



**Sino Golf Holdings Limited**

**順龍控股有限公司**

*(Incorporated in Bermuda with limited liability)*



Sino Golf



*Interim Report* **2003**

## 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 2003, together with the comparative figures for the six months ended 30 September 2002 as follows:

### CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		<b>Six months ended</b>	
		<b>30 June 2003</b>	30 September 2002
		<b>(unaudited)</b>	(unaudited)
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>TURNOVER</b>			
Cost of sales	4	<b>200,377</b> <b>(139,069)</b>	146,754 (98,223)
Gross profit		<b>61,308</b>	48,531
Other revenue		<b>8,129</b>	2,443
Selling and distribution costs		<b>(7,798)</b>	(6,117)
Administrative expenses		<b>(23,576)</b>	(20,540)
Other operating expenses		<b>(5,798)</b>	(4,024)
<b>PROFIT FROM OPERATING ACTIVITIES</b>	5	<b>32,265</b>	20,293
Finance costs	6	<b>(4,823)</b>	(3,492)
<b>PROFIT BEFORE TAX</b>		<b>27,442</b>	16,801
Tax	7	<b>(2,220)</b>	(1,096)
<b>PROFIT BEFORE MINORITY INTERESTS</b>		<b>25,222</b>	15,705
Minority interests		<b>(592)</b>	(2,058)
<b>NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS</b>		<b>24,630</b>	13,647
Interim dividend	8	<b>14,506</b>	13,599
<b>EARNINGS PER SHARE</b>			
- Basic (HK cents)	9	<b>8.15</b>	4.52

## CONDENSED CONSOLIDATED BALANCE SHEET

		<b>30 June 2003</b>	31 December 2002
	<i>Notes</i>	<b>(unaudited) HK\$'000</b>	(restated, unaudited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Fixed assets		<b>131,633</b>	104,861
Goodwill		<b>15,500</b>	6,861
Other receivables		-	21,485
		<b>147,133</b>	133,207
<b>CURRENT ASSETS</b>			
Inventories		<b>70,641</b>	77,036
Trade and bills receivable	10	<b>57,628</b>	54,684
Deposits, prepayments and other receivables		<b>33,329</b>	23,320
Cash and cash equivalents		<b>88,344</b>	44,715
		<b>249,942</b>	199,755
<b>CURRENT LIABILITIES</b>			
Trade and bills payable	11	<b>29,645</b>	32,226
Tax payable		<b>2,068</b>	659
Other payables and accruals		<b>27,127</b>	19,512
Bank borrowings		<b>38,307</b>	91,663
Finance lease and hire purchase contract payables		<b>533</b>	1,157
		<b>97,680</b>	145,217
<b>NET CURRENT ASSETS</b>		<b>152,262</b>	54,538
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>299,395</b>	187,745
<b>NON-CURRENT LIABILITIES</b>			
Bank borrowings		<b>105,000</b>	8,250
Finance lease and hire purchase contract payables		<b>215</b>	258
Deferred tax		<b>4,408</b>	4,408
		<b>109,623</b>	12,916
<b>MINORITY INTERESTS</b>		<b>14,105</b>	12,006
		<b>175,667</b>	162,823
<b>CAPITAL AND RESERVES</b>			
Issued capital	12	<b>30,220</b>	30,220
Reserves	13	<b>130,941</b>	120,817
Proposed dividend		<b>14,506</b>	11,786
		<b>175,667</b>	162,823

