



Sino Golf Holdings Limited
順龍控股有限公司

(Incorporated in Bermuda with limited liability)



*Interim
Report*

2002

INTERIM RESULTS

The Board of Directors (the "Board") of Sino Golf Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 September 2002, together with the comparative figures for the corresponding period in 2001 as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		Six months ended	
		30 September	
		2002	2001
		(unaudited)	(restated, unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
TURNOVER	4	146,754	86,320
Cost of sales		(98,223)	(58,282)
Gross profit		48,531	28,038
Other revenue		2,443	3,256
Selling and distribution costs		(6,117)	(4,475)
Administrative expenses		(20,540)	(13,590)
Other operating expenses		(4,024)	(3,028)
PROFIT FROM OPERATING ACTIVITIES	5	20,293	10,201
Finance costs	6	(3,492)	(3,789)
PROFIT BEFORE TAX		16,801	6,412
Tax	7	(1,096)	(513)
PROFIT BEFORE MINORITY INTERESTS		15,705	5,899
Minority interests		(2,058)	-
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		13,647	5,899
Interim dividend	8	13,599	-
EARNINGS PER SHARE			
- Basic (HK cents)	9	4.52	1.96

CONDENSED CONSOLIDATED BALANCE SHEET

		30 September 2002 (unaudited) HK\$'000	31 March 2002 (audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Fixed assets		102,442	103,942
Goodwill		7,131	7,672
		109,573	111,614
CURRENT ASSETS			
Inventories		82,991	62,769
Trade and bills receivable	10	24,555	40,390
Deposits, prepayments and other receivables		39,860	37,554
Tax recoverable		237	1,334
Cash and cash equivalents		45,224	84,590
		192,867	226,637
CURRENT LIABILITIES			
Trade and bills payable	11	20,019	36,320
Other payables and accruals		23,155	21,374
Bank borrowings, secured		67,533	68,901
Finance lease payables		1,217	1,223
		111,924	127,818
NET CURRENT ASSETS		80,943	98,819
TOTAL ASSETS LESS CURRENT LIABILITIES		190,516	210,433
NON-CURRENT LIABILITIES			
Bank borrowings, secured		7,000	14,500
Finance lease payables		169	788
Deferred tax		1,695	1,695
		8,864	16,983
MINORITY INTERESTS		14,394	10,235
		167,258	183,215
CAPITAL AND RESERVES			
Issued capital	12	30,220	30,220
Reserves	13	123,439	122,775
Proposed dividend		13,599	30,220
		167,258	183,215

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Six month ended	
	30 September	
	2002	2001
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Total shareholders' equity at 1 April	183,215	172,687
Net gains/(losses) not recognised in the profit and loss account – exchange differences on translation of the financial statements of subsidiaries denominated in foreign currencies	616	(17)
Issue of shares	–	220
Premium on issue of shares	–	1,144
Profit for the period	13,647	5,899
Dividend paid	(30,220)	(21,000)
Total shareholders' equity at 30 September	<u>167,258</u>	<u>158,933</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended	
	30 September	
	2002	2001
	(unaudited)	(restated, unaudited)
	HK\$'000	HK\$'000
Net cash inflow from operating activities	3,518	11,627
Net cash outflow from investing activities	(4,887)	(6,938)
Net cash inflow/(outflow) before financing activities	(1,369)	4,689
Net cash outflow from financing activities	(36,999)	(20,262)
Decrease in cash and cash equivalents	(38,368)	(15,573)
Cash and cash equivalents at beginning of period	78,997	63,955
Effect of foreign exchange rate changes, net	108	-
Cash and cash equivalents at end of period	<u>40,737</u>	<u>48,382</u>
Analysis of balances of cash and cash equivalents		
Cash and bank balances	45,224	33,149
Time deposits	-	20,500
Bank overdrafts	(4,487)	(5,267)
	<u>40,737</u>	<u>48,382</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. Basis of Preparation and Accounting Policies

The unaudited condensed consolidated interim financial statements are prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants and with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). Except as described in note 2 below, the accounting policies adopted in the preparation of these unaudited condensed interim financial statements are consistent with those used in the preparation of the Group’s audited financial statements for the year ended 31 March 2002.

