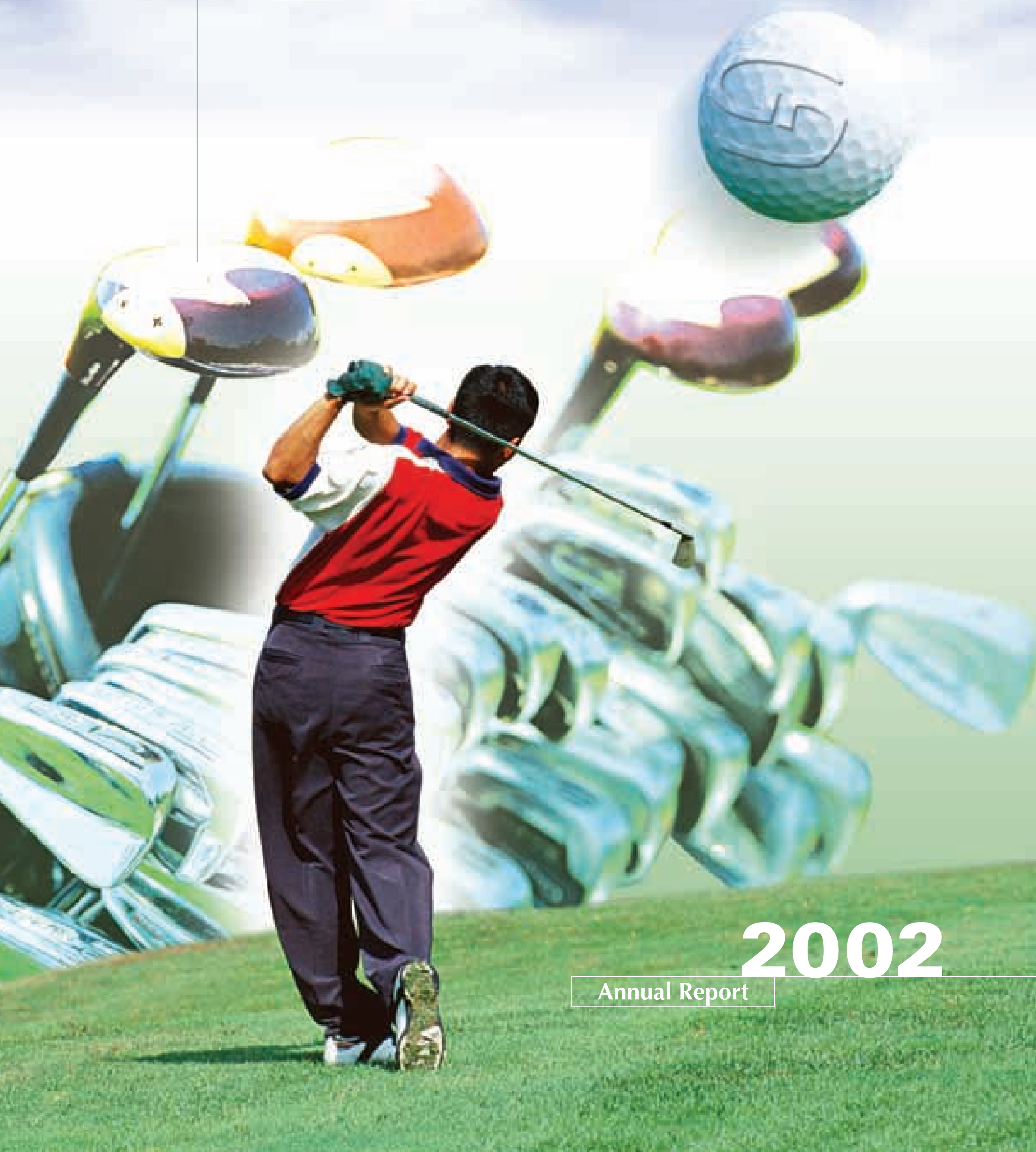
順龍控股有限公司

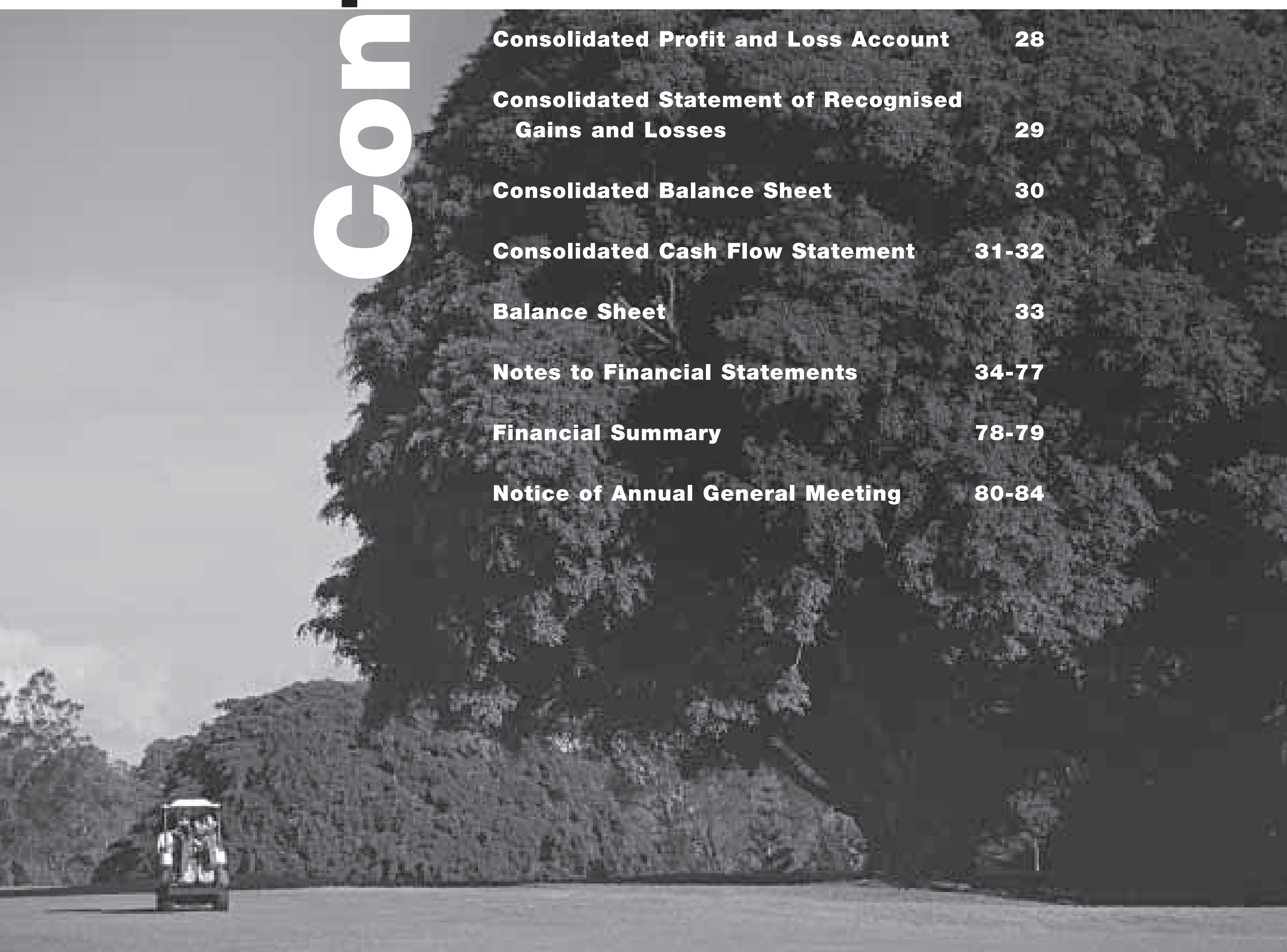
Sino Golf Holdings Limited

(Incorporated in Bermuda with limited liability)



2002 Annual Report

Contents



Corporate Information

EXECUTIVE DIRECTORS

Chu Chun Man, Augustine (Chairman)
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

COMPANY SECRETARY

Choi Ying, Kammy

AUDITORS

Ernst & Young
15th Floor, Hutchison House
10 Harcourt Road
Central
Hong Kong

PRINCIPAL BANKERS

Standard Chartered Bank
The Hong Kong and Shanghai Banking Corporation
DBS Kwong On Bank

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Corporate Services Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

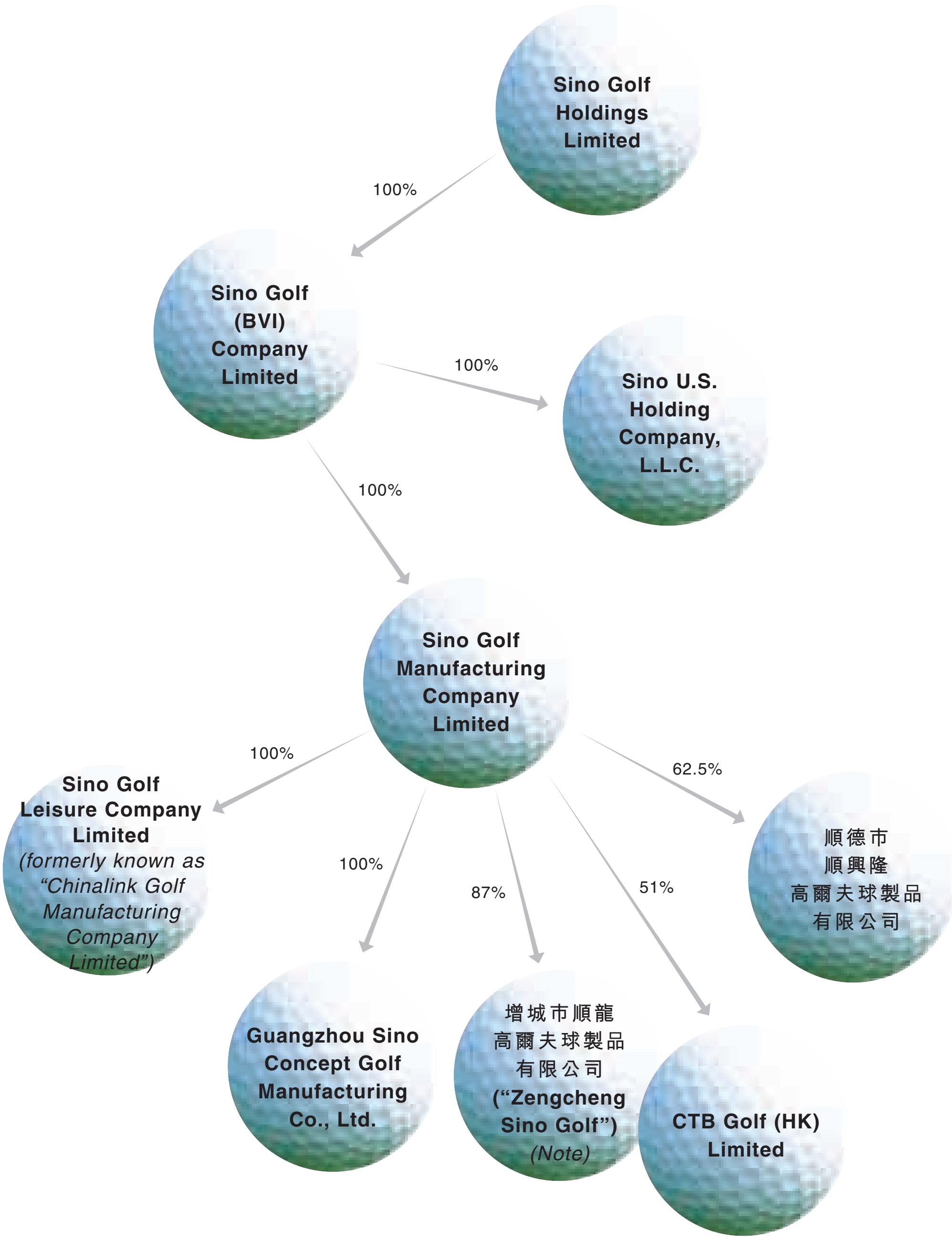
HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tengis Limited
4th Floor, Hutchison House
10 Harcourt Road
Central, Hong Kong

PRINCIPAL PLACE OF BUSINESS

19th Floor, Delta House
3 On Yiu Street
Shatin
New Territories
Hong Kong

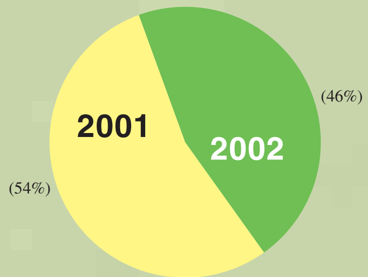
Corporate Structure



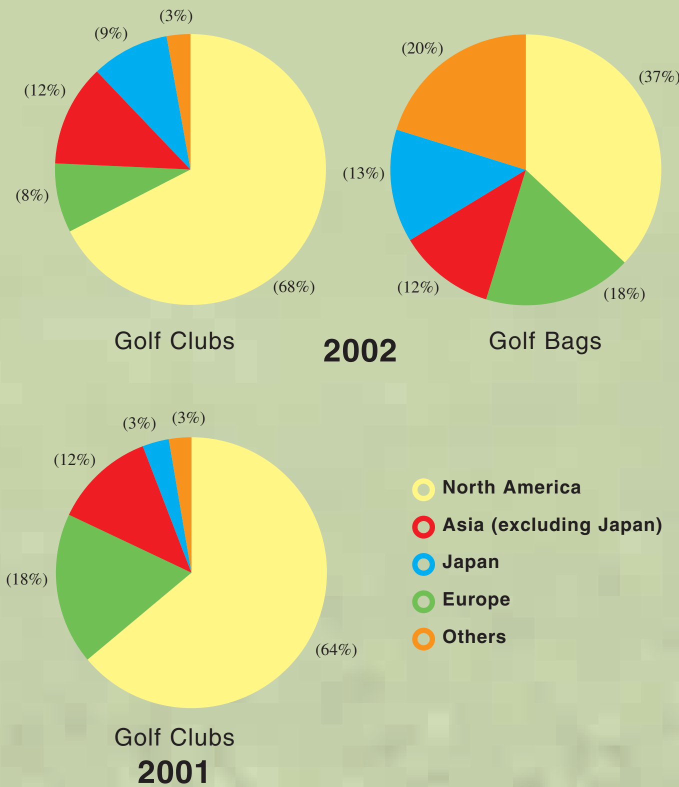
Note: The Group and an independent third party have contributed 87 per cent and 13 per cent, respectively, of the registered capital of Zengcheng Sino Golf. According to the supplemental agreements dated 25 August 2000 and 1 September 2000, the Group is entitled to all the rights of profits, responsible for the losses, and entitled to all the rights of the management and control of Zengcheng Sino Golf.

