



*Interim*  
**Report**

**Sino Golf Holdings Limited**

**順龍控股有限公司**

(Incorporated in Bermuda with limited liability)

**INTERIM RESULTS**

The Board of Directors (the "Board") of Sino Golf Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 September 2001, together with the comparative figures for the corresponding period in 2000 as set out below:

**CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT**

		<b>For the six months ended 30 September</b>	
		<b>2001 (unaudited)</b>	Pro forma 2000 (unaudited, restated)
	<i>Notes</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
<b>TURNOVER</b>	3	<b>86,320</b>	144,657
Cost of sales		<b>(64,142)</b>	(99,568)
Gross profit		<b>22,178</b>	45,089
Other revenue		<b>2,810</b>	1,744
Selling and distribution costs		<b>(4,475)</b>	(5,414)
Administrative expenses		<b>(8,186)</b>	(7,512)
Other operating expenses		<b>(2,126)</b>	(2,835)
<b>PROFIT FROM OPERATING ACTIVITIES</b>		<b>10,201</b>	31,072
Finance costs		<b>(3,789)</b>	(5,786)
<b>PROFIT BEFORE TAX</b>	4	<b>6,412</b>	25,286
Tax	5	<b>(513)</b>	(2,000)
<b>PROFIT BEFORE MINORITY INTERESTS</b>		<b>5,899</b>	23,286
Minority interests		-	(11)
<b>NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS</b>		<b>5,899</b>	23,275
Dividends	6	-	26,500
<b>EARNINGS PER SHARE</b>			
- Basic (HK cents)	7	<b>1.96</b>	10.34

**CONDENSED CONSOLIDATED BALANCE SHEET**

		<b>30 September 2001 (unaudited)</b>	31 March 2001 (audited, restated)
	<i>Notes</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Fixed assets		<b>92,955</b>	85,729
Intangible assets		<b>3,822</b>	3,547
		<b>96,777</b>	89,276
<b>CURRENT ASSETS</b>			
Pledged time deposits		–	5,800
Inventories		<b>39,851</b>	33,708
Trade and bills receivable	8	<b>24,710</b>	58,169
Deposits, prepayments and other receivables		<b>36,839</b>	13,080
Cash and cash equivalents		<b>53,649</b>	63,973
		<b>155,049</b>	174,730
<b>CURRENT LIABILITIES</b>			
Trade and bills payable	9	<b>14,823</b>	22,896
Tax payable		<b>2,666</b>	3,047
Other payables and accruals		<b>7,598</b>	9,386
Bank loans and overdrafts, secured		<b>61,036</b>	52,131
Finance lease and hire purchase contract payables		<b>863</b>	1,953
		<b>86,986</b>	89,413
<b>NET CURRENT ASSETS</b>		<b>68,063</b>	85,317
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>164,840</b>	174,593
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax		<b>1,695</b>	1,695
<b>MINORITY INTEREST</b>		<b>4,001</b>	–
		<b>159,144</b>	172,898
<b>CAPITAL AND RESERVES</b>			
Issued capital	10	<b>30,220</b>	30,000
Reserves	11	<b>128,924</b>	121,898
Proposed final dividend		–	21,000
		<b>159,144</b>	172,898

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

	<b>For the six months ended</b>	
	<b>30 September</b>	
	<b>2001</b>	Pro forma
	<b>(unaudited)</b>	2000
	<b>HK\$'000</b>	(unaudited)
		<b>HK\$'000</b>
Net cash inflow from operating activities	<b>11,974</b>	36,501
Net cash outflow from returns on investments and servicing of finance	<b>(23,645)</b>	(4,441)
Tax paid	<b>(894)</b>	(640)
Net cash outflow from investing activities	<b>(6,938)</b>	(37,887)
Net cash outflow before financing activities	<b>(19,503)</b>	(6,467)
Net cash inflow from financing activities	<b>3,930</b>	3,892
Decrease in cash and cash equivalents	<b>(15,573)</b>	(2,575)
Cash and cash equivalents at beginning of period	<b>63,955</b>	3,694
Effect of foreign exchange rate changes, net	<b>-</b>	(34)
<b>Cash and cash equivalents at end of period</b>	<b><u>48,382</u></b>	<u>1,085</u>
<b>Analysis of balances of cash and cash equivalents</b>		
Cash and bank balances	<b>33,149</b>	4,193
Time deposits	<b>20,500</b>	-
Bank overdrafts	<b>(5,267)</b>	(3,108)
	<b><u>48,382</u></b>	<u>1,085</u>

**CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES**

		<b>For the six months ended 30 September</b>	
		<b>2001</b>	Pro forma
		<b>(unaudited)</b>	2000
	<i>Notes</i>	<b>HK\$'000</b>	(unaudited) HK\$'000
Exchange differences on translation of financial statements of subsidiaries denominated in foreign currencies	11	<b>(17)</b>	198
Net profit from ordinary activities attributable to shareholders		<b>5,899</b>	23,275
Total recognised gains and losses		<b>5,882</b>	23,473
<i>Note on prior year adjustment</i>			
Given effect as to restatement of reserves brought forward at 1 April 2001	2	<b>(236)</b>	

## **NOTES TO THE CONDENSED FINANCIAL STATEMENTS**

### **1. Basis of Presentation and Accounting Policies**

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

The unaudited condensed interim financial statements are prepared in accordance with Hong Kong Statement of Standard Accounting Practice 25 "Interim Financial Reporting" ("SSAP 25") issued by the Hong Kong Society of Accountants and with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange. Except as described in note 2 below, the accounting policies adopted in the preparation of these unaudited condensed interim financial statements are consistent with those used in the Group's audited financial statements for the year ended 31 March 2001.

The consolidated results of the Group for the six months ended 30 September 2000 have been prepared on the basis of merger accounting which include the results of the Company and its subsidiaries resulting from the reorganisation (in preparation for the listing of the Company's shares on the Stock Exchange as specified in the Company's 2001 annual report) with effect from 1 April 2000 or since their respective dates of incorporation/acquisition, where this is a shorter period.

### **2. Impact of New and Revised Statements of Standard Accounting Practice ("SSAPs")**

The following is a summary of new and revised SSAPs which have been adopted in the preparation of the current period's financial statements.

SSAP 9 (revised) :	Events After the Balance Sheet Date
SSAP 14 (revised):	Leases
SSAP 28	Provisions, Contingent Liabilities and Contingent Assets
SSAP 29	Intangible Assets
SSAP 30	Business Combinations
SSAP 31	Impairment of Assets
SSAP 32	Consolidated Financial Statements and Accounting for Investments in Subsidiaries

The Group has complied with SSAP 14 (revised) for the first time in this interim reporting period. As a result, total future minimum operating lease commitments are disclosed instead of annual operating lease commitments under non-cancellable operating leases which was applied for the comparative year ended 31 March 2001.

In accordance with SSAP 30, goodwill arising on acquisition on or after 1 April 2001 is capitalised in the balance sheet and is amortised to the profit and loss account over its estimated useful life not exceeding eight years since the date of acquisition.

Comparative amounts in respect to the condensed consolidated balance sheet for the year ended 31 March 2001 are extracted from the Group's annual financial statements for that year and adjusted for the treatment of goodwill and proposed dividends as further explained below.

*Prior period adjustments*

With the exception of SSAP 9 (revised) and SSAP 30, the adoption of the above standards has had no material effect on amounts reported in prior year.

In accordance with SSAP 9 (revised), the Group no longer recognises dividends proposed or declared after the balance sheet date as a liability in the balance sheet. The change in accounting policy has been applied retrospectively so that the proposed final dividend amounting to HK\$21,000,000 previously recorded as a current liability as at 31 March 2001 has been restated and shown under capital and reserves in the balance sheet.

In accordance with the transitional provision of SSAP 30, an adjustment has been made concerning the capitalisation of goodwill in the balance sheet and amortised to the profit and loss account over its estimated useful life. The adjustment, which represents a change in accounting policy, has been applied retrospectively in accordance with SSAP 2 "Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies". As a result, goodwill in the amount of HK\$3,547,000 has been restated in the balance sheet as at 31 March 2001 and the retained profit brought forward from 31 March 2001 has been decreased correspondently.