**CONDENSED CONSOLIDATED SUMMARY STATEMENT OF  
CHANGES IN EQUITY**

	<b>Six months ended</b>	
	<b>30 June</b>	<b>30 September</b>
	<b>2003</b>	<b>2002</b>
	<b>(unaudited)</b>	<b>(restated,</b>
	<b>HK\$'000</b>	<b>unaudited)</b>
		<b>HK\$'000</b>
Total shareholders' equity at beginning of period	<b>162,823</b>	183,215
Prior year adjustment – note 2	<b>–</b>	(2,713)
As restated	<b>162,823</b>	180,502
Net gains/(losses) not recognised in the profit and loss account – exchange differences on translation of the financial statements of subsidiaries denominated in foreign currencies	<b>–</b>	616
Net profit for the period	<b>24,630</b>	13,647
Dividend paid	<b>(11,786)</b>	(30,220)
Total shareholders' equity at end of period	<b>175,667</b>	164,545

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

	<b>Six months ended</b>	
	<b>30 June 2003 (unaudited) HK\$'000</b>	30 September 2002 (unaudited) HK\$'000
Net cash inflow from operating activities	<b>34,854</b>	3,518
Net cash outflow from investing activities	<b>(15,886)</b>	(4,887)
Net cash inflow/(outflow) before financing activities	<b>18,968</b>	(1,369)
Net cash inflow/(outflow) from financing activities	<b>30,841</b>	(36,999)
Increase/(decrease) in cash and cash equivalents	<b>49,809</b>	(38,368)
Cash and cash equivalents at beginning of period	<b>38,535</b>	78,997
Effect of foreign exchange rate changes, net	-	108
<b>Cash and cash equivalents at end of period</b>	<b><u>88,344</u></b>	<u>40,737</u>
<b>Analysis of balances of cash and cash equivalents</b>		
Cash and bank balances	<b>38,344</b>	45,224
Time deposits	<b>50,000</b>	-
Bank overdrafts	-	(4,487)
	<b><u>88,344</u></b>	<u>40,737</u>

## 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”) 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants 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”). Except as described in note 2 below, 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 nine months ended 31 December 2002.

#### *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 standardise the reporting dates of all subsidiaries within the Group. The current period’s financial statements are prepared for the six months ended 30 June 2003 and the comparative amounts for the condensed consolidated profit and loss account, condensed consolidated summary statement of changes in equity, condensed consolidated cash flow statement and the related notes, which are prepared for the six months ended 30 September 2002, are not comparable.

### 2. Impact of Revised SSAP

SSAP 12 (Revised) “Income Taxes” principally prescribes the accounting treatment and disclosures for deferred tax. In prior years, deferred tax is provided using the income statement 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. SSAP 12 (Revised) requires the adoption of the balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively.

This change in accounting policy has resulted in an increase in the Group’s deferred tax liability as at 30 June 2003 and 31 December 2002 by HK\$2,713,000, a decrease in the Group’s fixed asset revaluation reserve as at 30 June 2003 and 31 December 2002 by HK\$2,185,000 and a decrease in the Group’s retained profits as at 1 January 2003 and 1 April 2002 by HK\$528,000. Such change had no material effect on the Group’s results for the six months ended 30 June 2003 and the nine months ended 31 December 2002.

### 3. Segment Information

The following tables present revenue and results by business and geographical segments for the six months ended 30 June 2003.

#### (a) Business segments

	Golf equipment		Golf bag		Eliminations		Consolidated	
	Six months ended		Six months ended		Six months ended		Six months ended	
	30 June	30 September	30 June	30 September	30 June	30 September	30 June	30 September
	2003	2002	2003	2002	2003	2002	2003	2002
	(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	159,211	118,386	41,166	28,368	-	-	200,377	146,754
Intersegment revenue	2,921	-	7,718	9,378	(10,639)	(9,378)	-	-
Other revenue	7,964	2,047	(38)	143	-	-	7,926	2,190
Total	<u>170,096</u>	<u>120,433</u>	<u>48,846</u>	<u>37,889</u>	<u>(10,639)</u>	<u>(9,378)</u>	<u>208,303</u>	<u>148,944</u>
Segment results	<u>31,817</u>	<u>18,727</u>	<u>245</u>	<u>1,313</u>			<u>32,062</u>	<u>20,040</u>
Interest income							203	253
Profit from operating activities							32,265	20,293
Finance costs							(4,823)	(3,492)
Profit before tax							27,442	16,801
Tax							(2,220)	(1,096)
Profit before minority interests							25,222	15,705
Minority interests							(592)	(2,058)
Net profit from ordinary activities attributable to shareholders							<u>24,630</u>	<u>13,647</u>

