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 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 A REVISED STATEMENT OF STANDARD ACCOUNTING PRACTICE ("SSAP")

SSAP 12 (Revised) "Income taxes" is effective for the first time for the current year's financial statements.

SSAP 12 prescribes the accounting for income taxes payable or recoverable, arising from the taxable profit or loss for the current period (current tax); and income taxes payable or recoverable in future periods, principally arising from taxable and deductible temporary differences and the carry forward of unused tax losses (deferred tax).

The principal impact of the revision of this SSAP on these financial statements is described below:

Measurement and recognition:

- deferred tax assets and liabilities relating to the differences between capital allowances for tax purposes and depreciation for financial reporting purposes and other taxable and deductible temporary differences are fully provided for, whereas previously the deferred tax was recognised for timing differences only to the extent that it was probable that the deferred tax asset or liability would crystallise in the foreseeable future; and

- a deferred tax liability has been recognised on the revaluation of the Group's land and buildings.

Disclosures:

- the related note disclosures are now more extensive than previously required. These disclosures are presented in notes 10 and 26 to the financial statements and include a reconciliation between the accounting profit and the tax expense for the year.

Further details of these changes and the prior year adjustments arising from them are included in the accounting policy for deferred tax in notes 3 and 26 to the 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.

Due to the change of the accounting year end date from 31 March to 31 December in the prior period, to standardise the reporting dates of all subsidiaries within the Group, the prior 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 nine months ended 31 December 2002, are not comparable with the amounts presented for the current year.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2003. The results of subsidiaries acquired or disposed of during the year 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Joint venture companies (continued)

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

(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 of 8 to 15 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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, which are stated at cost less any impairment losses, and are 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 rentals 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the profit and loss account or in equity if it relates to items that are recognised in the same or a different period, directly in equity.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences:

- except where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax assets and unused tax losses can be utilised:

- except where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

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;

(d) patent income, on an accrual basis in accordance with the substance of the relevant agreements; and

(e) other income, on an accrual basis.

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 into Hong Kong dollars at the weighted average exchange rates for the year, 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 ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

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.

Employment Ordinance long service payments

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Employment Ordinance.

A contingent liability is disclosed in respect of possible future long service payments to employees, as a number of current employees have achieved the required number of years of service to the Group, to the balance sheet date, in order to be eligible for long service payments under the Employment Ordinance if their employment is terminated in the circumstances specified. A provision has not been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

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 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.

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

(b) the 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.

4. SEGMENT INFORMATION (continued)

(a) Business segments

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

	Golf equipment		Golf bag		Eliminations		Consolidated	
	Year ended 31 December 2003	Nine months ended 31 December 2002	**Year ended 31 December 2003**	Nine months ended 31 December 2002	**Year ended 31 December 2003**	Nine months ended 31 December 2002	**Year ended 31 December 2003**	Nine months ended 31 December 2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Sales to external customers	**322,193**	191,350	**78,515**	39,147	**—**	—	**400,708**	230,497
Intersegment revenue	**3,221**	—	**10,417**	10,075	**(13,638)**	(10,075)	**—**	—
Other revenue	**10,239**	4,712	**322**	20	**—**	—	**10,561**	4,732
Total	**335,653**	196,062	**89,254**	49,242	**(13,638)**	(10,075)	**411,269**	235,229
Segment results	**62,678**	32,732	**(3,777)**	385			**58,901**	33,117
Interest income							**330**	278
Loss on partial disposal of a subsidiary							**—**	(148)
Profit from operating activities							**59,231**	33,247
Finance costs							**(10,142)**	(5,069)
Profit before tax							**49,089**	28,178
Tax							**(5,281)**	(2,003)
Profit before minority interests							**43,808**	26,175
Minority interests							**(484)**	(650)
Net profit from ordinary activities attributable to shareholders							**43,324**	25,525

4. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

	Golf equipment		Golf bag		Eliminations		Consolidated	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
		(Restated)		(Restated)				(Restated)
Segment assets	**293,863**	251,084	**29,949**	44,537	**(12,167)**	(7,374)	**311,645**	288,247
Unallocated assets							**93,837**	44,715
Total assets							**405,482**	332,962
Segment liabilities	**46,051**	19,850	**30,051**	39,262	**(12,167)**	(7,374)	**63,935**	51,738
Unallocated liabilities							**147,801**	106,395
Total liabilities							**211,736**	158,133
Other segment information:								
Depreciation	**14,926**	9,007	**979**	671	**—**	—	**15,905**	9,678
Amortisation of goodwill	**1,372**	333	**844**	478	**—**	—	**2,216**	811
Impairment of goodwill	**23**	—	**—**	—	**—**	—	**23**	—
Provision for bad and doubtful debts	**942**	412	**1,326**	—	**—**	—	**2,268**	412
Capital expenditure	**46,628**	8,552	**582**	1,550	**—**	—	**47,210**	10,102
Surplus on revaluation recognised directly in equity	**3,404**	—	**—**	—	**—**	—	**3,404**	—

