

## Notes to Financial Statements

31 December 2002

### 1. CORPORATE INFORMATION

The registered office of the Company is located at 19/F, Delta House, 3 On Yiu Street, Shatin, New Territories, Hong Kong.

During the period, 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 are effective for the first time for the current period's financial statements:

- SSAP 1 (Revised) : “Presentation of financial statements”
- SSAP 11 (Revised) : “Foreign currency translation”
- SSAP 15 (Revised) : “Cash flow statements”
- SSAP 34 : “Employee benefits”

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

SSAP 1 (Revised) prescribes the basis for the presentation of financial statements and sets out guidelines for their structure and minimum requirements for the content thereof. The principal impact of the revision to this SSAP is that a consolidated summary statement of changes in equity is now presented on page 22 of the financial statements in place of the consolidation statement of recognised gains and losses that was previously required.

SSAP 11 (Revised) prescribes the basis for the translation of foreign currency transactions and financial statements. The principal impact of the revision to this SSAP on the consolidated financial statements is that the profit and loss accounts of overseas subsidiaries are now translated to Hong Kong dollars at the weighted average exchange rates for the period, whereas previously they were translated at the exchange rates at the balance sheet date. The adoption of the revised SSAP 11 has had no material effect on the financial statements.

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### 2. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE (“SSAPs”) (Continued)

SSAP 15 (Revised) prescribes the format for the cash flow statement. The principal impact of the revision to this SSAP is that the consolidated cash flow statement now presents cash flows under three headings, cash flows from operating, investing and financing activities, rather than the five headings previously required. In addition, cash flows from overseas subsidiaries arising during the period are now translated to Hong Kong dollars at the exchange rates at the dates of the transactions, or at an approximation thereto, whereas previously they were translated at the exchange rates at the balance sheet date, and the definition of cash equivalents for the purpose of the cash flow statement has been revised. Further details of these changes are included in the accounting policies for “Cash and cash equivalents” and “Foreign currencies” in note 3 and in note 29(a) to the financial statements.

SSAP 34 prescribes the recognition and measurement criteria to apply to employee benefits, together with the required disclosures in respect thereof. The adoption of this SSAP has resulted in no change to the previously adopted accounting treatments for employee benefits. Additional disclosures are now required in respect of the Company’s share option schemes, as detailed in note 27 to the financial statements. These disclosures are similar to those required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and which are now required to be included in the notes to the financial statements as a consequence of the SSAP.

### 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.

Due to the change of accounting year end date from 31 March to 31 December in current period, to standardise the reporting dates of all subsidiaries within the Group, the current period’s financial statements are prepared for the nine months ended 31 December 2002. The comparative amounts for the consolidated profit and loss account, consolidated summary statement of changes in equity, consolidated cash flow statement and the related notes, which are prepared for the year ended 31 March 2002, are not comparable.

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

#### **Basis of consolidation**

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

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

Minority interests represent the interests of outside shareholders in the results and net assets of the Company's subsidiaries.

#### **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 results of subsidiaries are included in the Company's profit and loss account to the extent of dividends received or receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

#### **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 Group has unilateral control, directly or indirectly, over the joint venture company;
- (b) a jointly controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture company;
- (c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture company's registered capital and is in a position to exercise significant influence over the joint venture company; or

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

#### Joint venture companies (Continued)

- (d) a long term investment, if the Group holds, directly or indirectly, less than 20% 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.

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.

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.

## Notes to Financial Statements

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

#### Impairment of assets (Continued)

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.

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.

## Notes to Financial Statements

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

#### 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.

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.

## Notes to Financial Statements

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

#### Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheets, cash and cash equivalents comprise cash on hand and at banks, 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.

#### 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.



## Notes to Financial Statements

31 December 2002

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

#### Foreign currencies

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

On consolidation, the financial statements of overseas subsidiaries are translated into Hong Kong dollars using the net investment method. The profit and loss accounts of overseas subsidiaries are translated to Hong Kong dollars at the weighted average exchange rates for the period, and their balance sheets are translated to Hong Kong dollars at the exchange rates at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated to Hong Kong dollars at the exchange rates at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the period are translated to Hong Kong dollars at the weighted average exchange rates for the period.

Prior to the adoption of the revised SSAPs 11 and 15 during the period, as explained in note 2 to the financial statements, the profit and loss accounts of overseas subsidiaries and the cash flows of overseas subsidiaries were translated to Hong Kong dollars at the exchange rate at the balance sheet date. The adoption of the revised SSAP 11 has had no material effect on the financial statements, while the adoption of the revised SSAP 15 has resulted in changes to the layout of the consolidated cash flow statement, further details of which are included in note 29(a) to the financial statements.

