

Annual Report 2002

Sino Golf Holdings Limited

Incorporated in Bermuda
with limited liability





*Sino Golf
Holdings Limited*

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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
DBS Kwong On Bank
UFJ Bank Ltd.
The Hong Kong and Shanghai Banking Corporation
Nanyang Commercial Bank Ltd.

BERMUDA PRINCIPAL SHARE

REGISTRAR AND TRANSFER OFFICE

Butterfield Corporate Services Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

HONG KONG BRANCH SHARE

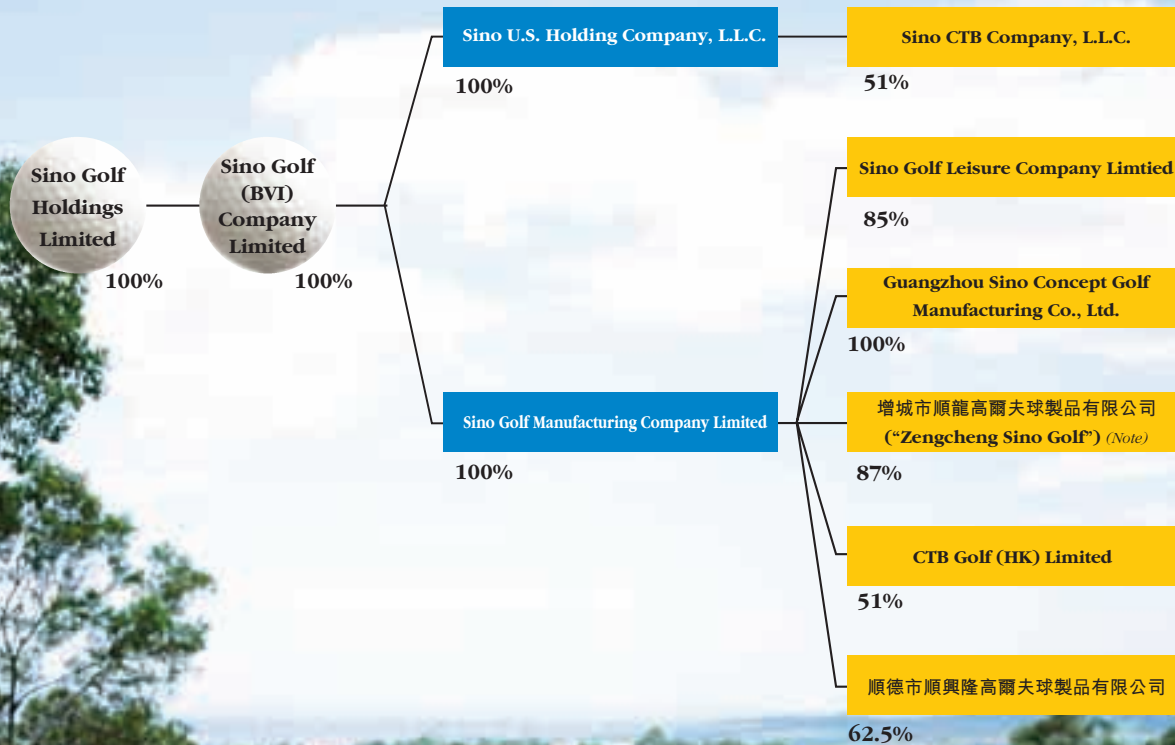
REGISTRAR AND TRANSFER OFFICE

Tengis Limited
G/F, Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

PRINCIPAL PLACE OF BUSINESS

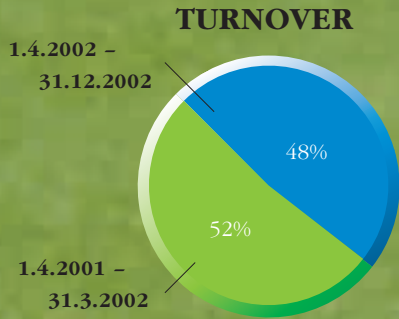
19th Floor, Delta House
3 On Yiu Street
Shatin
New Territories
Hong Kong

C o r p o r a t e S t r u c t u r e



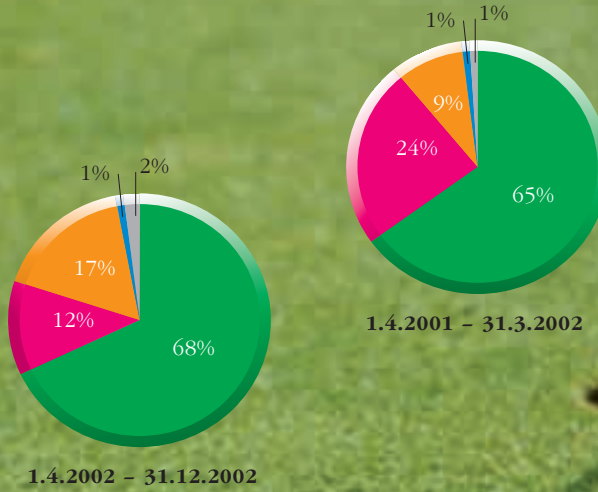
Note : The Group and an independent third party have contributed 87% and 13%, respectively, of the registered capital of Zengcheng Sino Golf. According to the supplemental agreements dated 25 August 2000 and 1 September 2000, the Group is entitled to all the rights of profits, responsible for the losses, and entitled to all the rights of the management and control of Zengcheng Sino Golf.

