

Annual Report 2001



SINO GOLF HOLDINGS LIMITED
順龍控股有限公司
(Incorporated in Bermuda with limited liability)

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Corporate Information

EXECUTIVE DIRECTORS

Chu Chun Man, Augustine (Chairman)
Takanori Matsuura
Chu Yuk Man, Simon
Chang Hua Jung

NON-EXECUTIVE DIRECTOR

Carl Thomas McManis

INDEPENDENT NON-EXECUTIVE DIRECTORS

Yasumori Muta
Choy Tak Ho
Zhu Wan Li

COMPANY SECRETARY

Choi Ying, Kammy

AUDITORS

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

PRINCIPAL BANKERS

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

BERMUDA PRINCIPAL SHARE

REGISTRAR AND TRANSFER OFFICE

Butterfield Corporate Services Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

HONG KONG BRANCH SHARE

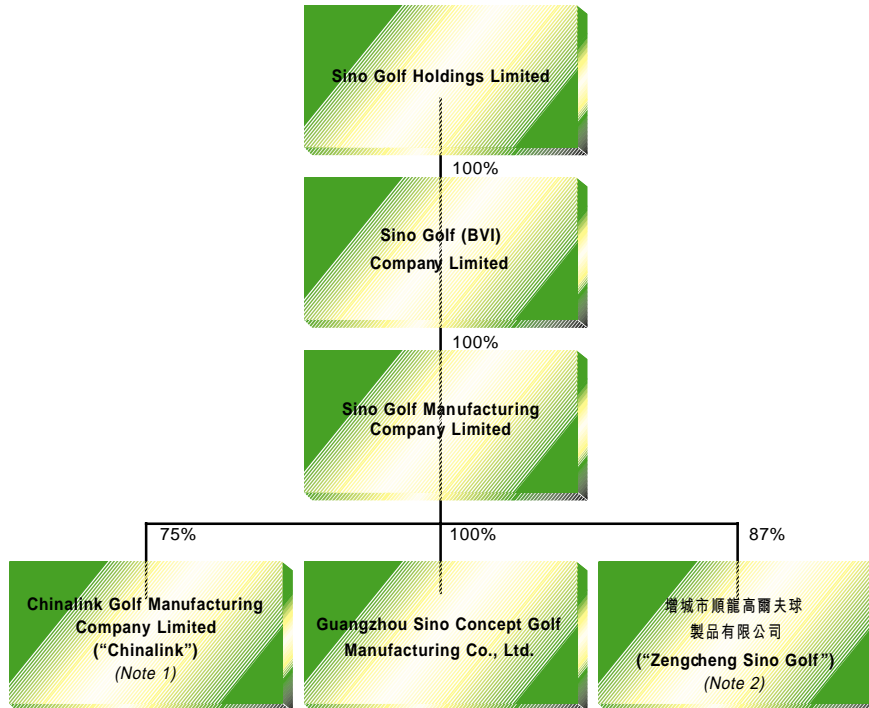
REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL PLACE OF BUSINESS

Room 2913-18, Tower 1,
Millennium City,
388 Kwun Tong Road
Kwun Tong, Kowloon
Hong Kong

Corporate Structure

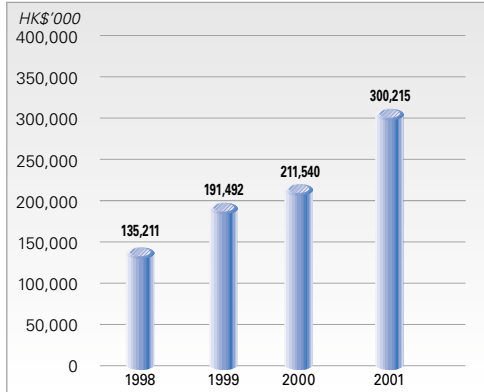


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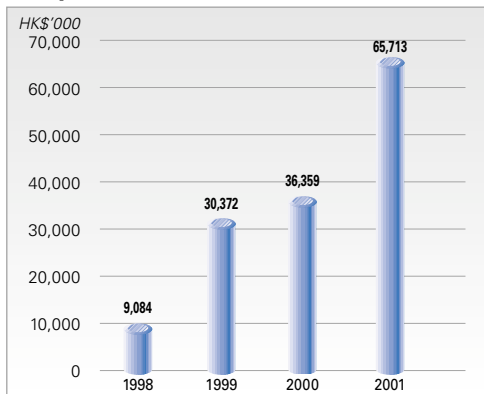
1. As at 31 March 2001, Chinalink is owned as to 75% by the Group and as to 25% by an independent third party. Subsequent to the balance sheet date, in May 2001, the Group acquired the rest 25% equity interest in Chinalink which became a wholly-owned subsidiary of the Company.
2. The Group and an independent third party have contributed 87% and 13% respectively of the registered capital of Zengcheng Sino Golf. According to the supplemental agreements dated 25 August 2000 and 1 September 2000, the Group is entitled to all the rights of profits, responsible for the losses, and entitled to all the rights of the management and control of Zengcheng Sino Golf.

Financial Highlights

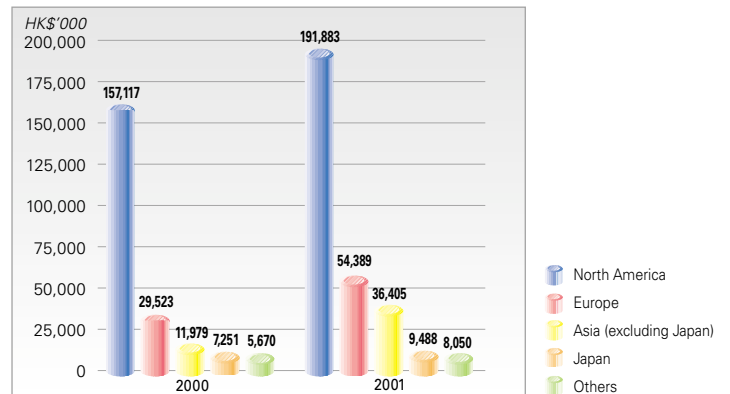
Turnover



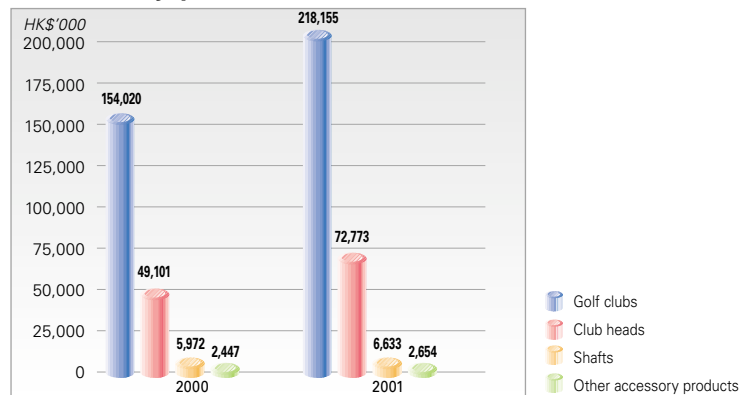
Net profit attributable to shareholders



Turnover by geographical area



Turnover by product



Chairman's Statement



On behalf of the Board of Directors of Sino Golf Holdings Limited (the "Company"), I am pleased to present the results of the Group for the year ended 31 March 2001. This is the first annual report since the Group was listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 20 December 2000.

RESULTS

Net profit attributable to shareholders and turnover of the Group for the year ended 31 March 2001 amounted to HK\$65,713,000 and HK\$300,215,000

respectively, representing respective increases of 81% and 42% over 2000. It also confirm with the estimated profits as stated in the prospectus of the Company dated 11 December 2000.

Earnings per share for year 2001 was HK27 cents (2000: HK17 cents).

DIVIDENDS

The Directors have resolved to recommend a final dividend of HK7 cents per share for the year ended 31 March 2001, subject to the approval of shareholders at the forthcoming Annual General Meeting to be held on Thursday, 2 August 2001, the final dividend will be payable on 10 August 2001 to shareholders whose names appear on the Register of Members of the Company on Thursday, 2 August 2001.

Chairman's Statement

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 25 July 2001 to Thursday, 2 August 2001, both days inclusive, during which period no transfer of shares will be effected. All transfers, accompanied by the relevant share certificates, must be lodged with the Company's share registrars in Hong Kong, Tengis Limited at 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong not later than 4:00 p.m. on Tuesday, 24 July 2001 in order to qualify for the final dividend mentioned above.

BUSINESS REVIEW

Overall speaking, year of 2000/2001 was a good year for golf industry because the demand for golf equipment continued to grow. Being one of the major golf club manufacturers in the world, the Group also enjoyed the satisfactory growth. Benefited from the economies of scale and the Group's continuous focus on complete packaged golf club set products with higher profit margin, the Group has been able to increase its gross profit margin from 34% for the year ended 31 March 2000 to 36% for the year ended 31 March 2001. The net profit margin for the current year was 21.9%, representing 27.3% growth as compared with that of last year.

FUTURE DEVELOPMENT STRATEGY AND PROSPECTS

Leveraging on its strengths in the manufacture of golf clubs, the Group aims to develop itself from only a golf club manufacturer to a one-stop shop golf equipment and services provider to offer more diverse and tailor-made services in the golf industry. The Directors are optimistic about the future business of the Group and consider that the increasing popularity of golf worldwide will increase the demand for the Group's products. As such, the Directors would like to implement the following business strategies to expand the Group's business:

Extend the level of vertical integration

The Group plans to acquire a company from one of its suppliers to manufacture golf bags in order to provide more comprehensive range of products to its customers and reduce its overall cost of sales.

