Sino Golf Holdings Limited
順 龍 控 股 有 限 公 司
(Incorporated in Bermuda with limited liability)

INTERIM REPORT
2005

INTERIM RESULTS

The Board of Directors (the "Board") of Sino Golf Holdings Limited (the "Company") hereby announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2005 which have been reviewed by the Company's audit committee, together with the comparative figures for the six months ended 30 June 2004 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2005

		For the Six months ended 30 June	
		2005	2004
		(unaudited)	(unaudited)
	Notes	***HK$'000***	*HK$'000*
			(restated)
REVENUE	*4*		
Turnover		**170,472**	226,011
Rental income		**1,010**	917
Testing income		**1,771**	1,388
Tooling charges		**567**	890
		173,820	229,206
Cost of sales		**(118,095)**	(151,439)
Gross profit		**55,725**	77,767
Other income and gains	*5*	**5,690**	551
Selling and distribution costs		**(6,037)**	(6,945)
Administrative expenses		**(26,904)**	(27,389)
Other expenses		**(4,784)**	(6,749)
Finance costs	*6*	**(4,216)**	(5,349)
PROFIT BEFORE TAX	*7*	**19,474**	31,886
Tax	*8*	**(1,562)**	(1,672)
PROFIT FOR THE PERIOD		**17,912**	30,214
ATTRIBUTABLE TO:			
Equity holders of the Company		**18,613**	27,220
Minority interests		**(701)**	2,994
		17,912	30,214
EARNINGS PER SHARE			
Basic	*9*	**HK 6.16 cents**	HK 9.01 cents
DIVIDEND PER SHARE	*10*	**HK 3.00 cents**	HK 6.30 cents

CONDENSED CONSOLIDATED BALANCE SHEET

30 June 2005

	Notes	30 June 2005 (unaudited) HK$'000	31 December 2004 (restated) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**122,189**	133,422
Lease premium for land		**16,280**	17,645
Goodwill		**24,920**	24,920
Total non-current assets		**163,389**	175,987
CURRENT ASSETS			
Inventories		**112,119**	101,684
Lease premium for land		**161**	188
Trade and bills receivable	*11*	**22,963**	45,033
Prepayments, deposits and other receivables		**29,900**	21,006
Financial assets at fair value through profit or loss		**205**	–
Tax recoverable		**1,114**	1,599
Cash and cash equivalents		**74,373**	84,050
Total current assets		**240,835**	253,560
CURRENT LIABILITIES			
Trade and bills payable	*12*	**14,718**	55,613
Other payables and accruals		**29,929**	28,650
Short term bank loans		**57,271**	41,293
Long term bank loans – current portion		**50,700**	33,850
Finance lease payables – current portion		**89**	88
Total current liabilities		**152,707**	159,494
NET CURRENT ASSETS		**88,128**	94,066
TOTAL ASSETS LESS CURRENT LIABILITIES		**251,517**	270,053

CONDENSED CONSOLIDATED BALANCE SHEET *(Continued)*

30 June 2005

	Notes	**30 June 2005 (unaudited) *HK$'000***	31 December 2004 (restated) *HK$'000*
NON-CURRENT LIABILITIES			
Long term bank loans		**65,800**	94,150
Finance lease payables		**38**	83
Deferred tax		**4,620**	4,624
Total non-current liabilities		**70,458**	98,857
		181,059	171,196
CAPITAL AND RESERVES			
Equity attributable to equity holders of the Company			
Share capital	*13*	**30,220**	30,220
Reserves	*14*	**137,739**	130,279
Proposed dividend		**9,066**	–
		177,025	160,499
Minority interests		**4,034**	10,697
		181,059	171,196

CONDENSED CONSOLIDATED SUMMARY STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2005

	Notes	For the six months ended 30 June **2005** **(unaudited)** ***HK$'000***	2004 (restated) *HK$'000*
Total equity at 1 January:			
As previously reported as equity		**163,185**	182,841
As previously reported separately as minority interests		**10,697**	10,905
		173,882	193,746
Prior period and opening adjustments	*1, 2*	**(4,574)**	(2,754)
As restated		**169,308**	190,992
Changes in equity during the period			
Derecognition of revaluation surplus upon disposal of a subsidiary	*14*	**(199)**	–
Profit for the period	*14*	**17,912**	30,214
Total recognized income and expense for the period		**17,713**	30,214
Dividend paid		**–**	(28,709)
Increase/(decrease) in minority interest	*14*	**(5,962)**	580
Total equity at 30 June		**181,059**	193,077
Total recognized income and expense for the period attributable to:			
Equity holders of the Company		**18,414**	27,220
Minority interests		**(701)**	2,994
		17,713	30,214

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2005

	For the six months ended 30 June	
	2005	2004
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	**346**	(15,365)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	**(8,147)**	(7,330)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	**(1,876)**	12,255
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(9,677)**	(10,440)
Cash and cash equivalents at beginning of period	**84,050**	93,837
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**74,373**	83,397
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**74,373**	83,397

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Basis of Preparation and Accounting Policies

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "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 2004 except as described below.

In the current period, the Group has applied, for the first time, the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs", which also include HKASs and Interpretations issued by the HKICPA) that affect the Group and are effective for accounting periods beginning on or after 1 January 2005:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations

1. Basis of Preparation and Accounting Policies *(Continued)*

The adoption of HKASs 2, 7, 8, 10, 12, 16, 18, 19, 21, 23, 24, 27, 33, 37 and 38 has had no material impact on the accounting policies of the Group and the methods of computation in the Group's condensed consolidated financial statements. The impact of adopting the other HKFRSs is summarised as follows:

(a) The adoption of HKAS 1 "Presentation of Financial Statements" has affected the presentation of minority interests and other disclosures.