### 3. Turnover

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

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

	<b>For the six months ended 30 September</b>	
	<b>2001</b>	Pro forma 2000
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$'000</b>	HK\$'000
North America	<b>66,119</b>	95,003
Europe	<b>9,361</b>	29,204
Japan	<b>4,921</b>	3,112
Asia (excluding Japan)	<b>2,805</b>	11,022
Others	<b>3,114</b>	6,316
	<b>86,320</b>	144,657

**4. Profit Before Tax**

The Group's profit before tax is arrived at after charging/(crediting):

	<b>For the six months ended 30 September</b>	
	<b>2001</b>	Pro forma 2000
	<b>(unaudited)</b>	(unaudited, restated)
	<b>HK\$'000</b>	HK\$'000
Depreciation:		
Owned fixed assets	<b>4,304</b>	3,531
Leased fixed assets	<b>521</b>	555
	<b>4,825</b>	4,086
Amortisation of goodwill	<b>268</b>	-
Loss on disposal of fixed assets	<b>188</b>	-
Interest on bank loans, overdrafts and other loans wholly repayable within five years	<b>3,017</b>	4,743
Interest on finance leases and hire purchase contracts	<b>102</b>	141
Bank charges	<b>670</b>	902
Total finance costs	<b>3,789</b>	5,786
Interest income	<b>(547)</b>	(443)

**5. Tax**

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profits arising in Hong Kong during the 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>For the six months ended 30 September</b>	
	<b>2001</b>	Pro forma 2000
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$'000</b>	HK\$'000
Provision for the period:		
Hong Kong	<b>513</b>	1,800
Deferred tax	<b>-</b>	200
Tax charge for the period	<b>513</b>	2,000

## 6. Dividends

The Board does not recommend the payment of any interim dividend for the Company in respect of the six months ended 30 September 2001.

The amount in the comparative period represents the dividend declared by Sino Golf Manufacturing Company Limited, a wholly-owned subsidiary of the Company prior to the listing of the Company's shares on the Stock Exchange.

## 7. Earnings Per Share

The calculation of earnings per share is based on the net profit from ordinary activities attributable to shareholders for the period of HK\$5,899,000 and on the weighted average of 300,914,000 ordinary shares in issue during the period ended 30 September 2001.

The calculation of earnings per share in the comparative period is based on the pro forma net profit from ordinary activities attributable to shareholders for the period of HK\$23,275,000 and on the weighted average of 225,000,000 shares in issue during the period ended 30 September 2000, as if the capitalisation issue of 223,000,000 shares made to the existing shareholders of the Company upon the completion of the public offer and the placing of 75,000,000 shares in the Company had been issued from the respective dates the related existing shares were issued.

No diluted earnings per share are presented because the Company had no potentially dilutive shares.

## 8. Trade and Bills Receivable

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

	<b>30 September 2001</b> <b>(unaudited)</b>		31 March 2001 (audited)	
	<b>HK\$'000</b>	<b>Percentage</b>	HK\$'000	Percentage
Within three months	<b>12,268</b>	<b>50%</b>	46,964	81%
Within four to six months	<b>3,628</b>	<b>15%</b>	4,811	8%
Within seven months to one year	<b>7,522</b>	<b>30%</b>	4,975	9%
Over one year	<b>1,292</b>	<b>5%</b>	1,419	2%
	<b><u>24,710</u></b>	<b><u>100%</u></b>	<u>58,169</u>	<u>100%</u>

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

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

**9. Trade and Bills Payable**

Included in the Group's trade and bills payable is an amount of HK\$58,000 (31 March 2001: HK\$279,000) due to Nikko Bussan Co., Ltd. ("Nikko Bussan (Japan)") arising from transactions carried out in the ordinary course of business of the Group. The balance is unsecured and interest-free.

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

	<b>30 September 2001</b>		31 March 2001	
	<b>(unaudited)</b>		(audited)	
	<b>HK\$'000</b>	<b>Percentage</b>	<b>HK\$'000</b>	<b>Percentage</b>
Within three months	<b>9,970</b>	<b>67%</b>	18,880	82%
Within four to six months	<b>2,526</b>	<b>17%</b>	2,177	10%
Within seven months to one year	<b>1,989</b>	<b>14%</b>	1,453	6%
Over one year	<b>338</b>	<b>2%</b>	386	2%
	<b><u>14,823</u></b>	<b><u>100%</u></b>	<b><u>22,896</u></b>	<b><u>100%</u></b>

The above analysis ages trade and bills payable based on the date of receipt of the goods purchased.