Chairman's Statement

Enhance production capacity

In order to meet the increased demand for forged titanium wood heads, in April 2001, the Group established an equity joint venture company in Shun De, the PRC, which is owned as to 62.5% by the Group and as to 37.5% by an independent third party, to manufacture forged titanium wood heads. And such products are expected to contribute additional profits to the Group.

Besides the new plant in Shun De, the Group is also extending another two production lines in the PRC to accommodate the increasing demand of year 2002. These expansion will bring an additional production capacity of approximately 30% as compared with the existing capacity of the Group.

Strengthen the Group's research and development capability

The Group continues to focus on the development of new materials in the manufacture of club heads and shafts. The Group is seeking co-operation with professionals and consultants in the United States to develop new materials for the manufacture of its products and to improve its manufacturing process. The Group is exploring these possible co-operation opportunities to bring new dimensions to its ODM capability and to enhance its competitiveness.

With the completion of all above mentioned expansion in production capacity and investment in research and development, the Directors truly believe that it will strengthen our Group's competitiveness and further enhance the Group's profitability in the near future.

China's entry into the World Trade Organization will be a positive influence on the golf industry as well as the Group's businesses. As shown in the latest results, our established policy for development is both sound and healthy. We will keep moving ahead in this direction in the coming year.

Chairman's Statement

ACKNOWLEDGEMENT

On behalf of the Board of Directors, I would like to express my sincere appreciation and thanks to our shareholders, customers, suppliers, bankers and staff for their continuous support and invaluable contribution.

Chu Chun Man, Augustine

Chairman

Hong Kong, 3 July 2001

Management Discussion and Analysis

REVIEW OF RESULTS

With the success of the Group's marketing strategies and benefited from the economies of scale, the Group had been able to increase its turnover and the net profit attributable to shareholders by 42% to HK\$300 million (2000: HK\$212 million) and 81% to HK\$66 million (2000: HK\$36 million) respectively.

LIQUIDITY AND CAPITAL STRUCTURE

As at 31 March 2001, the Group had cash and bank deposits of HK\$70 million (2000: HK\$18 million) which was mainly arising from the subscription of newly issued ordinary shares in December 2000. The current ratio and the quick ratio were 1.58:1 (2000:1:1) and 1.28:1 (2000: 0.55:1) respectively, reflecting a relatively healthy liquidity level.

In addition to the shareholders' fund, the Group's financial resources were obtained from current liabilities of HK\$110 million (2000: HK\$92 million) and non-current liabilities of HK\$2 million (2000: HK\$27 million). The gearing ratio as at 31 March 2001 was maintained at a reasonable level of 43% (2000: 83%). It is calculated as total liabilities of HK\$112 million (2000: HK\$119 million) over total assets of HK\$260 million (2000: HK\$144 million)

The Group had limited exposure to foreign exchange rate fluctuations as most of its transactions, including borrowings, were conducted in United States dollars, Hong Kong dollars or Renminbi and the exchange rates of these currencies were relatively stable for the year.

The Directors believes that the Group's cash reserves and future cash generated from its core operations will provide a solid base for its working capital requirements in the coming year.

OPTION FOR SUBSCRIPTION OF 2,200,000 NEW SHARES

On 28 April 2001, the Company granted to several directors and employees options for subscription of an aggregate of 2,200,000 new shares of the Company at a price of HK\$0.62 per share. The option shares represent approximately 0.733% of the Company's existing total issued share capital and approximately 0.728% of the enlarged issued share capital when the option is fully exercised.

Management Discussion and Analysis

USE OF PROCEEDS

As at our reporting date, the Company has partial utilized the proceeds received from the initial public offer of the Company's shares as follows:

1. as to approximately HK\$15.6 million for expansion of the production lines; and
2. as to approximately HK\$2.9 million for increasing the plant and machinery and other fixed assets.

EMPLOYEE AND REMUNERATION POLICIES

As at 31 March 2001, the Group employed approximately 1,500 full time staff based in mainland China and Hong Kong. The Group remunerates its employees based on their performance, responsibility, experience and prevailing market wages. Remuneration is reviewed annually and a discretionary bonus is declared based on the performance of the individual employee. In addition to basic salary payments, other employee benefits include insurance and medical scheme, mandatory provident fund scheme as well as a share option scheme.

Biographical Details of Directors and Management

EXECUTIVE DIRECTORS

CHU Chun Man, Augustine (“Augustine Chu”), aged 44, is the chairman and one of the founders of the Group and is responsible for the strategic planning, corporate policy and overall management and marketing aspect of the Group. Augustine Chu holds a bachelor degree in commerce from the University of Calgary, Alberta, Canada. He has over 17 years of experience in golf equipment manufacturing industry. Prior to establishing the Group, Augustine Chu was a senior management of a Taiwanese golf equipment manufacturer for about 3 years.

Takanori MATSUURA (“Matsuura”), aged 65, is one of the founders of the Group and has over 34 years of experience in the golf equipment manufacturing industry. Matsuura is responsible for the strategic and business development of the Group, particularly in the Japanese market. He graduated with a bachelor degree in commerce from Chu-o University and a master degree in economics from Takushoku University and Chu-o in Japan. In addition, Matsuura is a member of The Institute of Internal Auditors.

CHU Yuk Man, Simon (“Simon Chu”), aged 45, is the brother of Augustine Chu. He has over 3 years of experience in the golf equipment manufacturing industry. Simon Chu is responsible for the sales and marketing functions as well as the customer relation functions of the Group. Simon Chu graduated with a bachelor degree in science in the Leland Stanford Junior University in the United States and a master degree in business administration from the Chinese University of Hong Kong. Prior to joining the Group in November 1997, Simon Chu held a Asia Pacific director position with an international firm which is listed in NASDAQ in the United States.

CHANG Hua Jung, aged 39, graduated from an industrial institution in Taiwan. Mr. Chang has over 18 years experience in the golf equipment manufacturing industry. He joined the Group in August 1988 and is responsible for the production and the research and development functions of the Group.

Biographical Details of Directors and Management

NON-EXECUTIVE DIRECTOR

Carl Thomas McMANIS, aged 74, is one of the consultants of the Group and is responsible for the customer relation functions in the United States market as well as the product development of the Group. Mr. McManis has over 35 years of experience in the golf industry in the United States. He has become an international sports consultant for many major golf companies in the United States since 1981. Mr. McManis graduated with a bachelor degree in science from Nebraska State Teachers College and he joined the Group in December 1996.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Yasumori MUTA, aged 58, has over 25 years of experience in the golf industry in Japan. He was the president of Daiwa Golf Company Limited which is one of the largest five golf companies in Japan. Mr. Muta also has experience in the golf course design. He graduated with a bachelor degree in management engineering from Kogakuin University. Mr. Muta joined the Group on 1 December, 2000.

CHOY Tak Ho, aged 72, has over 38 years of experience in trading business in Hong Kong. He is the chairman of Union International (HK) Company Limited. Mr. Choy is the charter president of Hong Kong Kwun Tong Industries and Commerce Association Limited and the executive committee member of the Chinese Manufacturers' Association of Hong Kong.

ZHU Wan Li, aged 65, has over 37 years of experience in banking and finance in the PRC. Mr. Zhu was appointed as the president of People' Bank of China, Guangdong branch, and the Director General of 國家外匯管理局 Guangdong branch. He was also appointed as the director of 廣東證券股份有限公司. Mr. Zhu is at present a vice president of 廣東省高爾夫球協會.

SENIOR MANAGEMENT

CHOI Ying, Kammy, aged 32, is the financial controller of the Group and responsible for the overall financial planning and management of the Group. Ms. Choi joined the Group in December 1998. Prior to joining the Group, Ms. Choi has worked in an international accounting firm for over five years. Ms. Choi graduated with a bachelor degree in business administration from the University of Baptist. In addition, she is a member of the Association of Chartered Certified Accountants, the United Kingdom and an associate member of the Hong Kong Society of Accountants.

Biographical Details of Directors and Management

HE Xin Hong, aged 37, is the general manager of the Group's production section. He joined the Group in December 1990 and is currently in charge of the overall production of the Group. Mr. He has more than 10 years of experience in the golf manufacturing industry.

XIE Zi Peng, aged 33, is the internal audit manager of the Group. Mr. Xie graduated with a master degree in international economics from Zhongshan University. He is a member of the Institute of Internal Auditors. He joined the Group in April 2000 and is currently in charge of the overall internal audit of the Group.

LEE May Yee, aged 31, is the senior marketing manager of the Group. Ms. Lee has over 8 years of experience in the golf equipment manufacturing industry. She graduated with a bachelor degree in business administration from the University of Baptist. She joined the Group in December 1992 and is currently in charge of the marketing functions of the Group.

CHEN Yang Cheng, aged 43, is the manager of the Group's product development section. He joined the group in November 1993 and is currently in charge of overall production research and development of the Group. Mr. Chen has over 16 years of experience in the golf manufacturing industry.

Report of the Directors

The directors herein present their first report together with the audited financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 31 March 2001.

GROUP REORGANISATION

The Company was incorporated as an exempted company with limited liability in Bermuda on 8 August 2000 under the Companies Act 1981 of Bermuda. Pursuant to a group reorganisation (the "Reorganisation") in preparation for the listing of the Company's shares on the main board of the Stock Exchange, the Company became the holding company of the Group on 5 December 2000. The shares of the Company were listed on the Stock Exchange on 20 December 2000.

Further details of the Reorganisation are set out in note 2 to the financial statements.

PRINCIPAL ACTIVITIES AND SEGMENTAL INFORMATION

The principal activity of the Company is investment holding and those of its subsidiaries are set out in note 14 to the financial statements.