(b) In prior periods, leasehold land and buildings held for own use were stated at valuation less accumulated depreciation and any impairment losses.

Upon the adoption of HKAS 17, the Group's leasehold interest in land and buildings is separated into leasehold land and leasehold buildings. The Group's leasehold land is classified as an operating lease, because the title of the land is not expected to pass to the Group by the end of the lease term, and is reclassified from fixed assets to lease premium for land, while leasehold buildings continue to be classified as part of property, plant and equipment. Prepaid land premiums for land lease payments under operating leases are initially stated at cost and subsequently amortised on the straight-line basis over the lease term. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

The effects of the above changes are summarised in note 2 to the condensed consolidated financial statements. The comparatives on the condensed consolidated balance sheet for the year ended 31 December 2004 have been restated to reflect the reclassification of leasehold land.

(c) The adoption of HKAS 32 and HKAS 39 has resulted in a change of accounting policy for recognition, measurement and disclosure of the interest rate swap contracts entered by the Group. In prior periods, these contracts were recognised on a cash basis.

Upon the adoption of HKAS 39, such kind of derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Gains or losses arising from the changes in fair value are recognised in the income statement. Such derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

1. Basis of Preparation and Accounting Policies *(Continued)*

The effects of the above changes are summarised in note 2 to the condensed consolidated financial statements. In accordance with the transitional provisions of HKAS 39, comparative amounts have not been restated.

(d) In prior periods, no recognition and measurement of share-based transactions in which employees (including directors) were granted share options over shares in the Company was required until such options were exercised by employees, at which time the share capital and share premium were credited with the proceeds received.

Upon the adoption of HKFRS 2, when employees (including directors) render services as consideration for equity instruments ("equity-settled transactions"), the cost of the equity-settled transactions with employees is measured by reference to the fair value at the date at which the instruments are granted. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company, if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense recognised for equity-settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

The Group has taken advantage of the transitional provisions of HKFRS 2 and not to recognise the cost of share options granted by the Group in prior years for all outstanding share options of the Group which had vested before 1 January 2005.

1. Basis of Preparation and Accounting Policies *(Continued)*

(e) In prior periods, goodwill arising on acquisitions was capitalised and amortised on the straight-line basis over its estimated useful life and was subject to impairment testing when there was any indication of impairment.

Upon the adoption of HKFRS 3 and HKAS 36, goodwill arising on acquisitions is no longer amortised but subject to an annual impairment review (or more frequently if events or changes in circumstances indicate that the carrying value may be impaired). Any impairment loss recognised for goodwill is not reversed in a subsequent period.

The transitional provisions of HKFRS 3 have required the Group to eliminate at 1 January 2005 the carrying amounts of accumulated amortisation with a corresponding entry to the cost of goodwill. No comparative amounts have been restated. The effects of the above changes are summarised in note 2 to the condensed consolidated financial statements.

2. Impact of Changes in Accounting Policies

Following the adoption of the HKFRSs, the opening balances of the following accounts were adjusted and the details are summarised as follows:

(a) Effect on opening balance of total equity at 1 January 2005:

Effect of new policies (Increase/ (decrease))	*Notes*	**Fixed assets revaluation reserve (unaudited)** *HK$'000*	**Retained earnings (unaudited)** *HK$'000*	**Total (unaudited)** *HK$'000*
Prior period adjustments:				
HKAS 17	*1(b)*			
– Lease premium for land		(2,993)	307	(2,686)
Opening adjustments:				
HKAS 39	*1(c)*			
– Interest rate swap contracts		–	(1,888)	(1,888)
Total effect at 1 January 2005		(2,993)	(1,581)	(4,574)

2. Impact of Changes in Accounting Policies *(Continued)*

(b) Effect on the opening balance of total equity at 1 January 2004:

Effect of new policies (Increase/ (decrease))	Note	Fixed assets revaluation reserve (unaudited)	Retained earnings (unaudited)	Total (unaudited)
		HK$'000	*HK$'000*	*HK$'000*
Prior period adjustments:				
HKAS 17	*1(b)*			
– Lease premium for land		(2,993)	239	(2,754)
Total effect at 1 January 2004		(2,993)	239	(2,754)

The following table summarises the impact on profit after tax for the six months periods ended 30 June 2005 and 2004 upon the adoption of the new HKFRSs. As no retrospective adjustments have been made for the adoption of HKAS 39 and HKFRS 3, the amounts shown for the six months period ended 30 June 2004 may not be comparable to the amounts shown for the current interim period. There is no impact on income or expense recognised directly in equity and capital transactions with equity holders for the six months periods ended 30 June 2005 and 2004.

Effect on profit after tax for the six months ended 30 June 2005 and 2004:

		For the six months ended 30 June					
		2005			2004		
Effect of new policies (Increase/(decrease))	Notes	Equity holders of the Company (unaudited)	Minority interests (unaudited)	Total (unaudited)	Equity holders of the Company (unaudited)	Minority interests (unaudited)	Total (unaudited)
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
HKAS 17	*1(b)*						
– Lease premium for land		35	–	35	18	–	18
HKAS 39	*1(c)*						
– Interest rate swap contracts		2,093	–	2,093	–	–	–
HKFRS 3	*1(e)*						
– Discontinuation of amortisation of goodwill		1,820	–	1,820	–	–	–
Total effect for the period		3,948	–	3,948	18	–	18
Effect on earnings per share:							
Basic		HK 1.31 cents			Nil		

3. Segment Information

The following tables present revenue and results by business segment and revenue by geographical segment for the six months ended 30 June 2005.