Financial Highlights

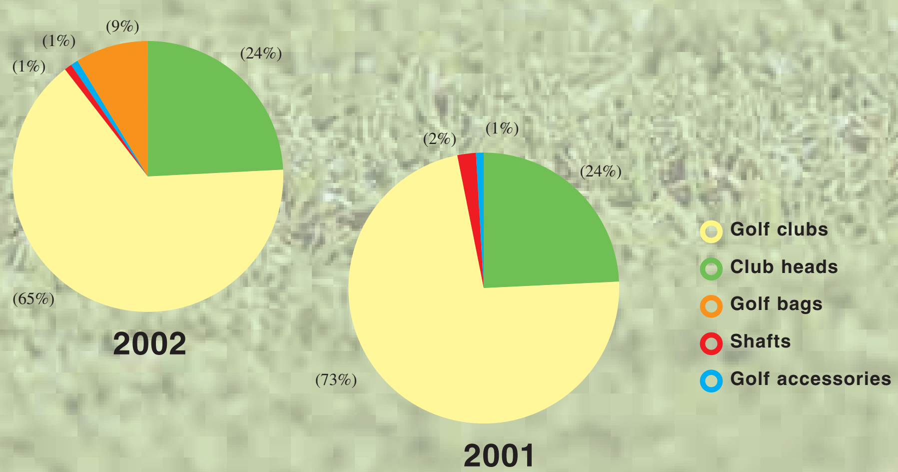
Turnover



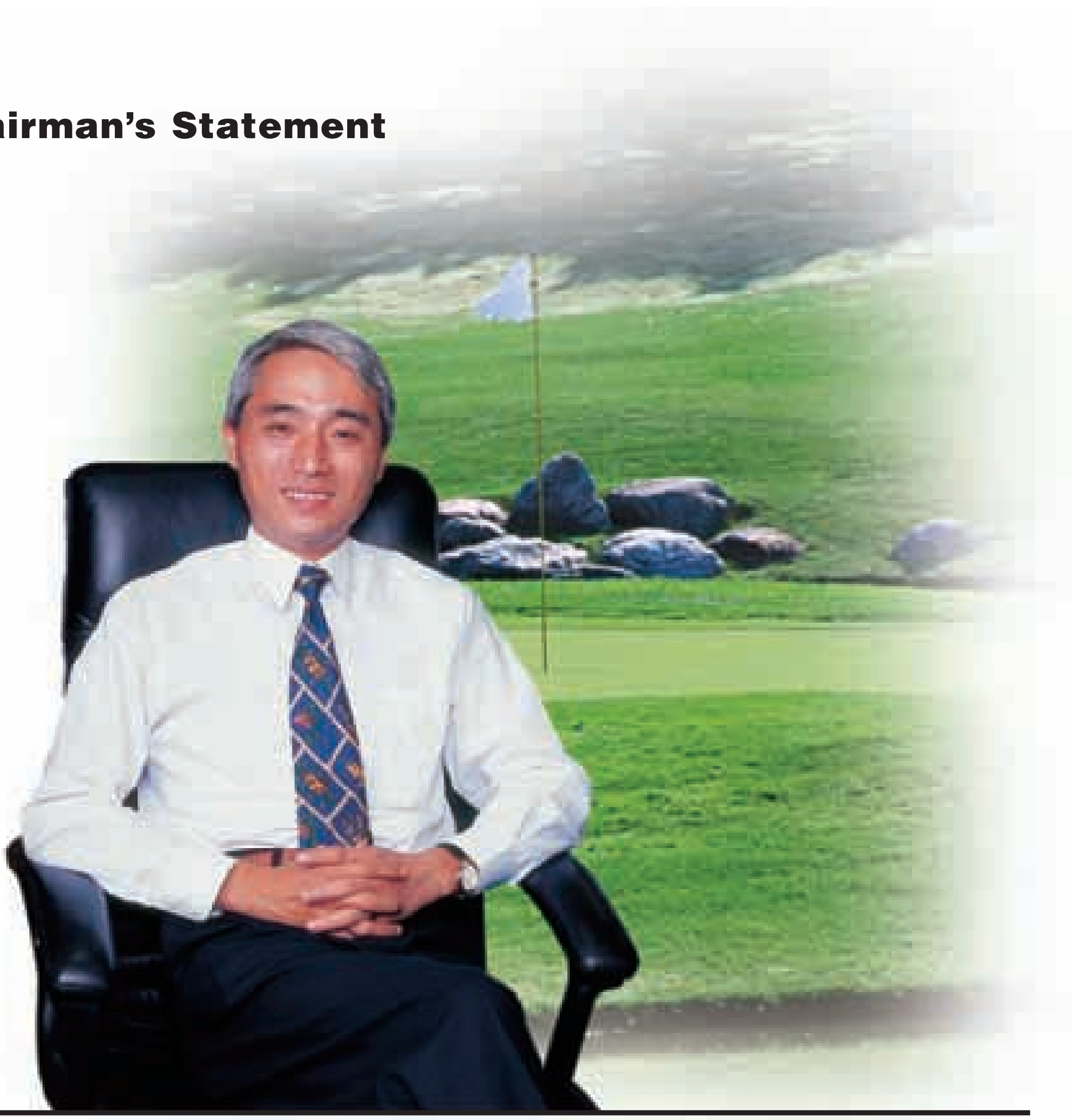
Turnover by geographical area



Turnover by product



Chairman's Statement



On behalf of the Board of Directors of Sino Golf Holdings Limited (the "Company") and its subsidiaries (collectively the "Group"), I am pleased to present the results of the Group for the year ended 31 March 2002.

RESULTS AND DIVIDEND

Total turnover and net profit from ordinary activities attributable to shareholders of the Group for the year ended 31 March 2002 amounted to HK$252,492,000 and HK$30,447,000, respectively. Earnings per share was HK10.10 cents.

The directors recommend a final dividend of HK10 cents per share, which is subject to the approval by shareholders at the forthcoming annual general meeting.

Chairman's Statement

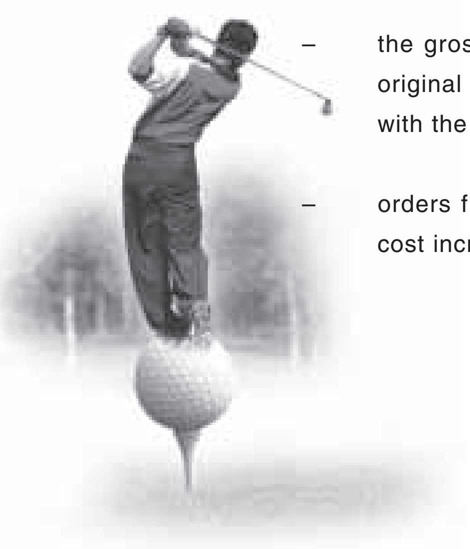
BUSINESS REVIEW

Business Climate for the Year

In 2001, global economy was slowdown subsequent to sluggish economy previously occurred in North America and substantial influence over most regions worldwide. The September 11 Tragedy further dampened the sluggish economy. Depressed market and lower consumers' confidence resulted in decline in the consumers' desire and importers adopted cautious inventory policy to decrease the inventory level which would otherwise remain and delayed or reduced their purchases. As a manufacturer of consumer products of golf equipment and accessories, the Group's business was inevitably impacted and recorded unprecedented slowdown and results was declined. The market has improved with obvious recovery and the conditions are encouraging since early in 2002. Combined with the business climate in the whole year, the period from April to December in 2001 was extremely difficult for the Group. Although the business in the first three months in 2002 has improved satisfactorily, it cannot cover the results lost in the previous year. Overall, the business climate in this year is still considerably difficult.

Operations During the Year

The total sales was HK$252,492,000 for the year, representing a decrease of 16 per cent over that of last fiscal year, among which HK$230,522,000 generated from the sales of golf club and its accessories, representing a decrease of 23 per cent over that of last year, while the remainder came from the sales of golf bags, a new business acquired by the Group during the year. The Group's overall net profit attributable to shareholders decreased by 53 per cent to HK$30,447,000. After deduction of the profit contributed by the business of golf bags, the profit from golf clubs and accessories was HK$29,350,000, representing a decrease of 55 per cent over that of last year. The Group's sales mainly focused on golf clubs and accessories during the year as the new business of golf bags is still in its infancy despite that it operated satisfactorily. More substantial decline in net profit attributable to shareholders than in sales was attributable to:



– the gross margin in the new business of golf bags was lower than that of the Group's original major business and the Group's gross margin was diluted after being combined with the sales in such business;

– orders from major business of golf clubs and other accessories decreased and caused cost increase and slight decline in gross margin; and

– the Group made substantial investments to meet the requirement of long term development during the year and hence the operation cost increased.

The Group maintains a strong financial position and conforms to the steady target level which we have been aiming at although the total sales and net profit from ordinary activities attributable to shareholders decreased.

FUTURE DEVELOPMENT STRATEGY AND PROSPECTS

New additional investments and expansion of production capability

Although the operating circumstance in 2001 was very hard, we still believe such situation is only temporary. As the competition from manufacturers which principally engage in the manufacture of golf clubs and other accessories in the U.S.A. and other regions has been impaired substantially, and the demands of brand-name manufacturers for the Group's products will be increased relatively due to their continuing outsourcing production for the press from the market price, we consider no need to change our former development plans for the temporary decline of business in last year. We had made appropriate investments according to the set direction to meet the continuing development requirements of the Group, among which included:

– In October 2001, the Group acquired the golf bag business from an independent third party to continuously extend the scope of one-stop procurement service provided by the Group. The consideration paid by the Group for such acquisition is HK$10,200,000 which accounted for 51 per cent equity interests of the new company.

– In October 2001, the Group established a Sino-foreign joint venture with an independent third party in the PRC, which principally engages in the manufacture of forged titanium alloy and molded zinc-aluminum alloy golf heads. The total investment was HK$6,684,000, representing 62.5 per cent equity interests of the joint venture. This investment brought about a further vertical integration for the Group's overall production so that reduced the overall cost of production.

– In October 2001, the Group completed the expansion of the research and development building and set up the most perfect testing center in the golf field for golf clubs, with total investment over HK$4 million. Those investments greatly enhance the capabilities to develop new products and strengthen the customers' confidence to the Group.

– Save as the aforesaid, the Group expanded the existing production lines in two manufacturing plants to 8,000 sq.m. with investment amounted to be more than HK$6 million so as to take back most work of outsourcing production to do by ourselves to control the delivery time and production cost more effectively.

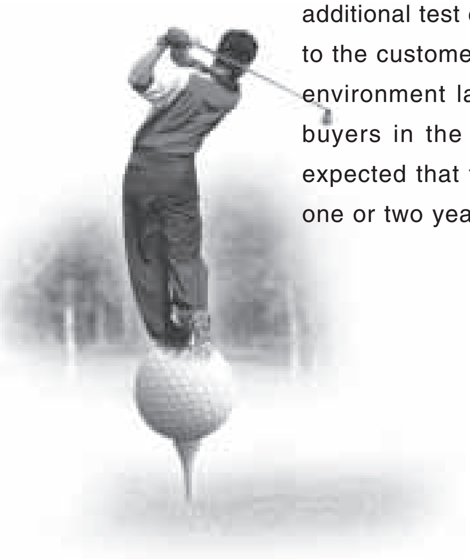
Growth Momentum and Business Direction

It is the primary task of management to improve and maintain the excellent profitability continuously. Given the prudent financial policy, we will timely sustain the proper development, and the Group's competitive advantages derived from the continuing vertical integration will be the principal momentum, to bring the benefits to shareholders in the long run.

Among the abovementioned investments, the development of golf bag business is desirable; therefore, the Group operated an additional golf bag assembly production line and the logistics business of related products in the US in June this year. As the American assembly production line and the related logistics business gradually develop into a mature stage, the sales volume is expected to increase in the future. Meanwhile, those products and related services provide more opportunities for the Group's exposure to the market, which is of direct help to the operations of the Group's principal products – golf club and its accessories.

In addition, the newly established Sino-foreign joint ventures greatly enhance the Group's confidence in manufacturing and forging of titanium alloy club heads, which have much higher manufacturing requirements and product prices than those made of other materials such as stainless steel and zinc alloy. The mastery of the total production process from raw materials to finished products is of great importance. Since early this year the orders with the Group for those products are increasing, those products are expected to be one of its main impetuses for the Group's business.

The extended construction of the research and development building, the establishment of an additional test center and the further improvement of production equipment give great confidence to the customers in the production capabilities and product quality. Despite the adverse market environment last year, the Group still successfully secured some famous strong brands and buyers in the industry, including CLEVELAND GOLF and ADAMS GOLF, as a result, it is expected that those new customers will contribute more to the Group's revenue in the coming one or two years and become the principal momentum for the growth of the Group's business.



The expansion of existing plants will not only improve the production conditions of the Group, but also further achieve the vertical integration, which will result in lower overall production costs. Alongside this, the market recovery and the increase in output will enable the marginal profits of the products to increase. We believe that the correct development tendency of the Group and the synergy action resulted from the vertical integration will be the principal momentum for the increase in earnings in the foreseeable future.

We will continuously seek the stable and healthy development as usual. Currently, our tasks focus on further enhancement of the Group's manufacturing technology and corporate image to secure more famous brand customers, and continued acceleration of vertical integration producing more effective synergy action, so as to lay a solid foundation for the Group's sales and profitability. In addition, the Group will keep a strict watch over the development of the golf market, and, in particular, explore new opportunities in the PRC and Hong Kong.

Prospects

Despite the durability of recovery to the global economy has not been verified by economists, however, considering the optimistic evidences to the circumstances up to now, the Group believes that the sales of the Group for the next year shall achieve an ideal increase according to the existing orders and the purchasing plans for the next year provided by the customers, and envision that it is not applicable to make an imprudent judge on the estimation of the turnover for the year because of the changing markets all the time.

With the continuous outsourcing of manufacturing business by the famous brands, which resulted from the pressure of increasing competitions, the demand to the Group's products will continuously increase in the next three or four years, and the circumstances will continue until the completion of outsourcing of most products.

Golf activities at present develop rapidly both in China and Hong Kong, in the near future, a large scale market will be formed as those of the United States and Japan, and provide infinite business opportunities. The Group is now keeping a close eye on the development of the golf market in these two regions, and searching the new business opportunities therefrom.

As a whole, despite the adverse market conditions experienced last year, we are still optimistic to the prospects of the Group's business and to a large space for development. With the recovery and continuous development of golf market, the Group shall get the satisfactory performance on profit in the future.

Chairman's Statement

Acknowledgement

On behalf of the Board of Directors, I would like to express my sincere appreciation to the Group's customers throughout the world for their trust and support on the products of the Group, and take this opportunity, I would also like to thank our shareholders and staff for their continuous support and strenuous work. We will continue to do our best and work hard endlessly for the Group's further development as well as the past.

Chu Chun Man, Augustine
Chairman

Hong Kong
5 July 2002

Management Discussion and Analysis

This statement provides supplementary information to the Chairman's Statement.