During the current year and prior year, the Group's turnover and operating profit are derived principally from the manufacturing and trading of golf equipment and accessories. An analysis of the Group's turnover by geographical area of its shipment is as follows:

	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
North America	191,883	157,117
Europe	54,389	29,523
Asia (excluding Japan)	36,405	11,979
Japan	9,488	7,251
Others	8,050	5,670
	<u>300,215</u>	<u>211,540</u>

The contribution to operating profit by geographical area is substantially in line with the overall rate of contribution to turnover and accordingly a geographical analysis of contribution is not presented.

Report of the Directors

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 March 2001 and the state of the Company's and the Group's affairs at that date are set out in the financial statements on pages 24 to 64.

During the year, special dividends of HK\$26,500,000 were declared by Sino Golf Manufacturing Company Limited ("Sino Golf Manufacturing"), a wholly-owned subsidiary of the Company, to its then shareholders out of the retained profits of Sino Golf Manufacturing prior to the listing of the Company.

The directors recommend the payment of a final dividend of HK7.0 cents per ordinary share in respect of the year, to shareholders on the register of members on 2 August 2001. This recommendation has been incorporated in the financial statements.

FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group for the last four financial years is set out on page 65. This summary is not part of the audited financial statements.

FIXED ASSETS

Details of movements in the fixed assets of the Group during the year are set out in note 13 to the financial statements.

SUBSIDIARIES

Particulars of the Company's subsidiaries at 31 March 2001 are set out in note 14 to the financial statements.

BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

Details of the bank loans, overdrafts and other borrowings of the Group are set out in notes 21 and 22 to the financial statements.

Report of the Directors

SHARE CAPITAL

Details of movements in the Company's share capital during the period from 8 August 2000 to 31 March 2001, together with the reasons therefor, are set out in note 24 to the financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group are set out in note 25 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 March 2001, the Company's reserves available for cash distribution and/or distribution in specie, calculated in accordance with the Companies Act 1981 of Bermuda, amounted to HK\$15,782,000. In addition, under the laws of Bermuda, the Company's share premium account, in the amount of HK\$56,126,000, may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 68% of the total sales for the year and sales to the largest customer included therein amounted to 30%.

Purchases from the Group's five largest suppliers accounted for 54% of the total purchases for the year and purchases from the largest supplier included therein amounted to 16%.

Nikko Bussan Co., Ltd., a company in which Matsuura, an executive director of the Company, has a beneficial interest, is one of the Group's five largest customers and suppliers.

Save as disclosed above, at 31 March 2001, none of the directors of the Company, their associates or shareholders (which, to the best knowledge of the directors, owned more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or five largest suppliers.

Report of the Directors

DIRECTORS

The directors of the Company during the period from 8 August 2000 to 31 March 2001 were:

Executive directors:

Augustine Chu	(appointed on 18 September 2000)
Matsuura	(appointed on 18 September 2000)
Simon Chu	(appointed on 18 September 2000)
CHANG Hua Jung	(appointed on 18 September 2000)

Non-executive director:

Carl Thomas McMANIS	(appointed on 5 December 2000)
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Independent non-executive directors:

Yasumori MUTA	(appointed on 5 December 2000)
CHOY Tak Ho	(appointed on 5 December 2000)
ZHU Wan Li	(appointed on 5 December 2000)

In accordance with articles 87 of the Company's bye-laws, Yasumori Muta and Choy Tak Ho will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 30 to the financial statements, no directors had a material beneficial interest in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' SERVICE CONTRACTS

Each of the directors has entered into a service contract with the Company. The contracts of executive directors have an initial period of three years commencing on 1 December 2000 and will continue thereafter unless terminated in accordance with the terms of the service contracts. The contracts of non-executive directors were effective from 1 December 2000. They are required to offer themselves for re-election at the forthcoming annual general meeting.

Report of the Directors

Save for the above, none of the directors of the Company proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment other than statutory compensation.

DIRECTORS' INTERESTS IN SHARES

As at 31 March 2001, the interests of the directors and their associates in the share capital of the Company and its associated corporations as recorded in the register maintained by the Company pursuant to section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

(i) The Company

	Number of shares held	
	Personal interests	Corporate interests
Executive directors:		
Augustine Chu	5,136,263	200,249,775 [#]
Matsuura	10,031,400	200,249,775 [#]
Simon Chu	2,008,237	— [#]
CHANG Hua Jung	210,793	—
Non-executive director:		
Carl Thomas McMANIS	363,022	—

[#] The shares of the Company are held by CM Investment Company Limited, a company incorporated in the British Virgin Islands, of which approximately 51.17% and approximately 48.83% of its issued share capital are owned by A & S Company Limited and Matsuura, respectively. A & S Company Limited is a company incorporated in the British Virgin Islands and owned as to approximately 64.00% by Augustine Chu, approximately 21.71% by Simon Chu and 14.29% by their another family member. The interests of Augustine Chu, Matsuura and Simon Chu in the 200,249,775 shares of the Company therefore duplicate each other.

Report of the Directors

(ii) Associated corporation

3,456,027 non-voting deferred shares in Sino Golf Manufacturing are owned as to 1,190,607 shares by Augustine Chu, as to 1,841,323 shares by Matsuura, as to 414,297 shares by Simon Chu, as to 3,600 shares by Chang Hua Jung and as to 6,200 shares by Carl Thomas McManis.

Save as disclosed above, none of the directors and their associates had any personal, family, corporate or other interests in the equity or debt securities of the Company and its associated corporations as defined in the SDI Ordinance.

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

Pursuant to the Company's share option scheme approved on 5 December 2000, the directors may, at their absolute discretion, grant options to any executive directors and full-time employees of the Group to subscribe for shares in the Company. No options were granted during the period ended 31 March 2001.

Subsequent to the balance sheet date, on 28 April 2001, 1,750,000 share options in total were granted to the executive directors of the Company as follows:

	Number of share options
Executive directors:	
Augustine Chu	550,000
Matsuura	300,000
Simon Chu	500,000
CHANG Hua Jung	400,000
	<hr/>
	1,750,000
	<hr/> <hr/>

The above options were granted at an exercise price per share of HK\$0.62. The cash consideration paid by each director for the options granted was HK\$1. The options can be exercised at any time in the next nine years commencing on 28 April 2001. Details of the share option scheme are set out in note 24 to the financial statements.

Report of the Directors

Other than in connection with the Reorganisation in preparation for the Company's initial public offering, at no time during the period from 8 August 2000 to 31 March 2001 was the Company, its holding companies or any of its subsidiaries a party to any arrangement to enable the Company's directors, their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2001, the following interests of 10% or more of the issued share capital of the Company were recorded in the register of substantial shareholders maintained by the Company pursuant to section 16(1) of the SDI Ordinance:

Name of shareholder	Number of shares	%
CM Investment Company Limited	200,249,775	66.75
A & S Company Limited (<i>Note</i>)	200,249,775	66.75

Note: The interests disclosed include the shares owned by CM Investment Company Limited. CM Investment Company Limited is held directly as to 51.17% by A & S Company Limited. Accordingly, A & S Company Limited is deemed to be interested in shares owned by CM Investment Company Limited.

Save as disclosed above, no person, other than the directors of the Company whose interests are set out in the section "Directors' interests in shares" above, had registered an interest in the share capital of the Company that was required to be recorded pursuant to section 16(1) of the SDI Ordinance.

CONNECTED TRANSACTIONS

Details of connected transactions of the Group for the year ended 31 March 2001 are set out in note 30 to the financial statements.

The independent non-executive directors of the Company have reviewed and confirmed that the aforesaid connected transactions entered into by the Group were (i) in the ordinary course of the Group's business either on normal commercial terms, or terms that are fair and reasonable so far as the shareholders of the Company are concerned; (ii) in accordance with the terms of the relevant agreements governing the transactions; and (iii) within the prescribed limit as set out in the waiver letter in respect of connected transactions granted by the Stock Exchange.

Report of the Directors

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 31 to the financial statements.

RETIREMENT BENEFITS SCHEME

Details of the retirement benefits scheme of the Group and the employer's retirement benefits scheme contributions charged to the profit and loss account for the year are set out in notes 3 and 5 to the financial statements, respectively.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to its existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period from 8 August 2000 to 31 March 2001.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules from the date of listing.

AUDIT COMMITTEE

Pursuant to the Listing Rules, an audit committee comprising two independent non-executive directors, namely Choy Tak Ho and Yasumori Muta, was established on 5 December 2000.

By reference to "A Guide for the Formation of An Audit Committee" published by the Hong Kong Society of Accountants, written terms of reference which describe the authority and duties of the audit committee were prepared and adopted by the board of the Company. The principal activities of the audit committee include the review and supervision of the Group's financial reporting process and internal controls.