Financial Highlights

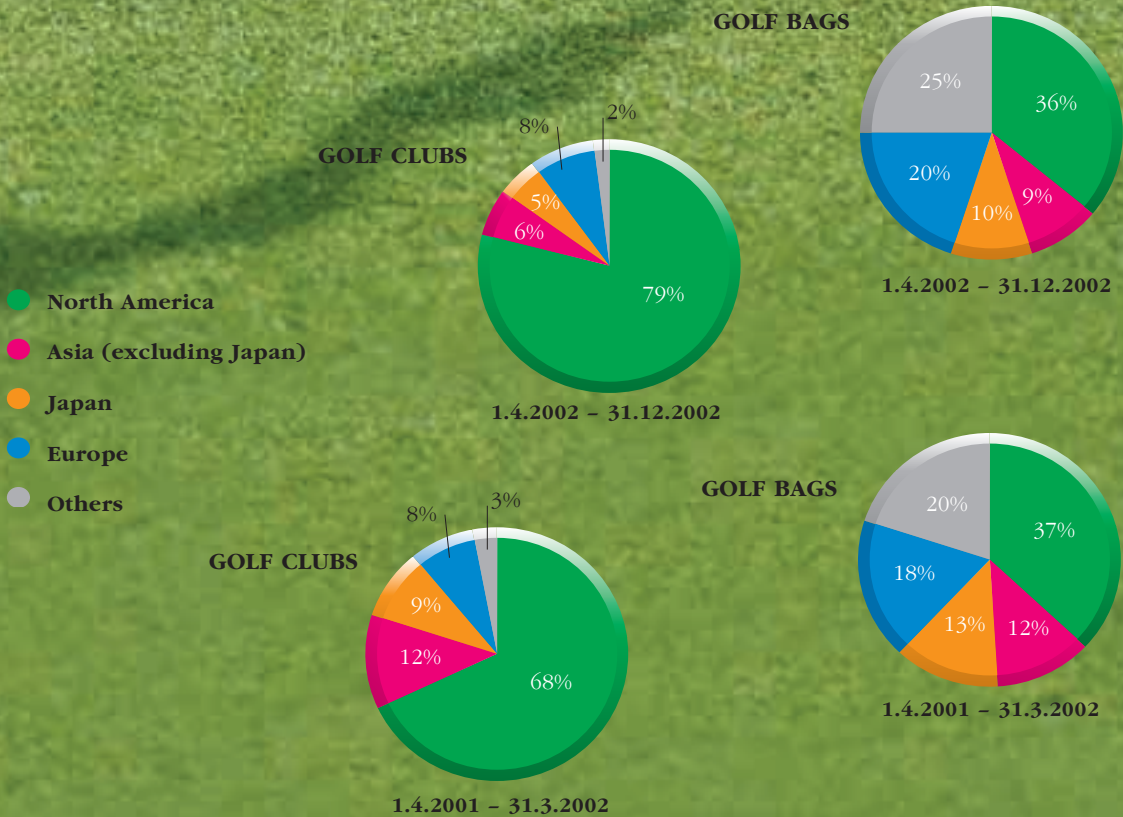


- Golf clubs
- club heads
- Golf bags
- shafts
- Golf accessories

TURNOVER BY PRODUCT



TURNOVER BY GEOGRAPHICAL AREA



C h a i r m a n ' s S t a t e m e n t



On behalf of the Board of Directors (the "Board") of Sino Golf Holdings Limited (the "Company"), I am pleased to report the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the nine months ended 31 December 2002 (the "Period").



CHANGE OF FINANCIAL YEAR END DATE

Pursuant to an ordinary resolution passed at the Company's annual general meeting held on 7 August 2002, the financial year end date of the Group has been changed from 31 March to 31 December. The change has been made to standardize the reporting dates of all subsidiaries within the Group, the current period's financial statements are prepared for the nine months ended 31 December 2002. The comparative amounts for the consolidated profit and loss account, consolidated summary statement of changes in equity, consolidated cash flow statement and the related notes, which are prepared for the year ended 31 March 2002, are not comparable.

RESULTS AND DIVIDENDS

Consolidated turnover and net profit from ordinary activities attributable to shareholders for the Period amounted to HK\$230,497,000 and HK\$25,525,000 respectively. Earnings per share was HK8.45 cents for the Period.



C h a i r m a n ' s S t a t e m e n t

The directors recommend a final dividend of HK3.9 cents per share, which is subject to the approval by shareholders at the forthcoming annual general meeting. Together with the interim dividend of HK4.5 cents per share, a total dividend of HK8.4 cents per share would have been payable in respect of the Period.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 14 May 2003 to Monday, 19 May 2003 both days inclusive, during which period no transfer of shares will be effected. All share transfers, accompanied by the relevant share certificates, must be lodged with the Company's share registrar in Hong Kong, Tengis Limited at G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 pm on Tuesday, 13 May 2003 in order to qualify for the final dividend mentioned above.

BUSINESS REVIEW

During the Period, our Group continued to benefit from the outsourcing activities of golf club equipment manufacturing from those developed countries, mainly the United States and European countries. In 2002, the global economy has gained certain recovery from its depressed and sluggish status during 2001. In order to fulfill the refreshed market demand, customers have relaxed their conservative inventory policy by reasonably increasing order quantities so as to introduce new product models to the market. In overall, the Group's performance for the year of 2002 has shown satisfactory improvement over that of the preceding year.

Total turnover for the Period amounted to HK\$230,497,000, representing 91.3% of a turnover of HK\$252,492,000 for the preceding financial year comprising a 12-month period ended 31 March 2002. Sales of golf clubs and accessories amounted to HK\$191,350,000, accounting for 83.0% of total turnover for the Period, while the remaining 17.0% or HK\$39,147,000 represents sales of golf bags. Golf clubs and accessories business remains the most significant source of contribution to the Group's profitability and is expected to grow steadily at a double-digit rate for the ensuing year. Sale of high value models will increase in proportion and generate a higher margin for the Group.

The relatively low contribution from the golf bag segment has been attributed to the Group's shared cost incurred in relation to the set-up of the logistic and assembly operation in the United States in which the sales started steady since the last quarter of 2002. Sales of golf bags generated from the United States establishment will increase significantly during 2003 and contribute to the Group's profitability. Since its acquisition by the Group in October 2001, the golf bag business has demonstrated consistent growth as a result of the synergy achieved through the extensive business contact of the Group. It is anticipated that the golf bag segment will grow persistently at a double-digit rate for the foreseeable future.

Geographically, North America continues to be the largest geographical segment from which 71.9% of the Group's turnover for the Period was generated. The European, Japanese and Asian markets accounted for 9.8%, 5.8% and 6.8% of total turnover respectively.



Chairman's Statement

In order to enhance the competitive edge, the Group has consistently pursued investment in research and development activities and advanced testing equipment. During the Period, an aggregate amount of HK\$1,609,000 has been expended in this area. Further, the logistic and assembly operation in the United States has served to provide value-added services to our customers and enables the Group to take advantage over other competitors who lack the necessary resources to perform such value-added functions. We believe that the widened exposure and closer proximity to the customers will bring substantial business and increase profitability of the Group in the long term.

DEVELOPMENTS AND PROSPECTS

It is the Group's strategy to pursue vertical integration in the golf industry. The logistic and assembly operation in the United States will further be strengthened and extended to cover more potential customers at dealers and importers level. The advantage of savings in cost and the convenience offered by flexible delivery options are non-resistant factors for medium-sized participants to buy from our Group.

To cope with the continued growth of the golf bag segment, a new factory is under construction in the PRC which is targeted to commence production by end of 2003.

With enhanced product design and development capability and improved customer services, the Group has successfully extended its client portfolio and obtained a number of new customers of great potential. Existing customers continue to work closely with us on major sales programmes for 2003. Baring unforeseen circumstances or any drastic fluctuations in the global economy, we are continuously confident that our Group shall achieve satisfactory growth for the ensuing year.

ACKNOWLEDGEMENT


On behalf of the Board, I would like to extend my sincere thanks to our valuable customers for their trust and support and to our staff for their commitment and loyalty. I must also express my gratitude to our shareholders for their contribution. Without them, our Group could never have become one of the best golf club equipment manufacturers in the world. We sincerely undertake to continue to strive for excellence and further development of the Group.