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	
	Year ended 31 December 2003	Nine months ended 31 December 2002	**Year ended 31 December 2003**	Nine months ended 31 December 2002	**Year ended 31 December 2003**	Nine months ended 31 December 2002	**Year ended 31 December 2003**	Nine months ended 31 December 2002	**Year ended 31 December 2003**	Nine months ended 31 December 2002	**Year ended 31 December 2003**	Nine months ended 31 December 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	**268,934**	165,778	**14,967**	22,633	**20,572**	15,776	**85,135**	13,279	**11,100**	13,031	**400,708**	230,497

	Hong Kong		PRC		Unallocated		Eliminations		Consolidated	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
		(Restated)		(Restated)		(Restated)				(Restated)
Other segment information:										
Segment assets	**235,940**	147,278	**251,868**	196,763	**16,750**	22,202	**(192,913)**	(77,996)	**311,645**	288,247
Unallocated assets									**93,837**	44,715
Total assets									**405,482**	332,962
Capital expenditure	**28,439**	656	**18,711**	8,190	**60**	1,256	**—**	—	**47,210**	10,102

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):

	Notes	**Year ended 31 December 2003 HK$'000**	Nine months ended 31 December 2002 HK$'000
Cost of inventories sold		**251,473**	152,444
Depreciation	*14*	**15,905**	9,678
Minimum lease payments under operating leases:			
Land and buildings		**4,511**	2,395
Motor vehicles		**132**	22
Amortisation of goodwill*	*15*	**2,216**	811
Impairment of goodwill*	*15*	**23**	—
Auditor's remuneration			
Current year		**850**	700
Underprovision in prior year		**150**	—
		1,000	700
Staff costs			
(including directors' remuneration — note 8):			
Wages and salaries		**63,164**	34,492
Retirement benefits scheme contributions		**1,652**	1,045
		64,816	35,537
Provision for bad and doubtful debts		**2,268**	412
Loss on partial disposal of a subsidiary		**—**	148
Exchange losses/(gains), net		**1,197**	(692)
Gain on disposal of fixed assets		**(94)**	(3)
Net rental income		**(396)**	(100)
Interest income		**(330)**	(278)
Patent income		**(2,535)**	—

* 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

	Group	
	Year ended 31 December 2003	Nine months ended 31 December 2002
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts	**6,648**	3,810
Interest on finance leases	**33**	62
Total interest expenses	**6,681**	3,872
Bank charges	**3,461**	1,197
Total finance costs	**10,142**	5,069

8. DIRECTORS' REMUNERATION

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

	Group	
	Year ended 31 December 2003	Nine months ended 31 December 2002
	HK$'000	*HK$'000*
Fees:		
Executive directors	**—**	—
Non-executive director	**88**	38
Independent non-executive directors	**257**	165
	345	203
Other emoluments:		
Executive directors:		
Salaries	**3,854**	2,891
Bonuses	**820**	—
Housing benefits	**1,440**	1,080
Retirement benefits scheme contributions	**24**	18
	6,138	3,989
Non-executive director:		
Consultancy fee	**617**	407
	7,100	4,599

8. DIRECTORS' REMUNERATION (continued)

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

	Number of directors	
	Year ended 31 December 2003	Nine months ended 31 December 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**	—
	8	8

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

During the year ended 31 December 2003 and the nine months ended 31 December 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.

During the year, 9,000,000 share options were granted to the directors in respect of their services to the Group, further details of which are set out in note 28 to the financial statements. No value in respect of the share options granted during the year has been charged to the profit and loss account, or is otherwise included in the above directors' remuneration disclosures.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (nine months ended 31 December 2002: three) executive directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining two (nine months ended 31 December 2002: two) non-director, highest paid employees for the year are as follows:

	Group	
	Year ended 31 December 2003	Nine months ended 31 December 2002
	HK$'000	*HK$'000*
Salaries, bonuses, allowances and benefits in kind	**2,003**	1,210
Retirement benefits scheme contributions	**24**	9
	2,027	1,219

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Year ended 31 December 2003	Nine months ended 31 December 2002
Nil to HK$1,000,000	**1**	2
HK$1,000,001 to HK$1,500,000	**1**	—
	2	2