(A) Business segments

	Golf equipment For the six months ended 30 June		Golf bag For the six months ended 30 June		Eliminations For the six months ended 30 June		Consolidated For the six months ended 30 June	
	2005 (unaudited) *HK$'000*	2004 (unaudited) *HK$'000* (restated)	**2005 (unaudited) *HK$'000***	2004 (unaudited) *HK$'000* (restated)	**2005 (unaudited) *HK$'000***	2004 (unaudited) *HK$'000*	**2005 (unaudited) *HK$'000***	2004 (unaudited) *HK$'000* (restated)
Segment revenue:								
Sales to external customers	**140,453**	181,761	**30,019**	44,250	**-**	–	**170,472**	226,011
Rental income	**260**	167	**750**	750	**-**	–	**1,010**	917
Testing income	**1,771**	1,388	**-**	–	**-**	–	**1,771**	1,388
Tooling charges	**567**	890	**-**	–	**-**	–	**567**	890
Intersegment revenue	**3,913**	3,203	**3,407**	6,746	**(7,320)**	(9,949)	**-**	–
Other income and gains	**5,421**	449	**40**	62	**-**	–	**5,461**	511
Total	**152,385**	187,858	**34,216**	51,808	**(7,320)**	(9,949)	**179,281**	229,717
Segment results	**26,406**	32,433	**(2,945)**	4,762			**23,461**	37,195
Interest income							**229**	40
Finance costs							**(4,216)**	(5,349)
Profit before tax							**19,474**	31,886
Tax							**(1,562)**	(1,672)
Profit for the period							**17,912**	30,214

3. Segment Information *(Continued)*

(B) Geographical segments

	For the six months ended 30 June	
	2005	2004
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Segment revenue: sales to external customers		
North America	**125,083**	172,978
Europe	**13,146**	17,231
Asia (excluding Japan)	**13,579**	10,341
Japan	**14,094**	21,232
Others	**4,570**	4,229
	170,472	226,011

4. Revenue

Revenue comprises turnover, being the invoiced value of goods sold net of trade discounts and goods returns, and rental income, testing income and tooling charges earned during the period.

5. Other Income and Gains

	For the six months ended 30 June	
	2005	2004
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
		(restated)
Interest income	**229**	40
Handling Charges	**1,182**	56
Gain on disposal of a subsidiary	**2,581**	–
Others	**1,698**	455
Total	**5,690**	551

6. Finance Costs

	For the six months ended 30 June	
	2005	2004
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Changes in fair value of interest rate swap contracts	**(2,093)**	–
Interest expenses on:		
Bank loans	**5,291**	4,345
Finance leases	**2**	2
Bank charges	**1,016**	1,002
Total finance costs	**4,216**	5,349

7. Profit Before Tax

The Group's profit before tax was determined after charging/(crediting) the following:

	For the six months ended 30 June	
	2005	2004
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
		(restated)
Depreciation	**8,882**	9,046
Amortisation of goodwill	**–**	1,522
Loss on disposal of property, plant and equipment	**281**	23
Interest income	**(229)**	(40)

8. Tax

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 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.

	For the six months ended 30 June	
	2005	2004
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Provision for the period:		
Current – Hong Kong profits tax	**1,562**	1,672

9. Earnings per Share

The calculation of basic earnings per share for the period is based on the profit attributable to equity holders of the Company of approximately HK$18,613,000 (six months ended 30 June 2004: HK$27,220,000 (as restated)) and the weighted average number of 302,200,000 (six months ended 30 June 2004: 302,200,000) ordinary shares in issue during the period.

Diluted earnings per share for both of the six months ended 30 June 2005 and 2004 have not been disclosed, as the Company's options outstanding during both periods had anti-dilutive effect on the basic earnings per share for both periods.

10. Dividend per Share

At a meeting of the board of directors held on 23 September 2005, the directors resolved to pay an interim dividend of HK 3.0 cents per ordinary share to shareholders (2004: HK 6.3 cents).

11. 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 for impairment, is as follows:

	30 June 2005 (unaudited)	31 December 2004
	HK$'000	*HK$'000*
Within 3 months	**13,607**	13,650
4 to 6 months	**5,850**	9,593
7 to 12 months	**2,860**	20,400
Over 1 year	**646**	1,390
	22,963	45,033

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 90 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 approximately HK$489,000 due from (31 December 2004: HK$1,751,000) Nikko Bussan Co., Ltd. ("Nikko Bussan (Japan)") arising from transactions carried out in the ordinary course of business of the Group. Takanori Matsuura, a director of the Company, has beneficial interest in Nikko Bussan (Japan). The balance with Nikko Bussan (Japan) is unsecured, interest-free and is repayable within similar credit periods offered by the Group to its major customers.

12. Trade and Bills Payable

An aged 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:

	30 June 2005 (unaudited)	31 December 2004
	HK$'000	*HK$'000*
Within 3 months	**13,305**	47,875
4 to 6 months	**1,255**	5,921
7 to 12 months	**14**	990
Over 1 year	**144**	827
	14,718	55,613

13. Share Capital

	30 June 2005 (unaudited)	31 December 2004
	HK$'000	*HK$'000*
Authorised:		
1,000,000,000 ordinary shares of HK$0.1 each	**100,000**	100,000
Issued and fully paid:		
302,200,000 ordinary shares of HK$0.1 each	**30,220**	30,220

14. Reserves

	Share premium account (unaudited)	Contributed surplus (unaudited)	Fixed asset revaluation reserve (unaudited)	Exchange fluctuation reserve (unaudited)	Other reserves (unaudited)	Retained earnings (unaudited)	Total (unaudited)	Minority interests (unaudited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2005,								
As previously reported	57,270	10,564	28,035	1,796	50	35,250	132,965	10,697
Prior period adjustments *(notes 1 & 2)*	–	–	(2,993)	–	–	307	(2,686)	–
Opening adjustments *(notes 1 & 2)*	–	–	–	–	–	(1,888)	(1,888)	–
As restated	57,270	10,564	25,042	1,796	50	33,669	128,391	10,697
Disposal of a subsidiary	–	–	(199)	–	–	–	(199)	(5,962)
Profit for the period attributable to								
equity holders of the Company	–	–	–	–	–	18,613	18,613	–
minority interests	–	–	–	–	–	–	–	(701)
Proposed interim dividend	–	–	–	–	–	(9,066)	(9,066)	–
At 30 June 2005	**57,270**	**10,564**	**24,843**	**1,796**	**50**	**43,216**	**137,739**	**4,034**

15. Contingent Liabilities

(a) At the reporting date, the Group had HK$nil (31 December 2004: HK$17,969,000) bills discounted with recourse not provided for in the financial statements.

