



SINO GOLF HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 361)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2004

INTERIM RESULTS

The Board of Directors (the “Board”) of Sino Golf Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2004 which have been reviewed by the Company’s audit committee, together with the comparative figures for the six months ended 30 June 2003 as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		Six months ended 30 June	
		2004	2003
		(unaudited)	(unaudited)
	Notes	HK\$'000	HK\$'000
TURNOVER	3	226,011	200,377
Cost of sales		(151,439)	(139,069)
Gross profit		74,572	61,308
Other revenue		3,746	8,129
Selling and distribution costs		(6,945)	(7,798)
Administrative expenses		(27,407)	(23,576)
Other operating expenses		(6,749)	(5,798)
PROFIT FROM OPERATING ACTIVITIES	4	37,217	32,265
Finance costs	5	(5,349)	(4,823)
PROFIT BEFORE TAX		31,868	27,442
Tax	6	(1,672)	(2,220)
PROFIT BEFORE MINORITY INTERESTS		30,196	25,222
Minority interests		(2,994)	(592)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		27,202	24,630
Interim dividend	7	19,039	14,506
EARNINGS PER SHARE – Basic	8	9.00 cents	8.15 cents

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. Basis of Preparation and Accounting Policies

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). The accounting policies adopted in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those used in the preparation of the Group’s audited financial statements for the year ended 31 December 2003.

2. Segment Information

The following tables present revenue and results by business and geographical segments for the six months ended 30 June 2004.

(a) Business segments

	Golf equipment		Golf bag		Eliminations		Consolidated	
	Six months ended		Six months ended		Six months ended		Six months ended	
	2004	2003	2004	2003	2004	2003	2004	2003
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Segment revenue:								
Sales to external customers	181,761	159,211	44,250	41,166	-	-	226,011	200,377
Intersegment revenue	3,203	2,921	6,746	7,718	(9,949)	(10,639)	-	-
Other revenue	2,894	7,964	812	(38)	-	-	3,706	7,926
Total	<u>187,858</u>	<u>170,096</u>	<u>51,808</u>	<u>48,846</u>	<u>(9,949)</u>	<u>(10,639)</u>	<u>229,717</u>	<u>208,303</u>
Segment results	<u>32,415</u>	<u>31,817</u>	<u>4,762</u>	<u>245</u>			37,177	32,062
Interest income							40	203
Profit from operating activities							37,217	32,265
Finance costs							(5,349)	(4,823)
Profit before tax							31,868	27,442
Tax							(1,672)	(2,220)
Profit before minority interests							30,196	25,222
Minority interests							(2,994)	(592)
Net profit from ordinary activities attributable to shareholders							<u>27,202</u>	<u>24,630</u>

(b) **Geographical segments**

	Six months ended 30 June	
	2004	2003
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Segment revenue: sales to external customers		
North America	172,978	155,085
Europe	17,231	8,676
Asia (excluding Japan)	10,341	16,745
Japan	21,232	14,983
Others	4,229	4,888
	<u>226,011</u>	<u>200,377</u>

3. Turnover

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

4. Profit from Operating Activities

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

	Six months ended 30 June	
	2004	2003
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Depreciation	9,064	7,453
Amortisation of goodwill	1,522	1,068
Loss on disposal of fixed assets	23	4
Interest income	<u>(40)</u>	<u>(203)</u>

5. Finance Costs

	Six months ended 30 June	
	2004	2003
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Interest expenses on:		
Bank loans	4,345	3,014
Finance leases	2	25
Bank charges	<u>1,002</u>	<u>1,784</u>
Total finance costs	<u>5,349</u>	<u>4,823</u>

6. Tax

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) 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.

	Six months ended 30 June	
	2004	2003
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Provision for the period:		
Hong Kong	<u>1,672</u>	<u>2,220</u>

7. Interim Dividend

	Six months ended 30 June	
	2004	2003
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Interim dividend of HK6.3cents (2003: HK4.8cents) per ordinary share	<u>19,039</u>	<u>14,506</u>

8. Earnings per Share

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders for the period of HK\$27,202,000 (2003: HK\$24,630,000) and the weighted average of 302,200,000 (2003: 302,200,000) ordinary shares in issue during the periods.