#### Share option scheme

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The financial impact of share options granted under the share option scheme 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 balance sheet for their cost. Upon the exercise of 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 are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding options.



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

#### 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. 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.

The employees of the Group's subsidiaries which operate in the mainland of 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 central pension 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 the capital and reserves section of the balance sheets, 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.

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### 4. SEGMENT INFORMATION

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, other accessories and related components and parts.

In determining the Group's geographical segments, revenues 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

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### 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.

	Golf equipment		Golf bags		Eliminations		Consolidated	
	Nine months ended 31 December 2002 HK\$'000	Year ended 31 March 2002 HK\$'000	Nine months ended 31 December 2002 HK\$'000	Year ended 31 March 2002 HK\$'000	Nine months ended 31 December 2002 HK\$'000	Year ended 31 March 2002 HK\$'000	Nine months ended 31 December 2002 HK\$'000	Year ended 31 March 2002 HK\$'000
Segment revenue:								
Sales to external customers	191,350	230,522	39,147	21,970	-	-	230,497	252,492
Intersegment sales	-	-	10,075	5,527	(10,075)	(5,527)	-	-
Other revenue	4,712	5,020	20	507	-	-	4,732	5,527
<b>Total</b>	<b>196,062</b>	<b>235,542</b>	<b>49,242</b>	<b>28,004</b>	<b>(10,075)</b>	<b>(5,527)</b>	<b>235,229</b>	<b>258,019</b>
Segment results	32,732	39,175	385	2,186			33,117	41,361
Interest income							278	766
Loss on partial disposal of a subsidiary							(148)	-
Profit from operating activities							33,247	42,127
Finance costs							(5,069)	(7,121)
Profit before tax							28,178	35,006
Tax							(2,003)	(3,219)
Profit before minority interests							26,175	31,787
Minority interests							(650)	(1,340)
Net profit from ordinary activities attributable to shareholders							25,525	30,447

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### 4. SEGMENT INFORMATION (Continued)

#### (a) Business segments (Continued)

	Golf equipment		Golf bags		Eliminations		Consolidated	
	31 December	31 March	31 December	31 March	31 December	31 March	31 December	31 March
	2002	2002	2002	2002	2002	2002	2002	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment assets	<b>286,826</b>	306,610	<b>53,510</b>	35,243	<b>(7,374)</b>	(3,602)	<b>332,962</b>	338,251
Segment liabilities	<b>19,850</b>	48,825	<b>39,262</b>	18,311	<b>(7,374)</b>	(7,747)	<b>51,738</b>	59,389
Unallocated liabilities							<b>103,682</b>	85,412
Total liabilities							<b>155,420</b>	144,801
Other segment information:								
Depreciation	<b>9,007</b>	10,411	<b>671</b>	365	-	-	<b>9,678</b>	10,776
Amortisation of goodwill	<b>333</b>	445	<b>478</b>	319	-	-	<b>811</b>	764
Impairment of goodwill	-	500	-	-	-	-	-	500
Capital expenditure	<b>8,552</b>	24,553	<b>1,550</b>	5,575	-	-	<b>10,102</b>	30,128

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### 4. SEGMENT INFORMATION (Continued)

#### (b) Geographical segments

The following table presents revenue and certain asset and expenditure information for the Group's geographical segments.

	North America		Europe		Asia (excluding Japan)		Japan		Others		Consolidated	
	Nine months ended	Year ended	Nine months ended	Year ended	Nine months ended	Year ended	Nine months ended	Year ended	Nine months ended	Year ended	Nine months ended	Year ended
	31 December 2002	31 March 2002	31 December 2002	31 March 2002	31 December 2002	31 March 2002	31 December 2002	31 March 2002	31 December 2002	31 March 2002	31 December 2002	31 March 2002
	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	165,778	163,616	22,633	22,964	15,776	30,561	13,279	24,399	13,031	10,952	230,497	252,492
Other segment information:												
Segment assets		174,480	169,846	213,770	265,439	22,708	2,628	(77,996)	(99,662)	332,962	338,251	
Capital expenditure		656	2,284	8,190	27,428	1,256	416	-	-	10,102	30,128	

### 5. TURNOVER

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

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### 6. PROFIT FROM OPERATING ACTIVITIES