(b) The Group had a contingent liability in respect of possible future long service payments to employees under the Hong Kong Employment Ordinance, with a maximum possible amount of HK$1,796,000 (31 December 2004: HK$1,764,000) as at 30 June 2005. The contingent liability has arisen because, at the balance sheet date, a number of current employees have achieved the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance if their employment is terminated under certain circumstances. A provision has not been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

16. Commitments

(a) Capital commitments

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

	30 June 2005 (unaudited)	31 December 2004
	HK$'000	*HK$'000*
Contracted, but not provided for:		
Land and buildings	**747**	1,563
Plant and machinery	**22**	500
	769	2,063
Contracted, but not provided for:		
Capital contribution into subsidiaries	**70,224**	76,170
	70,993	78,233

(b) Operating lease commitments

(i) As lessor

The Group leases its rented property, machinery and motor vehicle under operating lease arrangements, with leases negotiated for a term of one year. The terms of leases generally also require the tenants to pay security deposits.

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

	30 June 2005 (unaudited)	31 December 2004
	HK$'000	*HK$'000*
Within one year	**204**	532

16. Commitments *(Continued)*

(b) ***Operating lease commitments*** *(Continued)*

(ii) *As lessee*

The Group leases certain of its office properties, production plants, staff quarters and motor vehicles under operating lease arrangements, with leases negotiated with original terms ranging from 1 to 16 years. At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2005 (unaudited) ***HK$'000***	31 December 2004 (restated) *HK$'000*
Within one year	**4,698**	7,016
In the second to fifth years, inclusive	**9,623**	20,967
After five years	**1,879**	6,678
	16,200	34,661

17. Related Party Transactions

(a) ***Material transactions with related parties***

		For the six months ended 30 June	
		2005	2004
		(unaudited)	(unaudited)
	Notes	***HK$'000***	*HK$'000*
Purchases of raw materials from Nikko Bussan (Japan)	*(a)*	**–**	25
Sales of finished goods to Nikko Bussan (Japan)	*(b)*	**2,263**	2,223
Rental expenses paid to Progolf Manufacturing Company Limited ("Progolf") and Oriental Leader Limited	*(c)*	**720**	720
Rental income from Sino Sporting Company Limited ("Sino Sporting")	*(d)*	**260**	169
Rental expenses paid to Sino Sporting	*(d)*	**66**	66

17. Related Party Transactions *(Continued)*

(a) Material transactions with related parties (Continued)

Notes:

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

(b) The selling prices of finished goods were based on the agreement between the parties.

(c) Chu Chun Man, Augustine ("Augustine Chu"), a director of the Company, has a beneficial interest in Progolf, and Chu Yuk Man, Simon ("Simon Chu"), a director of the Company, has a beneficial interest in Oriental Leader Limited. The rental expenses were determined at rates agreed between the Group and the corresponding related parties based on market rates.

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

(b) Outstanding balances with related parties

	Due from related parties		Due to related parties	
	30 June 2005 (unaudited)	31 December 2004	**30 June 2005 (unaudited)**	31 December 2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Mr. Chu Yuk Man, Simon	**750**	750	**–**	–
Mr. Chang Hua Jung	**353**	479	**–**	–
Nikko Bussan (Japan)	**489**	1,751	**36**	36
Progolf and Oriental Leader Limited	**–**	–	**120**	120
Sino Sporting	**–**	–	**11**	11

18. Approval of the Interim Financial Report

These condensed consolidated interim financial statements were approved and authorized for issue by the board of directors on 23 September 2005.

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board declares an interim dividend of HK 3.00 cents per ordinary share for the six months ended 30 June 2005 payable to the shareholders whose names appear on the Register of Members of the Company at the close of business on Thursday, 13 October 2005. The Register of Members will be closed from Wednesday, 12 October 2005 to Thursday, 13 October 2005, 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 4:30 p.m. on Monday, 10 October 2005. The dividend will be paid on or around Thursday, 27 October 2005.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Overview

Expedited by the declining performance in 2004, the Group has embarked on a program to enhance and transform its customer profile towards the long-term goal of engaging in businesses with first tier golf companies. The major incidents of 2004 have instigated the Group to immediately conduct an extensive review of the client portfolio and took initiative to modify its strategies and policies with respect to the less performing customers. In the meantime, active negotiations have been taking place with about four potential first tier customers, some of which have already placed orders with our Group with others expected to start a business relationship soon. The measures adopted represent an important step to strengthen our customer base for sustained growth.

To summarise, business had been progressing well during the first six months of 2005 though our Group had to operate under the continuing impact of certain incidents of 2004. With the pick up of new clients, we are confident that the worst time should have passed as the Group is taking forward its plan to actively rebuild business volume to sustain continuing growth.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Financial Results

Consolidated revenue for the six months ended 30 June 2005 decreased by about 24.2% to approximately HK$173,820,000 as compared to that of the corresponding period last year. Profit attributable to equity holders of the Company amounted to approximately HK$18,613,000, representing a drop of 31.6% from that of the comparative preceding period. Basic earnings per share for the period was HK 6.16 cents (2004: HK 9.01 cents).

