

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. Basis of Presentation and Accounting Policies

The Company was incorporated as an exempted company with limited liability in Bermuda on 8 August 2000 under the Companies Act 1981 of Bermuda. The Company has not carried on any business since the date of its incorporation save for the acquisition on 5 December 2000 of the entire issued share capital of Sino Golf (BVI) Company Limited, the intermediate holding company of the other subsidiaries within the Group, in preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The condensed pro forma consolidated interim financial statements are prepared in accordance with Hong Kong Statement of Standard Accounting Practice No. 25, "Interim Financial Reporting", except that the comparative figures of the condensed pro forma consolidated cash flow statement have not been presented as the Company has taken advantage of the transitional provisions set out in Appendix 16 of the Listing Rules of the Stock Exchange.

The basis of presentation and accounting policies used in the preparation of the pro forma consolidated interim financial statements are consistent with those used in the financial summaries of the Group as set out in the prospectus of the Company dated 11 December 2000.

2. TURNOVER

An analysis of the Group's turnover by geographical area of its shipments is as follows:

	For the six months ended 30 September	
	2000	1999
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
North America	95,003	90,689
Europe	29,204	12,308
Japan	3,112	4,618
Asia (excluding Japan)	11,022	4,910
Others	6,316	2,284
	<u>144,657</u>	<u>114,809</u>

3. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	For the six months ended 30 September	
	2000	1999
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Depreciation:		
Owned fixed assets	3,531	3,332
Leased fixed assets	555	463
	4,086	3,795
Interest on bank loans, overdrafts and other loans wholly repayable within five years	4,743	3,495
Interest on finance leases and hire purchase contracts	141	103
Bank charges	902	663
Total finance costs	5,786	4,261

4. TAX

Hong Kong profits tax has been provided at the rate of 16% (1999: 16%) on the estimated assessable profits arising in Hong Kong during the period. 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.

	For the six months ended 30 September	
	2000	1999
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Provision for the period:		
Hong Kong	1,800	1,600
Deferred tax	200	—
Tax charge for the period	2,000	1,600

5. DIVIDENDS

The amounts in both periods presented represent the dividends declared by Sino Golf Manufacturing Company Limited (“Sino Golf Manufacturing”), a wholly-owned subsidiary of the Company prior to the listing of the Company’s shares on the Stock Exchange. Relevant details have been disclosed in the prospectus of the Company dated 11 December 2000.

The Board does not recommend to pay any interim dividend for the Company in respect of the six months ended 30 September 2000.

6. EARNINGS PER SHARE

The calculation of earnings per share is based on the pro forma net profit from ordinary activities attributable to shareholders for the period of HK\$23,511,000 (1999: HK\$17,931,000) and on the weighted average of 225,000,000 shares (1999: 213,717,000 shares) in issue during the period ended 30 September 2000, as if the capitalisation issue of 223,000,000 shares made to the existing shareholders of the Company upon the completion of the public offer and the placing of 75,000,000 shares in the Company had been issued from the respective dates the related existing shares were issued.

No diluted earnings per share are presented because the Company had no potentially dilutive shares.

7. TRADE AND BILLS RECEIVABLE

An ageing analysis of the Group’s trade and bills receivable is as follows:

	30 September 2000	
	Balance	Percentage
	(unaudited)	(unaudited)
	HK\$’000	
Within three months	9,876	68%
Within four to six months	2,889	20%
Within seven months to one year	340	2%
Over one year	1,377	10%
	<u>14,482</u>	<u>100%</u>

The above analysis ages trade and bills receivable, stated net of provisions for doubtful debts, based on the date of recognition of the sales.

The normal credit period granted by the Group is within 30 to 150 days from the date of recognition of sales.

8. TRADE AND BILLS PAYABLE

An ageing analysis of the Group's trade and bills payable is as follows:

	30 September 2000	
	(unaudited)	(unaudited)
	Balance	Percentage
	(unaudited)	(unaudited)
	HK\$'000	
Within three months	12,288	57%
Within four to six months	7,801	36%
Within seven months to one year	1,520	7%
	<u>21,609</u>	<u>100%</u>

The above analysis ages trade and bills payable based on the date of receipt of the goods purchased.

9. SHARE CAPITAL

	30 September	31 March
	2000	2000
	(unaudited)	(audited)
	HK\$'000	HK\$'000
Issued and fully paid share capital of Sino Golf Manufacturing: 3,842,700 ordinary shares of HK\$1.00 each	<u>3,843</u>	<u>3,843</u>

On 18 September 2000, 1,000,000 shares of HK\$0.1 each of the Company were allotted and issued as nil paid. Pursuant to the Group reorganisation as disclosed in the prospectus of the Company dated 11 December 2000, all these shares were subsequently paid up on 5 December 2000. In addition, on 5 December 2000, further 1,000,000 shares of HK\$0.1 each were allotted and issued as fully paid and capitalisation issue of 223,000,000 shares of HK\$0.1 each were made to the existing shareholders of the Company upon the completion of the public offer and the placing of 75,000,000 shares in the Company on 20 December 2000.