**10. Share Capital**

	<b>30 September 2001</b>	31 March 2001
	<b>(unaudited)</b>	(audited)
	<b>HK\$'000</b>	<b>HK\$'000</b>
Authorised:		
1,000,000,000 ordinary shares of HK\$0.1 each ("Ordinary Shares")	<b><u>100,000</u></b>	<u>100,000</u>
Issued and fully paid:		
302,200,000 (31 March 2001: 300,000,000) Ordinary Shares	<b><u>30,220</u></b>	<u>30,000</u>

During the period, 2,200,000 Ordinary Shares were issued to certain executive directors and full-time employees of the Company upon the exercise of 2,200,000 share options granted during the period pursuant to the share option scheme adopted by the Company on 5 December 2000 at a subscription price of HK\$0.62 per share, give a total cash proceeds of HK\$1,364,000.

Save as aforementioned, there were no changes in the share capital of the Company for the six months ended 30 September 2001.

**11. Reserves**

	Share premium	Contributed surplus	Fixed asset revaluation reserve	Other reserve	Exchange fluctuation reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2001	56,126	10,564	27,319	36	1,225	26,628	121,898
Premium on issue of shares arising from exercising of share options	1,144	-	-	-	-	-	1,144
Exchange realignments	-	-	-	-	(17)	-	(17)
Profit for the period	-	-	-	-	-	5,899	5,899
At 30 September 2001	<b>57,270</b>	<b>10,564</b>	<b>27,319</b>	<b>36</b>	<b>1,208</b>	<b>32,527</b>	<b>128,924</b>

**12. Contingent Liabilities**

As at 30 September 2001, the Group had no material bills discounted with recourse (31 March 2001: HK\$6,163,000).

**13. Commitments**

(a) *Capital commitments*

	30 September 2001 (unaudited) HK\$'000	31 March 2001 (audited) HK\$'000
Capital commitments in respect of land and buildings:		
Contracted, but not provided for	1,496	1,699
Capital commitments in respect of plant and machinery:		
Contracted, but not provided for	1,216	69
	<b>2,712</b>	<b>1,768</b>

**(b) Commitments under operating leases**

	<b>30 September 2001 (unaudited) HK\$'000</b>	31 March 2001 (audited) HK\$'000
Land and buildings expiring:		
Within one year	<b>503</b>	683
In the second to fifth years, inclusive	<b>795</b>	105
After five years	<b>2,321</b>	186
	<b>3,619</b>	974

**14. 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>For the six months ended 30 September 2001 (unaudited) HK\$'000</b>	Pro forma 2001 (unaudited) HK\$'000
	<i>Notes</i>		
Purchases of raw materials from Nikko Bussan (Japan)	<i>(a)</i>	<b>219</b>	14,567
Purchase of club heads from Nikko Bussan (Japan)	<i>(a),(g)</i>	<b>2,601</b>	-
Sales of finished goods to Nikko Bussan	<i>(b)</i>	<b>10,606</b>	21,668
Purchase of golf club memberships from 廣州荔湖高爾夫球有限公司 ("SG Club")	<i>(c)</i>	<b>130</b>	-
Rental expenses paid to Progolf Manufacturing Company Limited ("Progolf") and Oriental Leader Limited	<i>(d)</i>	<b>720</b>	660
Purchases of raw materials from Nikko Bussan Taiwan Co. Ltd. ("Nikko Bussan (Taiwan)")	<i>(a),(f)</i>	-	231
Purchases of finished goods from Xiamen Dongan Precision Casting Co., Ltd. ("Dongan")	<i>(e),(f)</i>	-	13,053

**Notes:**

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

- (b) The selling prices of finished goods were based on the agreement between the parties.
- (c) Chu Chun Man, Augustine, Takanori Matsuura and Chu Yuk Man, Simon, directors of the Company, have beneficial interests in SG Club. The purchase price of golf club memberships was based on the rates SG Club offered to third party customers.
- (d) Chu Chun Man, Augustine, a director of the Company, has a beneficial interest in Progolf, and Chu Yuk Man, Simon, a director of the Company, had 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) Prior to 20 July 2000, Chu Chun Man, Augustine and Takanori Matsuura had beneficial interests in Dongan. The purchase prices of finished goods were determined at 60% to 70% of the selling prices of relevant product category in accordance with the agreements signed by both parties. Dongan ceased to be a related party of the Group since 20 July 2000.
- (f) Transactions discontinued prior to the listing of the Company's Ordinary Shares on the Stock Exchange on 20 December 2000.
- (g) It is a one-off transaction in purchase of finished products from Nikko Bussan (Japan) and it is not expected to be continued or repeated in the present financial year.

