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.

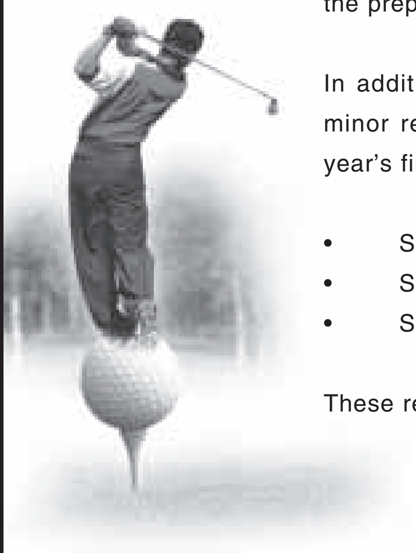
SSAP 31 prescribes the recognition and measurement criteria for impairments of assets. The SSAP is required to be applied prospectively and therefore, has had no effect on amounts previously reported in prior year financial statements.

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;

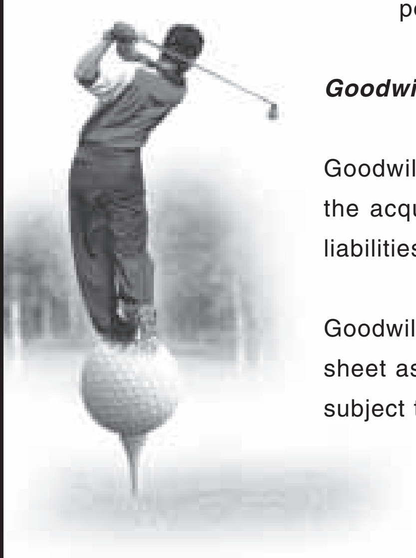
(c) an associate, if the Company does not have unilateral or joint control, but holds generally not less than 20 per cent of the joint venture company's registered capital and is in a position to exercise significant influence over the joint venture company; or

(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)*

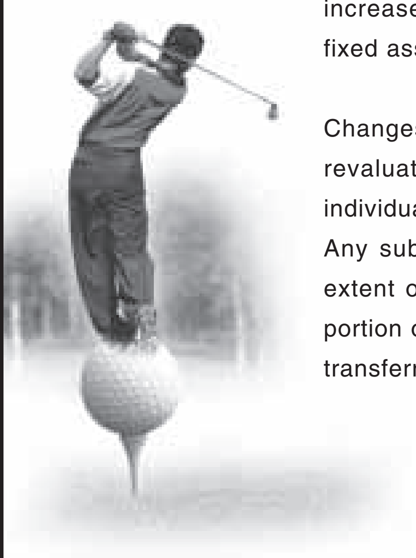
A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment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

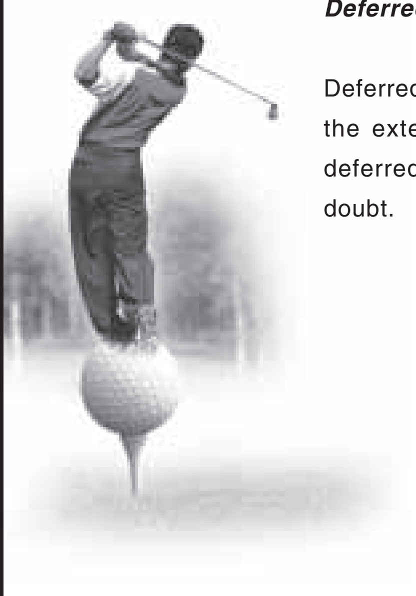
Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated 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

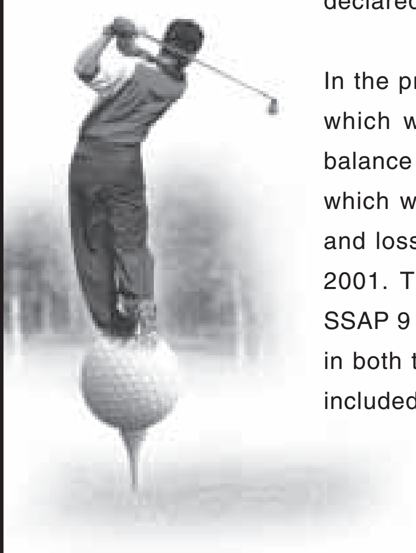
Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or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