2. Impact of New and Revised SSAPs

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

SSAP 1 (Revised)	:	“Presentation of Financial Statements”
SSAP 11 (Revised)	:	“Foreign Currency Translation”
SSAP 15 (Revised)	:	“Cash Flow Statements”
SSAP 25 (Revised)	:	“Interim Financial Reporting”
SSAP 34	:	“Employee Benefits”

A summary of their major effects is as follows:

SSAP 1 (revised) prescribes the basis for the presentation of financial statements and sets out guidelines for their structure and minimum requirements for the content thereof. The main revision to this SSAP is to change the requirements from presenting a statement of recognised gains and losses to a statement of changes in equity. The condensed consolidated statement of changes in equity for the current interim period and the comparative figures have been presented in accordance with this revised SSAP.

SSAP 11 (revised) prescribes the basis for the translation of foreign currency transactions and financial statements. The principal impact of this revised SSAP on the condensed consolidated interim financial statements is that the profit and loss account of subsidiaries operating in Mainland China and overseas are translated at an average rate for the period on consolidation, rather than translated at the applicable rates of exchange ruling at the balance sheet date as was previously required. This SSAP is required to be applied retrospectively. The Group has adopted the transitional provision of this SSAP that where the calculation of prior year adjustment is impractical, these changes in policy are applied only to current and future financial statements and the effect on the results of the current period is not significant.

SSAP 15 (revised) prescribes the provision of information about the historical changes in cash and cash equivalents by means of a cash flow statement which classifies cash flows during the period into operating, investing and financing activities. The condensed consolidated cash flow statement for the current interim period and the comparative figures have been presented in accordance with this revised SSAP.

SSAP 25 (revised) prescribes the presentation and disclosures following changes in SSAP 1 (revised) and SSAP 15 (revised). The condensed consolidated financial statements for the current interim period and the comparative figures have been presented in accordance with these revised SSAPs.

SSAP 34 prescribes the accounting treatment and disclosures for employee benefits. This SSAP has had no major impact on the condensed consolidated interim financial statements.

3. Segment Information

The following tables present revenue and results by business and geographical segments for the six months ended 30 September 2002.

(a) Business segments

	Golf equipment		Golf bag		Eliminations		Consolidated	
	Six months ended		Six months ended		Six months ended		Six months ended	
	2002	2001	2002	2001	2002	2001	2002	2001
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Sales to external customers	118,386	86,320	28,368	-	-	-	146,754	86,320
Intersegment sales	-	-	9,378	-	(9,378)	-	-	-
Other revenue	2,047	2,709	143	-	-	-	2,190	2,709
Total	<u>120,433</u>	<u>89,029</u>	<u>37,889</u>	<u>-</u>	<u>(9,378)</u>	<u>-</u>	<u>148,944</u>	<u>89,029</u>
Segment results	<u>18,727</u>	<u>9,654</u>	<u>1,313</u>	<u>-</u>			<u>20,040</u>	<u>9,654</u>
Interest income							<u>253</u>	<u>547</u>
Profit from operating activities							<u>20,293</u>	<u>10,201</u>
Finance costs							<u>(3,492)</u>	<u>(3,789)</u>
Profit before tax							<u>16,801</u>	<u>6,412</u>
Tax							<u>(1,096)</u>	<u>(513)</u>
Profit before minority interests							<u>15,705</u>	<u>5,899</u>
Minority interests							<u>(2,058)</u>	<u>-</u>
Net profit from ordinary activities attributable to shareholders							<u>13,647</u>	<u>5,899</u>

(b) Geographical segments

	Six months ended	
	30 September	
	2002	2001
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Segment Revenue: sales to external customers base on shipment destination		
North America	103,794	66,119
Europe	19,114	9,361
Asia (excluding Japan)	6,766	2,805
Japan	9,674	4,921
Others	7,406	3,114
	146,754	86,320

The segment results by geographical segment is substantially in line with the overall rate of contribution to turnover and accordingly, a geographical analysis of segment results is not presented.