Diluted earnings per share for the six months ended 30 June 2004 has not been disclosed, as the Company's options outstanding during the period had anti-dilutive effect on the basic earnings per share for the period. Diluted earnings per share for the six months ended 30 June 2003 has not been calculated as no diluting events existed during that period.

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board declares an interim dividend of HK6.3cents per share for the six months ended 30 June 2004 payable to the shareholders whose names appear on the Register of Members of the Company at the close of business on Wednesday, 6 October 2004. The Register of Members will be closed from Thursday, 7 October 2004 to Friday, 8 October 2004, both days inclusive, during which period no transfer of shares will be registered. To qualify for the interim dividend, all transfer documents 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 Center, 56 Gloucester Road, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Wednesday, 6 October 2004. The dividend will be paid on or around Friday, 15 October 2004.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review, Developments and Prospects

With a persistent recovery of the global and local economy, our Group continued to progress steadily in business during the six months ended 30 June 2004. The on-going outsourcing of golf equipment manufacturing from the developed markets like the North America and Europe has reinforced the growth of the golf club segment for the period. Similarly, the golf bag business also performed well as a result of the benefit of synergy realised through the network of the golf club segment. Our Group's devotion to research and development activities in recent years has successfully enhanced our profile and market recognition in the golf industry resulting in increased sales.

Consolidated turnover for the six months ended 30 June 2004 aggregated to HK\$226,011,000, representing an increase of 12.8% over that of the preceding comparative period. Sales of golf clubs and accessories amounted to HK\$181,761,000, accounting for 80.4% of total turnover for the period, while the remaining 19.6% or HK\$44,250,000 represents sales of golf bags.

Profit from operating activities and net profit from ordinary activities attributable to shareholders for the period amounted to HK\$37,217,000 and HK\$27,202,000 respectively, representing 15.3% and 10.4% increase compared to the preceding comparative period. Both performance indicators have shown satisfactory improvement.

The apparent drop in other revenue mainly attributes to the decrease in patent and testing fees income during the period due to less engagements on those activities.

The golf clubs and accessories business remains the largest segment that contributes more than 80% of our Group's revenue and profitability. During the period, the golf clubs and accessories sales recorded an 14.2% increase over that of the preceding comparative period. The continued outsourcing by major golf brands has helped uphold the demand for golf equipment despite an increasingly competitive market environment. Thanks also to our customers whose initiatives and marketing efforts have made our products well recognised and perceived in the market place. Our Group's strategy to emphasise and persistently engage in product innovation programs has proved fruitful. It has significantly enhanced our design and development capability and enables us to better serve our customers with value added services. Over the years, this has broadened our competitive advantage in that we have been able to swiftly react to customer needs and market changes. Though facing a tougher environment with pressure of a rising trend of raw materials and energy costs, our Group has successfully mitigated the impact through improved production efficiency and savings derived from lowering the wastage rates. Consequential on those effective control measures and coupled with a move to producing more high value products such as titanium wood heads, the Group's gross profit margin for the period was improved by over 2% to 33%.

Compared to the preceding comparative period, sales of golf bags during the period increased by about 7.5% to HK\$44,250,000. This accounts for approximately 19.6% of the Group's total turnover, a slight drop of 0.9% from the preceding period. The mild growth in golf bag sales was mainly attributable to a delay in the commencement of the new factory's operation, which defers the take-up and fulfillment of certain mass orders to later periods. During the period, the golf bag business has been performing satisfactorily and continued to enjoy the benefit of synergy with the golf club segment. Its customer base has been widened following the strategic alliance with a well-known golf bag design house in Japan last November. The closer tie with the strategic Japanese partner has brought and will continue to bring additional business to our Group comprising widely recognised brand names in the market. This will help strengthen and affirm our leading position in the golf bag industry particularly with the commencement of the operation of the "state-of-art" factory in July this year. The new facility possesses an annual capacity of about one million units, which assures sufficient capability to satisfy the anticipated growing volume of golf bag sales. On the other hand, the termination of the assembly operation in the United States since last December has helped restore segment profitability from its deficits. As a result, the golf bag segment has shown obvious improvement and recorded a contribution of HK\$4,762,000 for the current period. Average gross margin for golf bags has remained fairly stable and is expected to rise with increased production volume and less external subcontracting work.