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

	<i>Notes</i>	<b>Nine months ended 31 December 2002 HK\$'000</b>	Year ended 31 March 2002 HK\$'000
Cost of inventories sold		<b>152,444</b>	159,500
Depreciation	14	<b>9,678</b>	10,776
Minimum lease payments under operating leases of land and buildings		<b>2,395</b>	1,449
Amortisation of goodwill*	15	<b>811</b>	764
Impairment of goodwill*		<b>–</b>	500
Auditors' remuneration		<b>700</b>	763
Staff costs (including directors' remuneration – note 8):			
Wages and salaries		<b>34,492</b>	35,463
Retirement benefits scheme contributions		<b>1,045</b>	897
		<b>35,537</b>	36,360
Loss on partial disposal of a subsidiary		<b>148</b>	–
Loss/(gain) on disposal of fixed assets		<b>(3)</b>	453
Exchange gains, net		<b>(692)</b>	(1,719)
Interest income		<b>(278)</b>	(766)

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

### 7. FINANCE COSTS

	<b>Group</b>	<b>Nine months ended 31 December 2002 HK\$'000</b>	Year ended 31 March 2002 HK\$'000
Interest on bank loans and overdrafts		<b>3,810</b>	5,435
Interest on finance leases and hire purchase contracts		<b>62</b>	189
Total interest expenses		<b>3,872</b>	5,624
Bank charges		<b>1,197</b>	1,497
Total finance costs		<b>5,069</b>	7,121

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### 8. DIRECTORS' REMUNERATION

Directors' remuneration, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	<b>Group</b>	
	<b>Nine months ended 31 December 2002 <i>HK\$'000</i></b>	Year ended 31 March 2002 <i>HK\$'000</i>
Fees:		
Executive directors	–	–
Non-executive director	<b>38</b>	50
Independent non-executive directors	<b>165</b>	220
	<b>203</b>	270
Other emoluments:		
Executive directors:		
Salaries	<b>2,891</b>	3,583
Bonuses	–	837
Housing benefits	<b>1,080</b>	1,440
Retirement benefits scheme contributions	<b>18</b>	24
	<b>3,989</b>	5,884
Non-executive director:		
Consultancy fee	<b>407</b>	539
	<b>4,599</b>	6,693



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### 8. DIRECTORS' REMUNERATION (Continued)

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

	Number of directors	
	Nine months ended 31 December 2002	Year ended 31 March 2002
Nil to HK\$1,000,000	6	6
HK\$1,000,001 to HK\$1,500,000	1	–
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
	<b>8</b>	<b>8</b>

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

During the nine months ended 31 December 2002 and year ended 31 March 2002, 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.

### 9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the period included 3 (year ended 31 March 2002: 2) executive directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining 2 (year ended 31 March 2002: 3) non-director, highest paid employees are as follows:

	Group	
	Nine months ended 31 December 2002 <i>HK\$'000</i>	Year ended 31 March 2002 <i>HK\$'000</i>
Salaries, bonuses, allowances and benefits in kind	1,210	2,087
Retirement benefits scheme contributions	9	12
	<b>1,219</b>	<b>2,099</b>

The remuneration of the 2 (year ended 31 March 2002: 3) non-director, highest paid employees each fell within the range of Nil to HK\$1,000,000.

During the period, no emoluments were paid by the Group to any of the 2 (year ended 31 March 2002: 3) non-director, highest paid employees as an inducement to join or upon joining the Group, or as compensation for loss of office.

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### 10. TAX

Hong Kong profits tax has been provided at the rate of 16% (year ended 31 March 2002: 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.

	<b>Group</b>	
	<b>Nine months ended 31 December 2002 HK\$'000</b>	Year ended 31 March 2002 HK\$'000
Provision for the period/year:		
Hong Kong	<b>2,241</b>	3,020
Elsewhere	<b>200</b>	19
Underprovision/(overprovision) in prior year	<b>(438)</b>	180
Tax charge for the period/year	<b>2,003</b>	3,219

### 11. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to shareholders for the nine months ended 31 December 2002 dealt with in the financial statements of the Company was HK\$25,258,000 (year ended 31 March 2002: HK\$51,286,000).

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### 12. DIVIDENDS

	<b>Nine months ended 31 December 2002 HK\$'000</b>	Year ended 31 March 2002 HK\$'000
Underprovision in the prior year	–	154
Interim – HK4.5 cents (year ended 31 March 2002: Nil) per ordinary share	<b>13,599</b>	–
Proposed final – HK3.9 cents (year ended 31 March 2002: HK10 cents) per ordinary share	<b>11,786</b>	30,220
	<b>25,385</b>	30,374

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

### 13. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the period of HK\$25,525,000 (year ended 31 March 2002: HK\$30,447,000) and the weighted average of 302,200,000 (year ended 31 March 2002: 301,555,000) ordinary shares in issue during the period.

Diluted earnings per share for the nine months ended 31 December 2002 and year ended 31 March 2002 have not been calculated as no diluting events existed during this period and the prior year.