The clients review program has resulted in certain customers' orders being rescheduled, reduced or even abandoned in view of the lengthened credit terms and/or payment records. As a result of the adopted measures, sales for the six months ended 30 June 2005 experienced a short-term decline, but a rebound is expected in the second half of 2005 when orders of new customers are fulfilled.

Profit attributable to equity holders of the Company decreased mainly due to the decline in sales revenue. During the period, the cost of materials such as titanium and graphite has started to stabilise in contrast to the rapid surge experienced during late 2004. The impact of the rise in materials and production costs has been mitigated through improved productivity and other cost control measures including reasonable stock up of relevant inventories. Overall, the gross profit margin for the first six months of 2005 dropped by about 1.8% to 32.1% as compared to that of the corresponding preceding period. With the stabilisation of materials prices and effective control measures adopted by the Group, the pressure of further margin squeeze has been alleviated.

Golf Equipment Business

Consistent with the traditional pattern, the golf equipment segment continued to constitute the main source, or accounted for approximately 82.3% of the Group's revenue for the period. Sales of golf equipment during the first six months of 2005 aggregated to approximately HK$140,453,000, representing a 22.7% drop as compared to the corresponding preceding period. Of the total golf equipment sales, golf clubs sales accounted for about 73.2% while component sales including club heads, shafts and accessories took up the remaining 26.8%. There has been no material fluctuation in the relative proportion of the product mix over the years.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Golf Equipment Business *(Continued)*

More stringent trade terms have been adopted since late 2004 in order to enhance overall customer profile so as to minimise the Group's exposure to significant bad debt risks. The Group has tightened credit controls by shortening the allowed credit periods and/or reducing the credit limits. Besides, insurance and/or factoring of sales to major customers have been secured to safeguard recoverability. The adopted control measures have led to a short term slow down in sales during the last quarter of 2004, a phenomenon which has somewhat extended into the first half of 2005. However, upon the fulfillment of orders from new customers during the second half of 2005, it is anticipated that the sales volume would rebound with strength. Notwithstanding the short term impact brought about by the control measures adopted, our Group's commitment to persistently engage in research and development and product innovation programs has helped upgrade the product quality and earned us a strong customer franchise in recent years. Our mission to provide value added services for customers well fits the market requirements and helps strengthen our industry position. Some first tier golf companies ranking among the top ten market players have already placed orders or committed to start business with our Group, which would help contribute additional sales for the second half-year and foreseeable future. The size of business, in terms of turnover of each of these new first tier clients, is considered significantly greater than that of the Group's existing major customers. Starting business relationships with those top line customers would bring huge potential to our future growth. The Group is also in the process of bidding for businesses with certain other well-known golf brands and the progress is satisfactory.

The golf equipment segment contributed a segmental profit of approximately HK$26.4 million for the period. The segment profit decreased by about 18.6% as compared to that of the preceding corresponding period mainly due to the reduction of profit contribution as a result of the sales decline. The effects of the rise in raw materials cost and production overheads such as energy and fuel costs were satisfactorily mitigated through improved productivity and did not materially affect the segment result.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Golf Equipment Business *(Continued)*

Following the bankruptcy protection of Huffy Corporation in late 2004, it has continued to carry on business under the supervision of the United States Bankruptcy Court. As regards to the debts owed by Huffy Corporation prior to its filing of bankruptcy protection, a plan of reorganisation has been submitted for its creditors' voting in September 2005. Subject to the voting result and the confirmation of the reorganisation plan by the United States Bankruptcy Court, the debts of the general unsecured creditors of Huffy Corporation will be discharged in exchange for a proportionate share of a US$9 million promissory note and the new common stock to be issued by Huffy Corporation to the unsecured creditors. The Group is yet to be notified of the exact amount of promissory note and common stock as entitled under the said reorganisation plan. Given the amount of provision already made in 2004 against the debts owed by Huffy Corporation, we believe that no further provision of any material amount would be necessary in respect of the debts owed by Huffy Corporation prior to its filing of bankruptcy protection.

Golf Bags Business

Revenue from the golf bags segment accounted for about 17.7% of the Group's revenue for the period. Sales of golf bags and accessories for the six months ended 30 June 2005 amounted to approximately HK$30,019,000, representing a decline of approximately 32.2% from that of the comparative preceding period. As described in the 2004 annual report, the delay in the commencement of operations of the new golf bag facility had adversely affected the segment performance for 2004, particularly the second-half year during which sales of golf bags and accessories amounted to only approximately HK$22.3 million, equivalent to a 40.2% drop from that of the corresponding period in 2003. Affected by the late commencement of the new golf bag facility, certain customers shift their orders for the 2005 season with original deliveries scheduling over late 2004 and first half of 2005 to other suppliers due to our delivery problems. Though the Group has been able to gain back the forgone business with the stepping up of productivity of the new golf bag factory, it will not materialise until the second half of 2005 when shipments for the 2006 season commences. Notwithstanding that sales of the golf bags segment for the six months ended 30 June 2005 suffered a drop of 32.2% as compared to the corresponding preceding period, it represents a remarkable rebound of about 34.6% over that of the second half of 2004. With the regain of the forgone bags business, it is expected that the segment revenue for the second half of 2005 should demonstrate a rebound and that the annual segment revenue should attain at least the level similar to that of the preceding year.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Golf Bags Business *(Continued)*

Impacted by a reduced sales volume, the golf bags segment recorded a loss of approximately HK$2.9 million during the first half of 2005 in contrast to a segmental profit of approximately HK$4.8 million for the comparative preceding period. If compared to the segment result of the second half of 2004, the extent of the segment loss for the current period has been substantially reduced by about HK$2 million. Taking into consideration of the current order book status and the shipments realised since July 2005, the management estimates that sales of golf bags for the second half of 2005 would demonstrate a rebound to bring the annual segment sales back to at least the level similar to that of the preceding year. With the anticipated increase in sales during the second half-year, it is believed that the golf bags segment would eventually achieve profitability for the whole year.