### 3. Segment Information (Continued)

#### (b) Geographical segments

	<b>Six months ended</b>	
	<b>30 June 2003 (unaudited) HK\$'000</b>	30 September 2002 (unaudited) HK\$'000
Segment Revenue: sales to external customers		
North America	<b>155,085</b>	103,794
Europe	<b>8,676</b>	19,114
Asia (excluding Japan)	<b>16,745</b>	6,766
Japan	<b>14,983</b>	9,674
Others	<b>4,888</b>	7,406
	<b><u>200,377</u></b>	<u>146,754</u>

### 4. Turnover

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

### 5. Profit from Operating Activities

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

	<b>Six months ended</b>	
	<b>30 June 2003 (unaudited) HK\$'000</b>	30 September 2002 (unaudited) HK\$'000
Depreciation	<b>7,453</b>	7,049
Amortisation of goodwill	<b>1,068</b>	541
Loss/(gain) on disposal of fixed assets	<b>4</b>	(4)
Loss on partial disposal of a subsidiary	<b>-</b>	148
Interest income	<b>(203)</b>	(253)
	<b><u>(203)</u></b>	<u>(253)</u>



## 6. Finance Costs

	<b>Six months ended</b>	
	<b>30 June 2003 (unaudited) HK\$'000</b>	30 September 2002 (unaudited) HK\$'000
Interest on bank loans and overdrafts	<b>3,014</b>	2,615
Interest on finance leases	<b>25</b>	45
Total interest expenses	<b>3,039</b>	2,660
Bank charges	<b>1,784</b>	832
Total finance costs	<b><u>4,823</u></b>	<u>3,492</u>

## 7. Tax

Hong Kong profits tax has been provided at the rate of 17.5% (period ended 30 September 2002: 16%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	<b>Six months ended</b>	
	<b>30 June 2003 (unaudited) HK\$'000</b>	30 September 2002 (unaudited) HK\$'000
Provision for the period: Hong Kong	<b><u>2,220</u></b>	<u>1,096</u>

## 8. Interim Dividend

	<b>Six months ended</b>	
	<b>30 June 2003 (unaudited) HK\$'000</b>	30 September 2002 (unaudited) HK\$'000
Interim dividend of HK4.8 cents (period ended 30 September 2002: HK4.5 cents) per ordinary share	<b><u>14,506</u></b>	<u>13,599</u>

## 9. Earnings per Share

The calculation of basic earnings per share is based on the Group's net profit from ordinary activities attributable to shareholders for the period of HK\$24,630,000 (period ended 30 September 2002: HK\$13,647,000) and on the weighted average of 302,200,000 (period ended 30 September 2002: 302,200,000) ordinary shares in issue during the periods.

No diluted earnings per share are presented because no diluting events existed during these periods.

## 10. Trade and Bills Receivable

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

	<b>30 June 2003 (unaudited) HK\$'000</b>	31 December 2002 (audited) HK\$'000
Within 3 months	<b>22,177</b>	47,875
4 to 6 months	<b>6,825</b>	581
7 to 12 months	<b>27,631</b>	5,918
Over 1 year	<b>995</b>	310
	<b><u>57,628</u></b>	<u>54,684</u>

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\$4,295,000 (31 December 2002: HK\$19,123,000) due from related parties arising from transactions carried out in the ordinary course of business of the Group.