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

10. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (nine months ended 31 December 2002: 16%) on the estimated assessable profits arising in Hong Kong during the year. The increased Hong Kong profits tax rate became effective from the year of assessment 2003/2004, and so is applicable to the assessable profits arising in Hong Kong for the whole of the year ended 31 December 2003. 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	
	Year ended 31 December 2003	Nine months ended 31 December 2002
	HK$'000	*HK$'000*
Current — Hong Kong		
Charge for the year	**4,670**	2,241
Underprovision/(overprovision) in prior year	**145**	(438)
Current — Elsewhere	**466**	200
Tax charge for the year/period	**5,281**	2,003

10. TAX (continued)

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the countries in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

Group — 2003	**Hong Kong**		**PRC**		**Overseas**		**Total**	
	HK$'000	***%***	***HK$'000***	***%***	***HK$'000***	***%***	***HK$'000***	***%***
Profit/(loss) before tax	**47,630**		**8,713**		**(7,254)**		**49,089**	
Tax at the applicable tax rate	**8,335**	**17.5**	**2,875**	**33.0**	**(641)**	**8.8**	**10,569**	**21.5**
Lower tax rate for specific provinces or local authority	**—**	**—**	**(224)**	**(2.6)**	**—**	**—**	**(224)**	**(0.5)**
Adjustments in respect of current tax of prior period	**145**	**0.3**	**—**	**—**	**—**	**—**	**145**	**0.3**
Income not subject to tax	**(5,142)**	**(10.8)**	**(1,507)**	**(17.3)**	**—**	**—**	**(6,649)**	**(13.5)**
Expenses not deductible for tax	**1,207**	**2.5**	**233**	**2.7**	**—**	**—**	**1,440**	**2.9**
Tax losses carried forward to future years	**270**	**0.6**	**135**	**1.5**	**641**	**(8.8)**	**1,046**	**2.1**
Tax losses utilised from prior periods	**—**	**—**	**(1,046)**	**(12.0)**	**—**	**—**	**(1,046)**	**(2.1)**
Tax charge at the Group's effective rate	**4,815**	**10.1**	**466**	**5.3**	**—**	**—**	**5,281**	**10.7**

Group — 2002	**Hong Kong**		**PRC**		**Overseas**		**Total**	
	HK$'000	***%***	***HK$'000***	***%***	***HK$'000***	***%***	***HK$'000***	***%***
Profit/(loss) before tax	25,734		7,848		(5,404)		28,178	
Tax at the applicable tax rate	4,117	16.0	2,590	33.0	(478)	8.8	6,229	22.1
Lower tax rate for specific provinces or local authority	—	—	(1,247)	(15.9)	—	—	(1,247)	(4.4)
Adjustments in respect of current tax of prior year	(438)	(1.7)	—	—	—	—	(438)	(1.6)
Income not subject to tax	(5,020)	(19.5)	(2,029)	(25.8)	—	—	(7,049)	(25.0)
Expenses not deductible for tax	2,770	10.8	277	3.5	—	—	3,047	10.8
Tax losses carried forward to future years	374	1.4	1,467	18.7	478	(8.8)	2,319	8.2
Tax losses utilised from prior year	—	—	(858)	(10.9)	—	—	(858)	(3.0)
Tax charge at the Group's effective rate	1,803	7.0	200	2.6	—	—	2,003	7.1

10. TAX (continued)

Under PRC income tax law, all PRC subsidiaries of the Group are subject to corporate income tax ("CIT") at a rate ranging from 15% to 33% on the taxable income as reported in their statutory accounts, which are prepared in accordance with PRC Accounting Regulations.

In accordance with the approval document issued by the Tax Bureau of the PRC, 順德市順興隆高爾夫球製品有限公司, a 62.5% owned subsidiary of the Company established in the PRC, is entitled to an exemption from the PRC state and local CIT for the first two profitable financial years of its operation and thereafter a 50% and 100% relief from the state and local CIT, respectively, for the following three financial years (the "Tax Holiday"). Upon expiry of the Tax Holiday, the usual PRC CIT of 33%, comprising a state CIT of 30% and a local CIT of 3%, is applicable to it. The two years' tax exemption periods for 順德市順興隆高爾夫球製品有限公司 has commenced in the financial year ended 31 December 2003 under local jurisdiction.

In accordance with the approval documents issued by the Tax Bureau of the PRC, Guangzhou Sino Concept Manufacturing Co., Ltd and Xiamen Sino Talent Golf Manufacturing Co., Ltd, are wholly-foreign owned subsidiaries of the Company established in the PRC, are also entitled to an exemption from the PRC state CIT for the first two profitable financial years of their operation and thereafter a 50% relief from the state CIT for the following three financial years (the "Tax Relief"). Upon expiry of the Tax Relief, the usual PRC CIT of 33% comprising a state CIT of 30% and a local CIT of 3%, is applicable to them. The two years' tax exemption periods for Guangzhou Sino Concept Manufacturing Co., Ltd and Xiamen Sino Talent Golf Manufacturing Co., Ltd have not yet commenced during the year.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

11. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to shareholders for the year ended 31 December 2003 dealt with in the financial statements of the Company was HK$43,171,000 (nine months ended 31 December 2002: HK$25,258,000).