## Notes to Financial Statements

31 December 2002

### 14. FIXED ASSETS

#### Group

	Land and buildings	Leasehold improvements	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost or valuation:							
At 1 April 2002	75,215	3,121	68,997	3,807	4,057	150	155,347
Additions	941	274	6,175	1,015	784	913	10,102
Disposals	(60)	–	(28)	(3)	(502)	–	(593)
Transfer from construction in progress	151	–	–	–	–	(151)	–
Exchange realignments	420	2	610	23	22	1	1,078
<b>At 31 December 2002</b>	<b>76,667</b>	<b>3,397</b>	<b>75,754</b>	<b>4,842</b>	<b>4,361</b>	<b>913</b>	<b>165,934</b>
Analysis of cost or valuation:							
At cost	26,493	3,397	75,754	4,842	4,361	913	115,760
At 30 September 2000 valuation	50,174	–	–	–	–	–	50,174
	76,667	3,397	75,754	4,842	4,361	913	165,934
Accumulated depreciation:							
At 1 April 2002	8,111	317	38,201	2,552	2,224	–	51,405
Provided for the period	1,440	502	6,738	470	528	–	9,678
Disposals	(2)	–	(19)	–	(413)	–	(434)
Exchange realignments	38	2	359	16	9	–	424
<b>At 31 December 2002</b>	<b>9,587</b>	<b>821</b>	<b>45,279</b>	<b>3,038</b>	<b>2,348</b>	<b>–</b>	<b>61,073</b>
<b>Net book value:</b>							
<b>At 31 December 2002</b>	<b>67,080</b>	<b>2,576</b>	<b>30,475</b>	<b>1,804</b>	<b>2,013</b>	<b>913</b>	<b>104,861</b>
At 31 March 2002	67,104	2,804	30,796	1,255	1,833	150	103,942

## Notes to Financial Statements

31 December 2002

### 14. FIXED ASSETS (Continued)

Notes:

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

	<i>HK\$'000</i>
Long term lease	592
Medium term leases	76,075
	<hr/> 76,667

- (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. Such land and buildings were not revalued at 31 December 2002. In the opinion of the directors, there are no significant changes in the valuations of these land and buildings from their carrying amounts as at 31 December 2002. As at the balance sheet date, such land and buildings had an aggregate carrying amount of HK\$47,267,000 (31 March 2002: HK\$48,242,000) 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\$21,455,000 (31 March 2002: HK\$21,788,000).
- (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\$2,741,000 (31 March 2002: HK\$2,949,000) and HK\$389,000 (31 March 2002: Nil), respectively.
- (e) Certain of the above land and buildings and plant and machinery with an aggregate net book value of HK\$11,923,000 (31 March 2002: HK\$24,342,000) as at the balance sheet date were pledged to secure the bank loans granted to a subsidiary of the Company.

## Notes to Financial Statements

31 December 2002

### 15. GOODWILL

The amounts of goodwill capitalised as an asset in the consolidated balance sheet, arising from the acquisition of subsidiaries, are as follows:

#### Group

	<i>HK\$'000</i>
<hr/>	
Cost:	
<b>At 1 April 2002 and 31 December 2002</b>	<b>10,816</b>
Accumulated amortisation and impairment:	
At 1 April 2002	3,144
Amortisation provided for the period	811
<hr/>	
<b>At 31 December 2002</b>	<b>3,955</b>
<hr/>	
Net book value:	
<b>At 31 December 2002</b>	<b>6,861</b>
<hr/>	
At 31 March 2002	7,672
<hr/>	

### 16. INTERESTS IN SUBSIDIARIES

	<b>Company</b>	
	<b>31 December 2002 <i>HK\$'000</i></b>	31 March 2002 <i>HK\$'000</i>
<hr/>		
Unlisted shares, at cost	<b>15,717</b>	15,717
Due from subsidiaries	<b>99,429</b>	117,479
<hr/>		
	<b>115,146</b>	133,196
<hr/>		

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

## Notes to Financial Statements

31 December 2002

### 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



## Notes to Financial Statements

31 December 2002

### 16. INTERESTS IN SUBSIDIARIES (Continued)

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 Leisure Company Limited ("Leisure")	Hong Kong	HK\$990,000	–	85% <i>(Note c)</i>	Golf leisure promotion
Sino CTB Company, L.L.C.	The USA	US\$500,000	–	51% <i>(Note d)</i>	Manufacturing and trading of golf bags

*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% and 13%, 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% 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% value of the land and buildings to be shared by the PRC Partner as at 31 December 2002 amounted to approximately HK\$2,731,000 (31 March 2002: HK\$3,100,000) which is amortised over the remaining joint venture period in the consolidated profit and loss account.