## 11. Trade and Bills Payable

An ageing analysis of the Group's trade and bills payable as at the balance sheet date, based on the date of receipt of the goods purchased, is as follows:

	<b>30 June 2003 (unaudited) HK\$'000</b>	31 December 2002 (audited) HK\$'000
Within 3 months	<b>23,343</b>	25,737
4 to 6 months	<b>2,303</b>	2,682
7 to 12 months	<b>2,790</b>	3,120
Over 1 year	<b>1,209</b>	687
	<b><u>29,645</u></b>	<u>32,226</u>

No trade payable (31 December 2002: HK\$33,000) due to a related party arising from transactions carried out in the ordinary course of business of the Group is included in the Group's trade and bills payable. The balance is unsecured, interest-free and is repayable within similar credit periods offered by this related party to its major customers.

## 12. Share Capital

	<b>30 June 2003 (unaudited) HK\$'000</b>	31 December 2002 (audited) HK\$'000
<i>Authorised:</i>		
1,000,000,000 ordinary shares of HK\$0.1 each ("Ordinary Shares")	<u><b>100,000</b></u>	<u>100,000</u>
<i>Issued and fully paid:</i>		
302,200,000 (31 December 2002: 302,200,000) Ordinary Shares	<u><b>30,220</b></u>	<u>30,220</u>

## 13. Reserves

	Share premium (unaudited) HK\$'000	Contributed surplus (unaudited) HK\$'000	Fixed asset revaluation reserve (unaudited) HK\$'000	Other reserves (unaudited) HK\$'000	Exchange fluctuation reserve (unaudited) HK\$'000	Retained profits (unaudited) HK\$'000	Total (unaudited) HK\$'000
At 1 January 2003							
As previously reported	57,270	10,564	27,319	50	1,711	26,616	123,530
Prior year adjustment: SSAP 12 "Income Taxes" - note 2	-	-	(2,185)	-	-	(528)	(2,713)
As restated	57,270	10,564	25,134	50	1,711	26,088	120,817
Net profit for the period	-	-	-	-	-	24,630	24,630
Proposed interim dividend	-	-	-	-	-	(14,506)	(14,506)
<b>At 30 June 2003</b>	<u><b>57,270</b></u>	<u><b>10,564</b></u>	<u><b>25,134</b></u>	<u><b>50</b></u>	<u><b>1,711</b></u>	<u><b>36,212</b></u>	<u><b>130,941</b></u>

## 14. Contingent Liabilities

As at 30 June 2003, the Group had HK\$27,360,000 (31 December 2002: HK\$6,715,000) bills discounted with recourse not provided for in the financial statements.

## 15. Commitments

### (a) Capital commitments

	<b>30 June 2003 (unaudited) HK\$'000</b>	31 December 2002 (audited) HK\$'000
Contracted, but not provided for:		
Land and buildings	<b>2,282</b>	2,834
Plant and machinery	<b>783</b>	1,534
	<u><b>3,065</b></u>	<u>4,368</u>

## 15. Commitments (Continued)

### (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 1 to 10 years. At the balance sheet date, the Group had total future minimum lease payments under non-cancelable operating leases falling due as follows:

	<b>30 June 2003 (unaudited) HK\$'000</b>	31 December 2002 (audited) HK\$'000
Within one year	<b>4,864</b>	3,281
In the second to fifth years, inclusive	<b>11,512</b>	8,404
After five years	<b>9,145</b>	9,299
	<b><u>25,521</u></b>	<u>20,984</u>

## 16. Related Party Transactions

During the period, the Group entered into the following material related party transactions with companies in which the directors of the Company have beneficial interests or can exercise significant influence:

		<b>Six months ended</b>	
		<b>30 June 2003 (unaudited) HK\$'000</b>	30 September 2002 (unaudited) HK\$'000
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
Purchases of raw materials and club heads from Nikko Bussan Co., Ltd. ("Nikko Bussan (Japan)")	<i>(a)</i>	–	32
Sales of finished goods to Nikko Bussan (Japan)	<i>(b)</i>	<b>6,991</b>	13,583
Sales of patent to Nikko Bussan (Japan)	<i>(a)(c)</i>	<b>780</b>	–
Rental expenses paid to Proggolf Manufacturing Company Limited ("Proggolf") and Oriental Leader Limited	<i>(d)</i>	<b>720</b>	720
Sales of finished goods to Global Sports Technology, Inc ("GST")	<i>(e)</i>	<b>3,521</b>	2,543
Commission paid to GST	<i>(e),(f)</i>	<b>5</b>	1,229
Rental income from Sino Sporting Company Limited	<i>(g)</i>	<b><u>135</u></b>	<u>–</u>

### Notes:

- (a) Takanori Matsuura, a director of the Company, has beneficial interests in Nikko Bussan (Japan). The purchase prices of raw materials and club heads were determined between the Group and the corresponding related company on a cost-plus basis.

**16. Related Party Transactions (Continued)**

- (b) The selling prices of finished goods were based on the agreement between the parties.
- (c) The selling price of patent was based on the agreement between the parties.
- (d) Chu Chun Man, Augustine, a director of the Company, has beneficial interests in ProGolf, and Chu Yuk Man, Simon, a director of the Company, has beneficial interests in Oriental Leader Limited. The rental expenses were determined at rates agreed between the Group and the corresponding related parties based on market rates.
- (e) GST is a 20% shareholder of Sino CTB Company L.L.C. ("Sino CTB") during the period up to March 2003. The selling prices of finished goods were based on the agreement between the parties.
- (f) The commission rates were based on the agreement between the parties.
- (g) Chu Chun Man, Augustine, Takanori Matsuura and Chu Yuk Man, Simon, the directors of the Company, have beneficial interests in Sino Sporting Company Limited. The rental rates were based on the agreement between the parties.

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.

**17. Post Balance Sheet Event**

In July 2003, the Group acquired an additional 15% equity interest in Sino Golf Leisure Company Limited from a minority shareholder for a cash consideration of HK\$1,502. The acquisition was completed on 31 July 2003. After the acquisition, Sino Golf Leisure Company Limited became a wholly-owned subsidiary of the Company.

**18. Comparative Figures**

As further explained in note 2 to the financial statements, due to the adoption of revised SSAP 12 during the 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 revised to conform to the current period's presentation.

**19. Approval of the Interim Financial Statements**

The interim financial statements were approved by the board of directors on 11 September 2003.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Business Review and Prospect**

Our Group has experienced encouraging growth for both the sales of golf clubs and golf bags during the six months ended 30 June 2003. The outsourcing of golf club equipment manufacturing from the developed markets of the North America and Europe continued to act as a major contributing factor for the satisfactory performance of the golf clubs and accessories segment. Besides, the synergy effect brought about by the network of the golf club business has led to a persistent surge in golf bag sales.

Total turnover for the period aggregated to HK\$200,377,000 representing a 36.5% increase from the turnover of HK\$146,754,000 for the preceding comparative period that covered the six months ended 30 September 2002.

Profit from operating activities and net profit attributable to shareholders amounted to HK\$32,265,000 and HK\$24,630,000, respectively. Both performance parameters have demonstrated a remarkable improvement.

Sales of golf club equipment and golf bags accounted for 79.5% and 20.5% respectively of the turnover for the period. Though representing a minor portion, the proportion of golf bag sales to total turnover has increased steadily since acquisition by our Group. With the benefit of our Group's business contacts, the golf bag segment has been able to secure extra orders on top of its own expansion and growth momentum. Upon the commencement of the new factory operation in early 2004, it is anticipated that the growth of golf bag sales will accelerate further when the production capacity is increased to approximately one million units per annum, nearly triples the existing capacity. The golf bag margin will also be improved due to a better economy of scale and less subcontracting work granted to fulfill the orders undertaken.