FINANCIAL RESULTS

During the year under review, the Group's audited consolidated turnover for the year ended 31 March 2002 amounted to HK$252,492,000 (2001: HK$300,215,000). Net profit from ordinary activities attributable to shareholders for the year was HK$30,447,000 (2001: HK$65,266,000 as restated).

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cashflow and banking facilities provided by its principal bankers and other financial institutions in Hong Kong. As at 31 March 2002, the Group maintained a cash and bank deposit of HK$84.6 million (2001: HK$69.8 million).

The Group currently has aggregate composite banking facilities of approximately HK$224.7 million with various banks and financial institutions. The total borrowings from banks and financial institutions include long term loans, finance leases, overdraft, import and export loans, amounted to approximately HK$85.4 million as at 31 March 2002, of which HK$70 million is repayable in 2002.

During the year under review, the Group maintains a strong financial position. As at 31 March 2002, the total shareholders' equity of the Group was approximately HK$183.2 million. The Group's current ratio and the quick ratio were 1.77 (2001: 1.95 as restated) and 1.28 (2001: 1.58 as restated) respectively. In addition, the Group has generated a net cash inflow from its operations of more than HK$43.9 million.

The Group's gearing ratio at 31 March 2002, defined as the net borrowings of approximately HK$85.4 million divided by total shareholder's equity of approximately HK$183.2 million, was 46.6 per cent (2001: 31.3 per cent as restated).

The Group continue to conduct most of its business in the United States dollars, Hong Kong dollars or Renminbi. That, together with the policy of keeping the majority of our assets also in these currencies, ensures that our exposure to exchange rate fluctuation is minimal.

Management Discussion and Analysis

CHARGE ON THE GROUP'S ASSETS

The Group's bank borrowings are secured by certain of the Group's leasehold land and buildings and plant and machinery with an aggregate net book value as at 31 March 2002 of HK$24.3 million.

CONTINGENT LIABILITIES

Details of contingent liabilities are set out in note 31 to the financial statements.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2002, the Group employed approximately 2,300 staff in Hong Kong and in the PRC production facilities. Employees are remunerated based on their work performance, professional experiences, and prevailing industry practices. Their remuneration is reviewed annually and a discretionary bonus is offered based on the performance of the individual employee.

In addition to the basic salary scheme, other employee benefits include medical insurance scheme, provident fund scheme, as well as a share option scheme.

Biographical Details of Directors and Management

EXECUTIVE DIRECTORS

CHU Chun Man, Augustine ("Augustine Chu"), aged 45, is the chairman and one of the founders of the Group and is responsible for the strategic planning, corporate policy and overall management and marketing aspect of the Group. Augustine Chu holds a bachelor degree in commerce from the University of Calgary, Alberta, Canada. He has over 18 years of experience in golf equipment manufacturing industry. Prior to establishing the Group, Augustine Chu was a senior management of a Taiwanese golf equipment manufacturer for about 3 years.

Takanori MATSUURA ("Matsuura"), aged 66, is one of the founders of the Group and has over 35 years of experience in the golf equipment manufacturing industry. Matsuura is responsible for the strategic and business development of the Group, particularly in the Japanese market. He graduated with a bachelor degree in commerce from Chu-o University and a master degree in economics from Takushoku University and Chu-o in Japan. In addition, Matsuura is a member of The Institute of Internal Auditors.

CHU Yuk Man, Simon ("Simon Chu"), aged 46, is the brother of Augustine Chu. He has over 4 years of experience in the golf equipment manufacturing industry. Simon Chu is responsible for the sales and marketing functions as well as the customer relation functions of the Group. Simon Chu graduated with a bachelor degree in science in the Leland Stanford Junior University in the United States and a master degree in business administration from the Chinese University of Hong Kong. Prior to joining the Group in November 1997, Simon Chu held a Asia Pacific director position with an international firm which is listed in NASDAQ in the United States.

CHANG Hua Jung, aged 40, graduated from an industrial institution in Taiwan. Mr. Chang has over 19 years experience in the golf equipment manufacturing industry. He joined the Group in August 1988 and is responsible for the production and the research and development functions of the Group.

NON-EXECUTIVE DIRECTOR

Carl Thomas McMANIS, aged 75, is one of the consultants of the Group and is responsible for the customer relation functions in the United States market as well as the product development of the Group. Mr. McManis has over 36 years of experience in the golf industry in the United States. He has become an international sports consultant for many major golf companies in the United States since 1981. Mr. McManis graduated with a bachelor degree in science from Nebraska State Teachers College and he joined the Group in December 1996.

Biographical Details of Directors and Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Yasumori MUTA, aged 59, has over 26 years of experience in the golf industry in Japan. He was the president of Daiwa Golf Company Limited which is one of the largest five golf companies in Japan. Mr. Muta also has experience in the golf course design. He graduated with a bachelor degree in management engineering from Kogakuin University. Mr. Muta joined the Group on 1 December, 2000.

CHOY Tak Ho, aged 73, has over 39 years of experience in trading business in Hong Kong. He is the chairman of Union International (HK) Company Limited. Mr. Choy is the charter president of Hong Kong Kwun Tong Industries and Commerce Association Limited and the executive committee member of the Chinese Manufacturers' Association of Hong Kong.

ZHU Wan Li, aged 66, has over 38 years of experience in banking and finance in the PRC. Mr. Zhu was appointed as the president of People' Bank of China, Guangdong branch, and the Director General of 國家外滙管理局 Guangdong branch. He was also appointed as the director of 廣東證券股份有限公司. Mr. Zhu is at present a vice president of 廣東省高爾夫球協會.

SENIOR MANAGEMENT

CHOI Ying, Kammy, aged 33, is the financial controller of the Group and responsible for the overall financial planning and management of the Group. Ms. Choi joined the Group in December 1998. Prior to joining the Group, Ms. Choi has worked in an international accounting firm for over five years. Ms. Choi graduated with a bachelor degree in business administration from the University of Baptist. In addition, she is a member of the Association of Chartered Certified Accountants, the United Kingdom and an associate member of the Hong Kong Society of Accountants.

HE Xin Hong, aged 38, is the general manager of the Group's production section. He joined the Group in December 1990 and is currently in charge of the overall production of the Group. Mr. He has more than 11 years of experience in the golf manufacturing industry.

XIE Zi Peng, aged 34, is the internal audit manager of the Group. Mr. Xie graduated with a master degree in international economics from Zhongshan University. He is a member of the Institute of Internal Auditors. He joined the Group in April 2000 and is currently in charge of the overall internal audit of the Group.

Biographical Details of Directors and Management

LEE May Yee, aged 32, is the senior marketing manager of the Group. Ms. Lee has over 9 years of experience in the golf equipment manufacturing industry. She graduated with a bachelor degree in business administration from the University of Baptist. She joined the Group in December 1992 and is currently in charge of the marketing functions of the Group.

CHEN Yang Cheng, aged 44, is the manager of the Group's product development section. He joined the group in November 1993 and is currently in charge of overall production research and development of the Group. Mr. Chen has over 17 years of experience in the golf manufacturing industry.

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.

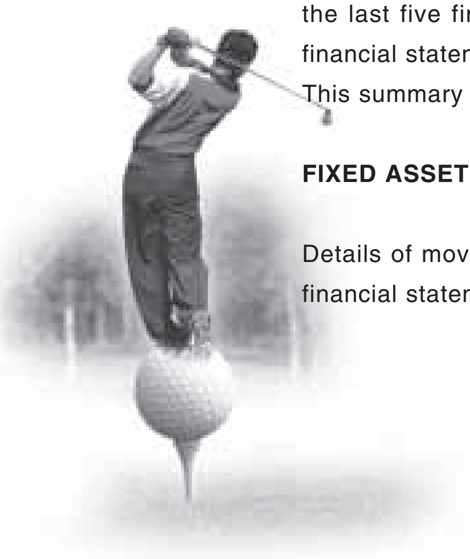
The directors recommend the payment of a final dividend of HK10 cents per ordinary share, amounting to HK$30,220,000 in aggregate, in respect of the year to shareholders whose names appear on the register of members of the Company on Wednesday, 31 July 2002. This recommendation has been incorporated 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.



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).

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:

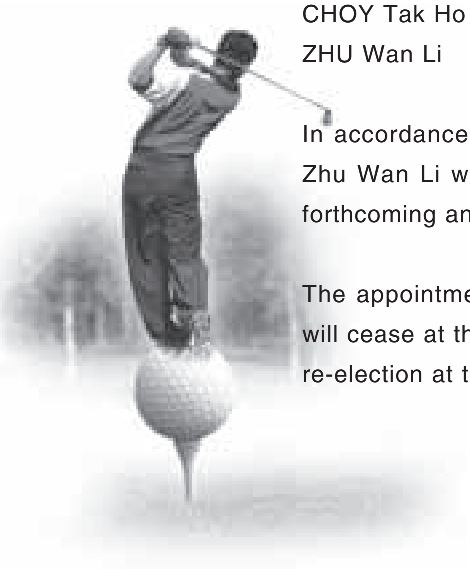
CHU Chun Man, Augustine
Takanori MATSUURA
CHU Yuk Man, Simon
CHANG Hua Jung

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.

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**
Executive directors:		
CHU Chun Man, Augustine	11,350,220	200,249,775#
Takanori MATSUURA	11,155,400	200,249,775#
CHU Yuk Man, Simon	2,836,237	–#
CHANG Hua Jung	710,793	–
Non-executive director:		
Carl Thomas McMANIS	363,022	–

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

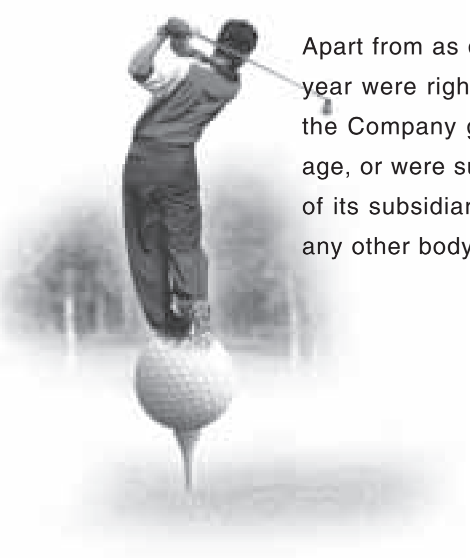
3,456,027 non-voting deferred shares in Sino Golf Manufacturing Company Limited, an indirectly held wholly-owned subsidiary of the Company, are owned as to 1,190,607 shares by Chu Chun Man, Augustine, as to 1,841,323 shares by Takanori Matsuura, as to 414,297 shares by Chu Yuk Man, Simon, as to 3,600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



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.

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
Executive directors:	
CHU Chun Man, Augustine	550,000
Takanori MATSUURA	300,000
CHU Yuk Man, Simon	500,000
CHANG Hua Jung	400,000
	1,750,000
Employees in aggregate	450,000
	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.

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 *(Note)*	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.

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

Report of the Auditors

ERNST & YOUNG
安 永 會 計 師 事 務 所

To the members
SINO GOLF HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 28 to 77 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Report of the Auditors

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2002 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

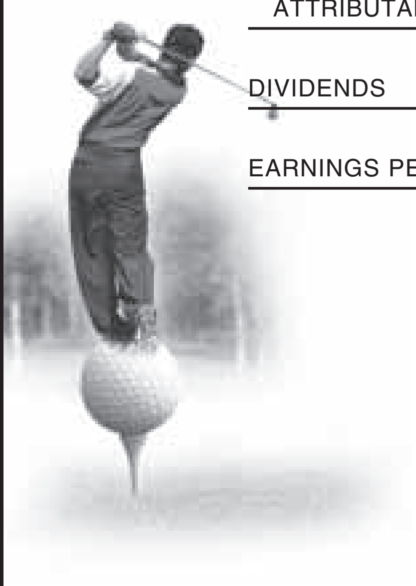
Ernst & Young
Certified Public Accountants

Hong Kong
5 July 2002

Consolidated Profit and Loss Account

Year ended 31 March 2002

	Notes	2002 HK$'000	2001 HK$'000 (Restated)
TURNOVER	5	**252,492**	300,215
Cost of sales		**(177,194)**	(191,402)
Gross profit		**75,298**	108,813
Other revenue, net		**6,293**	4,509
Selling and distribution costs		**(11,361)**	(8,652)
Administrative expenses		**(16,890)**	(13,962)
Other operating expenses, net		**(11,213)**	(9,309)
PROFIT FROM OPERATING ACTIVITIES	6	**42,127**	81,399
Finance costs	7	**(7,121)**	(9,876)
PROFIT BEFORE TAX		**35,006**	71,523
Tax	10	**(3,219)**	(6,257)
PROFIT BEFORE MINORITY INTERESTS		**31,787**	65,266
Minority interests		**(1,340)**	–
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	11	**30,447**	65,266
DIVIDENDS	12	**30,374**	47,500
EARNINGS PER SHARE – Basic	13	**10.10 cents**	26.49 cents



Consolidated Statement of Recognised Gains and Losses

Year ended 31 March 2002

	Note	2002 HK$'000	2001 HK$'000 (Restated)
Exchange differences on translation of the financial statements of subsidiaries denominated in foreign currencies	29	**(129)**	139
Surplus on revaluation of land and buildings	29	**–**	27,319
Net gains/(losses) not recognised in the profit and loss account		**(129)**	27,458
Net profit for the year attributable to shareholders:			
– current year/prior year (as previously reported)		**30,447**	65,713
– effect of retrospective changes in accounting policy		**–**	(447)
		30,447	65,266
Total recognised gains and losses		**30,318**	92,724
Note on effect of prior year adjustment:			
Total recognised gains and losses related to current year as stated above		**30,318**	
Prior year adjustment, arising from the changes in accounting policy as summarised in note 2 to the financial statements, given effect as to restatements of reserves for the year ended 31 March 2001		**(447)**	
Total recognised gains and losses since the last audited financial statements		**29,871**	

Consolidated Balance Sheet

31 March 2002

	Notes	**2002** **HK$'000**	2001 *HK$'000* (Restated)
NON-CURRENT ASSETS			
Fixed assets	*14*	**103,942**	85,729
Goodwill	*15*	**7,672**	3,336
		111,614	89,065
CURRENT ASSETS			
Inventories	*17*	**62,769**	33,708
Trade and bills receivable	*18*	**40,390**	58,169
Deposits, prepayments and other receivables	*19*	**37,554**	13,080
Tax receivable		**1,334**	–
Pledged time deposits	*20*	**–**	5,800
Cash and cash equivalents	*21*	**84,590**	63,973
		226,637	174,730
CURRENT LIABILITIES			
Trade and bills payable	*22*	**36,320**	22,896
Tax payable		**–**	3,047
Other payables and accruals	*23*	**21,374**	9,386
Bank borrowings	*25*	**68,901**	52,131
Finance lease and hire purchase contract payables	*26*	**1,223**	1,953
		127,818	89,413
NET CURRENT ASSETS		**98,819**	85,317
TOTAL ASSETS LESS CURRENT LIABILITIES		**210,433**	174,382
NON-CURRENT LIABILITIES			
Bank borrowings	*25*	**14,500**	–
Finance lease and hire purchase contract payables	*26*	**788**	–
Deferred tax	*27*	**1,695**	1,695
		16,983	1,695
MINORITY INTERESTS		**10,235**	–
		183,215	172,687
CAPITAL AND RESERVES			
Issued capital	*28*	**30,220**	30,000
Reserves	*29*	**122,775**	121,687
Proposed final dividend	*12*	**30,220**	21,000
		183,215	172,687