Chu Chun Man, Augustine

Chairman

Hong Kong

15 April 2003



Management Discussion and Analysis

This statement provides supplementary information to the Chairman's Statement

FINANCIAL RESULTS

Consolidated turnover of the Group for the Period amounted to HK\$230,497,000 (year ended 31 March 2002: HK\$252,492,000). Net profit from ordinary activities attributable to shareholders was HK\$25,525,000 (year ended 31 March 2002: HK\$30,447,000).

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally relies on internally generated funds and banking facilities granted by its principal bankers and other financial institutions to finance its operations. At 31 December 2002, the Group maintained a cash and bank balances of HK\$44.7 million (31 March 2002: HK\$84.6 million). The significant decrease in cash and bank balances is mainly attributable to the application of funds for (i) paying interim dividend of HK\$13.6 million in December 2002; (ii) reducing trade and other payables by approximately HK\$6.0 million; and (iii) increasing inventories by approximately HK\$14.3 million so as to maintain a basic inventory level for the United States assembly operation as well as fulfilling the requirements of the coming shipping season.

Banking facilities available to the Group aggregate to approximately HK\$267.5 million comprising import and export facilities, overdrafts and term loans. As at 31 December 2002, total borrowings from banks and financial institutions amounted to HK\$101.3 million, of which HK\$92.8 million is repayable within one year. Gearing ratio, defined as total bank borrowings and finance lease payable divided by the shareholders' equity, was 61.2% (31 March 2002: 46.6%). The apparent increase in the level of borrowings and gearing ratio has mainly been attributed to the effect of a variation in the form of export financing.

Consistent with the traditional practice, the Group has endeavored to maintain a reasonable financial position through adoption of cautious and effective treasury policies. As at 31 December 2002, the net assets of the Group amounted to approximately HK\$165.5 million (31 March 2002: HK\$183.2 million). Current ratio and quick ratio of the Group were 1.37 (31 March 2002: 1.77) and 0.84 (31 March 2002: 1.28) as at 31 December 2002, respectively. Both ratios stay at a reasonable level and have been further improved upon the conclusion of a three-year syndicated loan of HK\$105 million subsequent to the balance sheet date.

CHARGE ON THE GROUP'S ASSETS

The Group's bank borrowings are secured by certain of the Group's land and buildings, and plant and machinery with an aggregated net book value at 31 December 2002 of HK\$11.9 million.



M a n a g e m e n t D i s c u s s i o n a n d A n a l y s i s

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The Group has limited exposure to exchange rates fluctuations as most of the business transactions were conducted in the currency of United States dollars, Hong Kong dollars and Renminbi, all of which remained relatively stable during the Period.

EMPLOYEE AND REMUNERATION POLICY

At 31 December 2002, the Group employed a total of approximately 2,700 staff in Hong Kong, the PRC and the United States. Employees are remunerated having regard to their performance, experience and expertise as well as industry practices. The remuneration is reviewed annually and discretionary bonuses are offered based on the performance and contribution of individual employees.



Biographical Details of Directors and Management

EXECUTIVE DIRECTORS

CHU Chun Man, Augustine (“Augustine Chu”), aged 45, 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 19 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 67, is one of the founders of the Group and has over 36 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 47, is the brother of Augustine Chu. He has over 5 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 an Asia Pacific director position with an international firm which is listed on NASDAQ in the United States.

CHANG Hua Jung, aged 41, graduated from an industrial institution in Taiwan. Mr. Chang has over 20 years of 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.

NON-EXECUTIVE DIRECTOR

Carl Thomas McMANIS, aged 76, 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 37 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.



Biographical Details of Directors and Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Yasumori MUTA, aged 60, has over 27 years of experience in the golf industry in Japan. He was the president of Daiwa Golf Company Limited which is one of the five largest 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 74, has over 40 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 67, has over 39 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 State Administration of Foreign Exchange[#] Guangdong branch. He was also appointed as the director of Guangdong Securities Co. Ltd.[#]. Mr. Zhu is at present a vice president of Guangdong Province Golf Association[#].

SENIOR MANAGEMENT

CO Man Kwong, Rochester, aged 40, is the operations director of the Group and responsible for the financing activity, investors' relation, operations management and strategic planning of the Group. Mr. Co joined the Group in September 2002. Prior to that, he has worked in an international accounting firm for over 6 years before joining the commercial field for more than 10 years. Mr. Co graduated from the Hong Kong Polytechnic University in 1984 and is a fellow member of the Association of Chartered Certified Accountants, the United Kingdom, and the Hong Kong Society of Accountants.

CHOI Ying, Kammy, aged 34, 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 5 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.


HE Xin Hong, aged 39, is the assistant 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 12 years of experience in the golf manufacturing industry.

XIE Zi Peng, aged 35, 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 33, is the senior marketing manager of the Group. Ms. Lee has over 10 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 45, 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 18 years of experience in the golf manufacturing industry.

for identification purpose only



Report of the Directors

The directors herein present their report and the audited financial statements of the Company and the Group for the nine months ended 31 December 2002.

CHANGE OF FINANCIAL YEAR END DATE

The Group changed its financial year end date from 31 March to 31 December with effect from 1 April 2002. The current accounting period covers a period of nine months from 1 April 2002 to 31 December 2002.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 16 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the period.

RESULTS AND DIVIDENDS

The Group's profit for the nine months ended 31 December 2002 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 19 to 62.

An interim dividend of HK4.5 cents per ordinary share was paid on 26 November 2002.

The directors recommend the payment of a final dividend of HK3.9 cents per ordinary share, amounting to HK\$11,786,000 in aggregate, in respect of the period to shareholders whose names appear on the register of members of the Company on Tuesday, 13 May 2003. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the capital and reserves section of the balance sheets. Further details of this accounting treatment are set out in note 12 to the financial statements.

FINANCIAL SUMMARY


A summary of the published results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the Company's annual report and the audited financial statements, and reclassified and restated as appropriate, is set out on pages 63 and 64. This summary does not form part of the audited financial statements.

FIXED ASSETS

Details of movements in the Group's fixed assets during the period are set out in note 14 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

There are no movement in the Company's share capital and share options during the period, which are set out in notes 26 and 27 to the financial statements.



Report of the Directors

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.

RESERVES

Details of movements in the reserves of the Company and the Group during the period are set out in note 28 to the financial statements and in the consolidated summary statement of changes in equity.

DISTRIBUTABLE RESERVES

At 31 December 2002, the Company's contributed surplus and retained profits accounts available for cash distribution and/or distribution in specie amounted to HK\$27,353,000 of which HK\$11,786,000 has been proposed as a final dividend for the period. In accordance with the Bermuda Companies Act 1981 (as amended), the Company's contributed surplus may be distributed in certain circumstances. In addition, the Company's share premium account, in the amount of HK\$57,270,000 may be distributed in the form of fully paid bonus shares.


MAJOR CUSTOMERS AND SUPPLIERS

In the period under review, sales to the Group's five largest customers accounted for approximately 61% (year ended 31 March 2002: 62%) of the Group's total turnover for the period and sales to the largest customer included therein amounted to approximately 25% (year ended 31 March 2002: 22%).