During the period, our Group's golf club sales have achieved a double-digit growth rate. The substantial growth in golf club sales has been attributable to the outstanding performance from some existing and new customers whose products have been highly recognised and selling well in the market. The management considers this a direct consequence of our Group's emphasis on persistent investments in research and development and product testing programs. The quality of our products has proven to have been significantly enhanced in recent years. The golf club business remains the most important segment that contributes substantially to our Group's turnover and profitability.

**Business Review and Prospect (Continued)**

Geographically, the North America continues to be the largest geographical segment that accounts for approximately 77.4% of the Group's total turnover for the period. Europe, Japan, and other countries in turn contributes 4.3%, 7.5% and 10.8% respectively of the Group's total turnover. Among these three geographical regions, Japan is the market possessing much potential for our Group's development as relatively little effort has been devoted in prior years to explore this largest market in Asia. The management considers it the right timing and intends to further develop this market and promote sales in the coming years. On the other hand, turnover generated from the North America region has shown consistent growth at a double-digit rate from last period.

Strategically, our Group has successfully strengthened and extended its client portfolio by continuously picking up new customers of great potential. Our ability to provide high quality products and value-added services has enhanced the Group's relative advantage and allows us to compete favorably in the market. With the synergy effect and the anticipated expansion in production capacity, the golf bag business is expected to demonstrate a steady trend of remarkable growth for the coming years. Based on the current order book status and market projection, the directors are reasonably optimistic about the business for the second half year of 2003.

**Material Acquisition of Subsidiaries**

In January 2003, the Group acquired the entire equity interest in Xiamen Sino Talent Golf Manufacturing Co., Ltd., a company mainly engaged in the manufacture of golf equipment, from an independent third party for a consideration of HK\$7.8 million. The acquisition has given rise to a goodwill of approximately HK\$7 million which is amortised in accordance with the Group's accounting policies. The acquisition helps our Group to obtain full control over this entity which has acted as a sub-contractor for some years in the past.

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

## Liquidity and Financial Resources

Our Group generally finances its operations through internally generated funds and facilities provided by its principal bankers and other financial institutions. Following the conclusion of a three-year syndicated loan facility of HK\$105 million in March 2003, the Group's liquidity and financing structure have been further strengthened and rationalised. The syndicated loan is repayable by three 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. The Group has also entered into interest rate swap contracts to hedge the interest cost over the loan period.

Cash and bank balances as at 30 June 2003 amounted to HK\$88.3 million (31 December 2002: HK\$44.7 million). The proceeds from the drawdown of the syndicated loan have been partly utilised to repay certain short term bank loans and import finances with the remaining balance placed as time deposit.

The adoption of prudent and effective treasury policies has enabled the Group to continually maintain a strong and healthy financial position during the period. At 30 June 2003, the net assets of the Group amounted to approximately HK\$175.7 million (31 December 2002: HK\$162.8 million as restated). Total borrowings from banks and financial institutions amounted to approximately HK\$144.1 million as at 30 June 2003, all borrowings are installment loans or short term finances repayable within one year except for the syndicated loan of HK\$105 million. The Group's gearing ratio as at 30 June 2003, defined as the total bank borrowings and finance lease payables less time deposit of approximately HK\$94.1 million divided by the shareholders' equity of approximately HK\$175.7 million, was 53.6% (31 December 2002: 62.2% as restated), representing a decrease of 13.8% from last year. On the other hand, the Group's current ratio and quick ratio were 2.56 (31 December 2002: 1.38) and 1.84 (31 December 2002: 0.85) respectively. Both ratios have been substantially improved as a result of the conclusion of the syndicated loan.

## Exposures to Fluctuations in Exchange Rate

The Group conducts most of its business transactions in currencies of United States dollars, Hong Kong dollars and Renminbi. As these currencies remained relatively stable during the period, our Group has limited exposure to foreign exchange rates fluctuations.