Report of the Directors

AUDITORS

During the year, Ernst & Young were appointed as the first auditors of the Company. Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Chu Chun Man, Augustine

Chairman

Hong Kong

3 July 2001

Report of the Auditors



To the members

Sino Golf Holdings Limited

(Incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 24 to 64 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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

BASIS OF OPINION

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

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

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2001 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young

Certified Public Accountants

Hong Kong

3 July 2001

Consolidated Profit and Loss Account

Year ended 31 March 2001

	Notes	2001 HK\$'000	2000 HK\$'000
TURNOVER	4	300,215	211,540
Cost of sales		(191,402)	(139,581)
Gross profit		108,813	71,959
Other revenue		4,509	2,596
Selling and distribution costs		(8,652)	(7,920)
Administrative expenses		(16,570)	(13,920)
Other operating expenses		(6,254)	(4,993)
PROFIT FROM OPERATING ACTIVITIES	5	81,846	47,722
Finance costs	6	(9,876)	(7,990)
PROFIT BEFORE TAX		71,970	39,732
Tax	9	(6,257)	(3,567)
PROFIT BEFORE MINORITY INTERESTS		65,713	36,165
Minority interests		–	194
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	10, 25	65,713	36,359
Dividends	11	47,500	70,037
EARNINGS PER SHARE - Basic (HK cents)	12	26.67	17.00

Consolidated Statement of Recognised Gains and Losses

Year ended 31 March 2001

	Note	2001 HK\$'000	2000 HK\$'000
Exchange differences on translation of the financial statements of subsidiaries denominated in foreign currencies	25	139	(29)
Surplus on revaluation of land and buildings	25	<u>27,319</u>	<u>–</u>
Net gains/(losses) not recognised in the profit and loss account		27,458	(29)
Net profit for the year attributable to shareholders		<u>65,713</u>	<u>36,359</u>
Total recognised gains and losses		93,171	36,330
Goodwill eliminated directly against reserves	25	<u>(3,783)</u>	<u>–</u>
		<u><u>89,388</u></u>	<u><u>36,330</u></u>

Consolidated Balance Sheet

31 March 2001

	Notes	2001 HK\$'000	2000 HK\$'000
NON-CURRENT ASSETS			
Fixed assets	13	85,729	52,225
CURRENT ASSETS			
Pledged time deposits	18	5,800	10,800
Inventories	15	33,708	41,594
Trade and bills receivable	16	58,169	19,218
Deposits, prepayments and other receivables	17	13,080	13,886
Cash and cash equivalents	18	63,973	6,734
		174,730	92,232
CURRENT LIABILITIES			
Trade and bills payable	19	22,896	25,441
Tax payable		3,047	1,514
Other payables and accruals	20	9,386	13,748
Bank loans and overdrafts	21	52,131	45,436
Other loans		–	3,351
Finance lease and hire purchase contract payables	22	1,953	2,540
Proposed final dividend	11	21,000	–
		110,413	92,030
NET CURRENT ASSETS			
		64,317	202
TOTAL ASSETS LESS CURRENT LIABILITIES			
		150,046	52,427
NON-CURRENT LIABILITIES			
Bank loans	21	–	23,236
Finance lease and hire purchase contract payables	22	–	1,865
Deferred tax	23	1,695	1,495
		1,695	26,596
MINORITY INTERESTS			
		–	5,294
		148,351	20,537
CAPITAL AND RESERVES			
Issued capital	24	30,000	200
Reserves	25	118,351	20,337
		148,351	20,537

Chu Chun Man, Augustine
Director

Chu Yuk Man, Simon
Director

Consolidated Cash Flow Statement

Year ended 31 March 2001

	Notes	2001 HK\$'000	2000 HK\$'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	26(a)	<u>50,926</u>	<u>19,890</u>
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		1,482	642
Interest paid		(7,706)	(6,726)
Interest element of finance lease and hire purchase contract rental payments		(265)	(237)
Dividends paid		<u>(1,246)</u>	<u>–</u>
Net cash outflow from returns on investments and servicing of finance		<u>(7,735)</u>	<u>(6,321)</u>
TAXATION			
Hong Kong profits tax paid		(4,477)	(3,507)
Overseas taxes paid		<u>(48)</u>	<u>–</u>
Total taxes paid		<u>(4,525)</u>	<u>(3,507)</u>
INVESTING ACTIVITIES			
Purchases of fixed assets		(14,687)	(5,449)
Proceeds from disposal of fixed assets		2	2,802
Advances to related companies, net		(25,361)	(21,590)
Acquisition of additional equity interest in a subsidiary		(9,102)	–
Acquisition of a subsidiary		(426)	(574)
Decrease/(increase) in pledged time deposits		<u>5,000</u>	<u>(1,300)</u>
Net cash outflow from investing activities		<u>(44,574)</u>	<u>(26,111)</u>
NET CASH OUTFLOW BEFORE FINANCING ACTIVITIES		<u>(5,908)</u>	<u>(16,049)</u>
FINANCING ACTIVITIES			
Proceeds from issue of share capital, net	26(b)	85,926	6,964
New bank loans	26(b)	35,130	62,310
Repayment of bank loans	26(b)	(44,745)	(59,084)
Net increase/(decrease) in trust receipt loans and packing loans	26(b)	(4,353)	10,167
New other loans	26(b)	–	3,056
Repayment of other loans	26(b)	(3,370)	(2,964)
Capital element of finance lease and hire purchase contract rental payments	26(b)	<u>(2,452)</u>	<u>(1,796)</u>
Net cash inflow from financing activities		<u>66,136</u>	<u>18,653</u>
INCREASE IN CASH AND CASH EQUIVALENTS		<u>60,228</u>	<u>2,604</u>

Consolidated Cash Flow Statement

Year ended 31 March 2001

	2001 HK\$'000	2000 HK\$'000
INCREASE IN CASH AND CASH EQUIVALENTS	60,228	2,604
Cash and cash equivalents at beginning of year	3,693	1,104
Effect of foreign exchange rate changes, net	34	(15)
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF YEAR	63,955	3,693
	<hr/> <hr/>	<hr/> <hr/>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	53,947	6,646
Time deposits	15,826	10,888
	<hr/>	<hr/>
	69,773	17,534
Less: Pledged time deposits	(5,800)	(10,800)
	<hr/>	<hr/>
	63,973	6,734
Bank overdrafts	(18)	(3,041)
	<hr/>	<hr/>
	63,955	3,693
	<hr/> <hr/>	<hr/> <hr/>

Balance Sheet

31 March 2001

	<i>Notes</i>	<i>HK\$'000</i>
NON-CURRENT ASSETS		
Interests in subsidiaries	14	<u>99,965</u>
CURRENT ASSETS		
Deposits, prepayments and other receivables	17	162
Dividend receivable		21,000
Cash and cash equivalents	18	<u>1,812</u>
		<u>22,974</u>
CURRENT LIABILITIES		
Other payables and accruals	20	31
Proposed final dividend	11	<u>21,000</u>
		<u>21,031</u>
NET CURRENT ASSETS		
		<u>1,943</u>
		<u>101,908</u>
CAPITAL AND RESERVES		
Issued capital	24	30,000
Reserves	25	<u>71,908</u>
		<u>101,908</u>

Chu Chun Man, Augustine
Director

Chu Yuk Man, Simon
Director

Notes to Financial Statements

31 March 2001

1. CORPORATE INFORMATION

During the year, the principal activities of the Group consisted of the manufacturing and trading of golf equipment and 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. GROUP REORGANISATION

Sino Golf Holdings Limited (the "Company") was incorporated as an exempted company with limited liability in Bermuda on 8 August 2000 under the Companies Act 1981 of Bermuda. Its shares have been listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 20 December 2000.

Pursuant to a group reorganisation (the "Reorganisation") in preparation for the listing of the Company's shares on the Stock Exchange, on 5 December 2000, the Company acquired the entire issued share capital of Sino Golf (BVI) Company Limited, the immediate holding company of Sino Golf Manufacturing Company Limited ("Sino Golf Manufacturing"). Sino Golf Manufacturing was, as at that date, the holding company of the Group. The Company and its subsidiaries resulting from the Reorganisation have been regarded as a continuing group and accordingly, the Reorganisation has been accounted for on the basis of merger accounting as further explained in note 3 below.

Further details of the Reorganisation are set out in note 24 to the financial statements and the Company's prospectus dated 11 December 2000, and details of the subsidiaries acquired pursuant to the Reorganisation are set out in note 14 to the financial statements.

Notes to Financial Statements

31 March 2001

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

Basis of consolidation and presentation

The consolidated financial statements have been prepared on the basis of merger accounting. On this basis, the Company has been treated as the holding company of its subsidiaries acquired for both financial years presented, rather than from the date of their acquisition through the Reorganisation on 5 December 2000. Accordingly, the consolidated results of the Group for the years ended 31 March 2000 and 2001 include the results of the Company and its subsidiaries as disclosed in note 14 to the financial statements with effect from 1 April 1999 or since their respective dates of incorporation/acquisition, where this is a shorter period.

The comparative consolidated balance sheet as at 31 March 2000 has been prepared on the assumption that the above Reorganisation had been completed at that date. No balance sheet of the Company as at 31 March 2000 is presented in the financial statements as the Company was not incorporated on that date.

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

Subsidiaries

A subsidiary is a company in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors.

Interests in subsidiaries are stated at cost unless, in the opinion of the directors, there have been permanent diminutions in values, when they are written down to values determined by the directors.

Notes to Financial Statements

31 March 2001

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill

Goodwill arising on the consolidation of subsidiaries represents the excess purchase consideration paid over the fair values ascribed to the net underlying assets acquired and is eliminated directly against reserves in the year of acquisition.

On disposal of subsidiaries, the relevant portion of attributable goodwill previously eliminated against reserves is written back and included in the calculation of the gain or loss on disposal.

Fixed assets and depreciation

Fixed assets, other than construction in progress, are stated at cost or valuation less accumulated depreciation.

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 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 revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

Notes to Financial Statements

31 March 2001

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fixed assets and depreciation (Continued)

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

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

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

Construction in progress

Construction in progress represents buildings, structures, plant and machinery and other fixed assets under construction or installation and is stated at cost and is not depreciated. Cost comprises 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.

Notes to Financial Statements

31 March 2001

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leased assets (Continued)

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. Rentals applicable to such 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.

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.