Consistent with the historic trend, North America continues to represent the largest geographical segment that accounts for approximately 76.5% of the Group's total turnover for the period. Europe, Japan, and other countries in turn account for approximately 7.6%, 9.4% and 6.5% respectively of the Group's total turnover. In terms of percentage to total turnover, there has been no material fluctuation for the North American market while sales for the European and Japan markets have demonstrated a modest increase from 4.3% and 7.5% of total turnover to 7.6% and 9.4% respectively during the period. Among the various geographical regions, Japan is the market possessing most potential for our Group's development and expansion. Following the strategic alliance with Kobayashi Corporation last November, it is anticipated that sales of golf bags to the Japan market would keep growing with our strategic partner introducing more reputable brands to broaden our customer base. In consideration of the huge market opportunity, the management has resolved to actively expand and develop the Japan market both for golf clubs and golf bags. It is our belief that the Japan market will grow steadily to assume a more significant role in the geographical distribution of our business. In monetary terms, sales to both the North America, Europe and Japan markets all have recorded encouraging growth at double digits which the management feels confident to pursue.

Strategically, our Group will continue to actively invest in research and development to enhance our competitiveness and we would pursue a customer-oriented approach in expanding sales and business. We will work closely with the existing customers to help boost their market share and we would also promote contacts for possible pick-up of new customers with good potential. Our commitment and ability to provide high quality products and value added services has helped enhance the Group's competitive advantage to facilitate achieving the corporate goals of continued growth and being one of the leaders in the golf industry. Based on the current order book status and market projections, the directors remain cautiously optimistic about the business of the second half-year of 2004.

Liquidity and Financial Resources

The Group generally relies on internally generated funds and facilities provided by its principal bankers and other financial institutions to finance its operations. In order to further rationalise and reduce interest costs, the Group has successfully refinanced the syndicated loan of HK\$105 million with bilateral term loans from its major bankers during the period. On average, interest rates have been lowered by at least 0.5% per annum. The bilateral loans are on similar terms to the then syndicated loan and repayable up to 3 years by installments. The Group has entered into interest rate swap contracts to hedge the interest cost over the loan periods.

As at 30 June 2004, cash and bank balance amounted to HK\$83.4 million (31 December 2003: HK\$93.8 million). The decrease in cash and bank balance has been attributed to funds applied for compiling additional inventories to meet scheduled production.

As at 30 June 2004, total borrowings from banks and financial institutions amounted to HK\$185.6 million, of which HK\$90.9 million is repayable within one year. The Group's gearing ratio defined as total bank borrowings and finance lease payable less cash and bank balances of approximately HK\$102.2 million divided by the shareholders' equity of approximately HK\$181.3 million, was 56.3% (31 December 2003: 25.4%). The gearing ratio increased significantly mainly because our Group has adapted its policy to utilise more bank loans of lower interest rates to substitute the discounting of bills and receivables. This practice required direct recognition of liabilities in the balance sheet and gave rise to a higher computed gearing ratio. Contractually, the Group assumes the same ultimate financial obligation to repay the bankers under both financing arrangements.

Throughout the years, the Group follows a prudent treasury practice to maintain a strong and reasonable financial position. As at 30 June 2004, the net assets of the Group amounted to approximately HK\$181.3 million (31 December 2003: HK\$182.8 million). Current ratio and quick ratio of the Group were 1.86 (31 December 2003: 2.39) and 1.32 (31 December 2003: 1.72) respectively. Both ratios are maintained within reasonable range and considered healthy.

Exposure to Fluctuations in Exchange Rates

Our 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.

CHANGES IN DIRECTORS

The Board is pleased to announce that Mr. Carl Thomas McManis ("Mr. McManis") has resigned as independent non-executive director of the Company and member of the audit committee with effect from 17 September 2004. He ceased to be regarded as independent after the amendment of the Listing Rules which took effect on 31 March 2004 as he is the consultant of the Group before 31 December 2003. Mr. McManis confirmed that there is no disagreement with the Board and there is no matter relating to his resignation that needs to be brought to the attention of the shareholders of the Company.