4. Turnover

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

5. Profit From Operating Activities

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

	Six months ended	
	30 September	
	2002	2001
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Depreciation	7,049	4,825
Amortisation of goodwill	541	268
(Gain)/Loss on disposal of fixed assets	(4)	188
Loss on partial disposal of a subsidiary	148	-
Interest income	(253)	(547)

6. Finance Costs

	Six months ended 30 September	
	2002	2001
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Interest on bank loans and overdrafts	2,615	3,017
Interest on finance leases	45	102
	<hr/>	<hr/>
Total interest expenses	2,660	3,119
Bank charges	832	670
	<hr/>	<hr/>
Total finance costs	<u>3,492</u>	<u>3,789</u>

7. Tax

Hong Kong profits tax has been provided at the rate of 16% (2001: 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.

	Six months ended 30 September	
	2002	2001
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Provision for the period: Hong Kong	1,096	513
	<hr/>	<hr/>

8. Interim Dividend

	Six months ended 30 September	
	2002	2001
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Interim dividend of HK4.5 cents (2001: Nil) per ordinary share	13,599	—
	<hr/>	<hr/>

9. Earnings Per Share

The calculation of basic earnings per share is based on the Group's net profit from ordinary activities attributable to shareholders for the period of HK\$13,647,000 (2001: HK\$5,899,000) and on the weighted average of 302,200,000 (2001: 300,914,000) ordinary shares in issue during the periods.

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

10. Trade and Bills Receivable

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

	30 September 2002 (unaudited) HK\$'000	31 March 2002 (audited) HK\$'000
Within 3 months	14,976	29,425
4 to 6 months	2,114	2,433
7 to 12 months	6,399	111
Over 1 year	1,066	8,421
	<u>24,555</u>	<u>40,390</u>

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

11. Trade and Bills Payable

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

	30 September 2002 (unaudited) HK\$'000	31 March 2002 (audited) HK\$'000
Within 3 months	13,494	30,862
4 to 6 months	2,886	3,141
7 to 12 months	2,405	313
Over 1 year	1,234	2,004
	<u>20,019</u>	<u>36,320</u>

Included in the Group's trade and bill payable are trade payables of HK\$100,000 (31 March 2002: HK\$462,000) due to a related party arising from transactions carried out in the ordinary course of business of the Group. The balances are unsecured, interest-free and are repayable within similar credit periods offered by the related party to his major customers.

12. Share Capital

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

13. Reserves

	Share premium (unaudited) HK\$'000	Contributed surplus (unaudited) HK\$'000	Fixed asset revaluation reserve (unaudited) HK\$'000	Other reserves (unaudited) HK\$'000	Exchange fluctuation reserve (unaudited) HK\$'000	Retained profits (unaudited) HK\$'000	Total (unaudited) HK\$'000
At 1 April 2002	57,270	10,564	27,319	50	1,096	26,476	122,775
Exchange realignments	-	-	-	-	616	-	616
Net profit for the period	-	-	-	-	-	13,647	13,647
Proposed interim dividend	-	-	-	-	-	(13,599)	(13,599)
Transfer from retained profits	-	-	-	3	-	(3)	-
At 30 September 2002	<u>57,270</u>	<u>10,564</u>	<u>27,319</u>	<u>53</u>	<u>1,712</u>	<u>26,521</u>	<u>123,439</u>

14. Contingent Liabilities

As at 30 September 2002, the Group had HK\$7,997,000 (31 March 2002: HK\$7,469,000) bills discounted with recourse not provided for in the financial statements.

15. Commitments*(a) Capital commitments*

	30 September 2002 (unaudited) HK\$'000	31 March 2002 (audited) HK\$'000
Contracted, but not provided for:		
Land and buildings	431	943
Plant and machinery	2,585	141
	3,016	1,084

(b) Operating leases commitments

The Group leases certain of its office properties, production plants and staff quarters under operating lease arrangements, with lease negotiated with original terms ranging from 2 to 10 years. At 30 September 2002, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 September 2002 (unaudited) HK\$'000	31 March 2002 (audited) HK\$'000
Land and buildings expiring:		
Within 1 year	2,810	2,705
In the 2nd to 5th years, inclusive	8,076	8,539
After 5 years	10,073	10,985
	20,959	22,229