12. DIVIDENDS

	Year ended 31 December 2003 *HK$'000*	Nine months ended 31 December 2002 *HK$'000*
Interim — HK4.8 cents (nine months ended 31 December 2002: HK4.5 cents) per ordinary share	**14,506**	13,599
Proposed final — HK9.5 cents (nine months ended 31 December 2002: HK3.9 cents) per ordinary share	**28,709**	11,786
	43,215	25,385

The proposed final dividend for the year 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 year of HK$43,324,000 (nine months ended 31 December 2002: HK$25,525,000) and the weighted average of 302,200,000 (2002: 302,200,000) ordinary shares in issue during the year.

The diluted earnings per share for the year ended 31 December 2003 is not shown as there was no dilutive effect on the basic earnings per share. The outstanding share options of the Company would not result in the issue of ordinary shares for less than the fair values as their exercise price was above the average market price of the Company's shares during the year.

Diluted earnings per share for the nine months ended 31 December 2002 has not been calculated as no diluting events existed during that period.

14. FIXED ASSETS

Group

	Land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Cost or valuation:							
At 1 January 2003	76,667	3,397	75,754	4,842	4,361	913	165,934
Additions	4,642	803	12,850	809	1,368	274	20,746
Acquisition of a subsidiary — *note 30*	18,288	—	8,002	125	49	—	26,464
Disposals	—	—	(229)	(61)	(297)	—	(587)
Surplus on revaluation — *note 29*	3,404	—	—	—	—	—	3,404
Transfer from construction in progress	845	—	—	—	—	(845)	—
At 31 December 2003	**103,846**	**4,200**	**96,377**	**5,715**	**5,481**	**342**	**215,961**
Analysis of cost or valuation:							
At cost	—	4,200	96,377	5,715	5,481	342	112,115
At 31 December 2003 valuation	103,846	—	—	—	—	—	103,846
	103,846	4,200	96,377	5,715	5,481	342	215,961
Accumulated depreciation:							
At 1 January 2003	9,587	821	45,279	3,038	2,348	—	61,073
Provided for the year	2,529	694	11,116	691	875	—	15,905
Disposals	—	—	(45)	(18)	(297)	—	(360)
At 31 December 2003	**12,116**	**1,515**	**56,350**	**3,711**	**2,926**	**—**	**76,618**
Net book value:							
At 31 December 2003	**91,730**	**2,685**	**40,027**	**2,004**	**2,555**	**342**	**139,343**
At 31 December 2002	67,080	2,576	30,475	1,804	2,013	913	104,861

14. FIXED ASSETS (continued)

Notes:

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

	2003	2002
	HK$'000	*HK$'000*
Long term leases	**852**	592
Medium term leases	**102,994**	76,075
	103,846	76,667

(b) The Group's land and buildings were revalued individually at the balance sheet date by LCH (Asia-Pacific) Surveyors Limited, independent professionally qualified valuers, at an aggregate open market value of HK$91,730,000 based on their existing use. A revaluation surplus of HK$3,404,000 resulting from the above valuations have been credited to the fixed asset revaluation reserve.

(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$62,843,000 (2002: HK$21,455,000).

(d) The net book value of the fixed assets held under finance leases included in the total amount of plant and machinery and motor vehicles as at the balance sheet date, amounted to nil (2002: HK$2,741,000) and HK$306,000 (2002: HK$389,000), respectively.

(e) No land and buildings or plant and machinery were pledged to secure the bank loans granted to a subsidiary of the Company (2002: HK$11,923,000) as at the balance sheet date.

(f) The gross amount and accumulated depreciation of the fixed assets under operating leases are HK$575,000 and HK$105,000, respectively.

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

	HK$'000
Cost:	
At 1 January 2003	10,816
Additions	18,140
At 31 December 2003	**28,956**
Accumulated amortisation and impairment:	
At 1 January 2003	3,955
Amortisation provided during the year	2,216
Impairment provided during the year	23
At 31 December 2003	**6,194**
Net book value:	
At 31 December 2003	**22,762**
At 31 December 2002	6,861

16. INTERESTS IN SUBSIDIARIES

	Company 2003 HK$'000	2002 HK$'000
Unlisted shares, at cost	**15,717**	15,717
Due from subsidiaries	**115,855**	99,429
	131,572	115,146

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

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 Direct	Indirect	Principal activities
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")	PRC	HK$92,652,763/ HK$100,000,000	—	*(Note b)*	Manufacturing and trading of golf equipment and accessories