Purchases from the Group's five largest suppliers accounted for approximately 25% (year ended 31 March 2002: 37%) of the Group's total purchases for the period and purchases from the largest supplier included therein amounted to approximately 6% (year ended 31 March 2002: 11%).

Nikko Bussan Co., Ltd., a company in which Takanori Matsuura, an executive director of the Company, has beneficial interests, is one of the Group's five largest customers for the nine months ended 31 December 2002.

Save as disclosed above, none of the directors of the Company or any of their associates or any 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 were:

Executive directors:

CHU Chun Man, Augustine

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

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

The appointments of the non-executive director and the independent non-executive directors will cease at the forthcoming annual general meeting. They are required to offer themselves for re-election at the annual general meeting.


DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 10 and 11 of the annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors has entered into a service contract with the Company for a term of 3 years commencing on 1 December 2000 which will continue thereafter unless terminated in accordance with the relevant clauses of the service contracts.

Apart from the foregoing, no director 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 1 year without payment of compensation, other than statutory compensation.



Report of the Directors

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 33 to the financial statements, no director had a material beneficial interest in any contract of significance to the business of the Group to which the Company, its holding companies or any of its subsidiaries was a party during the period.

DIRECTORS' INTERESTS IN SHARES

At 31 December 2002, the interests of the directors and their associates in the issued share capital of the Company or 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) Ordinary shares of the Company

	Number of shares held	
	Personal interests	Corporate interests
Executive directors:		
CHU Chun Man, Augustine	8,594,263	200,249,775 [#]
Takanori MATSUURA	11,155,400	200,249,775 [#]
CHU Yuk Man, Simon	2,836,237	– [#]
CHANG Hua Jung	606,793	–
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 Takanori Matsuura, respectively. A & S Company Limited is a company incorporated in the British Virgin Islands and owned as to approximately 64.00% by Chu Chun Man, Augustine, approximately 21.71% by Chu Yuk Man, Simon and 14.29% by another family member. The interests of Chu Chun Man, Augustine, Takanori Matsuura and Chu Yuk Man, Simon, in the 200,249,775 shares of the Company therefore duplicate each other.

(ii) Associated corporation

3,456,027 non-voting deferred shares in Sino Golf Manufacturing Company Limited, an indirectly held wholly-owned subsidiary of the Company, are owned as to 1,190,607 shares by Chu Chun Man, Augustine, as to 1,841,323 shares by Takanori Matsuura, as to 414,297 shares by Chu Yuk Man, Simon, as to 3,600 shares by Chang Hua Jung and as to 6,200 shares by Carl Thomas McManis.



Report of the Directors

DIRECTORS' INTERESTS IN SHARES (Continued)

In addition to the above, a director has non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Group solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed above, none of the directors or their associates had any personal, family, corporate or other interests in the equity or debt securities of the Company or any of its associated corporations, as defined in the SDI Ordinance, as recorded in the register required to be kept under Section 29 of the SDI Ordinance or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding companies, or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

Due to the adoption during the period of Statement of Standard Accounting Practice No. 34 "Employee benefits", the detailed disclosures relating to the Company's share option scheme have been moved to note 27 to the financial statements.


SUBSTANTIAL SHAREHOLDERS

At 31 December 2002, the following interests of 10% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

Name	Number of shares held	Percentage of holding
CM Investment Company Limited	200,249,775	66.26
A & S Company Limited (<i>Note</i>)	200,249,775	66.26

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 issued share capital of the Company that was required to be recorded pursuant to Section 16(1) of the SDI Ordinance.



Report of the Directors

CONNECTED TRANSACTIONS

Details of the connected transactions undertaken by the Group during the period are set out in note 33 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 on 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 limits as set out in the waiver letters in respect of connected transactions granted by the Stock Exchange.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 32 to the financial statements.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange, throughout the accounting period covered by the annual report, except that the non-executive directors of the Company are not appointed for specific terms as required by the Code, but are subject to retirement by rotation in accordance with the Company's bye-laws.

AUDIT COMMITTEE

The Company has an audit committee, which was established in accordance with the requirements of the Code, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises two independent non-executive directors of the Company.

AUDITORS

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

15 April 2003



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 19 to 62 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 December 2002 and of the profit and cash flows of the Group for the period from 1 April 2002 to 31 December 2002 and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young

Certified Public Accountants

Hong Kong

15 April 2003

Consolidated Profit and Loss Account

For the period from 1 April 2002 to 31 December 2002

	<i>Notes</i>	Nine months ended 31 December 2002 HK\$'000	Year ended 31 March 2002 HK\$'000
TURNOVER	5	230,497	252,492
Cost of sales		(162,426)	(177,194)
Gross profit		68,071	75,298
Other revenue, net		5,010	6,293
Selling and distribution costs		(10,051)	(11,361)
Administrative expenses		(23,182)	(16,890)
Other operating expenses, net		(6,601)	(11,213)
PROFIT FROM OPERATING ACTIVITIES	6	33,247	42,127
Finance costs	7	(5,069)	(7,121)
PROFIT BEFORE TAX		28,178	35,006
Tax	10	(2,003)	(3,219)
PROFIT BEFORE MINORITY INTERESTS		26,175	31,787
Minority interests		(650)	(1,340)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	11	25,525	30,447
DIVIDENDS	12	25,385	30,374
EARNINGS PER SHARE – Basic	13	8.45 cents	10.10 cents

Consolidated Balance Sheet

31 December 2002

	<i>Notes</i>	31 December 2002 HK\$'000	31 March 2002 HK\$'000
NON-CURRENT ASSETS			
Fixed assets	14	104,861	103,942
Goodwill	15	6,861	7,672
Other receivables	19	21,485	–
		133,207	111,614
CURRENT ASSETS			
Inventories	17	77,036	62,769
Trade and bills receivable	18	54,684	40,390
Deposits, prepayments and other receivables	19	23,320	37,554
Tax receivable		–	1,334
Cash and cash equivalents		44,715	84,590
		199,755	226,637
CURRENT LIABILITIES			
Trade and bills payable	20	32,226	36,320
Tax payable		659	–
Other payables and accruals	21	19,512	21,374
Bank borrowings	23	91,663	68,901
Finance lease and hire purchase contract payables	24	1,157	1,223
		145,217	127,818
NET CURRENT ASSETS		54,538	98,819
TOTAL ASSETS LESS CURRENT LIABILITIES		187,745	210,433
NON-CURRENT LIABILITIES			
Bank borrowings	23	8,250	14,500
Finance lease and hire purchase contract payables	24	258	788
Deferred tax	25	1,695	1,695
		10,203	16,983
MINORITY INTERESTS		12,006	10,235
		165,536	183,215

Consolidated Balance Sheet

31 December 2002

	<i>Notes</i>	31 December 2002 HK\$'000	31 March 2002 HK\$'000
CAPITAL AND RESERVES			
Issued capital	26	30,220	30,220
Reserves	28	123,530	122,775
Proposed final dividend	12	11,786	30,220
		165,536	183,215