Geographical Segments

North America remains the largest geographical segment through which approximately 73.4% of the Group's total turnover for the period was generated. As the majority of the new client accounts are also American based, the North American segment will continue to dominate and contribute an increasing percentage of the Group's revenue. Europe, Japan and other countries in turn accounted for 7.7%; 8.3% and 10.6% respectively of the Group's turnover. Percentage sales represented by Japan and Europe did not show material fluctuations as compared to the preceding comparative period. The alliance with the Japanese partner, who commands extensive high profile client connections, has helped introduce new business to the Group. It is the Group's strategy to continue exploring business opportunities in the Japanese market. With the regain of the foregone bags business, sales to the Japanese market may reasonably be expected to increase both in proportion and monetary values. On the other hand, percentage sales represented by "other countries" increased moderately by about 4.2% as a result of pick up of some Asian customers. It has been the Group's strategy to uphold its position in North America while continuing to develop business in other emerging markets, capitalising on our strength and capability in product innovations and development. More importantly, our Group's unique outdoor testing center is capable of providing valuable data and analysis on club performance in an outdoor environment. This set up greatly enhances our Group's profile and helps our clients to more reliably monitor and test club performance and related assessments. In the long run, it is our goal to outperform other competitors through continued provision of value added services and enhanced product quality.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Disposal of a Subsidiary

Pursuant to an agreement dated 31 December 2004 and a supplemental agreement dated 9 April 2005, the Group has disposed of its interest in a 62.5% owned subsidiary, 順德市順興隆高爾夫球製品有限公司 ("SHL"), for a consideration of HK$14.9 million which gives rise to a profit on disposal of approximately HK$2.6 million. SHL is engaged in producing golf equipments using forging technology, and was managed, except for accounting and finance, by its minority shareholder. As more fully described in the Company's announcements on 28 February 2005 and 18 April 2005, the disposal of its investment in SHL is consistent with the Group's policy to establish and run its own forging production and to centralise the related management to avoid material duplication of resources. The disposal constitutes a connected and discloseable transaction under Chapter 14A and Chapter 14 of the Listing Rules respectively and has been approved by the independent shareholders of the Company in a special general meeting held on 27 May 2005 and completed in accordance with the terms of the agreements. There was no significant effect to the Group's consolidated income as a result of the disposal of interest in SHL.

Prospects

The fundamentals of the golf industry remains relatively stable. In our effort to upgrade the Group's profile through persistent investments in research and development, the Group has substantially enhanced the product quality, materials innovation and design capabilities in recent years. The successful confirmation and indication of commitment of business by new first tier clients will help generate substantial income for our Group. Given their huge market share, the potential of growth with the new customers is great provided our Group satisfactorily fulfills the orders placed. An important mission of the Group is to best serve our customers, particularly those first tier new clients through which we get the opportunity to realise our leading position in the golf industry. On the other hand, the Group's new golf bag facility is considered to be qualified for the Standard of Engagement ("SOE") requirements of some top line companies. Our compliance with the SOE requirements coupled with the ability to manufacture almost any kind of advanced golf bags has endowed us with the competitive advantage in getting businesses from those sports giants. Recently, a giant sports group, Adidas, has completed its assessment of the Group's new golf bag facility in meeting its SOE requirements. Going forward, the Group is optimistic of securing mass orders of golf bags from Adidas, which will boost the golf bags sales.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Prospects *(Continued)*

The weakened performance of the Group during the first half of 2005 will be rebutted when businesses with the new customers start to contribute in the second half-year. The slow down in sales since the last quarter of 2004 was only temporary and the Group has been on its way to regain sales volume from new clients of strong potentials. Sales of golf clubs and golf bags are expected to rebound steadily with strength. The growth prospect for 2006 appears more optimistic as more mass orders from the new clients will materialise after their trial orders are satisfactorily fulfilled in current year.

To cope with the growing needs for golf clubs following our association with those new first tier clients, the Group has launched a program to construct a new golf club facility in Shandong Province, the P.R.C. to get itself prepared for the anticipated growth in the golf equipment business. The location of the new facility is chosen after taking into account the clients' security precaution against fakes and also to take advantage of cheaper cost of labor and land resources in the Northern part of China. Design work for the new facility has been completed and site foundation is currently in progress. The new golf club facility will be constructed to meet with top line customers' criteria relating to, inter alias, the production set-up and environmental factors. The project will be funded internally with construction estimated to cost approximately HK$40 million, which will be paid over a period of approximately eighteen months.

Considering its order books status, the Group's management anticipates that the performance of the Group will continue to show improvement in the second half of 2005. The prospect for the ensuing year of 2006 looks even brighter with the expected contributions from those first tier customers with whom the Group has commenced or is going to start business.

LIQUIDITY AND FINANCIAL RESOURCES

The Group adopts prudent treasury practices and maintains adequate funds to meet its operating needs. In general, our Group relies on internally generated funds and banking facilities to finance the operations.

In order to optimise the exposure to fluctuations in interest rates, the Group has entered into interest rate swap contracts to fix interest payments at agreed rates. The interest rate swap transactions have been accounted for in accordance with the provisions of HKAS 32 – Financial Instruments: Disclosure and Presentation and HKAS 39 – Financial Instruments: Recognition and Measurement.

Cash and bank balance as at 30 June 2005 amounted to approximately HK$74.4 million (31 December 2004: HK$84.1 million). The cash level decreased mainly because additional funds have been appropriated to stock up key raw materials such as titanium to combat the effect of price rises. The overall inventory level thus increased by approximately HK$10 million in preparation for the coming production needs.