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 Direct	Equity interest attributable to the Company Indirect	Principal activities
Guangzhou Sino Concept Golf Manufacturing Co., Ltd.**	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***	PRC	US$1,380,000	—	62.5%	Manufacturing and trading of golf equipment
CTB Golf (HK) Limited ("CTB HK")	Hong Kong/ PRC	HK$10,000,000 (ordinary)	—	62.5% *(Note c)*	Manufacturing and trading of golf bags
		HK$2,730,000 (preference)	—	—	
Xiamen Sino Talent Golf Manufacturing Co., Ltd. ("Xiamen Sino")**	PRC	US$4,000,000/ US$6,600,000	—	100% *(Note d)*	Manufacturing and trading of golf equipment
Sino U.S. Holding Company, L.L.C.	USA	US$100	—	100%	Investment holding
Sino Golf Leisure Company Limited ("Leisure")	Hong Kong	HK$1,000,000	—	100% *(Note c)*	Golf leisure promotion
Sino CTB Company, L.L.C. ("Sino CTB")	USA	US$500,000	—	100% *(Note e)*	Manufacturing and trading of golf bags

* a Sino-foreign co-operative joint venture under the PRC Law.

** wholly-foreign owned enterprises under the PRC Law.

*** a Sino-foreign equity joint venture under the PRC Law.

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 established in the PRC on 19 April 1993 with a tenure of 15 years.

The registered capital of Zengcheng Sino Golf increased by HK$19,000,000 to HK$100,000,000 of which HK$92,653,000 has been paid during the year. Since then the registered capital of Zengcheng Sino Golf shared by the Group and the PRC joint venture partner (the "PRC Partner") is 92.1% and 7.9%, 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 2003 amounted to approximately HK$2,200,000 (2002: HK$2,731,000) which is amortised over the remaining joint venture period in the consolidated profit and loss account.

(c) During the year, the Group acquired additional 11.5% and 15% equity interests in CTB HK and Leisure from minority shareholders for cash considerations of HK$9.8 million and HK$1,502, respectively. The acquisition was completed in December 2003 and July 2003, respectively. The acquisitions have given rise to goodwill of approximately HK$8.4 million which is amortised in accordance with the Group's accounting policies.

(d) In January 2003, the Group acquired the entire equity interest in Xiamen Sino from an independent third party for a consideration of HK$7.8 million. The acquisition has given rise to a goodwill of approximately HK$7.4 million which is amortised in accordance with the Group's accounting policies.

(e) In March and June 2003, the Group acquired from the minority shareholders the additional equity interests of 20% and 29%, respectively, in Sino CTB for aggregate cash consideration of US$100,001 (equivalent to HK$780,000). The acquisition has given rise to an aggregate goodwill of approximately US$293,000 (equivalent to HK$2,287,000) which is amortised in accordance with the Group's accounting policies. On completion of the acquisition, Sino CTB became a wholly-owned subsidiary of the Group.

17. INVENTORIES

	Group	
	2003	2002
	HK$'000	*HK$'000*
Raw materials	**31,292**	23,797
Work in progress	**15,877**	26,413
Finished goods	**21,177**	26,826
	68,346	77,036

No inventories were carried at net realisable value at the balance sheet date (2002: HK$6,692,000).

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 provisions, is as follows:

	2003	2002
	HK$'000	*HK$'000*
Within 3 months	**49,359**	47,875
4 to 6 months	**2,181**	581
7 to 12 months	**8,951**	5,918
Over 1 year	**1,369**	310
	61,860	54,684

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 120 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$3,149,000 due from (2002: HK$21,000 due to) 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	
	2003	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Prepayments	**2,115**	1,060	**—**	—
Deposits and other debtors	**17,219**	43,745	**225**	220
	19,334	44,805	**225**	220
Amount classified as current assets	**(19,334)**	(23,320)	**(225)**	(220)
Long term balance	**—**	21,485	**—**	—

20. CASH AND BANK EQUIVALENTS

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$13,728,000 (2002: HK$6,135,000). The RMB is not freely convertible into other currencies, however, under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for currencies through banks authorised to conduct foreign exchange business.

21. TRADE AND BILLS PAYABLE

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

	2003	2002
	HK$'000	*HK$'000*
Within 3 months	**36,118**	25,737
4 to 6 months	**2,404**	2,682
7 to 12 months	**1,425**	3,120
Over 1 year	**1,029**	687
	40,976	32,226

No balance included in the Group's trade and bills payable are trade payables due to Nikko Bussan (Japan) arising from transactions carried out in the ordinary course of business of the Group (2002: HK$33,000).

22. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2003	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Accruals and other liabilities	**22,761**	13,343	**143**	655
Due to related parties				
— *note 23*	**198**	6,169	**—**	—
	22,959	19,512	**143**	655

23. DUE TO RELATED PARTIES

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

24. BANK BORROWINGS

	Group	
	2003	2002
	HK$'000	*HK$'000*
Bank overdrafts	**—**	6,179
Bank loans	**140,001**	93,734
	140,001	99,913
Secured	**—**	9,434
Unsecured	**140,001**	90,479
	140,001	99,913
Amounts repayable:		
Within one year or on demand	**35,001**	91,663
In the second year	**50,000**	8,250
In the third to fifth years, inclusive	**55,000**	—
	140,001	99,913
Portion classified as current liabilities	**(35,001)**	(91,663)
Long term portion	**105,000**	8,250

The Group's long term portion of bank loans was wholly repaid before March 2004.

25. FINANCE LEASE PAYABLES

The Group leases certain of its motor vehicles and plant and machinery for its golf equipment manufacturing and trading business. These leases are classified as finance leases and have remaining lease terms of 35 months.

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

	Minimum lease payments 2003 *HK$'000*	Minimum lease payments 2002 *HK$'000*	**Present value of minimum lease payments 2003 *HK$'000***	Present value of minimum lease payments 2002 *HK$'000*
Amounts payable:				
Within one year	**91**	1,274	**87**	1,157
In the second year	**91**	93	**87**	87
In the third to fifth years, inclusive	**84**	178	**84**	171
Total minimum finance lease payments	**266**	1,545	**258**	1,415
Future finance charges	**(8)**	(130)		
Total net finance lease payables	**258**	1,415		
Portion classified as current liabilities	**(87)**	(1,157)		
Long term portion	**171**	258		

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

26. DEFERRED TAX

The movement in deferred tax liabilities of the Group during the year is as follows:

	Accelerated tax depreciation *HK$'000*	**Revaluation of land and buildings** *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*
At 1 January 2003				
As previously reported	1,695	—	—	1,695
Prior year adjustment:				
SSAP 12 — restatement of deferred tax	—	2,185	528	2,713
As restated	1,695	2,185	528	4,408
Deferred tax debited to equity during the year	—	503	—	503
At 31 December 2003	**1,695**	**2,688**	**528**	**4,911**

	Accelerated tax depreciation *HK$'000*	**Revaluation of land and buildings** *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*
At 1 April 2002				
As previously reported	1,695	—	—	1,695
Prior year adjustment:				
SSAP 12 — restatement of deferred tax	—	2,185	528	2,713
As restated	1,695	2,185	528	4,408
At 31 December 2002	1,695	2,185	528	4,408

26. DEFERRED TAX (continued)

The unused tax losses include an amount of approximately HK$1,862,000 (2002: HK$4,130,000) arising in the PRC which is due to expire within two to five years for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of the unused losses and other deductible temporary differences as they have arisen in subsidiaries that have been loss-making for some time.

At 31 December 2003, there is no significant unrecognised deferred tax liability (2002: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries as the Group has no liability to additional tax should such amounts be remitted due to the availability of double tax relief.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

SSAP 12 (Revised) was adopted during the year, as further explained in note 2 to the financial statements. This change in accounting policy has resulted in an increase in the Group's deferred tax liabilities as at 31 December 2003 and 2002 by approximately HK$503,000 and HK$2,713,000, respectively. As a consequence, the consolidated retained profits at 1 January 2003 and 1 April 2002 have been reduced by approximately HK$528,000 and the consolidated fixed asset revaluation reserve at 1 January 2003 and 1 April 2002 have been reduced by approximately HK$2,185,000, as detailed in the note 29 to the financial statements.

27. SHARE CAPITAL

Shares

	Company	
	2003	2002
	HK$'000	*HK$'000*
Authorised:		
1,000,000,000 ordinary shares of HK$0.1 each	**100,000**	100,000
Issued and fully paid:		
302,200,000 ordinary shares of HK$0.1 each	**30,220**	30,220

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 28 to the financial statements.

28. SHARE OPTION SCHEME

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 31 December 2003.

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 and 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.

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.

28. SHARE OPTION SCHEME (continued)

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.

The following share options were outstanding under the New Share Option Scheme during the year:

	Number of shares options						
Name or category of participant	At 1 January 2003	Granted during the year	At 31 December 2003	Date of grant of share options*	Exercise period of share options	Exercise price of share options**	Price of Company's shares at grant date of options
						HK$	*HK$*
Directors							
Chu Chun Man, Augustine	—	3,000,000	3,000,000	24 December 2003	29 December 2003 to 31 December 2006	1.51	1.48
Chu Yuk Man, Simon	—	3,000,000	3,000,000	24 December 2003	29 December 2003 to 31 December 2006	1.51	1.48
Takanori Matsuura	—	3,000,000	3,000,000	24 December 2003	29 December 2003 to 31 December 2006	1.51	1.48
Others							
In aggregate	—	10,000,000	10,000,000	11 September 2003	1 October 2003 to 30 September 2004	1.60	1.58
In aggregate	—	8,280,000	8,280,000	24 December 2003	29 December 2003 to 31 December 2006	1.51	1.48
	—	27,280,000	27,280,000				

* The vesting period of the share options is from the date of grant until the commencement of the exercise period.