- (c) During the period, the Group partially disposed 15% equity interest in Leisure at a cash consideration of HK\$2 with a loss of HK\$148,000.
- (d) This company was newly set up during the period.

## Notes to Financial Statements

31 December 2002

### 17. INVENTORIES

	<b>31 December</b>	<b>Group</b>
	<b>2002</b>	31 March
	<b>HK\$'000</b>	2002
		<i>HK\$'000</i>
Raw materials	<b>23,797</b>	24,095
Work in progress	<b>26,413</b>	23,423
Finished goods	<b>26,826</b>	15,251
	<b>77,036</b>	62,769

The carrying amount of inventories carried at net realisable value included in the above balance was HK\$6,692,000 (31 March 2002: Nil) as at the balance sheet date.

### 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:

	<b>31 December</b>	<b>31 March</b>
	<b>2002</b>	2002
	<b>HK\$'000</b>	<i>HK\$'000</i>
Within 3 months	<b>47,875</b>	29,425
4 to 6 months	<b>581</b>	2,433
7 to 12 months	<b>5,918</b>	111
Over 1 year	<b>310</b>	8,421
	<b>54,684</b>	40,390

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\$21,000 due to (31 March 2002: HK\$1,073,000 due from) Nikko Bussan Co., Ltd. ("Nikko Bussan (Japan)") and HK\$19,144,000 due from Global Sports Technology, Inc. ("Global Sports") 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). Global Sports is a 20% shareholder of Sino CTB Company, L.L.C., a subsidiary of the Company. The balances with Nikko Bussan (Japan) and Global Sports are unsecured, interest-free and are repayable within similar credit periods offered by the Group to its major customers.

## Notes to Financial Statements

31 December 2002

### 19. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Group		Company	
	31 December 2002 <i>HK\$'000</i>	31 March 2002 <i>HK\$'000</i>	31 December 2002 <i>HK\$'000</i>	31 March 2002 <i>HK\$'000</i>
Prepayments	1,060	758	–	–
Deposits and other debtors	43,745	36,796	220	186
	44,805	37,554	220	186
Amount classified as current assets	<b>(23,320)</b>	(37,554)	<b>(220)</b>	(186)
Long term balance	<b>21,485</b>	–	–	–

Included in other debtors is an amount due from Xiamen Sino Talent Golf Manufacturing Co., Ltd. (“Xiamen Sino”) of HK\$21 million. Subsequent to the balance sheet date, the Company acquired a 100% interest in Xiamen Sino. Further details of the post balance sheet event is included in note 32 to the financial statements. The balance is unsecured, interest-free and has no fixed terms of repayment.

### 20. TRADE AND BILLS PAYABLE

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

	31 December 2002 <i>HK\$'000</i>	31 March 2002 <i>HK\$'000</i>
Within 3 months	25,737	30,862
4 to 6 months	2,682	3,141
7 to 12 months	3,120	313
Over 1 year	687	2,004
	<b>32,226</b>	36,320

Included in the Group’s trade and bills payable are trade payables of HK\$33,000 (31 March 2002: HK\$462,000) due to Nikko Bussan (Japan) 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.

## Notes to Financial Statements

31 December 2002

### 21. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	31 December 2002 <i>HK\$'000</i>	31 March 2002 <i>HK\$'000</i>	31 December 2002 <i>HK\$'000</i>	31 March 2002 <i>HK\$'000</i>
Accruals and other liabilities	13,343	16,228	655	62
Due to related parties – note 22	6,169	5,146	–	–
	<b>19,512</b>	21,374	<b>655</b>	62

### 22. DUE TO RELATED PARTIES

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

### 23. BANK BORROWINGS

	Group	
	31 December 2002 <i>HK\$'000</i>	31 March 2002 <i>HK\$'000</i>
Bank overdrafts	6,179	5,593
Bank loans	93,734	77,808
	<b>99,913</b>	83,401
Secured	9,434	83,401
Unsecured	90,479	–
	<b>99,913</b>	83,401
Amounts repayable:		
Within one year or on demand	91,663	68,901
In the second year	8,250	14,500
	<b>99,913</b>	83,401
Portion classified as current liabilities	<b>(91,663)</b>	(68,901)
Long term portion	<b>8,250</b>	14,500

The Group's secured bank loans as at 31 December 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\$11,923,000 (31 March 2002: HK\$24,342,000).