Notes to Financial Statements

31 March 2002

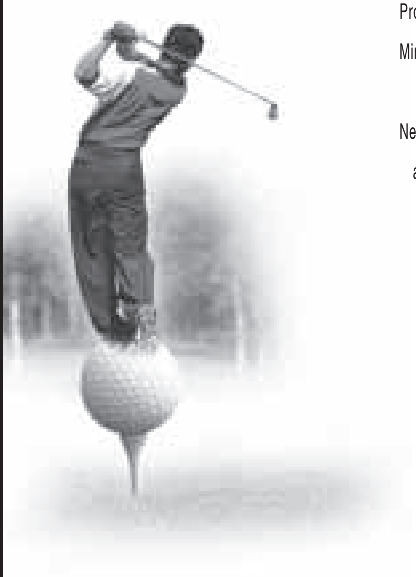
4. SEGMENT INFORMATION *(Continued)*

(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

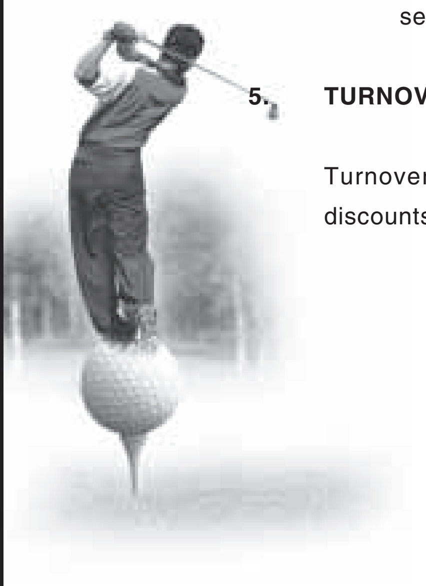
The following tables present revenue, profit and certain asset and expenditure information for the Group's geographical segments.

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 HK$'000	2001 HK$'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 HK$'000	2001 HK$'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.

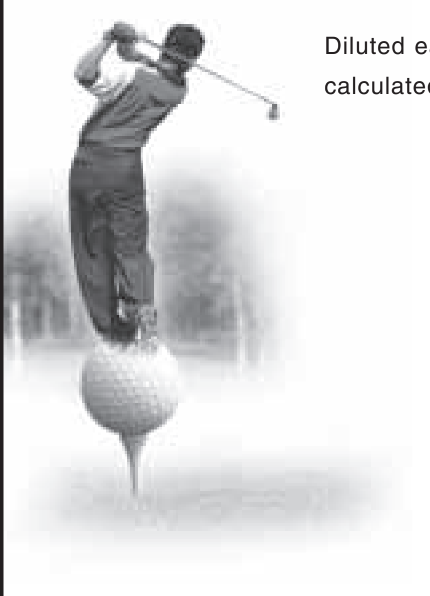
During the year, the Group adopted the revised SSAP 9 "Events after the balance sheet date", as detailed in note 2 to the financial statements. To comply with this revised SSAP, a prior year adjustment has been made to reclassify the proposed final dividend of the Company for the year ended 31 March 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	Leasehold improvements	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*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.

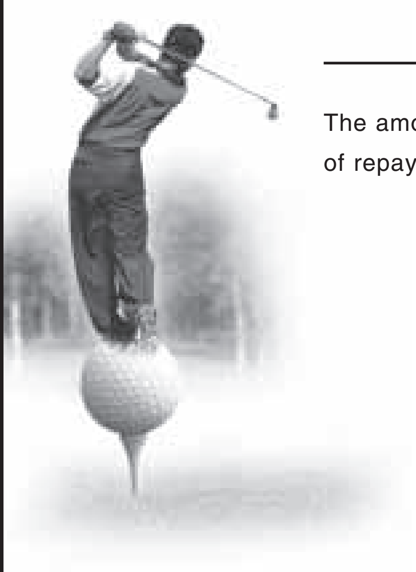
The effect of this change in accounting policy on the consolidated profit and loss account for the current year was to increase the amortisation and impairment of goodwill by HK$764,000 and HK$500,000, respectively.

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.

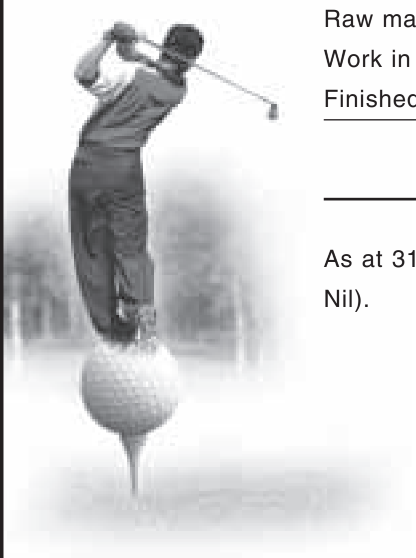
According to the agreements entered into between both parties, the Group agreed to make certain annual payments to the PRC Partner commencing on 20 August 1999 for the remaining tenure of Zengcheng Sino Golf, and the PRC Partner in return agreed to give up all of the rights to the profits, the management 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.