** The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

28. SHARE OPTION SCHEME (continued)

The price of the Company's shares disclosed as at the date of the grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the options.

At the balance sheet date, the Company had 27,280,000 share options outstanding under the New Share Option Scheme, which represented approximately 9% of the Company's shares in issue as at that date. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 27,280,000 additional ordinary shares of the Company and additional share capital of HK$2,728,000 and share premium of HK$39,365,000 (before issue expenses).

29. RESERVES

Group

	Share premium account *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 2002:							
As previously reported	57,270	10,564	27,319	1,096	50	26,476	122,775
Prior year adjustment:							
SSAP 12 — restatement of deferred tax	—	—	(2,185)	—	—	(528)	(2,713)
As restated	57,270	10,564	25,134	1,096	50	25,948	120,062
Exchange realignment	—	—	—	615	—	—	615
Net profit for the period	—	—	—	—	—	25,525	25,525
Interim dividend — *note 12*	—	—	—	—	—	(13,599)	(13,599)
Proposed final dividend — *note 12*	—	—	—	—	—	(11,786)	(11,786)
At 31 December 2002 and 1 January 2003	57,270	10,564	25,134	1,711	50	26,088	120,817

29. RESERVES (continued)

Group

	Share premium account 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 31 December 2002 and 1 January 2003							
As previously reported	57,270	10,564	27,319	1,711	50	26,616	123,530
Prior year adjustment:							
SSAP 12 — restatement of deferred tax	—	—	(2,185)	—	—	(528)	(2,713)
As restated	57,270	10,564	25,134	1,711	50	26,088	120,817
Surplus on revaluation — *note 14*	—	—	3,404	—	—	—	3,404
Deferred tax liabilities arising from revaluation — *note 26*	—	—	(503)	—	—	—	(503)
Exchange realignment	—	—	—	85	—	—	85
Net profit for the year	—	—	—	—	—	43,324	43,324
Interim dividend — *note 12*	—	—	—	—	—	(14,506)	(14,506)
Proposed final dividend — *note 12*	—	—	—	—	—	(28,709)	(28,709)
At 31 December 2003	**57,270**	**10,564**	**28,035**	**1,796**	**50**	**26,197**	**123,912**

29. RESERVES (continued)

Company

	Share premium account *HK$'000*	Contributed surplus *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*
At 1 April 2002	57,270	15,516	178	72,964
Net profit for the period	—	—	25,258	25,258
Interim dividend — *note 12*	—	—	(13,599)	(13,599)
Proposed final dividend — *note 12*	—	—	(11,786)	(11,786)
At 31 December 2002 and 1 January 2003	57,270	15,516	51	72,837
Net profit for the year	—	—	43,171	43,171
Interim dividend — *note 12*	—	—	(14,506)	(14,506)
Proposed final dividend — *note 12*	—	—	(28,709)	(28,709)
At 31 December 2003	**57,270**	**15,516**	**7**	**72,793**

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.

30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Acquisition of a subsidiary

	Year ended 31 December 2003	Nine months ended 31 December 2002
	HK$'000	*HK$'000*
Net assets acquired:		
Fixed assets — *note 14*	**26,464**	—
Deposits, prepayments and other receivables	**16**	—
Cash and bank balances	**23**	—
Trade payables	**(1,218)**	—
Other payables and accruals	**(22,022)**	—
Bank loans	**(2,830)**	—
Net assets	**433**	—
Goodwill arising on acquisition	**7,421**	—
	7,854	—
Satisfied by:		
Other receivables	**7,854**	—

An analysis of the net inflow/(outflow) of cash and cash equivalents in respect of the acquisition of a subsidiary is as follows:

	Year ended 31 December 2003	Nine months ended 31 December 2002
	HK$'000	*HK$'000*
Outstanding cash consideration in respect of acquisition of a subsidiary in the prior year	**—**	(2,550)
Cash and bank balances acquiried	**23**	—
Net inflow/(outflow) of cash and cash equivalents in respect of the acquisition of a subsidiary	**23**	(2,550)

30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

In January 2003, the Group acquired the entire interest in Xiamen Sino from an independent third party. Xiamen Sino is engaged in the manufacturing of golf equipment. The purchase consideration for the acquisition was settled by off-setting against the other receivables from the seller.