## Notes to Financial Statements

31 December 2002

### 24. 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 10 to 47 months.

As at the balance sheet date, the total future minimum lease payments under finance leases and hire purchase contracts and their present values, were as follows:

#### Group

	<b>Minimum lease payments 31 December 2002 HK\$'000</b>	Minimum lease payments 31 March 2002 HK\$'000	<b>Present value of minimum lease payments 31 December 2002 HK\$'000</b>	Present value of minimum lease payments 31 March 2002 HK\$'000
Amounts payable:				
Within one year	<b>1,274</b>	1,375	<b>1,157</b>	1,223
In the second year	<b>271</b>	837	<b>258</b>	788
Total minimum lease payments	<b>1,545</b>	2,212	<b>1,415</b>	2,011
Future finance charges	<b>(130)</b>	(201)		
Total net finance lease and hire purchase contract payables	<b>1,415</b>	2,011		
Portion classified as current liabilities	<b>(1,157)</b>	(1,223)		
Long term portion	<b>258</b>	788		

The Group's finance lease and hire purchase contract payables as at the balance sheet date were guaranteed by the Company.

## Notes to Financial Statements

31 December 2002

### 25. DEFERRED TAX

	<b>Group</b>	
	<b>31 December 2002 HK\$'000</b>	31 March 2002 HK\$'000
Balance at beginning and end of period/year	<b>1,695</b>	1,695

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

	<b>Provided</b>		<b>Not provided</b>	
	<b>31 December 2002 HK\$'000</b>	31 March 2002 HK\$'000	<b>31 December 2002 HK\$'000</b>	31 March 2002 HK\$'000
Accelerated depreciation allowances	<b>1,695</b>	1,695	–	106

The Company had no significant potential deferred tax liabilities for which provision has not been made (31 March 2002: Nil).

### 26. SHARE CAPITAL

#### Shares

	<b>Company</b>	
	<b>31 December 2002 HK\$'000</b>	31 March 2002 HK\$'000
Authorised:		
1,000,000,000 ordinary shares of HK\$0.1 each	<b>100,000</b>	100,000
Issued and fully paid:		
302,200,000 ordinary shares of HK\$0.1 each	<b>30,220</b>	30,220

#### Share option

Details of the Company's share option scheme are included in note 27 to the financial statements.

## Notes to Financial Statements

31 December 2002

### 27. SHARE OPTION SCHEME

SSAP 34 was adopted during the period, as explained in note 2 and under the heading “Share option scheme” in note 3 to the financial statements. As a result, these detailed disclosures relating to the Company’s share option scheme are now included in the notes to the financial statements. In the prior year, these disclosures were included in the Report of the Directors, as their disclosure is also a requirement of the Listing Rules.

On 7 August 2002, the share option scheme of the Company adopted on 5 December 2000 (the “Old Share Option Scheme”) was terminated and a new share option scheme (the “New Share Option Scheme”) was adopted to comply with the new amendments of the Listing Rules regarding share option schemes of a company. As a result of these amendments, the Company may no longer grant further options under the Old Share Option Scheme. However, all options granted prior to the termination of the Old Share Option Scheme will remain in full force and effect. There were no options outstanding under the Old Share Option Scheme as at 1 April 2002 and 31 December 2002.

The purpose of the New Share Option Scheme is to provide incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Eligible participants of the New Share Option Scheme include any employee (whether full time or part time), executive or officer of the Company or any of its subsidiaries (including executive and non-executive directors of the Company or any of its subsidiaries) and any business consultants, agents and legal or financial advisers, who, in the sole discretion of the board of directors of the Company, will contribute or have contributed to the Company and/or any of its subsidiaries. The New Share Option Scheme became effective on 7 August 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

Pursuant to the New Share Option Scheme, the maximum number of shares in respect of which options may be granted under the New Share Option Scheme is such number of shares, when aggregated with shares subject to any other share option schemes (which, for this purpose, excludes the Old Share Option Scheme), must not exceed 30% of the shares in issue of the Company from time to time. The maximum number of shares issuable under share options to each eligible participant in the New Share Option Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to the shareholders’ approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors of the Company. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company’s shares at the date of the grant) in excess of HK\$5 million, within any 12-month period up to and including the date of the offer of the grant, are subject to the issue of a circular by the Company and the approval of the shareholders in advance in a general meeting.



## Notes to Financial Statements

31 December 2002

### 27. SHARE OPTION SCHEME (Continued)

The offer of a grant of share options may be accepted within 30 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the board at its absolute discretion, and commences on a specified date and ends on a date which is not later than 10 years from the date of the offer of the share options or the expiry date of the New Share Option Scheme, whichever is earlier.

The exercise price of the share options is determinable by the directors of the Company, but may not be less than the higher of (i) the closing price of the Company's shares as stated in the daily quotations sheet of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the date of grant, which must be a business day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

Share options do not confer rights on the holders to dividends or to vote at shareholders meetings.

No options were granted under the Old Share Option Scheme and the New Share Option Scheme during the period and there were no options outstanding as at 31 December 2002.