Chu Chun Man, Augustine
Director

Chu Yuk Man, Simon
Director

Consolidated Summary Statement of Changes in Equity

For the period from 1 April 2002 to 31 December 2002

	<i>Notes</i>	Nine months ended 31 December 2002 HK\$'000	Year ended 31 March 2002 HK\$'000
Total equity – at beginning of period/year		183,215	172,687
Exchange differences on translation of the financial statements of foreign entities	28	615	(129)
Net gains/(losses) not recognised in the Profit and loss account		615	(129)
Issue of shares		–	220
Premium on issue of shares		–	1,144
Net profit from ordinary activities attributable to shareholders	28	25,525	30,447
Dividends	12, 28	(43,819)	(21,154)
Total equity – at end of period/year		165,536	183,215

Consolidated Cash Flow Statement

For the period from 1 April 2002 to 31 December 2002

	<i>Notes</i>	Nine months ended 31 December 2002 HK\$'000	Year ended 31 March 2002 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		28,178	35,006
Adjustments for:			
Interest expenses	7	3,872	5,624
Interest income	6	(278)	(766)
Depreciation	6	9,678	10,776
Amortisation of goodwill	6	811	764
Impairment of goodwill	6	–	500
Loss/(gain) on disposal of fixed assets	6	(3)	453
Loss on partial disposal of a subsidiary	6	148	–
Operating profit before working capital changes		42,406	52,357
Increase in inventories		(14,267)	(19,487)
Decrease/(increase) in trade and bills receivable		(14,294)	17,779
Increase in deposits, prepayments and other receivables		(7,251)	(24,474)
Increase/(decrease) in trade and bills payable		(4,094)	13,424
Increase/(decrease) in other payables and accruals		(2,841)	4,470
Effect on foreign exchange rate changes, net		131	(145)
Cash generated/(used) in operations		(210)	43,924
Interest received		278	766
Tax paid in the PRC		(10)	(123)
Hong Kong profits tax paid		–	(7,477)
Net cash inflow from operating activities		58	37,090
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of fixed assets		(9,754)	(18,224)
Proceeds from disposal of fixed assets		162	686
Acquisition of additional equity interest in a subsidiary		–	(500)
Acquisition of a subsidiary	<i>29(b)</i>	(2,550)	(7,650)
Decrease in pledged time deposits		–	5,800
Net cash outflow from investing activities		(12,142)	(19,888)

Consolidated Cash Flow Statement

For the period from 1 April 2002 to 31 December 2002

	<i>Note</i>	Nine months ended 31 December 2002 HK\$'000	Year ended 31 March 2002 HK\$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital, net		–	1,364
New bank loans		47,910	41,583
Repayment of bank loans		(32,222)	(15,888)
Loan from a related party		2,500	–
Interest paid		(3,810)	(5,435)
Dividends paid		(43,770)	(21,154)
Interest element of finance lease and hire purchase contract rental payments		(62)	(189)
Capital element of finance lease and hire purchase contract rental payments		(944)	(2,441)
Capital contribution from minority interest		1,913	–
Net cash outflow from financing activities		(28,485)	(2,160)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
		(40,569)	15,042
Cash and cash equivalents at beginning of period/year		78,997	63,955
Effect of foreign exchange rate changes, net		108	–
CASH AND CASH EQUIVALENTS AT END OF PERIOD/YEAR			
		38,536	78,997
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		44,715	84,590
Bank overdrafts	23	(6,179)	(5,593)
		38,536	78,997

Balance Sheet

31 December 2002

	<i>Notes</i>	31 December 2002 HK\$'000	31 March 2002 HK\$'000
NON-CURRENT ASSET			
Interests in subsidiaries	16	115,146	133,196
CURRENT ASSETS			
Deposits, prepayments and other receivables	19	220	186
Cash and cash equivalents		132	84
		352	270
CURRENT LIABILITIES			
Other payables and accruals	21	655	62
NET CURRENT ASSETS/(LIABILITIES)		(303)	208
		114,843	133,404
CAPITAL AND RESERVES			
Issued capital	26	30,220	30,220
Reserves	28	72,837	72,964
Proposed final dividend	12	11,786	30,220
		114,843	133,404

Chu Chun Man, Augustine
Director

Chu Yuk Man, Simon
Director

Notes to Financial Statements

31 December 2002

1. CORPORATE INFORMATION

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

During the period, the Group was principally engaged in the following activities:

- the manufacturing and trading of golf equipment; and
- the manufacturing and trading of golf bags and other accessories.

In the opinion of the directors, the ultimate holding company is A & S Company Limited, which is incorporated in the British Virgin Islands.

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

The following recently issued and revised SSAPs are effective for the first time for the current period's financial statements:

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

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

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

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

Notes to Financial Statements

31 December 2002

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

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

Notes to Financial Statements

31 December 2002

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation

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

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

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

Subsidiaries

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

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

Joint venture companies

A joint venture company is a company set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture company operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture company's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture company is treated as:

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

Notes to Financial Statements

31 December 2002

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Joint venture companies (Continued)

- (d) a long term investment, if the Group holds, directly or indirectly, less than 20% of the joint venture company's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture company.

Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition.

Goodwill arising on acquisition of subsidiaries is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life, subject to a maximum of 20 years.

On disposal of subsidiaries, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate.

The carrying amount of goodwill is reviewed annually and written down for impairment when it is considered necessary. A previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

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

Notes to Financial Statements

31 December 2002

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of assets (Continued)

A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Fixed assets and depreciation

Fixed assets, other than construction in progress, are stated at cost or valuation less accumulated depreciation and any impairment losses. For those fixed assets which are stated in the balance sheet at valuation less accumulated depreciation and any impairment losses, revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which be determined using fair values at the balance sheet date.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

Changes in the values of fixed assets are dealt with as movements in the fixed asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged. On disposal of a revalued asset, the relevant portion of the fixed asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

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

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

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

Notes to Financial Statements

31 December 2002

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Construction in progress

Construction in progress represents buildings, structures, plant and machinery and other fixed assets under construction or installation and is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction, installation and testing. Construction in progress is reclassified to the appropriate category of fixed assets when completed and ready for use.

Leased assets

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in fixed assets and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the profit and loss account so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under the operating leases are included in non-current assets and rental receivables under the operating leases are credited to the profit and loss account on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Notes to Financial Statements

31 December 2002

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

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

For the purpose of the balance sheets, cash and cash equivalents comprise cash on hand and at banks, which are not restricted as to use.

Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (b) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable;
- (c) rental income, on a time proportion basis over the lease terms; and
- (d) other income, on an accrual basis.

Notes to Financial Statements

31 December 2002

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

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

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

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

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

Share option scheme

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The financial impact of share options granted under the share option scheme is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding options.

Notes to Financial Statements

31 December 2002

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in the mainland of the People's Republic of China (the "PRC") are required to participate in a central pension scheme operated by the local municipal government. The assets of the schemes are held separately from those of the Group in an independently administered fund. Contributions are made based on a percentage of the participating employees' salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the central pension scheme.