10. RESERVES

	Share premium of Sino Golf Manufacturing HK\$'000	Retained profits HK\$'000	Exchange fluctuation reserve HK\$'000	Total HK\$'000
At 1 April 2000	6,921	8,687	1,086	16,694
Net profit attributable to shareholders	—	23,511	—	23,511
Dividends	—	(26,500)	—	(26,500)
Goodwill arising on acquisition of a subsidiary	—	(3,569)	—	(3,569)
Exchange fluctuation reserve	—	—	198	198
At 30 September 2000	<u>6,921</u>	<u>2,129</u>	<u>1,284</u>	<u>10,334</u>

11. CONTINGENT LIABILITIES

As at 30 September 2000, the Group had the following contingent liabilities not provided for in the pro forma consolidated balance sheet:

	30 September 2000 (unaudited) HK\$'000	31 March 2000 (audited) HK\$'000
Bills discounted with recourse	15,158	3,488
Guarantees for a bank loan granted to a related company	7,998	8,109
	<u>23,156</u>	<u>11,597</u>

12. COMMITMENTS

(a) Capital commitments

	30 September 2000 (unaudited) HK\$'000	31 March 2000 (audited) HK\$'000
Capital commitments in respect of land and buildings:		
Contracted, but not provided for	536	573
Capital commitments in respect of plant and machinery:		
Contracted, but not provided for	7	113
	<u>543</u>	<u>686</u>

The capital commitment of the Group for the investments in a subsidiary established in the PRC amounted to HK\$18,975,000 as at 30 September 2000 (31 March 2000: HK\$30,692,000). The capital commitment was fully contributed subsequent to 30 September 2000.

(b) Commitments under operating leases

The Group had commitments under non-cancellable operating leases to make payments in the following year as follows:

	30 September 2000 (unaudited) HK\$'000	31 March 2000 (audited) HK\$'000
Land and buildings expiring:		
Within one year	660	53
In the second to fifth years, inclusive	1,001	950
After five years	186	90
	<u>1,847</u>	<u>1,093</u>

13. RELATED PARTY TRANSACTIONS

During the period, the Group entered into the following material related party transactions with companies in which the directors of the Company have beneficial interests or can exercise significant influence:

	<i>Notes</i>	For the six months ended 30 September	
		2000 (unaudited) HK\$'000	1999 (unaudited) HK\$'000
Purchases of raw materials from Nikko Bussan Co., Ltd. (“Nikko Bussan”)	(a)	14,567	17,500
Purchases of raw materials from Nikko Bussan Taiwan Co., Ltd.	(a)	231	443
Purchases of raw materials and consumables from Chung Lian Hsieh Enterprise Company Limited	(b)	—	12,037
Purchases of finished goods from Xiamen Dongan Precision Casting Co., Ltd.	(c)	13,053	—
Sales of finished goods to Nikko Bussan	(d)	21,668	13,686
Rental expenses paid to Progold Manufacturing Company Limited and Oriental Leader Limited	(e)	660	507

Notes:

- (a) The purchase prices of raw materials were determined between the Group and the related companies on a cost-plus basis.
- (b) The purchase prices of raw materials and consumables were based on the cost incurred by the related party.
- (c) The purchase prices of finished goods were determined at 60% to 70% of the selling prices of the relevant product category in accordance with the agreements signed by both parties.
- (d) The selling prices of finished goods were determined between the Group and the related party and were in line with the prices offered to other customers of the Group.
- (e) The rental expenses were determined at rates agreed between the Group and the corresponding related parties based on market rates.

The directors are of the opinion that the above transactions were conducted in the ordinary and usual course of the Group’s business.

14. POST BALANCE SHEET EVENTS

On 5 December 2000, the companies now comprising the Group underwent a reorganisation in preparation for the listing of the Company's shares on the Stock Exchange. As a result, the Company became the ultimate holding company of the Group. On 20 December 2000, the Company was successfully listed on the main board of the Stock Exchange and the net proceeds of placing and public offer, after deducting related expenses, amounted to approximately HK\$86 million. Details of the use of proceeds have been disclosed in the prospectus of the Company dated 11 December 2000.

Save as aforesaid, no other significant events took place subsequent to 30 September 2000.