Foreign currencies

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

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

Notes to Financial Statements

31 March 2001

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the Scheme. The Scheme became effective on 1 December 2000. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the Scheme. The assets of the 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 Scheme.

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) 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, on a time proportion basis over the lease terms; and
- (d) other income, on an accrual basis.

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.

Notes to Financial Statements

31 March 2001

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash equivalents

For the purpose of the consolidated cash flow statement, cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance. For the purpose of balance sheet classification, cash equivalents represent assets similar in nature to cash, which are not restricted as to use.

4. TURNOVER

The principal activities of the Group are the manufacturing and trading of golf equipment and accessories. Turnover represents the invoiced value of goods sold during the year, net of trade discounts and goods returns.

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

	2001	2000
	HK\$'000	HK\$'000
North America	191,883	157,117
Europe	54,389	29,523
Asia (excluding Japan)	36,405	11,979
Japan	9,488	7,251
Others	8,050	5,670
	<u>300,215</u>	<u>211,540</u>

Notes to Financial Statements

31 March 2001

5. PROFIT FROM OPERATING ACTIVITIES

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

	2001	2000
	HK\$'000	HK\$'000
Depreciation:		
Owned fixed assets	7,618	6,589
Leased fixed assets	1,110	1,117
	8,728	7,706
Operating lease rentals on land and buildings	1,262	1,072
Auditors' remuneration	724	362
Staff costs:		
Wages and salaries (including directors' remuneration - note 7)	30,746	29,878
Retirement benefits scheme contributions	76	-
	30,822	29,878
Loss on disposal of fixed assets	235	-
Exchange losses, net	369	654
Interest income	(1,482)	(642)
Net rental income	(64)	(56)

Notes to Financial Statements

31 March 2001

6. FINANCE COSTS

	Group	
	2001	2000
	HK\$'000	HK\$'000
Interest on bank loans, overdrafts and other loans wholly repayable within five years	7,706	6,726
Interest on finance leases and hire purchase contracts	265	237
Total interest expenses	7,971	6,963
Bank charges	1,905	1,027
Total finance costs	9,876	7,990

Notes to Financial Statements

31 March 2001

7. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to the Listing Rules and section 161 of the Companies Ordinance is as follows:

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Fees:		
Executive directors	–	–
Non-executive director	17	–
Independent non-executive directors	73	–
	<u>90</u>	<u>–</u>
Other emoluments:		
Executive directors:		
Salaries, bonuses, allowance and benefits in kind	5,561	5,741
Retirement benefits scheme contributions	8	–
	<u>5,569</u>	<u>5,741</u>
Non-executive director:		
Consultancy fee	386	372
	<u>6,045</u>	<u>6,113</u>

Notes to Financial Statements

31 March 2001

7. DIRECTORS' REMUNERATION (Continued)

The remuneration of the above directors fell within the following bands:

	Number of directors	
	2001	2000
Nil to HK\$1,000,000	6	6
HK\$1,500,001 to HK\$2,000,000	1	–
HK\$2,000,001 to HK\$2,500,000	–	1
HK\$2,500,001 to HK\$3,000,000	1	–
HK\$3,000,001 to HK\$3,500,000	–	1
	<u>8</u>	<u>8</u>

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

Subsequent to the balance sheet date, on 28 April 2001, 1,750,000 share options in total were granted to the executive directors of the Company. No value is included in directors' remuneration in respect of share options granted because, in the absence of a readily available market value for the options on the Company's shares, the directors are unable to arrive at an accurate assessment of the value of the options granted.

8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2000: Three) directors, details of whose remuneration are set out in note 7 above. The details of the remuneration of the remaining two (2000: Two) non-director, highest paid employees are as follows:

	2001	2000
	HK\$'000	HK\$'000
Salaries, bonuses, allowances and benefits in kind	1,333	1,102
Retirement benefits scheme contributions	4	–
	<u>1,337</u>	<u>1,102</u>

The remuneration of the two non-director, highest paid employees each fell within the range of Nil to HK\$1,000,000.

Notes to Financial Statements

31 March 2001

9. TAX

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Group	
	2001	2000
	HK\$'000	HK\$'000
Provision for the year:		
Hong Kong	5,625	3,200
Elsewhere	57	94
Underprovision/(overprovision) in prior year	375	(327)
Deferred tax - note 23	200	600
	<hr/>	<hr/>
Tax charge for the year	6,257	3,567
	<hr/> <hr/>	<hr/> <hr/>

10. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to shareholders dealt with in the financial statements of the Company is HK\$21,266,000.

11. DIVIDENDS

	2001	2000
	HK\$'000	HK\$'000
Interim dividends paid by a subsidiary of the Company to its then shareholders	-	70,037
Special dividends paid by a subsidiary of the Company to its then shareholders	26,500	-
Proposed final - HK7 cents per ordinary share	21,000	-
	<hr/>	<hr/>
	47,500	70,037
	<hr/> <hr/>	<hr/> <hr/>

Notes to Financial Statements

31 March 2001

11. DIVIDENDS (Continued)

The interim dividends of HK\$70,037,000 and the special dividends of HK\$26,500,000 in 2000 and 2001, respectively, were declared and paid by Sino Golf Manufacturing to its then shareholders out of its retained profits prior to the Reorganisation as set out in note 2 to the financial statements. The dividend rates and the number of shares ranking for these dividends are not presented as the directors are of the opinion that such information is not meaningful for the purpose of these financial statements. Further details of the dividends are set out in note 26(c) to the financial statements.

12. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the year of HK\$65,713,000 (2000: HK\$36,359,000) and the weighted average of 246,370,000 (2000: 213,841,000) ordinary shares deemed to be in issue during the year as if the capitalisation issue of 223,000,000 shares made to the then shareholders of the Company upon the completion of the public offer and the placing of 75,000,000 shares in the Company had been in issue from the respective dates the related existing shares were issued.

Diluted earnings per share for the years ended 31 March 2001 and 2000 has not been calculated as no diluting events existed during these years.

Notes to Financial Statements

31 March 2001

13. FIXED ASSETS

Group

	Land and buildings	Leasehold improvements	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost or valuation:							
At 1 April 2000	25,233	600	50,424	2,525	3,471	574	82,827
Additions	5,111	95	5,001	427	475	3,578	14,687
Disposals	(146)	-	(256)	(28)	-	-	(430)
Transfer from							
construction in progress	1,100	-	-	-	-	(1,100)	-
Revaluation surplus	30,624	-	-	-	-	-	30,624
Exchange realignments	226	1	471	16	10	5	729
At 31 March 2001	62,148	696	55,640	2,940	3,956	3,057	128,437
Accumulated depreciation:							
At 1 April 2000	2,216	175	24,942	1,476	1,793	-	30,602
Provided for the year	1,057	113	6,559	472	527	-	8,728
Disposals	(16)	-	(159)	(18)	-	-	(193)
Revaluation surplus	3,305	-	-	-	-	-	3,305
Exchange realignments	18	1	233	10	4	-	266
At 31 March 2001	6,580	289	31,575	1,940	2,324	-	42,708
Net book value:							
At 31 March 2001	55,568	407	24,065	1,000	1,632	3,057	85,729
At 31 March 2000	23,017	425	25,482	1,049	1,678	574	52,225

Notes to Financial Statements

31 March 2001

13. FIXED ASSETS (Continued)

- (a) The land and buildings are situated in the People's Republic of China ("PRC") and are held under the following lease terms:

	<i>HK\$'000</i>
Long term lease	592
Medium term leases	<u>61,556</u>
	<u><u>62,148</u></u>

- (b) As at 30 September 2000, the land and buildings were revalued by independent professional valuers, LCH (Asia-Pacific) Surveyors Limited, on an open market basis or the depreciated replacement cost approach, at the amount of HK\$50,174,000. As at the balance sheet date, such land and buildings had an aggregate carrying amount of HK\$49,530,000 in the financial statements.
- (c) Had the revalued land and buildings been carried in the financial statements at historical cost less accumulated depreciation, their carrying amounts would have been HK\$22,499,000 as at 31 March 2001.
- (d) The net book value of the fixed assets held under finance leases and hire purchase contracts included in the total amount of fixed assets amounted to HK\$5,161,000 as at 31 March 2001 (2000: HK\$6,338,000).
- (e) Certain of the above land and buildings, and plant and machinery with an aggregate net book value of HK\$25,990,000 (2000: HK\$14,872,000) were pledged to secure the bank loans granted to a subsidiary of the Company.

Notes to Financial Statements

31 March 2001

14. INTERESTS IN SUBSIDIARIES

	Company 2001 HK\$'000
Unlisted investment, at cost	15,717
Due from a subsidiary	84,248
	<hr/>
	99,965
	<hr/> <hr/>

The amount due from a subsidiary is unsecured, interest-free and has 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 Group		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")	PRC	HK\$61,000,000	–	(Note b)	Manufacturing and trading of golf equipment and accessories

Notes to Financial Statements

31 March 2001

14. INTERESTS IN SUBSIDIARIES (Continued)

Company name	Place of incorporation/ registration and operations	Issued and paid-up capital/ registered capital	Equity interest attributable to the Group		Principal activities
			Direct	Indirect	
Guangzhou Sino Concept Golf Manufacturing Co., Ltd. ("Sino Concept") (Note c)	PRC	HK\$30,000,000	–	100%	Manufacturing of golf equipment and accessories
Chinalink Golf Manufacturing Company Limited ("Chinalink")	Hong Kong	HK\$990,000	–	75%	Leasing of plant and machinery

Notes:

- (a) The non-voting deferred shares practically carry no rights to dividends or to receive notice of or to attend or vote at any general meeting of the company or to participate in any distribution or 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 in 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 agreed to give up all of the rights to the profits, the management and control of Zengcheng Sino Golf commencing on 20 August 1999 for the remaining tenure of Zengcheng Sino Golf, and 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 March 2001 amounted to approximately HK\$3,627,000 which is amortised over the remaining joint venture period in the consolidated profit and loss account.