Related parties

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

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the capital and reserves section of the balance sheets, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's bye-laws grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Notes to Financial Statements

31 December 2002

4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses can be divided into golf equipment segment and golf bag segment which are structured and managed separately and are subject to risks and returns that are different from each other. Summary details of the two business segments are as follows:

- (a) golf equipment segment comprises the manufacturing and trading of golf equipment and related components and parts; and
- (b) golf bag segment comprises the manufacturing and trading of golf bags, other accessories and related components and parts.

In determining the Group's geographical segments, revenues are attributed to the segments based on the shipment destination, and assets are attributed to the segments based on the location of the assets.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Notes to Financial Statements

31 December 2002

4. SEGMENT INFORMATION (Continued)

(a) Business segments

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

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

Notes to Financial Statements

31 December 2002

4. SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

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

Notes to Financial Statements

31 December 2002

4. SEGMENT INFORMATION (Continued)

(b) Geographical segments

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

	North America		Europe		Asia (excluding Japan)		Japan		Others		Consolidated	
	Nine months ended	Year ended	Nine months ended	Year ended	Nine months ended	Year ended	Nine months ended	Year ended	Nine months ended	Year ended	Nine months ended	Year ended
	31 December	31 March	31 December	31 March	31 December	31 March	31 December	31 March	31 December	31 March	31 December	31 March
	2002	2002	2002	2002	2002	2002	2002	2002	2002	2002	2002	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:												
Sales to external customers	165,778	163,616	22,633	22,964	15,776	30,561	13,279	24,399	13,031	10,952	230,497	252,492
Other segment information:												
Segment assets		174,480	169,846	213,770	265,439	22,708	2,628	(77,996)	(99,662)	332,962	338,251	
Capital expenditure		656	2,284	8,190	27,428	1,256	416	-	-	10,102	30,128	

5. TURNOVER

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

Notes to Financial Statements

31 December 2002

6. PROFIT FROM OPERATING ACTIVITIES

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

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

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

7. FINANCE COSTS

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

Notes to Financial Statements

31 December 2002

8. DIRECTORS' REMUNERATION

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

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

Notes to Financial Statements

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8. DIRECTORS' REMUNERATION (Continued)

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

	Number of directors	
	Nine months ended 31 December 2002	Year ended 31 March 2002
Nil to HK\$1,000,000	6	6
HK\$1,000,001 to HK\$1,500,000	1	–
HK\$1,500,001 to HK\$2,000,000	1	–
HK\$2,000,001 to HK\$2,500,000	–	1
HK\$2,500,001 to HK\$3,000,000	–	1
	8	8

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

During the nine months ended 31 December 2002 and year ended 31 March 2002, no emoluments were paid by the Group to any of the directors as an inducement to join or upon joining the Group, or as compensation for loss of office.

9. FIVE HIGHEST PAID EMPLOYEES

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

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

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

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

Notes to Financial Statements

31 December 2002

10. TAX

Hong Kong profits tax has been provided at the rate of 16% (year ended 31 March 2002: 16%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

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

11. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

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

Notes to Financial Statements

31 December 2002

12. DIVIDENDS

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

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

13. EARNINGS PER SHARE

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

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

Notes to Financial Statements

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14. FIXED ASSETS

Group

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

Notes to Financial Statements

31 December 2002

14. FIXED ASSETS (Continued)

Notes:

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

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

- (b) As at 30 September 2000, certain land and buildings were revalued by LCH (Asia-Pacific) Surveyors Limited, independent professional valuers, on an open market basis or using the depreciated replacement cost approach, at the amount of HK\$50,174,000. Such land and buildings were not revalued at 31 December 2002. In the opinion of the directors, there are no significant changes in the valuations of these land and buildings from their carrying amounts as at 31 December 2002. As at the balance sheet date, such land and buildings had an aggregate carrying amount of HK\$47,267,000 (31 March 2002: HK\$48,242,000) in the financial statements.
- (c) Had the revalued land and buildings been carried in the financial statements at historical cost less accumulated depreciation, their carrying amounts as at the balance sheet date would have been HK\$21,455,000 (31 March 2002: HK\$21,788,000).
- (d) The net book value of the fixed assets held under finance leases and hire purchase contracts included in the total amount of plant and machinery and motor vehicles as at the balance sheet date, amounted to HK\$2,741,000 (31 March 2002: HK\$2,949,000) and HK\$389,000 (31 March 2002: Nil), respectively.
- (e) Certain of the above land and buildings and plant and machinery with an aggregate net book value of HK\$11,923,000 (31 March 2002: HK\$24,342,000) as at the balance sheet date were pledged to secure the bank loans granted to a subsidiary of the Company.

Notes to Financial Statements

31 December 2002

15. GOODWILL

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

Group

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

16. INTERESTS IN SUBSIDIARIES

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

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

Notes to Financial Statements

31 December 2002

16. INTERESTS IN SUBSIDIARIES (Continued)

Particulars of the subsidiaries are as follows:

Company name	Place of incorporation/ registration/ and operations	Issued and paid-up capital/ registered capital	Equity interest attributable to the Company		Principal activities
			Direct	Indirect	
Sino Golf (BVI) Company Limited	British Virgin Islands	US\$101	100%	–	Investment holding
Sino Golf Manufacturing Company Limited	Hong Kong	HK\$2 (ordinary) HK\$3,842,700 (non-voting deferred) (Note a)	–	100%	Investment holding and trading of golf equipment and accessories
增城市順龍高爾夫球製品有限公司 (“Zengcheng Sino Golf”)	The PRC	HK\$81,000,000	–	(Note b)	Manufacturing and trading of golf equipment and accessories
Guangzhou Sino Concept Golf Manufacturing Co., Ltd.	The PRC	HK\$30,000,000	–	100%	Manufacturing and trading of golf equipment and accessories
順德市順興隆高爾夫球製品有限公司	The PRC	US\$1,380,000	–	62.5%	Manufacturing and trading of golf equipment
CTB Golf (HK) Limited	Hong Kong/ The PRC	HK\$10,000,000	–	51%	Manufacturing and trading of golf bags
Sino U.S. Holding Company, L.L.C.	The USA	US\$100	–	100%	Investment holding

Notes to Financial Statements

31 December 2002

16. INTERESTS IN SUBSIDIARIES (Continued)

Company name	Place of incorporation/ registration and operations	Issued and paid-up capital/ registered capital	Equity interest attributable to the Company		Principal activities
			Direct	Indirect	
Sino Golf Leisure Company Limited ("Leisure")	Hong Kong	HK\$990,000	–	85%	Golf leisure promotion
				<i>(Note c)</i>	
Sino CTB Company, L.L.C.	The USA	US\$500,000	–	51%	Manufacturing and trading of golf bags
				<i>(Note d)</i>	

Notes:

- (a) The non-voting deferred shares practically carry no rights to dividends or receive notice of or attend or vote at any general meeting of the company or to participate in any distribution on winding up.
- (b) Zengcheng Sino Golf is a Sino-foreign co-operative joint venture company established in the PRC on 19 April 1993 with a tenure of 15 years.