## Employee and Remuneration Policies

There has been no material change in the number of employees of the Group compared to that of the last financial year end. The employees were remunerated based on their performance; expertise and experience taking also into account the prevailing industry practice and statistics. Their remunerations are reviewed annually and discretionary bonus will be awarded on individual basis having regard to the performance and contributions of the employees.



## INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The directors have declared an interim dividend of HK4.8 cents per share for the six months ended 30 June 2003 payable to the shareholders whose names appear on the Register of Members of the Company at the close of business on Friday, 26 September 2003. The Register of Members will be closed from Monday, 29 September 2003 to Tuesday, 30 September 2003, 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 Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 26 September 2003.

## DISCLOSURE OF INTERESTS OF DIRECTORS

As at 30 June 2003, the interests or short position of the directors and their associates in the shares and underlying shares of the Company and any associated corporations (within the meaning of Part XV of Securities and Futures Ordinance (the "SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), required to be entered into the register maintained by the Company pursuant to Section 352 of the SFO, or notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"), were as follows:

### (i) Long position in the shares of the Company

	Personal Interests	Number of shares held Corporate Interests	Total	Percentage of the issued share capital
<i>Executive directors:</i>				
CHU Chun Man, Augustine	8,594,263	200,249,775 <sup>#</sup>	208,844,038	69.11
Takanori MATSUURA	11,155,400	200,249,775 <sup>#</sup>	211,405,175	69.96
CHU Yuk Man, Simon	2,836,237	-	2,836,237	0.94
CHANG Hua Jung	606,793	-	606,793	0.20
<i>Non-executive director:</i>				
Carl Thomas McMANIS	363,022	-	363,022	0.12

<sup>#</sup> 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 their another family member. The interests of Chu Chun Man, Augustine and Takanori Matsuura in the 200,249,775 shares of the Company therefore duplicate each other.

## DISCLOSURE OF INTERESTS OF DIRECTORS (Continued)

### (ii) Long position in the shares of an 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.

Save as disclosed above, as at 30 June 2003, none of the directors and their associates had any interests or short positions in any shares and underlying shares of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), required to be entered into the register maintained by the Company pursuant to Section 352 of the SFO, or notified to the Company and the Stock Exchange pursuant to the Model Code.

## SUBSTANTIAL SHAREHOLDERS

As at 30 June 2003, the following persons had an interest or short position in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or required to be entered into the register maintained by the Company pursuant to Section 336 of the SFO.

Long position in the shares of the Company

<b>Name of shareholders</b>	<b>Number of shares</b>	<b>Percentage</b>
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.

## AUDIT COMMITTEE

The audit committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the Group's unaudited condensed consolidated interim financial statements for the six months ended 30 June 2003.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the period.

## **PRACTICE NOTE 19 OF THE LISTING RULES**

As at 30 June 2003, the Company had loan facilities, which were subject to, inter alia, a specific performance obligation on the controlling shareholders of the Company during the tenure of such loan facilities. The specific performance obligation is that the controlling shareholders shall maintain a holding of no less than 51% of the total issued share capital of the Company throughout the tenure of the loan facilities granted to the Company. A breach of the obligation will constitute an event of default. As a result of such breach, the loan facilities may become due and repayable on demand by the relevant tenders according to the respective terms and conditions thereof. The details of the loan facilities are as follows:

Amount outstanding as at 30 June 2003	Final maturity of the loan facilities
HK\$105 million	March 2006

## **COMPLIANCE WITH THE CODE OF BEST PRACTICE**

None of the directors of the Company is aware of information that would reasonably indicate that the Company is not, or was not for any part of the period for the six months ended 30 June 2003 in compliance with Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange.

## **APPRECIATION**

On behalf of the Board, I would like to express our sincere thanks to our customers, suppliers, shareholders and bankers for their continuous support to the Group. I would also extend my appreciation to all management and staff for their hard work and dedication throughout the period.

By order of the Board  
**Chu Chun Man, Augustine**  
*Chairman*

Hong Kong, 11 September 2003