Notes to Financial Statements

31 March 2001

14. INTERESTS IN SUBSIDIARIES (Continued)

- (c) Sino Concept was a Sino-foreign equity joint venture company established in the PRC on 30 June 1998 with a tenure of 20 years.

On 23 August 2000, the Group entered into an agreement with the PRC joint venture partner to acquire its 40% equity interest in Sino Concept at a consideration of RMB9.75 million. As a result, Sino Concept became an indirect wholly-owned subsidiary of the Company. On 12 September 2000, the Group obtained the relevant PRC government approval to change the legal form of Sino Concept from a Sino-foreign equity joint venture to a wholly foreign-owned enterprise.

15. INVENTORIES

	Group	
	2001	2000
	HK\$'000	HK\$'000
Raw materials	12,361	10,591
Work in progress	15,361	20,716
Finished goods	5,986	10,287
	<hr/>	<hr/>
	33,708	41,594
	<hr/> <hr/>	<hr/> <hr/>

16. TRADE AND BILLS RECEIVABLE

Included in the Group's trade and bills receivable is an amount of HK\$197,000 (2000: HK\$4,332,000) due from Nikko Bussan Co., Ltd. ("Nikko Bussan (Japan)") arising from transactions carried out in the ordinary course of business of the Group. Takanori Matsuura, a director of the Company, has a beneficial interest in Nikko Bussan (Japan). The balance is unsecured and interest-free.

Notes to Financial Statements

31 March 2001

16. TRADE AND BILLS RECEIVABLE (Continued)

The ageing analysis of the Group's trade and bills receivable, net of provision, is as follows:

	2001	2000
	HK\$'000	HK\$'000
Within three months	46,964	16,317
Between four months to six months	4,811	165
Between seven months to one year	4,975	133
Over one year	1,419	2,603
	<u>58,169</u>	<u>19,218</u>

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

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

17. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Group		Company
	2001	2000	2001
	HK\$'000	HK\$'000	HK\$'000
Prepayments	213	322	–
Deposits and other debtors	12,867	10,043	162
Due from a shareholder	–	2	–
Due from a director	–	123	–
Due from related companies	–	3,396	–
	<u>13,080</u>	<u>13,886</u>	<u>162</u>

Notes to Financial Statements

31 March 2001

18. CASH AND CASH EQUIVALENTS

	Group		Company
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000
Cash and bank balances	53,947	6,646	1,812
Time deposits	15,826	10,888	–
	69,773	17,534	1,812
Less: Pledged time deposits	(5,800)	(10,800)	–
	63,973	6,734	1,812

Pledged time deposits were pledged to banks to secure the banking facilities granted to the Group.

19. TRADE AND BILLS PAYABLE

Included in the Group's trade and bills payable is an amount of HK\$279,000 due to Nikko Bussan (Japan) arising from transactions carried out in the ordinary course of business of the Group. The balance is unsecured and interest-free.

The balance in the prior year includes an aggregate amount of HK\$4,782,000 arising from transactions with companies in which one or more of the directors of the Company have beneficial interests.

Notes to Financial Statements

31 March 2001

19. TRADE AND BILLS PAYABLE (Continued)

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

	2001	2000
	HK\$'000	HK\$'000
Within three months	18,880	19,345
Between four months to six months	2,177	5,176
Between seven months to one year	1,453	811
Over one year	386	109
	<u>22,896</u>	<u>25,441</u>

20. OTHER PAYABLES AND ACCRUALS

	Group		Company
	2001	2000	2001
	HK\$'000	HK\$'000	HK\$'000
Other payables and accruals	9,386	10,135	31
Due to shareholders	–	742	–
Due to a director	–	1,439	–
Due to related companies	–	1,432	–
	<u>9,386</u>	<u>13,748</u>	<u>31</u>

Notes to Financial Statements

31 March 2001

21. BANK LOANS AND OVERDRAFTS

	Group	
	2001 HK\$'000	2000 HK\$'000
Bank overdrafts	18	3,041
Bank loans	29,907	39,177
Packing loans	–	12,236
Trust receipt loans	22,206	14,218
	<u>52,131</u>	<u>68,672</u>
Secured	36,895	66,413
Unsecured	15,236	2,259
	<u>52,131</u>	<u>68,672</u>
Balances repayable:		
Within one year or on demand	52,131	45,436
In the second year	–	21,467
In the third to fifth years, inclusive	–	1,769
	<u>52,131</u>	<u>68,672</u>
Portion classified as current liabilities	<u>(52,131)</u>	<u>(45,436)</u>
Long term portion	–	<u>23,236</u>

The Group's bank loans 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\$25,990,000 (2000: HK\$14,527,000) and charges over time deposits of HK\$5,800,000 (2000: HK\$10,800,000).

Notes to Financial Statements

31 March 2001

22. FINANCE LEASE AND HIRE PURCHASE CONTRACT PAYABLES

There were commitments under finance leases and hire purchase contracts at the balance sheet date as set out below:

	Group	
	2001	2000
	HK\$'000	HK\$'000
Amounts payable:		
Within one year	2,104	2,892
In the second year	–	1,976
	<hr/>	<hr/>
Total minimum lease payments	2,104	4,868
Future finance charges	(151)	(463)
	<hr/>	<hr/>
Total net finance lease and hire purchase contract payables	1,953	4,405
Portion classified as current liabilities	(1,953)	(2,540)
	<hr/>	<hr/>
Long term portion	–	1,865
	<hr/> <hr/>	<hr/> <hr/>

23. DEFERRED TAX

	Group	
	2001	2000
	HK\$'000	HK\$'000
Balance at beginning of year	1,495	895
Charge for the year - note 9	200	600
	<hr/>	<hr/>
Balance at end of year	1,695	1,495
	<hr/> <hr/>	<hr/> <hr/>

Notes to Financial Statements

31 March 2001

23. DEFERRED TAX (Continued)

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

	Provided		Not provided	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Accelerated depreciation allowances	<u>1,695</u>	<u>1,495</u>	<u>834</u>	<u>105</u>

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

The Company had no material unprovided deferred tax liability as at the balance sheet date.

24. SHARE CAPITALShares

	Company 2001 HK\$'000
Authorised: 1,000,000,000 ordinary shares of HK\$0.1 each ("Ordinary Shares")	<u>100,000</u>
Issued and fully paid: 300,000,000 Ordinary Shares	<u>30,000</u>

During the period from 8 August 2000 (date of incorporation) to 31 March 2001, the following changes in the Company's authorised and issued share capital were recorded:

- (a) On 8 August 2000, the Company was incorporated with an authorised share capital of HK\$100,000 divided into 1,000,000 Ordinary Shares, all of which were allotted and issued nil paid on 18 September 2000.

Notes to Financial Statements

31 March 2001

24. SHARE CAPITAL (Continued)

- (b) On 5 December 2000, pursuant to resolutions in writing of the shareholders of the Company passed on the same date, the authorised share capital of the Company was increased from HK\$100,000 to HK\$100,000,000 by the creation of a further 999,000,000 Ordinary Shares.
- (c) On 5 December 2000, pursuant to the Reorganisation as described in note 2 to the financial statements, the Company allotted and issued 1,000,000 Ordinary Shares, credited as fully paid, and also credited as fully paid the 1,000,000 nil paid Ordinary Shares as set out in (a) above, as consideration for the subscription of 1 ordinary share of US\$1.0 of Sino Golf (BVI) Company Limited, the then holding company of the Group.

The excess of the fair value of the issued share capital of Sino Golf (BVI) Company Limited determined on the basis of the consolidated net assets of Sino Golf (BVI) Company Limited at that date, over the aggregate of the nominal value of the Company's Ordinary Shares issued in exchange therefor, amounting to approximately HK\$15,616,000, was credited to the Company's contributed surplus account as set out in note 25. On the same day, contributed surplus of HK\$100,000 was applied to pay up nil paid Ordinary Shares issued on 8 August 2000 as described in (a) above.

- (d) On 18 December 2000, a total of 75,000,000 Ordinary Shares were issued to the public at HK\$1.30 each for a total cash consideration of HK\$97,500,000 before the related issue expenses.
- (e) On 18 December 2000, as authorised and pursuant to resolutions in writing of the shareholders of the Company passed on 5 December 2000, a total of 223,000,000 Ordinary Shares were allotted and issued as fully paid at par to the shareholders whose names appear on the register of members of the Company at the close of business on 5 December 2000, in proportion to their respective shareholdings by way of capitalisation of the sum of HK\$22,300,000 standing to the credit of the share premium account of the Company.

Notes to Financial Statements

31 March 2001

24. SHARE CAPITAL (Continued)

A summary of the above movements in the issued capital of the Company is as follows:

	Number of Ordinary Shares issued	Carrying amount HK\$'000
Ordinary Shares issued nil paid on incorporation and subsequently credited as fully paid as part of the consideration for the subscription of one ordinary share of Sino Golf (BVI) Company Limited	1,000,000	100
Ordinary Shares issued at par as the remaining consideration for the subscription of one ordinary share of Sino Golf (BVI) Company Limited	<u>1,000,000</u>	<u>100</u>
Pro forma issued share capital as at 31 March 2000	2,000,000	200
New issue on initial public offering	75,000,000	7,500
Capitalisation of share premium account for Ordinary Shares credited as fully paid	<u>223,000,000</u>	<u>22,300</u>
Issued share capital as at 31 March 2001	<u><u>300,000,000</u></u>	<u><u>30,000</u></u>

Share options

Pursuant to a share option scheme which was approved by a written resolution of the shareholders of the Company on 5 December 2000, the directors may, at their absolute discretion, invite any full-time employees, including directors, of the Company or any of its subsidiaries to take up options to subscribe for Ordinary Shares of the Company at any time during the period commencing from the date of grant of share options to 4 December 2010, the expiry date of the share option scheme.