The Board would like to thank Mr, McManis for his valuable contribution to the Company.

The Board is also pleased to announce the appointments of Ms. CHIU Lai Kuen, Susanna ("Ms. Chiu") and Mr. TSE Ying Man ("Mr. Tse") as the independent non-executive directors and members of the audit committee of the Company with effect from 17 September 2004.

Ms. Chiu, aged 44, is the Senior Vice President of DVN (Holdings) Limited, responsible for business development and operations. Before joining DVN, Ms. Chiu worked for Caltex where she was directly responsible for setting up the infrastructure of their Greater China operations. Ms. Chiu brings considerable expertise in information technology, media and corporate governance.

Ms. Chiu graduated with Class 1 Honors and holds a MBA degree. She is a member of HKICPA, a China CPA and a Certified Information Systems Auditor. Ms. Chiu was awarded one of the ten nationwide "Chinese Women of Achievement" award in the UK in 1991. She is currently a council member of the HKICPA and the Hong Kong Chinese Orchestra, the President of the Information Systems Audit and Controls Association (HK Chapter), and a member of the Hong Kong Institute of Directors.

Mr. Tse, aged 48, is a Taiwanese. He is the chairman of 東莞雅美舒公司, which is a golf processing factory. Mr. Tse has over 30 years of experience in golf manufacturing industry and possesses rich knowledge in the manufacturing processes of golf club as well as a considerable familiarity with the related market and materials.

There is no service contract signed between Ms. Chiu, Mr. Tse and the Company for service as independent non-executive directors. They will have no fixed term of service with the Company and will be subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Bye-Laws. Ms. Chiu and Mr. Tse will receive director's fee as approved by the Board and currently being HK\$40,000 and HK\$50,000, respectively per annum.

Both Ms. Chiu and Mr. Tse do not hold other directorships in listed company in the past three years. They are not connected with any directors, senior management or substantial shareholders or controlling shareholders of the Company, and, as at the date hereof, they do not have any interests in the shares of the Company or its associated corporations within the meaning of Part XV of the SFO.

AUDIT COMMITTEE

The audit committee of the Company was established in accordance with the requirements of the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls.

Before 17 September 2004, the audit committee comprises two independent non-executive directors of the Company, namely Mr. Choy Tak Ho and Mr. McManis. Since then, it comprises three independent non-executive directors namely Mr. Choy Tak Ho, Ms. Chiu and Mr. Tse.

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.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted a code of conduct regarding directors' securities transactions as set out in Appendix 10 of the Listing Rules. Having made specific enquiry of the directors of the Company, none of the directors of the Company has not complied with, for any part of the accounting period covered by this interim report, the required standard set out in the Model Code and its code of conduct regarding directors' securities transaction.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the directors, the Company complied with the Code throughout the accounting period covered by the interim report.

ACKNOWLEDGEMENT

I would like to take this opportunity to extend my thanks and appreciation to our colleagues on the Board, the management and all staff and employees of the Group for their loyal services, hard work and dedication throughout the period.

DETAILED RESULT ANNOUNCEMENT ON THE WEBSITE OF THE STOCK EXCHANGE

A detailed results announcement containing all the information required by paragraphs 46(1) to 46(6) of the Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange in due course.

By order of the Board
Chu Chun Man, Augustine
Chairman

Hong Kong, 17 September 2004

As at the date hereof, the board of directors of the Company is comprised of 7 directors, of which 4 are Executive Directors, namely Messrs. CHU Chun Man, Augustine, Messrs. Takanori MATSUURA, Messrs. CHU Yuk Man, Simon and Messrs. CHANG Hua Jung, and the rest of 3 are Independent Non-executive Directors, namely Messrs. CHOY Tak Ho, Messrs. CHIU Lai Kuen, Susanna and Messrs. TSE Ying Man.

Please also refer to the published version of this announcement in The standard.