The registered capital of Zengcheng Sino Golf shared by the Group and the PRC joint venture partner (the "PRC Partner") is 87% and 13%, respectively.

According to the agreements entered into between both parties, the Group agreed to make certain annual payments to the PRC Partner commencing on 20 August 1999 for the remaining tenure of Zengcheng Sino Golf, and the PRC Partner in return agreed to give up all of the rights to the profits, the management and the control of Zengcheng Sino Golf commencing on 20 August 1999 for the remaining tenure of Zengcheng Sino Golf. It also agreed to give up its interest in the assets of Zengcheng Sino Golf at the end of the joint venture period, other than certain land and buildings in which the PRC Partner will share a 20% value.

In view of the above, the directors of the Company are of the opinion that the Company has full control of the operations of Zengcheng Sino Golf and full entitlement to its profits. The unamortised carrying amount of the 20% value of the land and buildings to be shared by the PRC Partner as at 31 December 2002 amounted to approximately HK\$2,731,000 (31 March 2002: HK\$3,100,000) which is amortised over the remaining joint venture period in the consolidated profit and loss account.

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

Notes to Financial Statements

31 December 2002

17. INVENTORIES

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

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

18. TRADE AND BILLS RECEIVABLE

An aged analysis of the Group's trade and bills receivable as at the balance sheet date, based on the date of recognition of sale and net of provision, is as follows:

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

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period granted by the Group is generally between 30 to 150 days from the date of recognition of sale.

Included in the Group's trade and bills receivable as at the balance sheet date is an amount of HK\$21,000 due to (31 March 2002: HK\$1,073,000 due from) Nikko Bussan Co., Ltd. ("Nikko Bussan (Japan)") and HK\$19,144,000 due from Global Sports Technology, Inc. ("Global Sports") arising from transactions carried out in the ordinary course of business of the Group. Takanori Matsuura, a director of the Company, has beneficial interest in Nikko Bussan (Japan). Global Sports is a 20% shareholder of Sino CTB Company, L.L.C., a subsidiary of the Company. The balances with Nikko Bussan (Japan) and Global Sports are unsecured, interest-free and are repayable within similar credit periods offered by the Group to its major customers.

Notes to Financial Statements

31 December 2002

19. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

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

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

20. TRADE AND BILLS PAYABLE

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

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

Included in the Group’s trade and bills payable are trade payables of HK\$33,000 (31 March 2002: HK\$462,000) due to Nikko Bussan (Japan) arising from transactions carried out in the ordinary course of business of the Group. The balances are unsecured, interest-free and are repayable within similar credit periods offered by the related parties to their major customers.

Notes to Financial Statements

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21. OTHER PAYABLES AND ACCRUALS

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

22. DUE TO RELATED PARTIES

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

23. BANK BORROWINGS

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

The Group's secured bank loans as at 31 December 2002 are secured by certain of the Group's land and buildings and plant and machinery with an aggregate net book value at the balance sheet date of HK\$11,923,000 (31 March 2002: HK\$24,342,000).

Notes to Financial Statements

31 December 2002

24. FINANCE LEASE AND HIRE PURCHASE CONTRACT PAYABLES

The Group leases certain of its plant and machinery for its golf equipment manufacturing and trading business. These leases are classified as finance leases and have remaining lease terms ranging from 10 to 47 months.

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

Group

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

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

Notes to Financial Statements

31 December 2002

25. DEFERRED TAX

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

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

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

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

26. SHARE CAPITAL

Shares

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

Share option

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

Notes to Financial Statements

31 December 2002

27. SHARE OPTION SCHEME

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

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

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

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

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

Notes to Financial Statements

31 December 2002

27. SHARE OPTION SCHEME (Continued)

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

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

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

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

Notes to Financial Statements

31 December 2002

28. RESERVES

Group

	Share premium <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Fixed asset revaluation reserve <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Other reserves <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2001	56,126	10,564	27,319	1,225	36	26,417	121,687
Premium on issue of shares	1,144	-	-	-	-	-	1,144
Exchange realignments	-	-	-	(129)	-	-	(129)
Net profit for the year	-	-	-	-	-	30,447	30,447
Underprovision of 2001 final dividend – <i>note 12</i>	-	-	-	-	-	(154)	(154)
Proposed final dividend – <i>note 12</i>	-	-	-	-	-	(30,220)	(30,220)
Transfer from retained profits	-	-	-	-	14	(14)	-
At 31 March 2002 and 1 April 2002	57,270	10,564	27,319	1,096	50	26,476	122,775
Exchange realignments	-	-	-	615	-	-	615
Net profit for the period	-	-	-	-	-	25,525	25,525
Interim dividend – <i>note 12</i>	-	-	-	-	-	(13,599)	(13,599)
Proposed final dividend – <i>note 12</i>	-	-	-	-	-	(11,786)	(11,786)
At 31 December 2002	57,270	10,564	27,319	1,711	50	26,616	123,530

Notes to Financial Statements

31 December 2002

28. RESERVES (Continued)

Company

	Share premium <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2001	56,126	15,516	(20,734)	50,908
Premium on issue of shares	1,144	–	–	1,144
Net profit for the year	–	–	51,286	51,286
Underprovision of 2001 final dividend – <i>note 12</i>	–	–	(154)	(154)
Proposed final dividend – <i>note 12</i>	–	–	(30,220)	(30,220)
At 31 March 2002 and 1 April 2002	57,270	15,516	178	72,964
Net profit for the period	–	–	25,258	25,258
Interim dividend – <i>note 12</i>	–	–	(13,599)	(13,599)
Proposed final dividend – <i>note 12</i>	–	–	(11,786)	(11,786)
At 31 December 2002	57,270	15,516	51	72,837

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

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

Notes to Financial Statements

31 December 2002

29. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

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

- (b) Acquisition of a subsidiary

	Nine months ended 31 December 2002 HK\$'000	Year ended 31 March 2002 HK\$'000
Net assets acquired:		
Fixed assets	–	5,394
Inventories	–	9,574
Other payables and accruals	–	(4,968)
Minority interests	–	(4,900)
Net assets	–	5,100
Goodwill arising on acquisition	–	5,100
	–	10,200
Satisfied by:		
Cash consideration	–	10,200

Notes to Financial Statements

31 December 2002

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

(b) Acquisition of a subsidiary (Continued)

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

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

The subsidiary acquired in last year contributed HK\$21,970,000 to the Group's consolidated turnover and HK\$2,150,000 to the Group's consolidated profit after tax and before minority interests for the year ended 31 March 2002.