Bank borrowings as at 30 June 2005 aggregated to approximately HK$173.8 million (31 December 2004: HK$169.3 million), of which approximately HK$108.0 million comprising import and export loans of about HK$22.3 million (31 December 2004: HK$6.2 million) and term loans of about HK$85.7 million (31 December 2004: HK$68.9 million) is repayable within one year. Gearing ratio at 30 June 2005, defined as total bank borrowings and finance lease payable less cash and bank balances of approximately HK$99.5 million divided by shareholders' equity of approximately HK$181.1 million, was 54.9% (31 December 2004: 49.9% (as restated)). The gearing ratio increased as a result of the increase in net bank borrowings.

As at 30 June 2005, the net asset value of the Group amounted to approximately HK$181.1 million (31 December 2004: HK$171.2 million as restated). Current and quick ratios were 1.58 (31 December 2004: 1.59) and 0.84 (31 December 2004: 0.95) respectively. There has been no material fluctuation in the current ratio while the quick ratio decreased because of the increase in inventory level. Both ratios stay at reasonable and healthy levels.

POST BALANCE SHEET EVENTS

(1) On 19 July 2005, Sino Golf Manufacturing Company Limited ("SGMCL"), an indirect wholly-owned subsidiary of the Company, has entered into a sale and purchase agreement (the "Agreement") with Mr. Chen Chien Hsiang, a substantial shareholder of CTB Golf (HK) Limited ("CTB"), to purchase the remaining 37.5% of the ordinary share capital of CTB at a total consideration of HK$2,625,000. As Mr. Chen Chien Hsiang is a substantial shareholder of CTB , which is an indirect subsidiary of the Company, the Agreement and the transaction contemplated therein constitute a connected transaction of the Company under Chapter 14A of the Listing Rules. Immediately after the completion of the Agreement, CTB becomes wholly-owned by SGMCL and an indirectly wholly-owned subsidiary of the Company. Such transaction gives rise to a goodwill of approximately HK$803,000.

(2) Subsequent to the balance sheet date, the Company granted in July 2005 a total of 1,100,000 share options to certain employees pursuant to the Company's share option scheme. The share options will be vested upon the commencement of the exercise period and are exercisable by the grantees from the date of grant until 8 June 2007 both days inclusive at an initial exercise price of HK$0.83 per share, which is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's shares capital. The closing price of the Company's shares immediately before the grant date was HK$0.82 per share.

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 the United States dollars, Hong Kong dollars and Renminbi, all of which remained relatively stable during the period.

Subsequent to the balance sheet date, the Renminbi currency was unpegged with the United States dollars and changed to peg with a basket of currencies. The exchange rate of Renminbi has appreciated by about 2.1% effective from 21 July 2005. This however does not have a material effect on the Group as Renminbi expenditures do not represent a significant portion of the Group's total costs and expenditures.

EMPLOYEE AND REMUNERATION POLICIES

At 30 June 2005, the Group employed a total of approximately 2,450 employees in Hong Kong, the PRC and the United States. It is the Group's policy to maintain harmonious relations with its employees through provision of competitive remuneration packages and staff training programs. The employees were remunerated based on their performance, experience and expertise as well as industrial practices. The remuneration packages are reviewed on a periodic basis and discretionary bonuses may be awarded to employees in accordance with the assessment of individual performance.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 June 2005, the interests and short positions of the directors in the issued share capital and share options of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, 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 Issuers (the "Model Code"), were as follows:

(i) Long positions in ordinary shares of the Company

	Number of shares held					Number of share options held
Name of directors	Directly beneficially owned	Through spouse or minor children	Through controlled corporation#	Total	Percentage of the Company's issued share capital	Directly beneficially owned
Executive directors:						
CHU Chun Man, Augustine	263	1,000,000	171,543,775	172,544,038	57.10%	3,000,000
MATSUURA Takanori	1,155,400	–	–	1,155,400	0.38%	3,000,000
CHU Yuk Man, Simon	636,237	–	–	636,237	0.21%	3,000,000
CHANG Hua Jung	456,793	–	–	456,793	0.15%	–
	2,248,693	1,000,000	171,543,775	174,792,468		9,000,000

\# *The shares of the Company are held by CM Investment Company Limited, a company incorporated in the British Virgin Islands, of which, approximately 67.46% of its issued share capital are owned by A & S Company Limited, approximately 26.32% of its issued share capital are owned by Matsuura Takanori, approximately 4.18% of its issued share capital are owned by Chu Chun Man, Augustine and approximately 1.21% of its issued share capital are owned by Chu Yuk Man, Simon. 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, Matsuura Takanori and Chu Yuk Man, Simon, in the 171,543,775 shares of the Company therefore duplicate with those of CM Investment Company Limited and A & S Company Limited.*

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(Continued)*

(ii) Long positions in ordinary and non-voting deferred shares of associated corporations

Name of director	Name of associated corporation	Relationship with the Company	Shares/equity derivatives	Numbers of shares/equity derivatives held	Capacity and nature of interest	Percentage of the associated corporation's issued non-voting deferred share capital
CHU Chun Man, Augustine	Sino Golf Manufacturing Company Limited	Company's subsidiary	Non-voting deferred shares	1,190,607	Directly beneficially owned	30.98%
MATSUURA Takanori	Sino Golf Manufacturing Company Limited	Company's subsidiary	Non-voting deferred shares	1,841,323	Directly beneficially owned	47.92%
CHU Yuk Man, Simon	Sino Golf Manufacturing Company Limited	Company's subsidiary	Non-voting deferred shares	414,297	Directly beneficially owned	10.78%
CHANG Hua Jung	Sino Golf Manufacturing Company Limited	Company's subsidiary	Non-voting deferred shares	3,600	Directly beneficially owned	0.09%

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

Save as disclosed above, as at 30 June 2005, none of the directors had registered an interest or short position in the shares or underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

On 7 August 2002, a new share option scheme (the "Share Option Scheme") was adopted by the Company to comply with the new amendments of the Listing Rules regarding share option schemes of a company.