Chu Chun Man, Augustine
Director

Chu Yuk Man, Simon
Director

Consolidated Cash Flow Statement

Year ended 31 March 2002

	Notes	2002 HK$'000	2001 HK$'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	30(a)	**43,924**	50,926
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		**766**	1,482
Interest paid		**(5,435)**	(7,706)
Interest element of finance lease and hire purchase contract rental payments		**(189)**	(265)
Dividends paid		**(21,154)**	(1,246)
Net cash outflow from returns on investments and servicing of finance		**(26,012)**	(7,735)
TAX			
Hong Kong profits tax paid		**(7,477)**	(4,477)
PRC corporate income tax paid		**(123)**	(48)
Total taxes paid		**(7,600)**	(4,525)
INVESTING ACTIVITIES			
Purchases of fixed assets		**(18,224)**	(14,687)
Proceeds from disposal of fixed assets		**686**	2
Advances to related companies, net		**–**	(25,361)
Acquisition of additional equity interest in a subsidiary		**(500)**	(9,102)
Acquisition of a subsidiary	30(c)	**(7,650)**	(426)
Decrease in pledged time deposits		**5,800**	5,000
Net cash outflow from investing activities		**(19,888)**	(44,574)
NET CASH OUTFLOW BEFORE FINANCING ACTIVITIES		**(9,576)**	(5,908)
FINANCING ACTIVITIES	30(b)		
Proceeds from issue of share capital, net		**1,364**	85,926
New bank loans		**36,215**	35,130
Repayment of bank loans		**(15,888)**	(44,745)
Net increase/(decrease) in trust receipt loans and packing loans		**5,368**	(4,353)
Repayment of other loans		**–**	(3,370)
Capital element of finance lease and hire purchase contract rental payments		**(2,441)**	(2,452)
Net cash inflow from financing activities		**24,618**	66,136
INCREASE IN CASH AND CASH EQUIVALENTS		**15,042**	60,228

Consolidated Cash Flow Statement

Year ended 31 March 2002

	2002	2001
	HK$'000	*HK$'000*
INCREASE IN CASH AND CASH EQUIVALENTS	**15,042**	60,228
Cash and cash equivalents at beginning of year	**63,955**	3,693
Effect of foreign exchange rate changes, net	**–**	34
CASH AND CASH EQUIVALENTS AT END OF YEAR	**78,997**	63,955
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**84,590**	53,947
Time deposits	**–**	15,826
	84,590	69,773
Less: Pledged time deposits	**–**	(5,800)
	84,590	63,973
Bank overdrafts	**(5,593)**	(18)
	78,997	63,955

Balance Sheet

31 March 2002

	Notes	2002 HK$'000	2001 HK$'000 (Restated)
NON-CURRENT ASSETS			
Interests in subsidiaries	16	**133,196**	99,965
CURRENT ASSETS			
Deposits, prepayments and other receivables	19	**186**	162
Cash and cash equivalents	21	**84**	1,812
		270	1,974
CURRENT LIABILITIES			
Other payables and accruals	23	**62**	31
NET CURRENT ASSETS		**208**	1,943
		133,404	101,908
CAPITAL AND RESERVES			
Issued capital	28	**30,220**	30,000
Reserves	29	**72,964**	50,908
Proposed final dividend	12	**30,220**	21,000
		133,404	101,908

Chu Chun Man, Augustine
Director

Chu Yuk Man, Simon
Director

Notes to Financial Statements

31 March 2002

1. CORPORATE INFORMATION

During the year, the Group was principally engaged in the following activities:

- the manufacturing and trading of golf equipment; and
- the manufacturing and trading of golf bags and other accessories.

In the opinion of the directors, the ultimate holding company is A & S Company Limited, which is incorporated in the British Virgin Islands.

2. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs")

The following recently-issued and revised SSAPs and related Interpretations are effective for the first time for the current year's financial statements:

- SSAP 9 (Revised): "Events after the balance sheet date"
- SSAP 14 (Revised): "Leases"
- SSAP 18 (Revised): "Revenue"
- SSAP 26: "Segment reporting"
- SSAP 28: "Provisions, contingent liabilities and contingent assets"
- SSAP 29: "Intangible assets"
- SSAP 30: "Business combinations"
- SSAP 31: "Impairment of assets"
- SSAP 32: "Consolidated financial statements and accounting for investments in subsidiaries"
- Interpretation 12: "Business combinations – subsequent adjustment of fair values and goodwill initially reported"
- Interpretation 13: "Goodwill – continuing requirements for goodwill and negative goodwill previously eliminated against/credited to reserves"

2. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs") *(Continued)*

These SSAPs prescribed new accounting measurement and disclosure practices. The major effects on the Group's accounting policies and on the amounts disclosed in the financial statements of these SSAPs and Interpretations are summarised as follows:

SSAP 9 (Revised) prescribes which type of events occurring after the balance sheet date require adjustment to the financial statements, and which require disclosure, but no adjustment. Its principal impact on these financial statements is that the proposed final dividend which is not declared and approved until after the balance sheet date, is no longer recognised as a liability at the balance sheet date, but is disclosed as an allocation of retained profits on a separate line within the capital and reserves section of the balance sheet. The prior year/period adjustment arising from the adoption of this revised SSAP is detailed in notes 11 and 12 to the financial statements.

SSAP 14 (Revised) prescribes the basis for lessor and lessee accounting for finance and operating leases, and the required disclosures in respect thereof. Certain amendments have been made to the previous accounting measurement treatments, which may be accounted for retrospectively or prospectively, in accordance with the requirements of the SSAP. The revised SSAP requirements have not had a material effect on the amounts previously recorded in the financial statements, and therefore no prior year adjustment has been required. The disclosure changes under this SSAP have resulted in changes to the detailed information disclosed for finance leases and operating leases, which are further detailed in notes 26 and 32 to the financial statements.

SSAP 18 (Revised) prescribes the recognition of revenue and was revised as a consequence of the revision to SSAP 9 described above. Proposed final dividends from subsidiaries that are declared and approved by the subsidiaries after the balance sheet date are no longer recognised in the Company's own financial statements for the year. The adoption of the SSAP has resulted in a prior year adjustment, further details of which are included in notes 11, 12 and 29 to the financial statements.

SSAP 26 prescribes the principles to be applied for reporting financial information by segment. It requires that management assesses whether the Group's predominant risks or returns are based on business segments or geographical segments and determines one of these bases to be the primary segment information reporting format, with the other as the secondary segment information reporting format. The impact of this SSAP is the inclusion of significant additional segment reporting disclosures which are set out in note 4 to the financial statements.

2. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs") *(Continued)*

SSAP 28 prescribes the recognition criteria and measurement bases to apply to provisions, contingent liabilities and contingent assets, together with the required disclosures in respect thereof. This SSAP has had no major impact on these financial statements.

SSAP 29 prescribes the recognition and measurement criteria for intangible assets, together with the disclosure requirements. The adoption of this SSAP has resulted in no change to the previously adopted accounting treatment for intangible assets and the additional disclosures that it requires have not been significant for these financial statements.

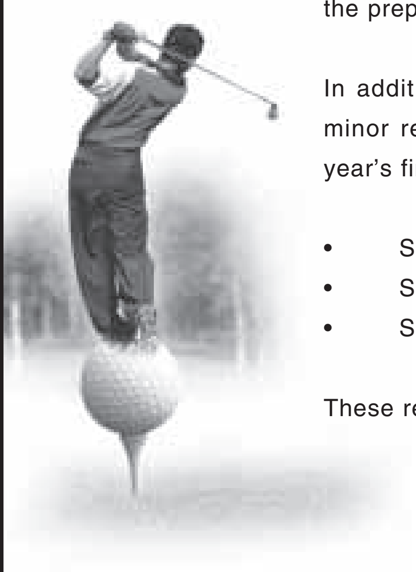
SSAP 30 prescribes the accounting treatment for business combinations, including the determination of the date of acquisition, the method for determining the fair values of the assets and liabilities acquired, and the treatment of goodwill or negative goodwill arising on acquisition. The SSAP requires the disclosure of goodwill in the non-current assets section of the consolidated balance sheet. It requires that goodwill is amortised to the consolidated profit and loss account over its estimated useful life. The adoption of the SSAP has resulted in a prior year adjustment, further details of which are included in note 15 to the financial statements. The required new additional disclosures are included in notes 15 and 29 to the financial statements.

SSAP 31 prescribes the recognition and measurement criteria for impairments of assets. The SSAP is required to be applied prospectively and therefore, has had no effect on amounts previously reported in prior year financial statements.

SSAP 32 prescribes the accounting treatment and disclosures for the preparation and presentation of consolidated financial statements, and has had no significant impact on the preparation of these financial statements.

In addition to the above new and revised SSAPs and related Interpretations, certain minor revisions to the following SSAPs are effective for the first time for the current year's financial statements:

- SSAP 10: "Accounting for investments in associates"
- SSAP 17: "Property, plant and equipment"
- SSAP 21: "Accounting for interests in joint ventures"



These revisions have had no significant impact on these financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong SSAPs, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of certain fixed assets, as further explained below.

Basis of consolidation and presentation

The consolidated financial statements for the year ended 31 March 2002 include the financial statements of the Company and its subsidiaries for the year ended 31 March 2002. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively.

The comparative consolidated financial statements have been prepared on the basis of merger accounting. On this basis, the Company has been treated as the holding company of its subsidiaries acquired for the year ended 31 March 2001, rather than from the date of their acquisition pursuant to a group reorganisation (the "Reorganisation") completed on 5 December 2000 in preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Accordingly, the consolidated results of the Group for the year ended 31 March 2001 include the results of the Company and its subsidiaries with effect from 1 April 2000 or since their respective dates of incorporation/acquisition, where this is a shorter period.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Subsidiaries

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The Company's interests in subsidiaries are stated at cost less any impairment losses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Joint venture companies

A joint venture company is a company set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture company operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture company's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

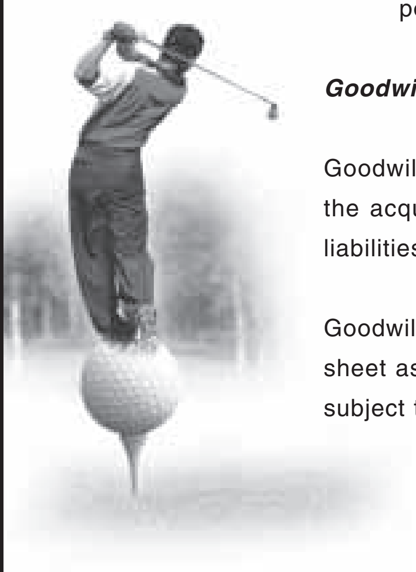
A joint venture company is treated as:

(a) a subsidiary, if the Company has unilateral control over the joint venture company;

(b) a jointly-controlled entity, if the Company does not have unilateral control, but has joint control over the joint venture company;

(c) an associate, if the Company does not have unilateral or joint control, but holds generally not less than 20 per cent of the joint venture company's registered capital and is in a position to exercise significant influence over the joint venture company; or

(d) a long term investment, if the Company holds less than 20 per cent of the joint venture company's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture company.



Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition.

Goodwill arising on acquisition of subsidiaries is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life, subject to a maximum of 20 years.

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

Goodwill *(Continued)*

In prior years, goodwill arising on acquisitions was eliminated against the consolidated retained profits in the year of acquisition. On the adoption of SSAP 30, the goodwill previously eliminated against the consolidated retained profits for all acquisitions has been retrospectively restated as if the new accounting policy above had always been applied. This restatement has given rise to a prior year adjustment, further details of which are included in notes 15 and 29 to the financial statements. Goodwill on subsequent acquisitions is treated according to the new accounting policy above.

On disposal of subsidiaries, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate.

The carrying amount of goodwill is reviewed annually and written down for impairment when it is considered necessary. A previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of assets *(Continued)*

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years.

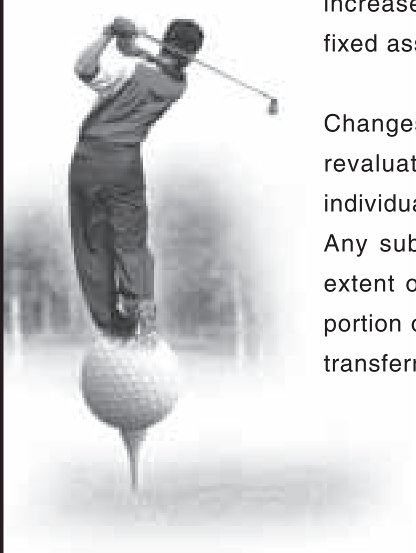
A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Fixed assets and depreciation

Fixed assets, other than construction in progress, are stated at cost or valuation less accumulated depreciation and any impairment losses. For those fixed assets which are stated in the balance sheet at valuation less accumulated depreciation and any impairment losses, revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which be determined using fair values at the balance sheet date.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

Changes in the values of fixed assets are dealt with as movements in the fixed asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged. On disposal of a revalued asset, the relevant portion of the fixed asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.



3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

Fixed assets and depreciation *(Continued)*

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Land and buildings	2% – 5%
Leasehold improvements	20%
Plant and machinery	10% – 20%
Furniture, fixtures and equipment	20%
Motor vehicles	20%

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account, is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress

Construction in progress represents buildings, structures, plant and machinery and other fixed assets under construction or installation and is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction, installation and testing. Construction in progress is reclassified to the appropriate category of fixed assets when completed and ready for use.

Leased assets

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in fixed assets and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the profit and loss account so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

Leased assets *(Continued)*

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under the operating leases are included in non-current assets and rental receivables under the operating leases are credited to the profit and loss account on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

Inventories

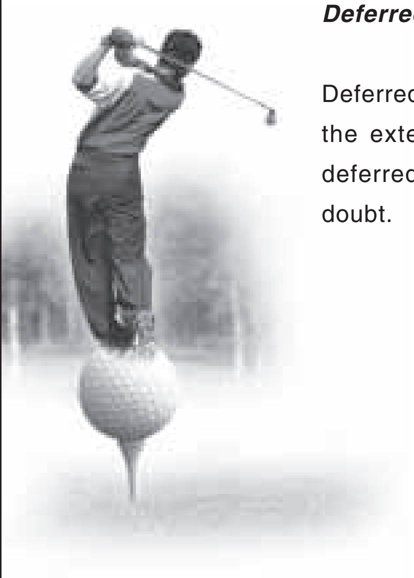
Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash equivalents

For the purpose of the consolidated cash flow statement, cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash without notice and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance. For the purpose of balance sheet classification, cash equivalents represent assets similar in nature to cash, which are not restricted as to use.

Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.



3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable;

(c) rental income, on a time proportion basis over the lease terms; and

(d) other income, on an accrual basis.

Foreign currencies

Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of the subsidiaries denominated in foreign currencies are translated into Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

Retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. The MPF Scheme has operated since 1 December 2000. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Retirement benefits scheme *(Continued)*

The employees of the Group's subsidiaries which operate in the People's Republic of China (the "PRC") are required to participate in a central pension scheme operated by the local municipal government. The assets of the schemes are held separately from those of the Group in an independently administered fund. Contributions are made based on a percentage of the participating employees' salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

Related parties

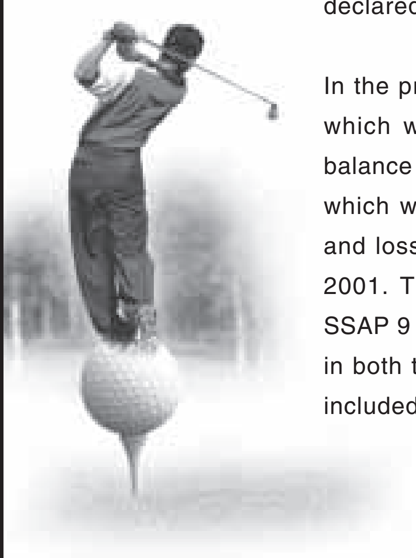
Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within capital and reserves in the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's bye-laws grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

In the prior period, the Company recognised its proposed final dividend to shareholders, which was declared and approved after the balance sheet date, as a liability in its balance sheet. The Company also recognised the proposed final dividend of a subsidiary, which was declared and approved after the balance sheet date, as income in its profit and loss account for the period from 8 August 2000 (date of incorporation) to 31 March 2001. The revised accounting treatments for dividends resulting from the adoption of SSAP 9 (Revised) and SSAP 18 (Revised), have given rise to prior year/period adjustments in both the Group's and the Company's financial statements, further details of which are included in notes 11, 12 and 29 to the financial statements.



4. SEGMENT INFORMATION

SSAP 26 was adopted during the year, as detailed in note 2 to the financial statements. Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses can be divided into golf equipment segment and golf bag segment which are structured and managed separately and are subject to risks and returns that are different from each other. Summary details of the two business segments are as follows:

(a) golf equipment segment comprises the manufacturing and trading of golf equipment and related components and parts; and

(b) golf bag segment comprises the manufacturing and trading of golf bags and related components and parts.

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the shipment destination, and assets are attributed to the segments based on the location of the assets.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

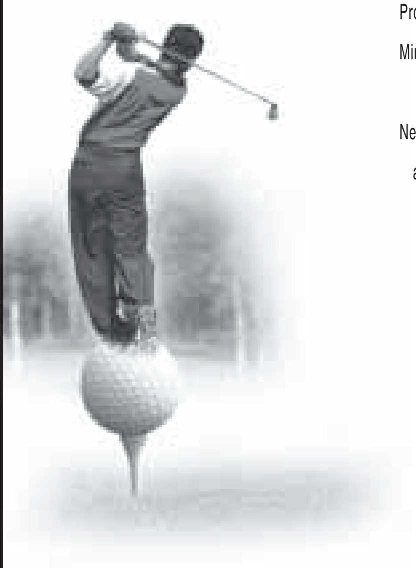
4. SEGMENT INFORMATION *(Continued)*

(a) Business segments

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments.

Group

	Golf equipment		Golf bag		Eliminations		Consolidated	
	2002	2001	**2002**	2001	**2002**	2001	**2002**	2001
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:								
Sales to external customers	**230,522**	300,215	**21,970**	–	**–**	–	**252,492**	300,215
Intersegment sales	**–**	–	**5,527**	–	**(5,527)**	–	**–**	–
Other revenue	**5,020**	3,027	**507**	–	**–**	–	**5,527**	3,027
Total	**235,542**	303,242	**28,004**	–	**(5,527)**	–	**258,019**	303,242
Segment results	**39,175**	79,917	**2,186**	–			**41,361**	79,917
Interest income							**766**	1,482
Profit from operating activities							**42,127**	81,399
Finance costs							**(7,121)**	(9,876)
Profit before tax							**35,006**	71,523
Tax							**(3,219)**	(6,257)
Profit before minority interests							**31,787**	65,266
Minority interests							**(1,340)**	–
Net profit from ordinary activities attributable to shareholders							**30,447**	65,266



4. SEGMENT INFORMATION *(Continued)*

(a) *Business segments* *(Continued)*

Group

	Golf equipment		Golf bag		Eliminations		Consolidated	
	2002	2001	**2002**	2001	**2002**	2001	**2002**	2001
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment assets	**306,610**	263,795	**35,243**	–	**(3,602)**	–	**338,251**	263,795
Segment liabilities	**48,825**	37,024	**18,311**	–	**(7,747)**	–	**59,389**	37,024
Unallocated liabilities							**85,412**	54,084
Total liabilities							**144,801**	91,108
Other segment information:								
Depreciation	**10,411**	8,728	**365**	–	**–**	–	**10,776**	8,728
Amortisation of goodwill	**445**	447	**319**	–	**–**	–	**764**	447
Impairment of goodwill	**500**	–	**–**	–	**–**	–	**500**	–
Capital expenditure	**24,553**	14,687	**5,575**	–	**–**	–	**30,128**	14,687

4. **SEGMENT INFORMATION** *(Continued)*

(b) Geographical segments

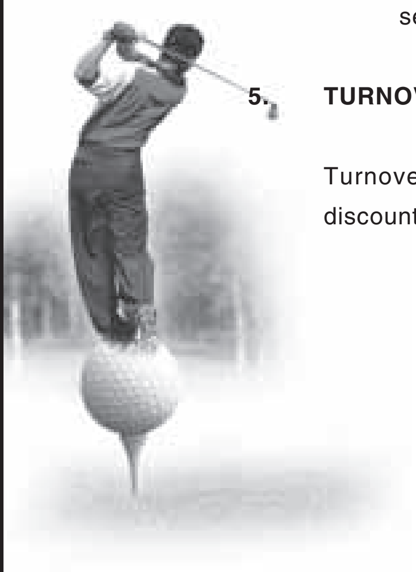
The following tables present revenue, profit and certain asset and expenditure information for the Group's geographical segments.

Group

	North America		Europe		Asia (excluding Japan)		Japan		Others		Consolidated	
	2002	2001	**2002**	2001	**2002**	2001	**2002**	2001	**2002**	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:												
Sales to external customers	**163,616**	191,883	**22,964**	54,389	**30,561**	36,405	**24,399**	9,488	**10,952**	8,050	**252,492**	300,215

	Hong Kong		The PRC		Unallocated		Eliminations		Consolidated	
	2002	2001	**2002**	2001	**2002**	2001	**2002**	2001	**2002**	2001
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Other segment information:										
Segment assets	**169,846**	139,048	**265,439**	137,403	**2,628**	–	**(99,662)**	(12,656)	**338,251**	263,795
Capital expenditure	**2,284**	115	**27,428**	15,457	**416**	–	**–**	(885)	**30,128**	14,687

The segment results by geographical segment is substantially in line with the overall rate of contribution to turnover and accordingly, a geographical analysis of segment results is not presented.



5. **TURNOVER**

Turnover represents the invoiced value of goods sold during the year, net of trade discounts and goods returns.

6. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging/(crediting):

	2002	2001
	HK$'000	*HK$'000*
		(Restated)
Cost of inventories sold	**159,500**	175,926
Depreciation	**10,776**	8,728
Minimum lease payment under operating leases of land and buildings	**1,449**	1,262
Amortisation of goodwill*	**764**	447
Impairment of goodwill*	**500**	–
Auditors' remuneration	**763**	724
Staff costs (including directors' remuneration – *note 8*):		
Wages and salaries	**35,463**	30,746
Retirement benefits scheme contributions	**897**	76
	36,360	30,822
Loss on disposal of fixed assets	**453**	235
Exchange losses/(gains), net	**(1,719)**	369
Interest income	**(766)**	(1,482)
Net rental income	**–**	(64)

* The amortisation and impairment of goodwill for the year is included in "Other operating expenses, net" on the face of the consolidated profit and loss account.

7. FINANCE COSTS

	Group	
	2002	2001
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts	**5,435**	7,706
Interest on finance leases and hire purchase contracts	**189**	265
Total interest expenses	**5,624**	7,971
Bank charges	**1,497**	1,905
Total finance costs	**7,121**	9,876

8. DIRECTORS' REMUNERATION

Directors' remuneration, disclosed pursuant to The Rules Governing the Listing of Securities on the Stock Exchange and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2002	2001
	HK$'000	*HK$'000*
Fees:		
Executive directors	**–**	–
Non-executive director	**50**	17
Independent non-executive directors	**220**	73
	270	90
Other emoluments:		
Executive directors:		
Salaries and bonuses	**4,420**	4,241
Housing benefits	**1,440**	1,320
Retirement benefits scheme contributions	**24**	8
	5,884	5,569
Non-executive director:		
Consultancy fee	**539**	386
	6,693	6,045

The number of directors whose remuneration fell within the following bands is as follows:

	Number of directors	
	2002	2001
Nil to HK$1,000,000	**6**	6
HK$1,500,001 to HK$2,000,000	**–**	1
HK$2,000,001 to HK$2,500,000	**1**	–
HK$2,500,001 to HK$3,000,000	**1**	1
	8	8

8. DIRECTORS' REMUNERATION *(Continued)*

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

During the years ended 31 March 2002 and 2001, no emoluments were paid by the Group to any of the directors as an inducement to join or upon joining the Group, or as compensation for loss of office.

During the year, a total of 1,750,000 share options were granted to the executive directors in respect of their services rendered to the Group. Further details of which are set out under the heading "Share option scheme" in the Report of the Directors on pages 21 to 23. No value in respect of the share options granted during the year has been charged to the profit and loss account or included in the disclosure of directors' remuneration above.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2001: three) executive directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining three (2001: two) non-director, highest paid employees are as follows:

	Group	
	2002	2001
	HK$'000	*HK$'000*
Salaries, bonuses, allowances and benefits in kind	**2,087**	1,333
Retirement benefits scheme contributions	**12**	4
	2,099	1,337

The remuneration of the three (2001: two) non-director, highest paid employees each fell within the range of Nil to HK$1,000,000.

During the year, no emoluments were paid by the Group to any of the three (2001: two) non-director, highest paid employees as an inducement to join or upon joining the Group, or as compensation for loss of office.

9. FIVE HIGHEST PAID EMPLOYEES *(Continued)*

During the year, a total of 200,000 share options were granted to one of the three non-director, highest paid employees in respect of her services rendered to the Group. Further details of which are set out under the heading "Share option scheme" in the Report of the Directors on pages 21 to 23. No value in respect of the share options granted during the year has been charged to the profit and loss account or included in the remuneration disclosed above.

10. TAX

Hong Kong profits tax has been provided at the rate of 16 per cent (2001: 16 per cent) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Group	
	2002	2001
	HK$'000	*HK$'000*
Provision for the year:		
Hong Kong	**3,020**	5,625
Elsewhere	**19**	57
Underprovision in prior year	**180**	375
Deferred – *note 27*	**–**	200
Tax charge for the year	**3,219**	6,257

11. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to shareholders for the year ended 31 March 2002 dealt with in the financial statements of the Company was HK$51,286,000 (period ended 31 March 2001: HK$266,000 as restated).

The comparative amount for 2001 has been restated by a prior period adjustment resulting in a debit of HK$21,000,000 to the Company's net profit for that period, and a credit of the same amount to the dividend receivable in the Company's balance sheet. The prior period adjustment reversed the dividend from a subsidiary which was declared and approved by that subsidiary after the prior period's balance sheet date, but which was recognised by the Company as revenue in its financial statements for that period. This change in accounting policy has arisen from the adoption of revisions to SSAP 9 "Events after the balance sheet date" and SSAP 18 "Revenue", as further detailed in notes 2 and 29 to the financial statements.

The effect of this change in accounting policy on the Company's net profit for the current year, was to increase the net profit by HK$21,000,000 to HK$51,286,000, as disclosed above, representing the effect of the prior period adjustment on the dividend declared by a subsidiary after 2001 balance sheet date of HK$21,000,000.

12. DIVIDENDS

	Notes	**2002** ***HK$'000***	2001 *HK$'000*
Special dividends paid by a subsidiary of the Company to its then shareholders	*(a)*	–	26,500
Underprovision in the prior year – HK 7 cents		154	–
Proposed final – HK 10 cents (2001: HK 7 cents) per ordinary share	*(b)*	30,220	21,000
		30,374	47,500

12. DIVIDENDS *(Continued)*

Notes:

(a) The special dividends of HK$26,500,000 in 2001 were declared and paid by Sino Golf Manufacturing Company Limited, an indirectly held wholly-owned subsidiary of the Company, to its then shareholders out of its retained profits prior to the Reorganisation. The dividend rates and the number of shares ranking for these dividends are not presented as the directors are of the opinion that such information is not meaningful for the purpose of these financial statements.

(b) The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

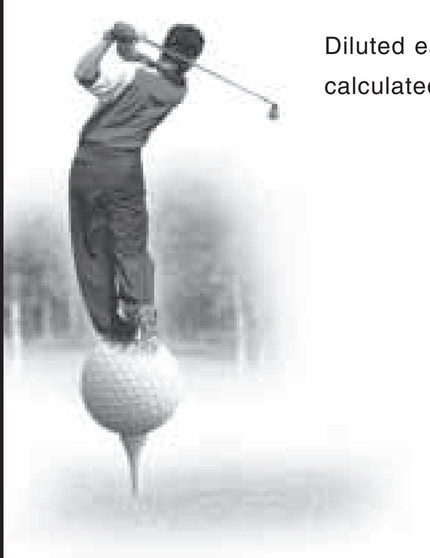
During the year, the Group adopted the revised SSAP 9 "Events after the balance sheet date", as detailed in note 2 to the financial statements. To comply with this revised SSAP, a prior year adjustment has been made to reclassify the proposed final dividend of the Company for the year ended 31 March 2001 of HK$21,000,000, which was previously recognised as a current liability at the prior year end, to the proposed final dividend reserve account within the capital and reserves section of the balance sheet. The result of this has been to reduce the Group's and the Company's current liabilities and increase the Group's and the Company's reserves previously reported as at 31 March 2001, by HK$21,000,000.

The effect of this change in accounting policy as at 31 March 2002, is that the current year's proposed final dividend of HK$30,220,000 has been included in the proposed final dividend reserve account within the capital and reserves section of the balance sheet at that date, whereas in the prior year it would have been recognised as a current liability at the balance sheet date.

13. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the year of HK$30,447,000 (2001: HK$65,266,000 as restated) and the weighted average of 301,555,000 (2001: 246,370,000) ordinary shares in issue during the year.

Diluted earnings per share for the years ended 31 March 2002 and 2001 have not been calculated as no diluting events existed during these years.



14. FIXED ASSETS

Group

	Land and buildings HK$'000	Leasehold improve-ments HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Cost or valuation:							
At 1 April 2001	62,148	696	55,640	2,940	3,956	3,057	128,437
Arising on acquisition of a subsidiary	–	1,729	3,665	–	–	–	5,394
Additions	10,010	1,188	11,396	942	1,048	150	24,734
Disposals	–	(492)	(1,704)	(75)	(947)	–	(3,218)
Transfer from construction in progress	3,057	–	–	–	–	(3,057)	–
At 31 March 2002	**75,215**	**3,121**	**68,997**	**3,807**	**4,057**	**150**	**155,347**
Analysis of cost or valuation:							
At cost	25,041	3,121	68,997	3,807	4,057	150	105,173
At 30 September 2000 valuation	50,174	–	–	–	–	–	50,174
	75,215	3,121	68,997	3,807	4,057	150	155,347
Accumulated depreciation:							
At 1 April 2001	6,580	289	31,575	1,940	2,324	–	42,708
Provided for the year	1,531	339	7,511	680	715	–	10,776
Disposals	–	(311)	(885)	(68)	(815)	–	(2,079)
At 31 March 2002	**8,111**	**317**	**38,201**	**2,552**	**2,224**	**–**	**51,405**
Net book value:							
At 31 March 2002	**67,104**	**2,804**	**30,796**	**1,255**	**1,833**	**150**	**103,942**
At 31 March 2001	55,568	407	24,065	1,000	1,632	3,057	85,729

14. FIXED ASSETS *(Continued)*

(a) The land and buildings are situated in the PRC and are held under the following lease terms:

	HK$'000
Long term lease	592
Medium term leases	74,623
	75,215

(b) As at 30 September 2000, certain land and buildings were revalued by LCH (Asia-Pacific) Surveyors Limited, independent professional valuers, on an open market basis or using the depreciated replacement cost approach, at the amount of HK$50,174,000. As at the balance sheet date, such land and buildings had an aggregate carrying amount of HK$48,242,000 (2001: HK$49,530,000) in the financial statements.

(c) Had the revalued land and buildings been carried in the financial statements at historical cost less accumulated depreciation, their carrying amounts as at the balance sheet date would have been HK$21,788,000 (2001: HK$22,499,000).

(d) The net book value of the fixed assets held under finance leases and hire purchase contracts included in the total amount of plant and machinery, and motor vehicles as at the balance sheet date, amounted to HK$2,949,000 (2001: HK$4,956,000) and Nil (2001: HK$205,000), respectively.

(e) Certain of the above land and buildings and plant and machinery with an aggregate net book value of HK$24,342,000 (2001: HK$25,990,000) as at the balance sheet date were pledged to secure the bank loans granted to a subsidiary of the Company.

15. GOODWILL

SSAP 30 was adopted during the year, as detailed in note 2 to the financial statements. The amounts of the goodwill capitalised as an asset in the consolidated balance sheet, arising from the acquisition of subsidiaries, are as follows:

Group

	HK$'000
Cost:	
At 1 April 2001:	
As previously reported	–
Prior year adjustment	5,216
As restated	5,216
Acquisition of a subsidiary	5,100
Acquisition of additional equity interest in a subsidiary	500
At 31 March 2002	10,816
Accumulated amortisation and impairment:	
At 1 April 2001:	
As previously reported	–
Prior year adjustment	1,880
As restated	1,880
Amortisation provided for the year	764
Impairment provided for the year	500
At 31 March 2002	3,144
Net book value:	
At 31 March 2002	7,672
At 31 March 2001 (as restated)	3,336

As detailed in note 3 to the financial statements, the Group has adopted the transitional provision of SSAP 30 which permits goodwill in respect of previous acquisitions to be restated to the non-current assets section of the consolidated balance sheet, in accordance with the new accounting policy.

15. GOODWILL *(Continued)*

The prior year adjustment so arising has resulted in goodwill previously eliminated against consolidated retained profits of HK$5,216,000 as at 1 April 2001 being restated as the cost of the goodwill above, as at 1 April 2001. The cumulative amount of goodwill that would have been amortised to the consolidated profit and loss account under the new accounting policy, of HK$447,000 as at 1 April 2001, together with the amount of further impairment which would have arisen in prior years under the requirements of SSAP 30, of HK$1,433,000 as at 1 April 2001, have been restated as the balance of accumulated amortisation and impairment of goodwill as at 1 April 2001.

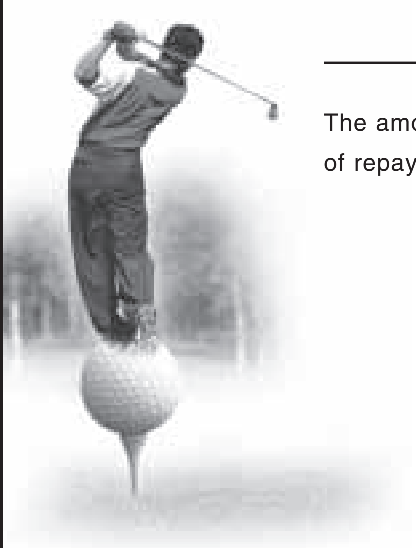
The effect of this change in accounting policy on the consolidated profit and loss account for the current year was to increase the amortisation and impairment of goodwill by HK$764,000 and HK$500,000, respectively.

The cumulative amounts of goodwill capitalised of HK$5,216,000 as at 1 April 2001 and HK$1,433,000 as at 1 April 2000, together with the cumulative amounts of goodwill amortisation and impairment of HK$1,880,000 as at 1 April 2001 and HK$1,433,000 as at 1 April 2000, have been adjusted to the balance of consolidated retained profits as at those dates.

16. INTERESTS IN SUBSIDIARIES

	Company	
	2002	2001
	HK$'000	*HK$'000*
Unlisted shares, at cost	**15,717**	15,717
Due from subsidiaries	**117,479**	84,248
	133,196	99,965

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.



16. **INTERESTS IN SUBSIDIARIES** *(Continued)*

Particulars of the subsidiaries are as follows:

Company name	Place of incorporation/ registration and operations	Issued and paid-up capital/ registered capital	Equity interest attributable to the Company		Principal activities
			Direct	Indirect	
Sino Golf (BVI) Company Limited	British Virgin Islands	US$101	100%	–	Investment holding
Sino Golf Manufacturing Company Limited	Hong Kong	HK$2 (ordinary) HK$3,842,700 (non-voting deferred) *(Note a)*	–	100%	Investment holding and trading of golf equipment and accessories
增城市順龍高爾夫球製品有限公司 ("Zengcheng Sino Golf")	The PRC	HK$81,000,000	–	*(Note b)*	Manufacturing and trading of golf equipment and accessories
Guangzhou Sino Concept Golf Manufacturing Co., Ltd.	The PRC	HK$30,000,000	–	100%	Manufacturing and trading of golf equipment and accessories
順德市順興隆高爾夫球製品有限公司	The PRC	US$1,380,000	–	62.5%	Manufacturing and trading of golf equipment
CTB Golf (HK) Limited	Hong Kong/ The PRC	HK$10,000,000	–	51%	Manufacturing and trading of golf bags
Sino U.S. Holding Company, L.L.C.	The USA	US$100	–	100%	Investment holding
Sino Golf Leisure Company Limited (formerly known as "Chinalink Golf Manufacturing Company Limited")	Hong Kong	HK$990,000	–	100%	Dormant

16. INTERESTS IN SUBSIDIARIES *(Continued)*

Notes:

(a) The non-voting deferred shares practically carry no rights to dividends or receive notice of or attend or vote at any general meeting of the company or to participate in any distribution on winding up.

(b) Zengcheng Sino Golf is a Sino-foreign co-operative joint venture company established in the PRC on 19 April 1993 with a tenure of 15 years.

The registered capital of Zengcheng Sino Golf shared by the Group and the PRC joint venture partner (the "PRC Partner") is 87 per cent and 13 per cent, respectively.

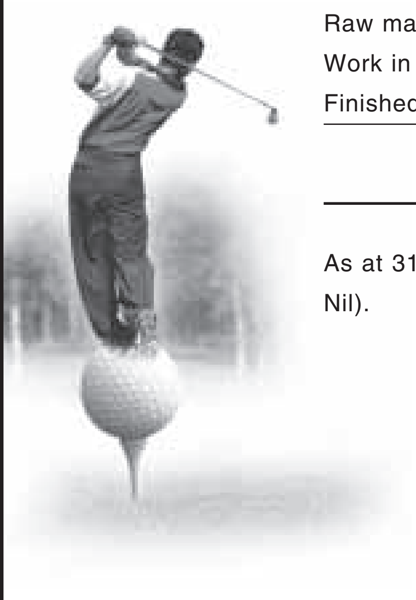
According to the agreements entered into between both parties, the Group agreed to make certain annual payments to the PRC Partner commencing on 20 August 1999 for the remaining tenure of Zengcheng Sino Golf, and the PRC Partner in return agreed to give up all of the rights to the profits, the management and the control of Zengcheng Sino Golf commencing on 20 August 1999 for the remaining tenure of Zengcheng Sino Golf, it also agreed to give up its interest in the assets of Zengcheng Sino Golf at the end of the joint venture period, other than certain land and buildings in which the PRC Partner will share a 20 per cent value.

In view of the above, the directors of the Company are of the opinion that the Company has full control of the operations of Zengcheng Sino Golf and full entitlement to its profits. The unamortised carrying amount of the 20 per cent value of the land and buildings to be shared by the PRC Partner as at 31 March 2002 amounted to approximately HK$3,100,000 which is amortised over the remaining joint venture period in the consolidated profit and loss account.

17. INVENTORIES

	Group	
	2002	2001
	HK$'000	*HK$'000*
Raw materials	**24,095**	12,361
Work in progress	**23,423**	15,361
Finished goods	**15,251**	5,986
	62,769	33,708

As at 31 March 2002, none of the inventories were carried at net realisable value (2001: Nil).



18. TRADE AND BILLS RECEIVABLE

An aged analysis of the Group's trade and bills receivable as at the balance sheet date, based on the date of recognition of sale and net of provision, is as follows:

	2002	2001
	HK$'000	*HK$'000*
Within 3 months	**29,425**	46,964
4 to 6 months	**2,433**	4,811
7 to 12 months	**111**	4,975
Over 1 year	**8,421**	1,419
	40,390	58,169

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period granted by the Group is generally between 30 to 150 days from the date of recognition of sale.

Included in the Group's trade and bills receivable as at the balance sheet date is an amount of HK$1,073,000 (2001: HK$197,000) due from Nikko Bussan Co., Ltd. ("Nikko Bussan (Japan)") arising from transactions carried out in the ordinary course of business of the Group. Takanori Matsuura, a director of the Company, has beneficial interest in Nikko Bussan (Japan). The balance with Nikko Bussan (Japan) is unsecured, interest-free and is repayable within similar credit periods offered by the Group to its major customers.

19. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Group		**Company**	
	2002	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Prepayments	**758**	213	**–**	–
Deposits and other debtors	**36,796**	12,867	**186**	162
	37,554	13,080	**186**	162

20. PLEDGED TIME DEPOSITS

The Group's pledged time deposits in the prior year were pledged to banks to secure the banking facilities granted to the Group.

21. CASH AND CASH EQUIVALENTS

	Group		Company	
	2002	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash and bank balances	**84,590**	53,947	**84**	1,812
Time deposits	**–**	15,826	**–**	–
	84,590	69,773	**84**	1,812
Less: Pledged time deposits – *note 20*	**–**	(5,800)	**–**	–
	84,590	63,973	**84**	1,812

22. TRADE AND BILLS PAYABLE

An aged analysis of the Group's trade and bills payable as at the balance sheet date is as follows:

	2002	2001
	HK$'000	*HK$'000*
Within 3 months	**30,862**	18,880
4 to 6 months	**3,141**	2,177
7 to 12 months	**313**	1,453
Over 1 year	**2,004**	386
	36,320	22,896

Included in the Group's trade and bills payable are trade payables of HK$462,000 (2001: HK$279,000) due to related parties arising from transactions carried out in the ordinary course of business of the Group. The balances are unsecured, interest-free and are repayable within similar credit periods offered by the related parties to their major customers.

23. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2002	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Accruals and other liabilities	**16,228**	9,386	**62**	31
Due to related parties – *note 24*	**5,146**	–	**–**	–
	21,374	9,386	**62**	31

24. DUE TO RELATED PARTIES

The amounts due to related parties are unsecured, interest-free and have no fixed terms of repayment.

25. BANK BORROWINGS

	Group	
	2002	2001
	HK$'000	*HK$'000*
Bank overdrafts	**5,593**	18
Bank loans	**50,234**	29,907
Packing loans	**1,689**	–
Trust receipt loans	**25,885**	22,206
	83,401	52,131
Secured	**83,401**	36,895
Unsecured	**–**	15,236
	83,401	52,131
Amounts repayable:		
Within one year or on demand	**68,901**	52,131
In the second year	**14,500**	–
	83,401	52,131
Portion classified as current liabilities	**(68,901)**	(52,131)
Long term portion	**14,500**	–

The Group's bank loans as at 31 March 2002 are secured by certain of the Group's land and buildings, and plant and machinery with an aggregate net book value at the balance sheet date of HK$24,342,000 (2001: HK$25,990,000). In the prior year, certain bank loans were also secured by the Group's pledged time deposits of HK$5,800,000.

26. FINANCE LEASE AND HIRE PURCHASE CONTRACT PAYABLES

The Group leases certain of its plant and machinery for its golf equipment manufacturing and trading business. These leases are classified as finance leases and have remaining lease terms ranging from 19 months to 20 months.

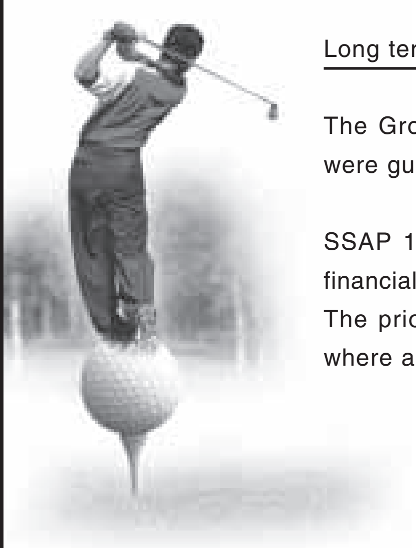
As at 31 March 2002, the total future minimum lease payments under finance leases and hire purchase contracts and their present values, were as follows:

Group

	Minimum lease payments		**Present value of minimum lease payments**	
	2002	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Amounts payable:				
Within one year	**1,375**	2,104	**1,223**	1,953
In the second year	**837**	–	**788**	–
Total minimum lease payments	**2,212**	2,104	**2,011**	1,953
Future finance charges	**(201)**	(151)		
Total net finance lease and hire purchase contract payables	**2,011**	1,953		
Portion classified as current liabilities	**(1,223)**	(1,953)		
Long term portion	**788**	–		

The Group's finance lease and hire purchase contract payables as at 31 March 2002 were guaranteed by the Company (2001: Nil).