## Notes to Financial Statements

31 December 2002

### 28. RESERVES

#### Group

	Share premium <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Fixed asset revaluation reserve <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Other reserves <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2001	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 – <i>note 12</i>	-	-	-	-	-	(154)	(154)
Proposed final dividend – <i>note 12</i>	-	-	-	-	-	(30,220)	(30,220)
Transfer from retained profits	-	-	-	-	14	(14)	-
At 31 March 2002 and 1 April 2002	57,270	10,564	27,319	1,096	50	26,476	122,775
Exchange realignments	-	-	-	615	-	-	615
Net profit for the period	-	-	-	-	-	25,525	25,525
Interim dividend – <i>note 12</i>	-	-	-	-	-	(13,599)	(13,599)
Proposed final dividend – <i>note 12</i>	-	-	-	-	-	(11,786)	(11,786)
<b>At 31 December 2002</b>	<b>57,270</b>	<b>10,564</b>	<b>27,319</b>	<b>1,711</b>	<b>50</b>	<b>26,616</b>	<b>123,530</b>

## Notes to Financial Statements

31 December 2002

### 28. RESERVES (Continued)

#### Company

	Share premium <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2001	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 – <i>note 12</i>	–	–	(154)	(154)
Proposed final dividend – <i>note 12</i>	–	–	(30,220)	(30,220)
At 31 March 2002 and 1 April 2002	57,270	15,516	178	72,964
Net profit for the period	–	–	25,258	25,258
Interim dividend – <i>note 12</i>	–	–	(13,599)	(13,599)
Proposed final dividend – <i>note 12</i>	–	–	(11,786)	(11,786)
<b>At 31 December 2002</b>	<b>57,270</b>	<b>15,516</b>	<b>51</b>	<b>72,837</b>

The Group's contributed surplus represents the difference between the nominal value of the shares and share premium account of the subsidiaries acquired over the nominal value of the Company's shares issued in exchange therefor.

The Company's contributed surplus represents the excess of the fair value of the shares of the subsidiaries acquired over the nominal value of the Company's shares issued for the acquisition. Under the Companies Act 1981 of Bermuda (as amended), the Company may make distributions to its members out of contributed surplus under certain circumstances.

## Notes to Financial Statements

31 December 2002

### 29. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

- (a) SSAP 15 (Revised) was adopted during the current period, as detailed in note 2 to the financial statements, which has resulted in a change to the layout of the cash flow statement. The cash flow statement is now presented under three headings: cash flows from operating activities, investing activities and financing activities. Previously five headings were used, comprising the three headings listed above, together with cash flows from returns on investments and servicing of finance and from taxes paid. The significant reclassifications resulting from the change in presentation are that taxes paid are now included in cash flows from operating activities, interest received are now included in cash flows from operating activities, and interest and dividends paid are now included in cash flows from financing activities. The presentation of 31 March 2002 comparative cash flow statement has been changed to accord with the new layout.

The method of calculation of certain items in the consolidated cash flow statement has changed under the revised SSAP 15, as explained under the heading "Foreign currencies" in note 3 to the financial statements. Cash flows of overseas subsidiaries are now translated to Hong Kong dollars at the exchange rates at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the period are translated to Hong Kong dollars at the weighted average exchange rates for the period. Previously the cash flows of overseas subsidiaries were translated to Hong Kong dollars at the exchange rates at the balance sheet date. Such change has had no material effect on the comparative consolidated cash flow statements.

- (b) Acquisition of a subsidiary

	<b>Nine months ended 31 December 2002 HK\$'000</b>	Year ended 31 March 2002 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

## Notes to Financial Statements

31 December 2002

### 29. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Acquisition of a subsidiary (Continued)

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

	<b>Nine months ended 31 December 2002 HK\$'000</b>	Year ended 31 March 2002 HK\$'000
Outstanding cash consideration in respect of acquisition of a subsidiary in last year	<b>(2,550)</b>	–
Cash consideration payable arising from current period/year acquisition	–	(10,200)
Less: Outstanding payable at period/year end	–	2,550
Net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	<b>(2,550)</b>	(7,650)

The subsidiary acquired in last 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.

(c) Major non-cash transactions

During the nine months ended 31 December 2002, the Group purchased certain fixed assets with a total capital value of HK\$409,000 under finance lease arrangements. Of which, HK\$61,000 was paid as down payments and the remaining balance of HK\$348,000 was financed by entering into finance lease arrangements.