Since its acquisition, Xiamen Sino contributed no turnover to the Group and the loss of HK$746,000 to the consolidated profit after tax and before minority interests for the year ended 31 December 2003.

31. CONTINGENT LIABILITIES

(a) At the reporting date, the Group and the Company had the following contingent liabilities not provided for in the financial statements:

	Group		**Company**	
	2003	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Bills discounted with recourse	**29,754**	6,715	**—**	—
Guarantees for bank loans, overdrafts and trade finance facilities in favour of the subsidiaries	**—**	—	**140,001**	90,479
Guarantees for finance lease arrangements in favour of a subsidiary	**—**	—	**258**	1,415
	29,754	6,715	**140,259**	91,894

(b) The Group had a contingent liability in respect of possible future long service payments to employees under the Hong Kong Employment Ordinance, with a maximum possible amount of HK$1,648,000 (2002: HK$1,455,000) as at 31 December 2003, as further explained under the heading "Employment Ordinance long service payments" in note 3 to the financial statements. The contingent liability has arisen because, at the balance sheet date, a number of current employees have achieved the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance if their employment is terminated under certain circumstances. A provision has not been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

32. COMMITMENTS

(a) Capital commitments

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

	2003	2002
	HK$'000	*HK$'000*
Contracted, but not provided for:		
Land and buildings	**1,447**	2,834
Plant and machinery	**263**	1,534
	1,710	4,368
Authorised, but not contracted for:		
Capital contribution into subsidiaries	**27,626**	—
	29,336	4,368

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

32. COMMITMENTS (continued)

(b) Operating lease commitments

(i) *As lessor*

The Group leases its rented property and plant and machinery (note 14 to the financial statements) under operating lease arrangements, with leases negotiated for a term of one year. The terms of the leases generally also require the tenants to pay security deposits.

At the balance sheet date, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2003	2002
	HK$'000	*HK$'000*
Within one year	**1,032**	—

(ii) *As lessee*

The Group leases certain of its office properties, production plants, staff quarters and motor vehicles under operating lease arrangements, with leases negotiated with original terms ranging from 2 to 16 years.

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

	2003	2002
	HK$'000	*HK$'000*
Within one year	**4,257**	3,281
In the second to fifth years, inclusive	**11,407**	8,404
After five years	**7,683**	9,299
	23,347	20,984

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 year:

	Notes	**Year ended 31 December 2003** *HK$'000*	Nine months ended 31 December 2002 *HK$'000*
Purchases of raw materials from Nikko Bussan (Japan)	*(a)*	**125**	74
Sales of finished goods to Nikko Bussan (Japan)	*(b)*	**54,623**	20,323
Sales of finished goods to Global Sports Technology, Inc. ("Global Sports")	*(b), (c)*	**3,525**	16,760
Tooling income from Nikko Bussan (Japan)	*(d)*	**137**	796
Patent income from Nikko Bussan (Japan)	*(e)*	**780**	—
Rental expenses paid to Progolf Manufacturing Company Limited ("Progolf") and Oriental Leader Limited	*(f)*	**1,440**	1,080
Management income received from Progolf and Oriental Leader Limited	*(g)*	**35**	—
Sales commission paid to Global Sports	*(c), (h)*	**2,124**	1,659
Purchases of fixed assets from Nikko Bussan (Japan)	*(i)*	**—**	22
Rental income from Sino Sporting Company Limited ("Sino Sporting")	*(j)*	**303**	—
Rental expense paid to Sino Sporting	*(j)*	**132**	—
Commission income received from Sino Sporting	*(k)*	**100**	—
Management income received from Sino Sporting	*(g)*	**120**	—

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). The purchase prices of raw materials 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.

33. RELATED PARTY TRANSACTIONS (continued)

Notes: (continued)

(c) Global Sports is a 20% shareholder of Sino CTB until the Group acquired the equity interest of 20% owned by Global Sports in March 2003.

(d) The tooling income was based on the agreement between the parties.

(e) The patent income was based on the agreement between the parties.

(f) 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.

(g) The management income was based on the expense such as rental expenses and staff salary utilised by the related parties.

(h) 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.

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

(j) Augustine Chu, Takanori Matsuura and Simon Chu, the directors of the Company, have beneficial interests in Sino Sporting. The rental rates were based on the agreement between the parties.

(k) Sales commission received from Sino Sporting for introducing customers to join the club. The commission rate is determined at a mutually-agreed rate between the Group and Sino Sporting.

34. COMPARATIVE AMOUNTS

As further explained in note 2 to the financial statements, due to the adoption of the revised SSAP 12 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 restated to conform with 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 21 April 2004.