SSAP 14 was revised and implemented during the year, as detailed in note 2 to the financial statements. Certain new disclosures are required and have been included above. The prior year comparative amounts for the new disclosures have also been included where appropriate.



27. DEFERRED TAX

	Group	
	2002	2001
	HK$'000	*HK$'000*
Balance at beginning of year	**1,695**	1,495
Charge for the year – *note 10*	**–**	200
Balance at end of year	**1,695**	1,695

The deferred tax liabilities of the Group provided/not provided are as follows:

	Provided		Not provided	
	2002	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Accelerated depreciation allowances	**1,695**	1,695	**106**	834

In the opinion of the directors, the unprovided amounts related to timing differences which will not crystallise in the foreseeable future.

The Company had no significant potential deferred tax liabilities for which provision has not been made (2001: Nil).

28. SHARE CAPITAL

Shares

	Company	
	2002	2001
	HK$'000	*HK$'000*
Authorised:		
1,000,000,000 ordinary shares of HK$0.1 each	**100,000**	100,000
Issued and fully paid:		
302,200,000 (2001: 300,000,000) ordinary shares of HK$0.1 each	**30,220**	30,000

A summary of the movement in the issued ordinary share capital of the Company during the year is as follows:

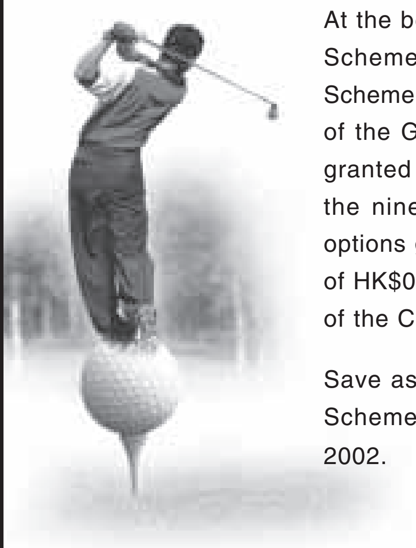
	Number of shares in issue	**Share capital**
		HK$'000
At 1 April 2001	300,000,000	30,000
Share options exercised *(Note)*	2,200,000	220
At 31 March 2002	302,200,000	30,220

Note: During the year, 2,200,000 share options were exercised at the subscription price of HK$0.62 per share, resulting in the issue of 2,200,000 shares of HK$0.1 each for a total cash consideration of HK$1,364,000.

Share options

The Company operates a share option scheme (the "Existing Scheme"), further details of which are set out under the heading "Share option scheme" in the Report of the Directors on pages 21 to 23.

At the beginning of the year, there were no share options outstanding under the Existing Scheme. During the year, 2,200,000 share options were granted under the Existing Scheme on 28 April 2001 to the executive directors of the Company and certain employees of the Group for a nominal consideration of HK$1 in total per grant. The share options granted entitled the holders to subscribe for shares of the Company at any time during the nine years commencing on 28 April 2001. During the year, the 2,200,000 share options granted were fully exercised by the respective option holders at an exercise price of HK$0.62 per share, resulting in the issue of 2,200,000 ordinary shares of HK$0.1 each of the Company for a total consideration of HK$1,364,000.



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

29. RESERVES

Group

	Share premium	Contributed surplus	Fixed asset revaluation reserve	Exchange fluctuation reserve	Other reserves	Retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2000	–	10,564	–	1,086	–	8,687	20,337
Premium on issue of shares to the public	90,000	–	–	–	–	–	90,000
Capitalisation issue of shares	(22,300)	–	–	–	–	–	(22,300)
Share issue expenses	(11,574)	–	–	–	–	–	(11,574)
Revaluation surplus	–	–	27,319	–	–	–	27,319
Exchange realignments	–	–	–	139	–	–	139
Net profit for the year, as restated *(notes 2 and 15)*	–	–	–	–	–	65,266	65,266
Special dividends	–	–	–	–	–	(26,500)	(26,500)
Proposed 2001 final dividend	–	–	–	–	–	(21,000)	(21,000)
Transfer from retained profits	–	–	–	–	36	(36)	–
At 31 March 2001, as restated	56,126	10,564	27,319	1,225	36	26,417	121,687

29. RESERVES *(Continued)*

Group *(Continued)*

	Share premium	Contributed surplus	Fixed asset revaluation reserve	Exchange fluctuation reserve	Other reserves	Retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2001:							
As previously reported	56,126	10,564	27,319	1,225	36	23,081	118,351
Prior year adjustment:							
SSAP 30 – restatement to non-current assets section of consolidated balance sheet of goodwill on acquisition of subsidiaries *(notes 2 and 15)*	–	–	–	–	–	3,336	3,336
As restated	56,126	10,564	27,319	1,225	36	26,417	121,687
Premium on issue of shares	1,144	–	–	–	–	–	1,144
Exchange realignments	–	–	–	(129)	–	–	(129)
Net profit for the year	–	–	–	–	–	30,447	30,447
Underprovision of 2001 final dividend	–	–	–	–	–	(154)	(154)
Proposed 2002 final dividend	–	–	–	–	–	(30,220)	(30,220)
Transfer from retained profits	–	–	–	–	14	(14)	–
At 31 March 2002	57,270	10,564	27,319	1,096	50	26,476	122,775

29. RESERVES *(Continued)*

Company

	Share premium	Contributed surplus	Retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Arising on acquisition of subsidiaries	–	15,616	–	15,616
Applying to pay up 1,000,000 ordinary shares of HK$0.1 each allotted nil paid on incorporation	–	(100)	–	(100)
Premium on issue of shares to the public	90,000	–	–	90,000
Capitalisation issue of shares	(22,300)	–	–	(22,300)
Share issue expenses	(11,574)	–	–	(11,574)
Net profit for the period, as restated *(notes 2 and 11)*	–	–	266	266
Proposed 2001 final dividend	–	–	(21,000)	(21,000)
At 31 March 2001, as restated	56,126	15,516	(20,734)	50,908
At 1 April 2001:				
As previously reported	56,126	15,516	266	71,908
Prior period adjustment				
SSAP18 (Revised) – effect of the dividend from a subsidiary no longer recognised as income for the period *(notes 2 and 11)*	–	–	(21,000)	(21,000)
As restated	56,126	15,516	(20,734)	50,908
Premium on issue of shares	1,144	–	–	1,144
Net profit for the year	–	–	51,286	51,286
Underprovision of 2001 final dividend	–	–	(154)	(154)
Proposed 2002 final dividend	–	–	(30,220)	(30,220)
At 31 March 2002	57,270	15,516	178	72,964

30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit before tax to net cash inflow from operating activities

	2002	2001
	HK$'000	*HK$'000*
		(Restated)
Profit before tax	**35,006**	71,523
Interest expenses	**5,624**	7,971
Interest income	**(766)**	(1,482)
Depreciation	**10,776**	8,728
Amortisation of goodwill	**764**	447
Impairment of goodwill	**500**	–
Loss on disposal of fixed assets	**453**	235
Decrease/(increase) in inventories	**(19,487)**	7,886
Decrease/(increase) in trade and bills receivable	**17,779**	(38,951)
Decrease/(increase) in deposits, prepayments and other receivables	**(24,474)**	806
Increase/(decrease) in trade and bills payable	**13,424**	(2,545)
Increase/(decrease) in other payables and accruals	**4,470**	(3,829)
Exchange adjustments	**(145)**	137
Net cash inflow from operating activities	**43,924**	50,926

30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(b) Analysis of changes in financing during the year

	Issued capital and share premium	Bank loans	Other loans	Finance lease and hire purchase contract payables	Minority interests
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2000	200	65,631	3,351	4,405	5,294
Cash inflow/(outflow) from financing activities, net	85,926	(13,968)	(3,370)	(2,452)	–
Acquisition of minority interests	–	–	–	–	(5,294)
Exchange realignments	–	450	19	–	–
At 31 March 2001 and at 1 April 2001	86,126	52,113	–	1,953	–
Cash inflow/(outflow) from financing activities, net	1,364	25,695	–	(2,441)	–
Inception of finance leases	–	–	–	2,499	–
Arising from acquisition of a subsidiary	–	–	–	–	4,900
Non-cash capital contribution	–	–	–	–	4,011
Share of profit after tax of subsidiaries	–	–	–	–	1,340
Exchange realignments	–	–	–	–	(16)
At 31 March 2002	**87,490**	**77,808**	**–**	**2,011**	**10,235**

30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

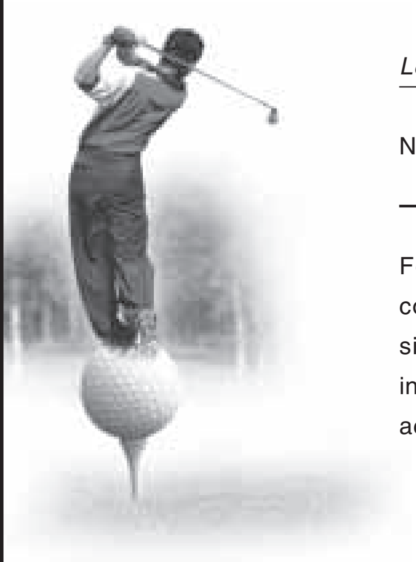
(c) Acquisition of a subsidiary

	2002	2001
	HK$'000	*HK$'000*
Net assets acquired:		
Fixed assets	**5,394**	–
Inventories	**9,574**	–
Other payables and accruals	**(4,968)**	–
Minority interests	**(4,900)**	–
Net assets	**5,100**	–
Goodwill arising on acquisition	**5,100**	–
	10,200	–
Satisfied by:		
Cash consideration	**10,200**	–

Analysis of the net outflow of cash and cash equivalents in respect of the acquisition of the subsidiary is as follows:

	2002	2001
	HK$'000	*HK$'000*
Outstanding cash consideration in respect of acquisition of a subsidiary in prior years	**–**	426
Cash consideration payable arising from current year acquisition	**10,200**	–
Less: Outstanding payable at year end	**(2,550)**	–
Net outflow of cash and cash equivalents in respect of the acquisition of the subsidiary	**7,650**	426

For the year ended 31 March 2002, the subsidiary acquired during the year contributed HK$4,286,000 to the Group's net operating cash flows and had no significant impacts in respect of the Group's cash flows for the net returns on investments and servicing of finance, payment of tax, investing activities or financing activities.



30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(c) Acquisition of a subsidiary *(Continued)*

Since its acquisition, the subsidiary acquired during the year contributed HK$21,970,000 to the Group's consolidated turnover and HK$2,150,000 to the Group's consolidated profit after tax and before minority interests for the year ended 31 March 2002.

(d) Major non-cash transactions

During the year ended 31 March 2002, the Group purchased certain fixed assets with a total capital value of HK$3,112,000 under finance lease arrangements. Of which, HK$613,000 were paid as down payments and the remaining balance of HK$2,499,000 were financed by entering into finance lease arrangements.

The capital contribution made by the minority shareholder of a subsidiary of the Group during the year ended 31 March 2002 was in the form of fixed assets with a total capital value of HK$4,011,000.

In respect of the cash flows for the year ended 31 March 2001, the special dividends of HK$26,500,000 declared by Sino Golf Manufacturing Company Limited during that year were distributed by offsetting against the amounts due from certain related companies with an aggregate amount of HK$25,361,000. The remaining balance of HK$1,139,000 has already been fully settled in cash.

31. CONTINGENT LIABILITIES

As at 31 March 2002, the Group and the Company had the following contingent liabilities not provided for in the financial statements:

	Group		Company	
	2002	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Bills discounted with recourse	**7,469**	6,163	**–**	–
Guarantees for bank loans, overdrafts and trade finance facilities in favour of a subsidiary	**–**	–	**83,401**	28,387
Guarantees for finance lease arrangements in favour of a subsidiary	**–**	–	**2,011**	–
	7,469	6,163	**85,412**	28,387

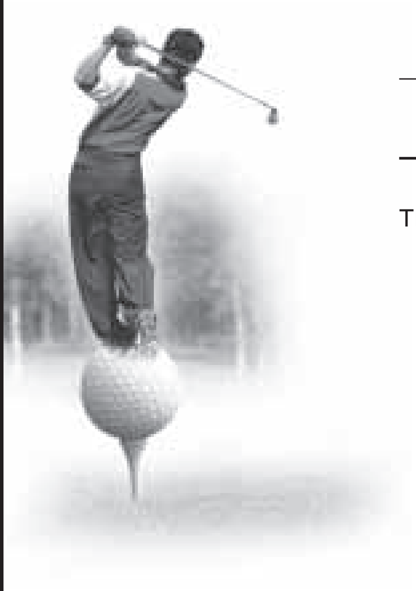
32. COMMITMENTS

(a) Capital commitments

At 31 March 2002, the Group had the following capital commitments:

	2002	2001
	HK$'000	*HK$'000*
Contracted, but not provided for:		
Land and buildings	**943**	1,699
Plant and machinery	**141**	69
	1,084	1,768

The Company had no material capital commitments at the balance sheet date.



32. **COMMITMENTS** *(Continued)*

(b) Operating lease commitments

The Group leases certain of its office properties, production plants and staff quarters under operating lease arrangements, with leases negotiated with original terms ranging from 2 to 10 years.

At 31 March 2002, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2002	2001
	HK$'000	*HK$'000*
		(Restated)
Within one year	**2,705**	974
In the second to fifth years, inclusive	**8,539**	839
After five years	**10,985**	2,414
	22,229	4,227

SSAP 14 (Revised), which was adopted during the year, requires lessees under operating leases to disclose the total future minimum operating lease payments, rather than only the payments to be made during the next year as was previously required. Accordingly, the prior year comparative amounts for operating leases as lessee above, have been restated to accord with the current year's presentation.

33. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances set out in notes 18, 22, 24 and 28, the Group entered into the following material transactions with related parties during the year:

	Notes	2002 HK$'000	2001 HK$'000
Purchases of raw materials and club heads from Nikko Bussan (Japan)	*(a)*	**2,915**	999
Sales of finished goods to Nikko Bussan (Japan)	*(b)*	**31,856**	35,056
Rental expenses paid to Progolf Manufacturing Company Limited ("Progolf") and Oriental Leader Limited	*(c)*	**1,440**	1,320
Purchase of golf club memberships from 廣州荔湖高爾夫球有限公司 ("SG Club")	*(d)*	**130**	600
Purchases of raw materials from Nikko Bussan (Japan) and Nikko Bussan Taiwan Co., Ltd. ("Nikko Bussan (Taiwan)")	*(a), (f)*	**–**	12,558
Purchases of finished goods from Xiamen Dongan Precision Casting Co., Ltd. ("Dongan")	*(e), (f)*	**–**	9,817
Purchases of fixed assets from Nikko Bussan (Japan)	(g)	**579**	–

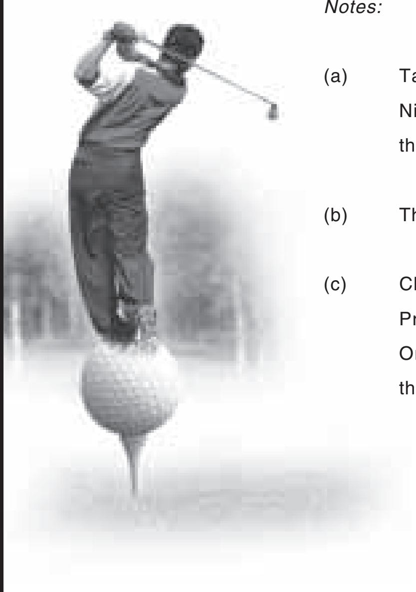
The directors, including the independent non-executive directors of the Company, have reviewed and confirmed that these transactions were conducted in the ordinary and usual course of the Group's business.

Notes:

(a) Takanori Matsuura, a director of the Company, has beneficial interests in Nikko Bussan (Japan) and Nikko Bussan (Taiwan). The purchase prices of raw materials were determined between the Group and the corresponding related companies on a cost-plus basis.

(b) The selling prices of finished goods were based on the agreement between the parties.

(c) Chu Chun Man, Augustine ("Augustine Chu"), a director of the Company, has a beneficial interest in Progolf, and Chu Yuk Man, Simon ("Simon Chu"), a director of the Company, has a beneficial interest in Oriental Leader Limited. The rental expenses were determined at rates agreed between the Group and the corresponding related parties based on market rates.



33. RELATED PARTY TRANSACTIONS *(Continued)*

Notes (Continued):

(d) Augustine Chu, Takanori Matsuura and Simon Chu, directors of the Company, have beneficial interests in SG Club. The purchase price of golf club memberships was based on the rates SG Club offered to third party customers.

(e) Prior to 20 July 2000, Augustine Chu and Takanori Matsuura had beneficial interests in Dongan. The purchase prices of finished goods were determined at 60 per cent to 70 per cent of the selling prices of the relevant product category in accordance with the agreements signed by both parties. Dongan ceased to be a related party of the Group since 20 July 2000.

(f) These transactions were discontinued prior to the listing of the Company's shares on the Stock Exchange on 20 December 2000.

(g) The purchase price of fixed assets are determined at a mutually-agreed rate between the Group and Nikko Bussan (Japan).

34. COMPARATIVE AMOUNTS

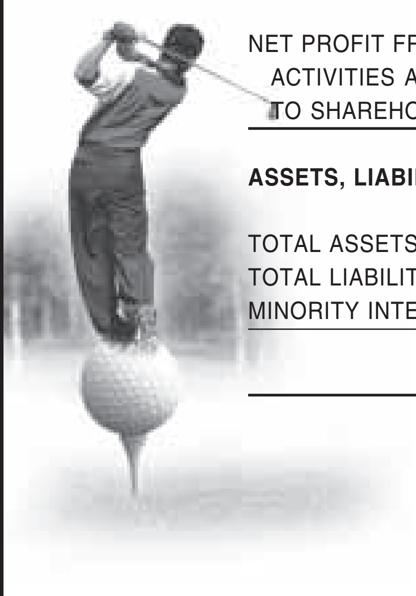
As further explained in note 2 to the financial statements, due to the adoption of certain new and revised SSAPs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made and certain comparative amounts have been reclassified to conform to the current year's presentation.

35. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 5 July 2002.

Financial Summary

	Year ended 31 March				
	2002	2001	2000	1999	1998
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 2)	*(Notes 2 to 4)*	*(Notes 1 & 3)*	*(Notes 1, 3 & 4)*	*(Notes 1 & 3)*
		(Restated)		*(Restated)*	
RESULTS					
TURNOVER	**252,492**	300,215	211,540	191,492	135,211
Cost of sales	**(177,194)**	(191,402)	(139,581)	(128,078)	(104,477)
Gross profit	**75,298**	108,813	71,959	63,414	30,734
Other revenue, net	**6,293**	4,509	2,596	2,608	2,488
Selling and distribution costs	**(11,361)**	(8,652)	(7,920)	(9,808)	(6,867)
Administrative expenses	**(16,890)**	(13,962)	(12,648)	(10,847)	(9,381)
Other operating expenses, net	**(11,213)**	(9,309)	(6,265)	(5,845)	(1,692)
PROFIT FROM OPERATING ACTIVITIES	**42,127**	81,399	47,722	39,522	15,282
Finance costs	**(7,121)**	(9,876)	(7,990)	(7,719)	(5,399)
Share of profit and loss of an associate	**–**	–	–	(31)	158
PROFIT BEFORE TAX	**35,006**	71,523	39,732	31,772	10,041
Tax	**(3,219)**	(6,257)	(3,567)	(2,658)	(957)
PROFIT BEFORE MINORITY INTERESTS	**31,787**	65,266	36,165	29,114	9,084
Minority interests	**(1,340)**	–	194	(175)	–
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	**30,447**	65,266	36,359	28,939	9,084
ASSETS, LIABILITIES AND MINORITY INTERESTS					
TOTAL ASSETS	**338,251**	263,795	144,457	162,821	150,578
TOTAL LIABILITIES	**(144,801)**	(91,108)	(118,626)	(109,433)	(131,158)
MINORITY INTERESTS	**(10,235)**	–	(5,294)	(6,108)	(601)
	183,215	172,687	20,537	47,280	18,819



Financial Summary

Notes:

1. The Company was incorporated in Bermuda on 8 August 2000 and became the holding company of the companies now comprising the Group on 5 December 2000. The above financial summaries of the results, assets, liabilities and minority interests of the Group for the three years ended 31 March 2000 have been extracted from the Company's prospectus dated 11 December 2000 when the listing of the Company's shares was sought on the main board of The Stock Exchange of Hong Kong Limited.

2. The results and the assets, liabilities and minority interests of the Group for the two years ended 31 March 2002 have been extracted from the consolidated profit and loss account and the consolidated balance sheet as set out on pages 28 and 30, respectively, of the annual report.

3. The financial summary of the Group, which is presented for information only, has been prepared on the basis that the structure and business activities of the Group immediately after the completion of the group reorganisation had been in existence throughout the four years ended 31 March 2001.

4. The financial statements have been retrospectively restated as a result of changes in accounting policies for proposed dividends and goodwill, adopted by the Group in the year ended 31 March 2002 and as set out in notes 12 and 15 to the financial statements, respectively.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at The Marco Polo Hongkong Hotel, Jade Room, 6/F, Harbour City, 3 Canton Road, Kowloon, Hong Kong on 7 August 2002 at 2:30 p.m. for the following purposes:

1. to receive and consider the audited financial statements and the reports of the directors and of the auditors for the year ended 31 March 2002 and to approve the change of the financial year end date from 31 March to 31 December;

2. to declare a final dividend for the year ended 31 March 2002;

3. to re-elect the directors of the Company;

4. to authorise the board of directors to fix the directors' remuneration;

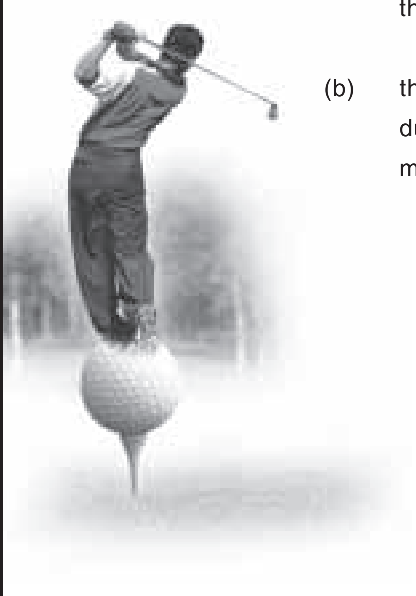
5. to re-appoint the auditors and to authorise the board of directors to fix their remuneration; and

6. As special business and, if thought fit, pass with or without amendments, the following resolutions each as an Ordinary Resolution:

   "**THAT**:

   (a) subject to sub-paragraph (c) of this Resolution, pursuant to the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), the exercise by the directors of the Company (the "Directors") during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares of the Company and to make or grant offers, agreements and options, including warrants to subscribe for shares, which might require the exercise of such powers be and the same is hereby generally and unconditionally approved;

   (b) the approval in sub-paragraph (a) of this Resolution shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;



(c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in sub-paragraph (a) of this Resolution, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); or (ii) any issue of shares upon the exercise of rights of subscription or conversion under the terms of any warrants issued by the Company or any securities which are convertible into shares of the Company ("**Shares**"); or (iii) the exercise of any options granted under the share option scheme of the Company; or (iv) any scrip dividend or similar arrangement providing for the allotment and issue of Shares in lieu of the whole or part of the dividend on Shares in accordance with the bye-laws of the Company, shall not exceed 20 per cent of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this Resolution and the said approval shall be limited accordingly; and

(d) for the purposes of this Resolution:

"Relevant Period" means the period from the date of the passing of this Resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company, the Companies Act 1981 of Bermuda or any other applicable law of Bermuda to be held; and

(iii) the date on which the authority set out in this Resolution is revoked or varied by the passing of an ordinary resolution of the shareholders of the Company in general meeting.

"Rights Issue" means an offer of shares, or offer or issue of warrants, options or other securities of the Company giving rights to subscribe for Shares, open for a period fixed by the Directors to holders of shares of the Company or any class thereof on the register on a fixed record date in proportion to their then holdings of such shares or class thereof (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlement's or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside the Hong Kong Special Administrative Region of the People's Republic of China)."

Notice of Annual General Meeting

7. As special business, to consider and, if thought fit, pass with or without amendment(s) the following resolution as Ordinary Resolution:

“**THAT**:

(a) subject to sub-paragraph (b) of this Resolution, the exercise by the Directors during the Relevant Period of all the powers of the Company to repurchase Shares on Stock Exchange or any other exchange on which the Shares may be listed and recognised for this purpose by the Securities and Futures Commission of Hong Kong and the Stock Exchange under the Hong Kong Code on Share Repurchases (“Recognised Stock Exchange”) subject to and in accordance with all applicable laws and the requirements of the Listing Rules as amended from time to time or that of any other Recognised Stock Exchange, be and the same is hereby generally and unconditionally approved;

(b) the aggregate nominal amount of the Shares which may be purchased by the Company pursuant to the approval in sub-paragraph (a) of this Resolution during the Relevant Period shall not exceed 10 per cent of the aggregate nominal amount of the issued share capital of the Company as at the date of the passing of this Resolution and the said approval shall be limited accordingly; and

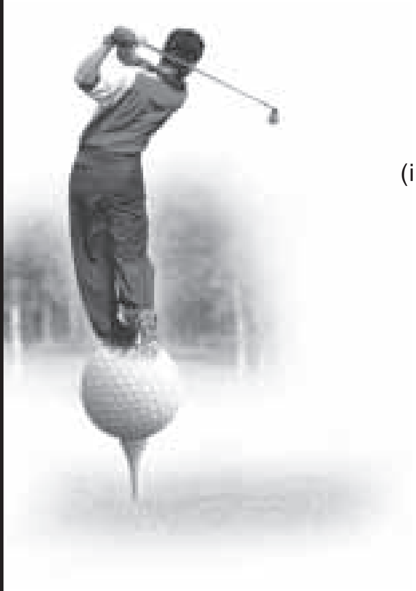
(c) for the purposes of this Resolution:

“Relevant Period” means the period from the date of the passing of this Resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company, the Companies Act 1981 of Bermuda or any other applicable law of Bermuda to be held; and

(iii) the date on which the authority set out in this Resolution is revoked or varied by the passing of an ordinary resolution of the shareholders of the Company in general meeting.”



8. As special business, to consider and, if thought fit, pass with or without amendment(s) the following resolution as Ordinary Resolution.

   "**THAT** conditional upon Resolution 6 and Resolution 7 set out in the notice convening this meeting of which this resolution forms part being passed, the aggregate nominal amount of the shares capital of the Company which are repurchased by the Company after the date of the passing of this Resolution (up to a maximum of 10 per cent of the aggregate nominal amount of the issued share capital of the Company as stated in Resolution 7 set out in the notice convening this meeting of which this resolution forms part) shall be added to the aggregate nominal amount of share capital that may be allotted or agreed conditionally or unconditionally to be allotted and issued by the directors of the Company under the authority granted pursuant to Resolution 7 set out in the notice convening this meeting of which this resolution forms part."

By Order of the Board
Chu Chun Man, Augustine
Chairman

Hong Kong
5 July 2002

Notice of Annual General Meeting

Notes:

1. A form of proxy for use at the meeting is enclosed.

2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of any officer, attorney or other person authorised to sign the same.

3. Any member entitled to attend and vote at the meeting shall be entitled to appoint another person (who must be an individual) as his proxy to attend and vote instead of him. A proxy need not be a member of the Company.

4. In order to be valid, a form of proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of authority, must be deposited at the Company's share registrar, Tengis Limited of 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong not less than 48 hours before the time fixed for holding the meeting.

5. Delivery of the form of proxy will not preclude a member from attending and voting in person at the meeting convened and in such event, the form of proxy shall be deemed to be revoked.

6. Where there are joint holders of any share of the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he was solely entitled thereto, but if more than one of such joint holders are present at the meeting, the most senior shall alone be entitled to vote, whether in person or by proxy, and for this purpose seniority shall be determined by the order in which the names stand in the register in respect of the joint holding.

7. For the purpose of determining the list of shareholders entitled to attend and vote at the Annual General Meeting and to receive the final dividend to be declared at the meeting, the Company shall temporarily suspend changes to the register of members from Thursday, 1 August 2002 to Wednesday, 7 August 2002, both days inclusive. Shareholders whose names appear on the register at the time of the suspension of registration shall be entitled to attend and vote at the meeting and shall be entitled to receive final dividend if declared at the meeting. Persons who purchase shares of the Company during the period of suspension of registration shall not be entitled to attend the meeting nor to the final dividend.

8. In relation to the proposed resolution 6 set out in the notice convening the meeting, approval is being sought from the members as a general mandate under the Listing Rules. The Directors wish to state that they have no immediate plans to issue any new shares of the Company.

9. In relation to the proposed resolution 7 set out in the notice convening the meeting the Directors wish to state that they will exercise the powers conferred thereby to repurchase shares of the Company in the circumstances which they deem appropriate for the benefit of the Company and the shareholders.