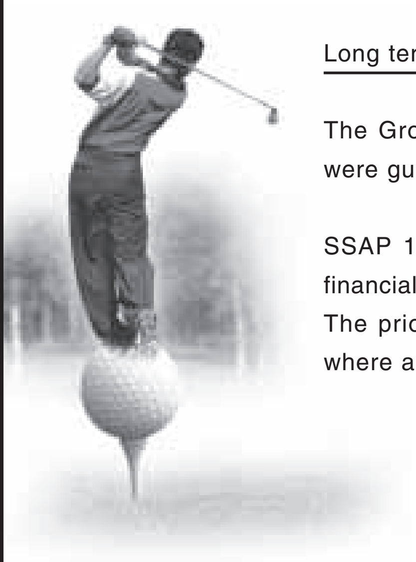
26. FINANCE LEASE AND HIRE PURCHASE CONTRACT PAYABLES

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 HK$'000	2001 HK$'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

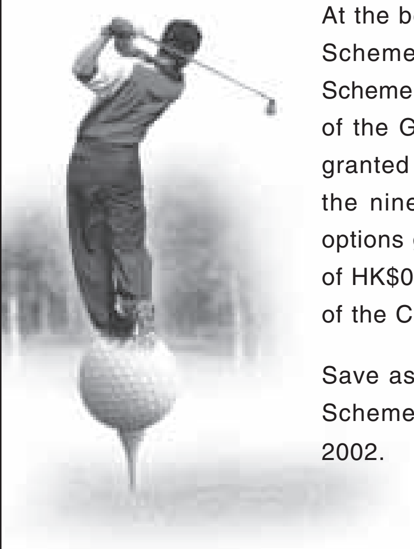
Note: During the year, 2,200,000 share options were exercised at the subscription price of HK$0.62 per share, resulting in the issue of 2,200,000 shares of HK$0.1 each for a total cash consideration of HK$1,364,000.

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 HK$'000	Contributed surplus HK$'000	Fixed asset revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	Other reserves HK$'000	Retained profits HK$'000	Total 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)*

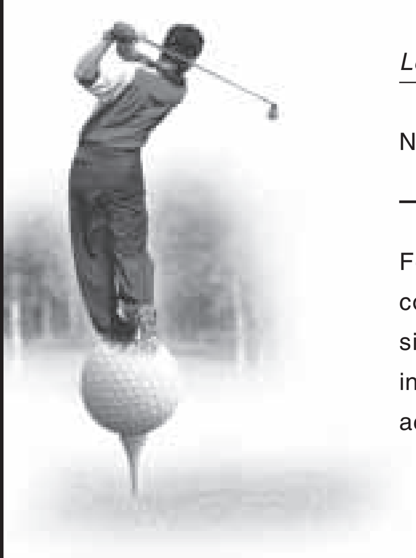
(c) Acquisition of a subsidiary

	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

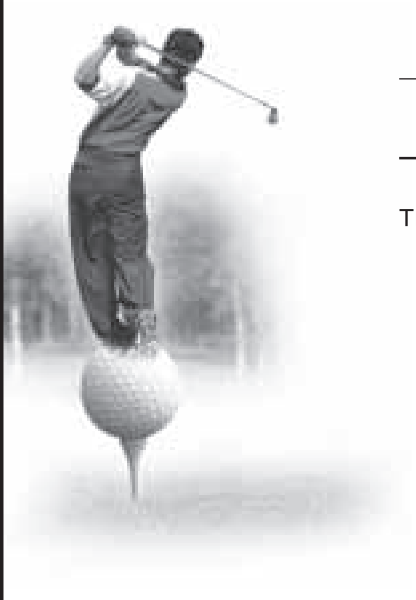
32. COMMITMENTS

(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**	–

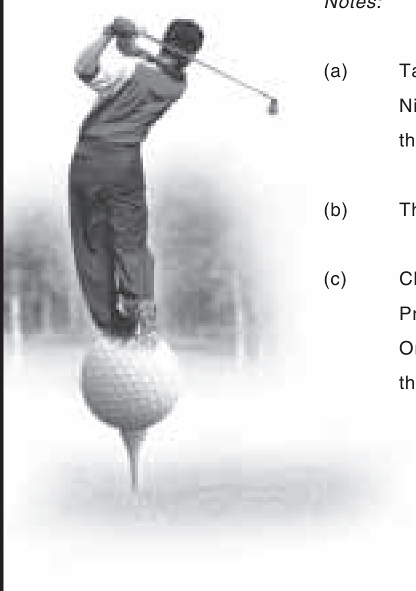
The directors, including the independent non-executive directors of the Company, have reviewed and confirmed that these transactions were conducted in the ordinary and usual course of the Group's business.

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.