### 30. CONTINGENT LIABILITIES

At the balance sheet date, the Group and the Company had the following contingent liabilities not provided for in the financial statements:

	<b>Group</b>		<b>Company</b>	
	<b>31 December 2002 HK\$'000</b>	31 March 2002 HK\$'000	<b>31 December 2002 HK\$'000</b>	31 March 2002 HK\$'000
Bills discounted with recourse	<b>6,715</b>	7,469	–	–
Guarantees for bank loans, overdrafts and trade finance facilities in favour of a subsidiary	–	–	<b>90,479</b>	83,401
Guarantees for finance lease arrangements in favour of a subsidiary	–	–	<b>1,415</b>	2,011
	<b>6,715</b>	7,469	<b>91,894</b>	85,412

## Notes to Financial Statements

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### 31. COMMITMENTS

#### (a) Capital commitments

At the balance sheet date, the Group had the following capital commitments:

	<b>31 December 2002 HK\$'000</b>	31 March 2002 HK\$'000
Contracted, but not provided for:		
Land and buildings	2,834	943
Plant and machinery	1,534	141
	<b>4,368</b>	1,084

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

#### (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 the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>31 December 2002 HK\$'000</b>	31 March 2002 HK\$'000
Within one year	3,281	2,705
In the second to fifth years, inclusive	8,404	8,539
After five years	9,299	10,985
	<b>20,984</b>	22,229

## Notes to Financial Statements

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### 32. POST BALANCE SHEET EVENTS

- (a) Pursuant to a sale and purchase agreement dated 26 December 2002, the Group acquired the entire equity interest in Xiamen Sino, a company mainly engaged in the manufacturing of golf equipment, from an independent third party for a consideration of approximately HK\$7.8 million. The acquisition was completed on 21 January 2003. The proposed acquisition will give rise to a goodwill amount of approximately HK\$7 million, subject to finalisation of purchase price allocation, which will be amortised in accordance with the Group's accounting policies.
- (b) On 12 March 2003, the Group acquired an additional 20% equity interest in Sino CTB Company, L.L.C. from a minority shareholder for a cash consideration of US\$100,000. The acquisition was completed on 12 March 2003. The proposed acquisition will give rise to a goodwill amount of approximately US\$152,000, subject to finalisation of purchase price allocation.
- (c) On 20 March 2003, the Group entered into a 3-year syndicated loan agreement for an amount of HK\$105 million. The full amount of the syndicated loan was drawn down on 1 April 2003. The loan is unsecured, carries interest at a rate of HIBOR plus 1.75% per annum and is repayable by 3 installments of HK\$20 million; HK\$30 million and HK\$55 million at the 24th month; 30th month and 36th month of the loan agreement date respectively.

### 33. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the period:

	<i>Notes</i>	<b>Nine months ended 31 December 2002 HK\$'000</b>	Year ended 31 March 2002 HK\$'000
Purchases of raw materials and club heads from			
Nikko Bussan (Japan)	<i>(a)</i>	<b>74</b>	2,915
Sales of finished goods to Nikko Bussan (Japan)	<i>(b)</i>	<b>20,323</b>	31,856
Sales of finished goods to Global Sports	<i>(b), (c)</i>	<b>16,760</b>	–
Tooling income from Nikko Bussan (Japan)	<i>(d)</i>	<b>796</b>	–
Rental expenses paid to Progolf			
Manufacturing Company Limited (“Progolf”)			
and Oriental Leader Limited	<i>(e)</i>	<b>1,080</b>	1,440
Purchase of golf club memberships from			
廣州荔湖高爾夫球有限公司 (“SG Club”)	<i>(f)</i>	–	130
Sales commission paid to Global Sports	<i>(c), (g)</i>	<b>1,659</b>	–
Purchase of fixed assets from Nikko Bussan (Japan)	<i>(b)</i>	<b>22</b>	579

## Notes to Financial Statements

31 December 2002

### 33. RELATED PARTY TRANSACTIONS (Continued)

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 a beneficial interest in Nikko Bussan (Japan). The purchase prices of raw materials and club heads were determined between the Group and Nikko Bussan (Japan) on a cost-plus basis.
- (b) The selling prices of finished goods were based on the agreement between the parties.
- (c) Global Sports is a 20% shareholder of Sino CTB Company, L.L.C. Sino CTB Company L.L.C. became a subsidiary of the Company during the period.
- (d) The tooling income was based on the agreement between the parties.
- (e) Chu Chun Man, Augustine ("Augustine Chu"), a director of the Company, has a beneficial interest in Proggolf, 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.
- (f) 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 which SG Club offered to third party customers.
- (g) Sales commission paid to Global Sports as an agent in overseas for soliciting customers. The commission rate is determined at a mutually-agreed rate between the Group and Global Sports.
- (h) 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 period, 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 comparative amounts have been reclassified to conform with the current period's presentation.

### 35. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 15 April 2003.