16. Related Party Transactions

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

		Six months ended 30 September	
		2002	2001
		(unaudited)	(unaudited)
<i>Notes</i>		HK\$'000	HK\$'000
Purchases of raw materials and club heads from Nikko Bussan Co., Ltd. ("Nikko Bussan (Japan)")	<i>(a)</i>	32	2,820
Sales of finished goods to Nikko Bussan	<i>(b)</i>	13,583	10,606
Purchase of golf club memberships from 廣州荔湖高爾夫球有限公司 ("SG Club")	<i>(c)</i>	-	130
Rental expenses paid to Progolf Manufacturing Company Limited ("Progolf") and Oriental Leader Limited	<i>(d)</i>	720	720
Sales of finished goods to Global Sports Technology, Inc ("GST")	<i>(e)</i>	2,543	-
Commission paid to GST	<i>(e), (f)</i>	1,229	-

Notes:

- (a) Takanori Matsuura, a director of the Company, has beneficial interest in Nikko Bussan (Japan). The purchase prices of raw materials and club heads were determined between the Group and the corresponding related company on a cost-plus basis.
- (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 beneficial interest in Progolf, and Chu Yuk Man, Simon, a director of the Company, has 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.
- (e) One of our minority interests of the Company has beneficial interest in Global Sports Technology, Inc. The selling prices of finished goods were determined between the Group and the corresponding related company on a cost-plus basis.
- (f) The commission rates were based on the agreement between the parties.

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

17. Comparative Figures

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

18. Approval of the Interim Financial Statements

The interim financial statements were approved by the Board on 16 December 2002.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Prospect

During the half year ended 30 September 2002, our Group continued to benefit from the on-going outsourcing of golf club equipment manufacturing from the developed countries, mainly the United States and European countries. Total turnover for the period increased substantially to HK\$146,754,000, representing an increase of 70.0% compared to the turnover of HK\$86,320,000 for the corresponding period last year. The significant increase in sales has been attributable to (i) a moderate recovery of the economy from its sluggish state in 2001; and (ii) inclusion of golf-bag sales of HK\$28,368,000 in the current period (2001: Nil) following the acquisition of a subsidiary engaging in golf-bag manufacturing in October 2001.

Profit from operating activities and net profit attributable to shareholders surged to HK\$20,293,000 and HK\$13,647,000 respectively (2001: HK\$10,201,000 and HK\$5,899,000 respectively), representing an increase of 98.9% and 131.3% respectively over those of the corresponding period last year. The substantial increase in profitability has mainly been attributed to the extra contribution derived from the increased sales volume as well as the effective cost control adopted by the Group.

Sales from the new business segment of golf-bags accounted for 19.3% of the turnover for the period (2001: Nil). It also represents 46.9% out of the 70.0% sales growth reported by the Group for the half-year ended 30 September 2002. With the benefit of our business contacts, the golf-bag subsidiary has been able to secure additional orders in addition to its own expansion and growth. A satisfactory synergy effect has been achieved as a result of our Group's participation in golf-bag business.

Geographically, the North America remains the largest business segment through which 70.7% (2001: 76.6%) of the Group's turnover for the period was generated. Europe, Japan, and other Asian countries all show satisfactory growth during the period which accounted for 13.0%, 6.6% and 4.6% respectively of the Group's turnover (2001: 10.8%, 5.7% and 3.2% respectively). The outstanding performance of these three geographical regions has resulted in a mild decrease in the percentage contribution of turnover from the North America by about 5.9%. In fact, the turnover of the North America region has shown a 57.0% growth in monetary term compared to the corresponding period last year.

During the period, the Group successfully strengthened and extended its client base and obtained a number of new customers of great potential. Orders from the existing customer profile also recorded a satisfactory growth. Following a gradual recovery of the economy in early 2002, customers began to modify their conservative strategies and placed greater order quantities with our Group in order to rationalize their inventories to meet the refreshed market demand. With the synergy effect, the golf-bag sales have also demonstrated a steady trend of double-digit growth. Based on the current order book status, the encouraging growth trend is expected to continue and the directors feel fairly optimistic about the business for the last quarter of 2002 and also the year of 2003.

Liquidity and Financial Resources

Traditionally, the Group generally finances its operations through internally generated funds and banking facilities provided by its principal bankers and other financial institutions.