(c) Major non-cash transactions

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

30. CONTINGENT LIABILITIES

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

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

Notes to Financial Statements

31 December 2002

31. COMMITMENTS

(a) Capital commitments

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

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

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

(b) Operating lease commitments

The Group leases certain of its office properties, production plants and staff quarters under operating lease arrangements, with leases negotiated with original terms ranging from 2 to 10 years.

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

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

Notes to Financial Statements

31 December 2002

32. POST BALANCE SHEET EVENTS

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

33. RELATED PARTY TRANSACTIONS

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

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

Notes to Financial Statements

31 December 2002

33. RELATED PARTY TRANSACTIONS (Continued)

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

Notes:

- (a) Takanori Matsuura, a director of the Company, has a beneficial interest in Nikko Bussan (Japan). The purchase prices of raw materials and club heads were determined between the Group and Nikko Bussan (Japan) on a cost-plus basis.
- (b) The selling prices of finished goods were based on the agreement between the parties.
- (c) Global Sports is a 20% shareholder of Sino CTB Company, L.L.C. Sino CTB Company L.L.C. became a subsidiary of the Company during the period.
- (d) The tooling income was based on the agreement between the parties.
- (e) Chu Chun Man, Augustine ("Augustine Chu"), a director of the Company, has a beneficial interest in Proggolf, and Chu Yuk Man, Simon ("Simon Chu"), a director of the Company, has a beneficial interest in Oriental Leader Limited. The rental expenses were determined at rates agreed between the Group and the corresponding related parties based on market rates.
- (f) Augustine Chu, Takanori Matsuura and Simon Chu, directors of the Company, have beneficial interests in SG Club. The purchase price of golf club memberships was based on the rates which SG Club offered to third party customers.
- (g) Sales commission paid to Global Sports as an agent in overseas for soliciting customers. The commission rate is determined at a mutually-agreed rate between the Group and Global Sports.
- (h) The purchase price of fixed assets are determined at a mutually-agreed rate between the Group and Nikko Bussan (Japan).

34. COMPARATIVE AMOUNTS

As further explained in note 2 to the financial statements, due to the adoption of certain new and revised SSAPs during the current period, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified to conform with the current period's presentation.

35. APPROVAL OF THE FINANCIAL STATEMENTS

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



Financial Summary

	Nine months ended 31 December 2002 HK\$'000 (Note 3)	Year ended 31 March			
		2002 HK\$'000 (Note 3)	2001 HK\$'000 (Note 2 & 4)	2000 HK\$'000 (Notes 1 & 4)	1999 HK\$'000 (Notes 1 & 4)
RESULTS					
TURNOVER	230,497	252,492	300,215	211,540	191,492
Cost of sales	(162,426)	(177,194)	(191,402)	(139,581)	(128,078)
Gross profit	68,071	75,298	108,813	71,959	63,414
Other revenue, net	5,010	6,293	4,509	2,596	2,608
Selling and distribution costs	(10,051)	(11,361)	(8,652)	(7,920)	(9,808)
Administrative expenses	(23,182)	(16,890)	(13,962)	(12,648)	(10,847)
Other operating expenses, net	(6,601)	(11,213)	(9,309)	(6,265)	(5,845)
PROFIT FROM OPERATING ACTIVITIES	33,247	42,127	81,399	47,722	39,522
Finance costs	(5,069)	(7,121)	(9,876)	(7,990)	(7,719)
Share of profit and loss of an associate	–	–	–	–	(31)
PROFIT BEFORE TAX	28,178	35,006	71,523	39,732	31,772
Tax	(2,003)	(3,219)	(6,257)	(3,567)	(2,658)
PROFIT BEFORE MINORITY INTERESTS	26,175	31,787	65,266	36,165	29,114
Minority interests	(650)	(1,340)	–	194	(175)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	25,525	30,447	65,266	36,359	28,939




Financial Summary

ASSETS, LIABILITIES AND MINORITY INTERESTS

	As at 31 December 2002 <i>HK\$'000</i> <i>(Note 3)</i>	As at 31 March			
		2002 <i>HK\$'000</i> <i>(Note 3)</i>	2001 <i>HK\$'000</i> <i>(Note 2 & 4)</i>	2000 <i>HK\$'000</i> <i>(Notes 1 & 4)</i>	1999 <i>HK\$'000</i> <i>(Notes 1 & 4)</i>
TOTAL ASSETS	332,962	338,251	263,795	144,457	162,821
TOTAL LIABILITIES	(155,420)	(144,801)	(91,108)	(118,626)	(109,433)
MINORITY INTERESTS	(12,006)	(10,235)	–	(5,294)	(6,108)
	165,536	183,215	172,687	20,537	47,280

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, liabilities and minority interests of the Group for the 2 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 Company's annual report of 2001.
3. The results and the assets, liabilities and minority interests of the Group for the nine months ended 31 December 2002 and year ended 31 March 2002 have been extracted from the consolidated profit and loss account and the consolidated balance sheet as set out on pages 19 to 21, respectively, of the annual report.
4. 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 3 years ended 31 March 2001.



Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at Kowloon Shangri-La, Hong Kong, Rose Room, Lower Level, 64 Mody Road, Tsimshatsui East, Kowloon, Hong Kong on Monday, 19 May 2003 at 2:30 pm 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 nine months ended 31 December 2002;
2. to declare a final dividend for the nine months ended 31 December 2002;
3. to re-elect the directors of the Company;
4. to authorise the board of directors to fix the directors' remuneration;
5. to re-appoint the auditors and to authorise the board of directors to fix their remuneration; and
6. As special business and, if thought fit, pass with or without amendment(s), the following resolutions each as an Ordinary Resolution:

“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 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;
- (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 sub-paragraph (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 (“Shares”); 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 bye-laws of the Company, shall not exceed 20% 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



Notice of Annual General Meeting

(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 1981 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 to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements 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).”

7. As special business, to consider and, if thought fit, pass with or without amendment(s) the following resolution as Ordinary Resolution:

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 on the Stock Exchange or any other exchange on which the Shares 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 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% 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



Notice of Annual General Meeting

(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;
- (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 1981 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.

8. As special business, to consider and, if thought fit, pass with or without amendment(s) the following resolution as Ordinary Resolution.


“**THAT** conditional upon Resolution 6 and Resolution 7 set out in the notice convening this meeting of which this resolution forms part being passed, the aggregate nominal amount of the share 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% of the aggregate nominal amount of the issued share capital of the Company as stated in Resolution 7 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 7 set out in the notice convening this meeting of which this resolution forms part.”

By order of the Board
Chu Chun Man, Augustine
Chairman

Hong Kong, 15 April 2003

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.



Notice of Annual General Meeting

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 G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, 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. In the case of joint registered holders of any Share, any one of such joint registered holders may vote at the meeting, either in person or by proxy, in respect of such Share as if he/she were solely entitled thereto, but if more than one of such joint registered holders be present at the meeting, the vote of the most senior who tenders a vote either personally or by proxy shall be accepted to the exclusion of the votes of the other joint registered holders 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, 14 May 2003 to Monday, 19 May 2003. 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 6 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 7 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.