Notes to Financial Statements

31 March 2001

24. SHARE CAPITAL *(Continued)*

The subscription price for Ordinary Shares of the Company under the share option scheme will be a price determined by the directors, but shall not be less than the higher of (i) 80% of the average of the closing prices of the Ordinary Shares on the Stock Exchange for the five trading days immediately preceding the date the option is deemed to have been granted; and (ii) the nominal value of the Ordinary Shares.

The maximum number of Ordinary Shares in respect of which options may be granted may not exceed 10% of the issued share capital of the Company in issue from time to time and the maximum number of Ordinary Shares in respect of which options may be granted to any one employee may not exceed 25% of the maximum aggregate number of Ordinary Shares in respect of which options may be granted under the share option scheme.

The share option scheme became effective upon the listing of the Company's Ordinary Shares on the Stock Exchange on 20 December 2000. No share options had been granted at the balance sheet date.

Notes to Financial Statements

31 March 2001

25. RESERVES

	Share premium	Contributed surplus	Fixed asset revaluation reserve	Exchange fluctuation reserve	Other reserves	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Group							
At 1 April 1999	-	10,564	-	1,115	-	42,365	54,044
Exchange realignments	-	-	-	(29)	-	-	(29)
Profit for the year	-	-	-	-	-	36,359	36,359
Dividends	-	-	-	-	-	(70,037)	(70,037)
At 31 March 2000 and at 1 April 2000	-	10,564	-	1,086	-	8,687	20,337
Premium on issue of shares to the public	90,000	-	-	-	-	-	90,000
Capitalisation issue of shares	(22,300)	-	-	-	-	-	(22,300)
Share issue expenses	(11,574)	-	-	-	-	-	(11,574)
Revaluation surplus	-	-	27,319	-	-	-	27,319
Exchange realignments	-	-	-	139	-	-	139
Profit for the year	-	-	-	-	-	65,713	65,713
Dividends	-	-	-	-	-	(47,500)	(47,500)
Transfer from retained profits	-	-	-	-	36	(36)	-
Goodwill arising on acquisition of additional equity interest in a subsidiary	-	-	-	-	-	(3,783)	(3,783)
At 31 March 2001	56,126	10,564	27,319	1,225	36	23,081	118,351

Notes to Financial Statements

31 March 2001

25. RESERVES (Continued)

	Share Contributed		Retained	Total
	premium	surplus	profits	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Company				
Arising on acquisition of subsidiaries	–	15,616	–	15,616
Applying to pay up 1,000,000 Ordinary Shares allotted nil paid on incorporation	–	(100)	–	(100)
Premium on issue of shares to the public	90,000	–	–	90,000
Capitalisation issue of shares	(22,300)	–	–	(22,300)
Share issue expenses	(11,574)	–	–	(11,574)
Profit for the year	–	–	21,266	21,266
Dividend	–	–	(21,000)	(21,000)
At 31 March 2001	56,126	15,516	266	71,908

The Group's contributed surplus represents the difference between the nominal value of the shares and share premium account of the subsidiaries acquired pursuant to the Reorganisation as set out in note 2 to the financial statements 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 pursuant to the Reorganisation over the nominal value of the Company's shares issued for the acquisition. Under the Companies Act 1981 of Bermuda, the Company may make distributions to its members out of contributed surplus under certain circumstances.

Notes to Financial Statements

31 March 2001

26. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Profit before tax	71,970	39,732
Interest expenses	7,971	6,963
Interest income	(1,482)	(642)
Depreciation	8,728	7,706
Loss on disposal of fixed assets	235	–
Decrease/(increase) in inventories	7,886	(6,546)
Increase in trade and bills receivable	(38,951)	(8,976)
Decrease/(increase) in deposits, prepayments and other receivables	806	(13,439)
Increase/(decrease) in trade and bills payable	(2,545)	420
Decrease in other payables and accruals	(3,829)	(5,295)
Exchange adjustments	137	(33)
	<u>50,926</u>	<u>19,890</u>
Net cash inflow from operating activities	<u>50,926</u>	<u>19,890</u>

Notes to Financial Statements

31 March 2001

26. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Analysis of changes in financing activities

	Issued capital and share premium <i>HK\$'000</i>	Bank loans <i>HK\$'000</i>	Other loans <i>HK\$'000</i>	Finance lease and hire purchase contract obligations <i>HK\$'000</i>	Minority interests <i>HK\$'000</i>
Balance at 1 April 1999	200	52,238	3,259	3,841	6,108
Cash inflow/(outflow) from financing, net	–	13,393	92	(1,796)	–
Arising on dissolution of a subsidiary	–	–	–	–	(601)
Share of exchange fluctuation reserve for the year	–	–	–	–	(19)
Share of loss for the year	–	–	–	–	(194)
Inception of finance lease contracts	–	–	–	2,360	–
Balance at 31 March 2000 and 1 April 2000	200	65,631	3,351	4,405	5,294
Cash inflow/(outflow) from financing, net	85,926	(13,968)	(3,370)	(2,452)	–
Acquisition of minority interests	–	–	–	–	(5,294)
Exchange realignments	–	450	19	–	–
Balance at 31 March 2001	86,126	52,113	–	1,953	–

Notes to Financial Statements

31 March 2001

26. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(c) Major non-cash transactions

- (i) The special dividends of HK\$26,500,000 declared by Sino Golf Manufacturing during the year ended 31 March 2001 were distributed by offsetting against the amounts due from certain related companies with an aggregate amount of HK\$25,361,000. Of the remaining balance of HK\$1,139,000, HK\$836,000 was settled in cash and the unpaid balance of HK\$303,000 was included in other payables and accruals as at 31 March 2001.
- (ii) The interim dividends of HK\$70,037,000 declared by Sino Golf Manufacturing during the year ended 31 March 2000 were distributed by offsetting against the amounts due from certain related companies and shareholders with an aggregate amount of HK\$69,627,000. The balance of HK\$410,000 was settled in cash during the year ended 31 March 2001.

27. CONTINGENT LIABILITIES

As at 31 March 2001, the Group and the Company had the following contingent liabilities not provided for in the financial statements:

	Group		Company
	2001	2000	2001
	HK\$'000	HK\$'000	HK\$'000
Bills discounted with recourse	6,163	3,488	—
Guarantees for bank loans, overdrafts and trade finance facilities in favour of a subsidiary	—	—	28,387
Guarantees for a bank loan in favour of a related company	—	8,109	—
	<u>6,163</u>	<u>11,597</u>	<u>28,387</u>

Notes to Financial Statements

31 March 2001

28. PLEDGE OF ASSETS

Details of the assets pledged to secure the bank loans and overdrafts granted to the Group are disclosed in note 21 to the financial statements.

29. COMMITMENTS**(a) Capital commitments**

	Group	
	2001	2000
	HK\$'000	HK\$'000
Capital commitments in respect of land and buildings:		
Contracted, but not provided for	1,699	573
Capital commitments in respect of plant and machinery:		
Contracted, but not provided for	69	113
	1,768	686

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

(b) Commitments under operating leases

As at 31 March 2001, the Group had commitments under non-cancellable operating leases to make payments in the following year as follows:

	Group	
	2001	2000
	HK\$'000	HK\$'000
Land and buildings expiring:		
Within one year	683	53
In the second to fifth years, inclusive	105	950
After five years	186	90
	974	1,093

Notes to Financial Statements

31 March 2001

30. RELATED PARTY TRANSACTIONS

The Group entered into the following material related party transactions with related parties during the year:

	Notes	2001 HK\$'000	2000 HK\$'000
Purchases of raw materials from			
Nikko Bussan (Japan)	(a)	999	791
Sales of finished goods to Nikko Bussan (Japan)	(b)	35,056	35,077
Rental expenses paid to Progolf			
Manufacturing Company Limited ("Progolf")			
and Oriental Leader Limited	(c)	1,320	1,467
Purchase of golf club memberships from			
廣州荔湖高爾夫球有限公司 ("SG Club")	(d)	600	—
Purchases of raw materials from			
Nikko Bussan (Japan) and Nikko Bussan			
Taiwan Co., Ltd. ("Nikko Bussan (Taiwan)")	(a), (g)	12,558	28,029
Purchase of raw materials and consumables			
from Chung Lian Hsieh Enterprise			
Company Limited	(e), (g)	—	15,068
Purchases of finished goods from Xiamen			
Dongan Precision Casting			
Co., Ltd. ("Dongan")	(f), (g)	9,817	4,821

Notes:

- (a) Takanori Matsuura, a director of the Company, has a beneficial interest in Nikko Bussan (Japan) and Nikko Bussan (Taiwan). The purchase prices of raw materials were determined between the Group and the corresponding related companies on a cost-plus basis.
- (b) The selling prices of finished goods were based on the agreement between the parties.
- (c) Chu Chun Man, Augustine ("Augustine Chu"), a director of the Company, has a beneficial interest in Progolf, and Chu Yuk Man, Simon ("Simon Chu"), a director of the Company, has a beneficial interest in Oriental Leader Limited. The rental expenses were determined at rates agreed between the Group and the corresponding related parties based on market rates.