Cash and bank balances as at 30 September 2002 amounted to HK\$45.2 million (31 March 2002: HK\$84.6 million). The decrease in cash and bank balances has been attributed to applying surplus cash to reduce (i) bank borrowings from HK\$83.4 million as at 31 March 2002 to HK\$74.5 million as at 30 September 2002, and (ii) trade and bills payable from HK\$36.3 million as at 31 March 2002 to HK\$20.0 million as at 30 September 2002. This practice helps reduce the finance cost of the Group at times of exceptionally low interest rate for deposits. During the period, the Group has generated a net cash inflow of HK\$3.5 million from its operating activities.

Through adoption of effective treasury policies, the Group successfully maintained a strong and healthy financial position during the period. As at 30 September 2002, the net assets of the Group amounted to approximately HK\$167.3 million (31 March 2002: HK\$183.2 million before taking into account a subsequent dividend payment of HK\$30.2 million). Total borrowings from banks and financial institutions amounted to HK\$75.9 million as at 30 September 2002. The Group's gearing ratio as at 30 September 2002, defined as the total bank borrowings and finance lease payables of HK\$75.9 million divided by the shareholders' equity of HK\$167.3 million, was 45.4% (31 March 2002: 46.6%), a decrease of 1.2%. On the other hand, the Group's current ratio and quick ratio were 1.7 (31 March 2002: 1.8) and 1.0 (31 March 2002: 1.3) respectively. Both ratios indicated that the Group has maintained a satisfactory and healthy liquidity level.

Exposures to Fluctuations in Exchange Rate

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

Use of Proceeds

The net proceeds from the initial public offering of 75,000,000 shares of the Company, which took place in December 2000, amounted to approximately HK\$85.9 million, net of related issue expenses. Out of these proceeds, HK\$18.5 million and HK\$41.6 had been applied in the expansion of the production lines, the acquisition of new business and the acquisition of plant and machinery in years of 2000/2001 and 2001/2002, respectively. The balance of approximately HK\$25.8 million was used as working capital of the Group during the period ended 30 September 2002.

Employee and Remuneration Policies

The number of employees of the Group stood at a similar level as that of the last financial year end. The employees were remunerated based on their performance; expertise and experience with reference also made to the prevailing industry practice and statistics. Their remunerations are reviewed annually and discretionary bonus will be awarded on individual basis having regard to the performance and contributions of the employees.

DIRECTORS' INTERESTS IN SHARES

As at 30 September 2002, 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

	Number of shares held	
	Personal Interest	Corporate Interest
Executive directors:		
CHU Chun Man, Augustine	8,594,263	200,249,775 [#]
Takanori MATSUURA	11,155,400	200,249,775 [#]
CHU Yuk Man, Simon	2,836,237	-
CHANG Hua Jung	606,793	-
Non-executive director:		
Carl Thomas McMANIS	363,022	-

The shares of the Company are held by CM Investment Company Limited, a company incorporated in the British Virgin Islands, of which approximately 51.17% and approximately 48.83% of its issued share capital are owned by A & S Company Limited and Takanori Matsuura, respectively. A & S Company Limited is a company incorporated in the British Virgin Islands and owned as to approximately 64% 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 Company Limited, an indirectly held wholly-owned subsidiary of the Company, are owned as to 1,190,607 shares by Chu Chun Man, Augustine, as to 1,841,323 shares by Takanori Matsuura, as to 414,297 shares by Chu Yuk Man, Simon, as to 3,600 shares by Chang Hua Jung and as to 6,200 shares by Carl Thomas McManis.

Save as disclosed above, none of the directors and their associates had any personal, family, corporate or other interests in the equity or debt securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2002, 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:

Name Name of shareholder	Number of shares	%
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.

AUDIT COMMITTEE

The audit committee was established in December 2000 for the purpose of reviewing with the management the accounting principles and practices adopted by the Group and to discuss internal control and financial reporting matters. The Group's unaudited condensed consolidated interim financial statements for the six months ended 30 September 2002 have been reviewed by the audit committee.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

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

COMPLIANCE WITH THE CODE OF BEST PRACTICE

None of the directors of the Company is aware of information that would reasonably indicate that the Company is not, or was not for any part of the period for the six months ended 30 September 2002 in compliance with Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange.

APPRECIATION

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

By order of the Board
Chu Chun Man, Augustine
Chairman

Hong Kong, 16 December 2002