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.

## **15. Subsequent Events**

On 1 October 2001, Sino Golf Manufacturing Company Limited, a wholly-owned subsidiary of the Company, entered into an agreement for the acquisition of 51% equity interest in CTB Golf (HK) Limited from an independent third party for a total consideration of approximately HK\$10,200,000.

On 25 October 2001, the Group set up two companies, Sino US Holding Company LLC ("Sino US") and Sino CTB Company LLC ("Sino CTB") in the United States. The principal activities of Sino US and Sino CTB are golf clubs repairing and golf bags assembly, respectively. The Group owns 100% and 51% equity interest of Sino US and Sino CTB, respectively.

## **16. Approval of the Interim Financial Statements**

The interim financial statements were approved by the board of directors on 27 December 2001.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Business Review**

Affected by the global sluggish economy, the Group's turnover and net profit from ordinary activities attributable to shareholders declined to HK\$86,320,000.00 and HK\$5,899,000.00 respectively for the six months ended 30 September 2001 (30 September, 2000: HK\$144,657,000 and HK\$23,275,000, respectively). Despite a number of United States interest rate cuts since early this year, the Group's product sales still resulted in a slowdown as golf club equipment companies continue to reduce their inventories from last year and adopted a cautious and reserved manner when placing orders because of economic uncertainty.

The September 11 Tragedy further dampened the United States economy. The impact on the Group's OEM golf club equipment orders has however been relatively moderate. The Group's 2001 4th quarter and 2002 1st quarter business will on the contrary benefit from the speeding up in pace of outsourcing of club equipment production from increasing number of companies to reduce costs to turn themselves more competitive. The Group projects substantial growth and improvement of its business performance from the first half for the second half of current financial year.

### **Business Outlook**

In order to further enhance production efficiency, product quality and to provide better customer services, from the beginning of this year, our Group has been aggressively upgrading our production facilities for our factories in Mainland China. More resources have been put to improve the research and development and product engineering areas and we have brought in a number of advanced equipment and devices to more precisely and thoroughly control and enhance our product quality and performance. Our Group is one of the very few OEM manufacturers in Mainland China equipped with these engineering and testing facilities. Our customers highly value these capabilities which will help our business extensively as it develops. In addition, to reduce our production costs and further vertically integrate ourselves to provide a one-stop turnkey service to our customers, the Group has established various joint ventures in the period in Shunde, the PRC and the United States of which we own 62.5% and 51% respectively of these joint ventures engaging in forged golf heads and golf bags production. We expect to commence operation with full production in January 2002 and we are confident that these operations will bring significant profit growth contribution to the Group down the road.

To ensure continuous growth in our turnover and profit for the future, apart from continuing to develop OEM golf club equipment production business, we will further expand our 'one-stop shop' golf equipment supply business. We will also aggressively explore new venture opportunities to continuously enhance our Group's efficiency and profitability. As golf sport is becoming more popular, there is a high growing demand for golf equipment and related products. There is huge growing potential in the marketplace as long as we continue to provide customer oriented high quality golf equipment products and services. The Board firmly believes the slowdown in our Group's profit for the first half year is only temporary and maintains an optimistic view for the Group's operation and operating profit for the future.

### **Liquidity and Financial Resources**

Net asset value of the Group as at 30 September 2001 amounted to HK\$159 million (31 March 2001: 173 million), net asset value per share was HK\$0.53 (31 March 2001: HK\$0.58).

The Group mainly financed its operations by cash generated from its business activities and ongoing banking facilities provided by its bankers. Cash and bank balances for the Group as at 30 September 2001 amounted to HK\$53.6 million (31 March 2001: HK\$64 million). Among these balances, approximately HK\$12 million of cash inflow was generated from its operating activities during the period. The current ratio and quick ratio were 1.78:1 (31 March 2001: 1.95:1) and 1.32:1 (31 March 2001: 1.58:1), respectively, and it reflects a relatively healthy liquidity level.