Notes to Financial Statements

31 March 2001

30. RELATED PARTY TRANSACTIONS (Continued)

- (d) Augustine Chu, Takanori Matsuura and Simon Chu, directors of the Company, have beneficial interests in SG Club. The purchase price of golf club memberships was based on the rates SG Club offered to third party customers.
- (e) Augustine Chu can exercise significant influence over Chung Lian Hsieh Enterprise Company Limited. The purchase prices of raw materials and consumables were based on the costs incurred by the related party.
- (f) Prior to 20 July 2000, Augustine Chu and Takanori Matsuura had beneficial interests in Dongan. The purchase prices of finished goods were determined at 60% to 70% of the selling prices of the relevant product category in accordance with the agreements signed by both parties. Dongan ceased to be a related party of the Group since 20 July 2000.
- (g) Transactions discontinued prior to the listing of the Company's Ordinary Shares on the Stock Exchange on 20 December 2000.

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.

31. POST BALANCE SHEET EVENTS

- (a) On 4 April 2001, the Group set up an equity joint venture, 順德市順興隆高爾夫球制品有限公司 (「順興隆」), in Shun De, the PRC, with an independent third party. The principal activity of 順興隆 is the manufacturing of golf equipment. Pursuant to the joint venture agreement, the registered capital of 順興隆 is US\$1,380,000. The Group owns 62.5% equity interest in 順興隆 and is committed to contribute capital of HK\$6,684,000.
- (b) On 31 May 2001, the Group acquired the remaining 25% equity interest in Chinalink from the minority shareholder for a cash consideration of HK\$500,000. As a result, Chinalink became a wholly-owned subsidiary of the Group.

32. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 3 July 2001.

Financial Summary

	Year ended 31 March			
	2001 HK\$'000 (Notes 2 & 3)	2000 HK\$'000 (Notes 1 & 3)	1999 HK\$'000 (Notes 1 & 3)	1998 HK\$'000 (Notes 1 & 3)
RESULTS				
TURNOVER	300,215	211,540	191,492	135,211
Cost of sales	(191,402)	(139,581)	(128,078)	(104,477)
Gross profit	108,813	71,959	63,414	30,734
Other revenue	4,509	2,596	2,608	2,488
Selling and distribution costs	(8,652)	(7,920)	(9,808)	(6,867)
Administrative expenses	(16,570)	(13,920)	(11,046)	(9,591)
Other operating expenses	(6,254)	(4,993)	(4,213)	(1,482)
PROFIT FROM OPERATING ACTIVITIES	81,846	47,722	40,955	15,282
Finance costs	(9,876)	(7,990)	(7,719)	(5,399)
Share of profit/(loss) of an associate	-	-	(31)	158
PROFIT BEFORE TAX	71,970	39,732	33,205	10,041
Tax	(6,257)	(3,567)	(2,658)	(957)
PROFIT BEFORE MINORITY INTERESTS	65,713	36,165	30,547	9,084
Minority interests	-	194	(175)	-
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	65,713	36,359	30,372	9,084
ASSETS AND LIABILITIES				
TOTAL ASSETS	260,459	144,457	162,821	150,578
TOTAL LIABILITIES	(112,108)	(118,626)	(109,433)	(131,158)
MINORITY INTERESTS	-	(5,294)	(6,108)	(601)
NET ASSETS	148,351	20,537	47,280	18,819

Notes:

1. The Company was incorporated in Bermuda on 8 August 2000 and became the holding company of the companies now comprising the Group on 5 December 2000. The above financial summaries of the results, assets and liabilities of the Group for the three years ended 31 March 2000 have been extracted from the Company's prospectus dated 11 December 2000 when the listing of the Company's shares was sought on the main board of The Stock Exchange of Hong Kong Limited.
2. The results and the assets and liabilities of the Group for the year ended 31 March 2001 have been extracted from the consolidated profit and loss account and the consolidated balance sheet as set out on pages 24 and 26, respectively, of the annual report.
3. The financial summary of the Group, which is presented for information only, has been prepared on the basis that the structure and business activities of the Group immediately after the completion of the group reorganisation had been in existence throughout the four years ended 31 March 2001.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the first Annual General Meeting of the Company will be held at Rose room, Lower Level II, Kowloon Shangri-La Hong Kong on Thursday, 2 August, 2001 at 3:00 p.m. for the following purposes:–

1. to receive and consider the audited financial statements and the reports of the directors and of the auditors for the year ended 31st March, 2001;
2. to declare a final dividend for the year ended 31st March, 2001;
3. to re-elect the directors of the Company;
4. to authorise the board of directors to fix the directors' remuneration; and
5. to re-appoint the auditors and to authorise the board of directors to fix their remuneration.

To consider as special business and, if thought fit, pass with or without amendments, the following resolutions each as an Ordinary resolution:–

A. **THAT:–**

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

Notice of Annual General Meeting

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

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

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company, the Companies Act 1989 of Bermuda or any other applicable law of Bermuda to be held; and
- (iii) the date on which the authority set out in this Resolution is revoked or varied by the passing of an ordinary resolution of the shareholders of the Company in general meeting.

“Rights Issue” means an offer of shares, or offer or issue of warrants, options or other securities of the Company giving rights to subscribe for Shares, open for a period fixed by the Directors to holders of shares of the Company or any class thereof on the register on a fixed record date in proportion to their then holdings of such shares or class thereof (subject

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to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlement's or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside the Hong Kong Special Administrative Region of the People's Republic of China.)”

B. THAT:–

- (a) subject to sub-paragraph (b) of this Resolution, the exercise by the Directors during the Relevant Period of all the powers of the Company to repurchase shares of the Company on the Stock Exchange or any other exchange on which the shares of the Company may be listed and recognised for this purpose by the Securities and Futures Commission of Hong Kong and the Stock Exchange under the Hong Kong Code on Share Repurchases (“**Recognised Stock Exchange**”) subject to and in accordance with all applicable laws and the requirements of the Listing Rules or that of any other Recognised Stock Exchange, be and the same is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of the shares of the Company which may be purchased by the Company pursuant to the approval in sub-paragraph (a) of this Resolution during the Relevant Period shall not exceed 10 per cent. of the aggregate nominal amount of the issued share capital of the Company as at the date of the passing of this Resolution and the said approval shall be limited accordingly; and
- (c) for the purposes of this Resolution:–
 - “Relevant Period” means the period from the date of the passing of this Resolution until whichever is the earliest of:–
 - (i) the conclusion of the next annual general meeting of the Company;

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- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company, the Companies Act 1989 of Bermuda or any other applicable law of Bermuda to be held; and
 - (iii) the date on which the authority set out in this Resolution is revoked or varied by the passing of an ordinary resolution of the shareholders of the Company in general meeting.
- C. **“THAT** conditional upon Resolution A and Resolution B set out in the notice convening this meeting of which this resolution forms part being passed, the aggregate nominal amount of the shares capital of the Company which are repurchased by the Company after the date of the passing of this Resolution (up to a maximum of 10 per cent. of the aggregate nominal amount of the issued share capital of the Company as stated in Resolution B set out in the notice convening this meeting of which this resolution forms part) shall be added to the aggregate nominal amount of share capital that may be allotted or agreed conditionally or unconditionally to be allotted and issued by the directors of the Company under the authority granted pursuant to Resolution A set out in the notice convening this meeting of which this resolution forms part.”

By Order of the Board
Sino Golf Holdings Limited
Chu Chua Man, Augustine
Chairman

Hong Kong, 3 July 2001

Notes:

1. A form of proxy for use at the meeting is enclosed.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of any officer, attorney or other person authorised to sign the same.
3. Any member entitled to attend and vote at the meeting shall be entitled to appoint another person (who must be an individual) as his proxy to attend and vote instead of him. A proxy need not be a member of the Company.

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4. In order to be valid, a form of proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of authority, must be deposited at the Company's share registrar, Tengis Limited of 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong not less than 48 hours before the time fixed for holding the meeting.
5. Delivery of the form of proxy will not preclude a member from attending and voting in person at the meeting convened and in such event, the form of proxy shall be deemed to be revoked.
6. Where there are joint holders of any share of the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he was solely entitled thereto, but if more than one of such joint holders are present at the meeting, the most senior shall alone be entitled to vote, whether in person or by proxy, and for this purpose seniority shall be determined by the order in which the names stand in the register in respect of the joint holding.
7. For the purpose of determining the list of shareholders entitled to attend and vote at the Annual General Meeting and to receive the final dividend to be declared at the meeting, the Company shall temporarily suspend changes to the register of members from Wednesday, 25 July 2001 to Thursday, 2 August 2001. Shareholders whose names appear on the register at the time of the suspension of registration shall be entitled to attend and vote at the meeting and shall be entitled to receive final dividend if declared at the meeting. Persons who purchase shares of the Company during the period of suspension of registration shall not be entitled to attend the meeting nor to the final dividend.
8. In relation to the proposed resolution (A) set out in the notice convening the meeting, approval is being sought from the members as a general mandate under the Listing Rules. The Directors wish to state that they have no immediate plans to issue any new shares of the Company.
9. In relation to the proposed resolution numbered (B) set out in the notice convening the meeting the Directors wish to state that they will exercise the powers conferred thereby to repurchase shares of the Company in the circumstances which they deem appropriate for the benefit of the Company and the shareholders. The explanatory statement containing the information necessary to enable the shareholders to make an informed decision to vote in the proposed resolution as required by the Listing Rules, will be sent out in a separate document from the Company to be enclosed with the 2000-2001 Annual Report.