The purpose of the 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 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 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.

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

Name or category of participant	Number of share options At 1 January and 30 June 2005	Date of grant of share options *	Exercise period of share options	Exercise price of share options **
Directors				
CHU Chun Man, Augustine	3,000,000	24 December 2003	29 December 2003 to 31 December 2006	1.51
CHU Yuk Man, Simon	3,000,000	24 December 2003	29 December 2003 to 31 December 2006	1.51
MATSUURA Takanori	3,000,000	24 December 2003	29 December 2003 to 31 December 2006	1.51
Others				
In aggregate	8,280,000	24 December 2003	29 December 2003 to 31 December 2006	1.51
	17,280,000			

SHARE OPTION SCHEME *(Continued)*

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

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

At the balance sheet date, the Company had 17,280,000 share options outstanding under the Share Option Scheme, which represented approximately 5.7% of the Company's shares in issue as at that date. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 17,280,000 additional ordinary shares of the Company and additional share capital of HK$1,728,000 and share premium of HK$24,365,000 (before issue expenses).

No expense relating to the share option scheme has been recognised in the condensed consolidated income statement for the period under the transitional provisions of HKFRS 2 Share-based Payment.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 30 June 2005, the following interests of 5% or more of the issued share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name	*Notes*	**Capacity and nature of interest**	**Number of ordinary shares held**	**Percentage of the Company's issued share capital**	**Number of share options held**
CM Investment Company Limited		Directly beneficially owned	171,543,775	56.76%	–
A & S Company Limited	*(a)*	Through a controlled corporation	171,543,775	56.76%	–
Value Partners Limited		Investment manager	18,844,000	6.24%	–
Cheah Cheng Hye	*(b)*	Through a controlled corporation	18,844,000	6.24%	–
Hung Tze Nga, Cathy	*(c)*	Through spouse	171,544,038	56.77%	3,000,000
Hung Tze Nga, Cathy		Directly beneficially owned	1,000,000	0.33%	–
			172,544,038		3,000,000

Notes:

(a) The interest disclosed includes the shares owned by CM Investment Company Limited. CM Investment Company Limited is held directly as to 67.46% by A & S Company Limited. Accordingly, A & S Company Limited is deemed to be interested in shares owned by CM Investment Company Limited.

(b) The interest disclosed includes the shares owned by Value Partners Limited. Value Partners Limited is held directly as to 31.82% by Cheah Cheng Hye who reported the interest in shares owned by Value Partners Limited as deemed interest.

(c) Hung Tze Nga, Cathy is the spouse of CHU Chun Man, Augustine. Accordingly, Hung Tze Nga, Cathy is deemed to be interested in shares and share options owned by CHU Chun Man, Augustine.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES *(Continued)*

Save as disclosed above, as at 30 June 2005 no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

AUDIT COMMITTEE

The audit committee of the Company was established in compliance with Rule 3.21 of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls.

The audit committee comprises three independent non-executive directors of the Company, namely Mr. Choy Tak Ho, Ms. Chiu Lai Kuen, Susanna and Mr. Tse Ying Man. The audit committee has reviewed the Company's unaudited condensed consolidated interim financial statements for the six months ended 30 June 2005.

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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as the Company's code of conduct for dealings in securities of the Company by the directors. Upon specific enquiry, all directors of the Company have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2005.

REMUNERATION COMMITTEE

The Company establishes a remuneration committee with written terms of reference on 23 September 2005 pursuant to the provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules. The committee comprises three independent non-executive directors, namely Mr. Tse Ying Man, Mr. Choy Tak Ho and Ms. Chiu Lai Kuen, Susanna and two executive directors, namely Mr. Chu Chun Man, Augustine and Mr. Chu Yuk Man, Simon. Mr. Tse Ying Man is the chairman of the remuneration committee. The remuneration committee is principally responsible for formulating and making recommendation to the Board on the Group's policy and structure for all remuneration of the directors of the Company and senior management of the Group.

CORPORATE GOVERNANCE

The Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2005 except the following deviations:

1. Mr. Chu Chun Man, Augustine, who acts as the chairman of the Company, is also responsible for overseeing the general operations of the Group. The Company does not at present have any office with the title "Chief Executive Officer". The Company will consider to appoint a "Chief Executive Officer" on or before the next annual general meeting.

2. The Independent Non-Executive Directors ("INEDs") have not been appointed for any specific terms as they are subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Company's Bye Laws. It is the intention of the Board to establish specific terms of appointment on or before the next annual general meeting.

3. Subsequent to the balance sheet date, a remuneration committee with written terms of reference is established on 23 September 2005.

4. The Board is in the process of defining the schedule of matters specially reserved to the Board for its decision. It is expected that such process will be completed by the end of December, 2005.

COMPLIANCE WITH THE CHAPTER 13 OF THE LISTING RULES

As at 30 June 2005, the Company had loan facilities, which were subject to, inter alias, 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 2005	Final maturity of the loan facilities
HK$16 million	February 2007

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 commitments, hard work and loyalty throughout the period.

By order of the Board
Chu Chun Man, Augustine
Chairman

Hong Kong, 23 September 2005

As at the date hereof, the board of directors of the Company comprises 7 directors, of which 4 are Executive Directors, namely Messrs. CHU Chun Man, Augustine, Messrs. MATSUURA Takanori, 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.