The Group's total bank borrowings as at 30 September 2001 amounted to HK\$61 million (31 March 2001: HK\$52 million) which were secured by the Group's land and buildings and the plant and machinery of approximately HK\$23 million.

The Group's gearing ratio as at 30 September 2001 was 0.35 (31 March 2001: 0.35), calculated based on the Group's total debts of HK\$88,681,000 (31 March 2001: HK\$91,108,000) over total assets of HK\$251,826,000 (31 March 2001: HK\$264,006,000).

### **Currency Structure**

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

**Contingent Liabilities**

As at 30 September 2001, no bills discounted with recourse was recorded (31 March 2001: HK\$6.2 million).

**Use of Proceeds**

The net proceeds raised from the public listing on 20 December 2000 were approximately HK\$85 million. The proceeds had been applied to achieve the business objectives as set out in the Prospectus dated 11 December 2000 and detailed below:

- as to approximately HK\$16 million for expansion of production lines; and
- as to approximately HK\$10.3 million for increasing plant and machinery.

The remaining proceeds have been placed with banks in Hong Kong and plan to use as follows:

- as to approximately HK\$10.2 million for acquiring golf bag business during the year ending 31 March 2002;
- as to approximately HK\$4 million for increasing planting and machinery during the year ending 31 March 2002;
- as approximately HK\$25 million for development of the business-to-business which will be carried out upon the stability of global economy; and
- the balance of approximately HK\$19.5 million will be used as additional working capital.

**Employee and Remuneration Policy**

The total number of employees as of 30 September 2001 remained at the same level as that of the last financial year. Employees are remunerated according to the nature of their job and market trend, with built-in merit components incorporated in the annual increment to reward and motivate individual performance. In the PRC, the Group provides staff welfare and bonuses to its employees in accordance with the prevailing labour law. In Hong Kong, staff benefits include medical schemes, mandatory provident fund schemes and employee share option scheme.

**DIRECTORS' INTERESTS IN SHARES**

As at 30 September 2001, the interests of the directors and their associates in the shares capital of the Company and its associated corporations as recorded in the register maintained by the Company pursuant to section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

**(i) The Company**

	<b>Number of shares held</b>	
	<b>Personal</b>	<b>Corporate</b>
	<b>Interest</b>	<b>Interest</b>
Executive directors:		
CHU Chun Man, Augustine	6,734,263	200,249,775#
Takanori MATSUURA	10,331,400	200,249,775#
CHU Yuk Man, Simon	2,508,237	-
CHANG Hua Jung	610,793	-
Non-executive director:		
Carl Thomas McMANIS	363,022	-

- # The shares of the Company are held by CM Investment Company Limited, a company incorporated in the British Virgin Islands, of which approximately 51.17% and approximately 48.83% of its issued share capital are owned by A & S Company Limited and Takanori Matsuura, respectively. A & S Company Limited is a company incorporated in the British Virgin Islands and owned as to approximately 64% 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.

**(ii) Associated corporation**

3,456,027 non-voting deferred shares in Sino Golf Manufacturing 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, none of the directors and their associates had any personal, family, corporate or other interests in the equity or debt securities of the Company and its associated corporations as defined in the SDI Ordinance.

## **SUBSTANTIAL SHAREHOLDERS**

As at 30 September 2001, the following interests of 10% or more of the issued share capital of the Company were recorded in the register of substantial shareholders maintained by the Company pursuant to section 16(1) of the SDI Ordinance:

<b>Name of shareholder</b>	<b>Number of shares</b>	<b>%</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.

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

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

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

## **AUDIT COMMITTEE**

The Company had appointed two non-executive directors as members of the Audit Committee. It was established in December 2000 to assist the Directors in fulfilling their duties in providing review and supervision of the Company's financial reporting process and internal controls. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed with management the internal control and financial reporting matters including the review of the unaudited condensed interim financial statements for the six months ended 30 September 2001.

## **CODE OF BEST PRACTICE**

None of the Directors 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 September 2001 in compliance with the 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 year.

By order of the Board

**Chu Chun Man, Augustine**

*Chairman*

Hong Kong, 27 December 2001