Honma Golf Limited
本間高爾夫有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 6858)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

MAJOR DEVELOPMENTS IN THE SIX MONTHS ENDED 30 SEPTEMBER 2020:

- As a result of continued negative impacts of the COVID-19 pandemic on both the golf industry and its retail operations, the Company's revenue decreased by 14.1% on a constant currency basis from the six months ended 30 September 2019. See "Management Discussion and Analysis – Financial Review – Revenue."

  - *By geography.* During the six months ended 30 September 2020, some of the Group's main markets, such as China and Korea, recorded robust sales growth versus same period last year, while the rest, in particular Japan and North America continued to battle with the global health crisis. Revenue from China and Korea rose vibrantly by 52.3% and 16.9%, respectively, on a constant currency basis on the back of a speedier recovery from the pandemic and the successful activation of products launched before the outbreak. On the other hand, revenue from Japan and North America declined by 59.6% and 36.7%, respectively, on a constant currency basis primarily due to extended and in some parts, worsening impact from the COVID-19 pandemic.

  - *By product.* During the same period, revenue from golf clubs, golf balls and apparel declined by 12.5%, 6.0% and 5.2%, respectively, on a constant currency basis from the six months ended 30 September 2019. Such decline reflected continued negative impacts from the global health crisis. Still, among the golf club product categories, revenue from BERES family products increased by 18.6% on a constant currency basis, due to HONMA's strong brand equity in the super-premium segment. The rest of the product categories exhibited different levels of developments, corresponding to the pace at which local governments responded to the pandemic in the Company's main markets. Among others, the Company saw its golf club sales grew by 10.3% and 102.9% and its golf ball sales grew by 41.5% and 28.7% in Korea and China, respectively.

- *By channel.* Revenue from self-operated stores remained resilient and showed a slight decrease of 0.2% on a constant currency basis from the six months ended 30 September 2019. Despite significant disruptions in the Company's retail operations in Japan, China and other parts of the world for a big part of the six months ended 30 September 2020, sales from self-operated stores remained strong due to increased sales per store and continued retail operation optimization. In particular, e-commerce sales rose robustly and more than doubled during the same period. On the other hand, revenue from third-party retailers and wholesalers decreased by 18.8% on a constant currency basis as these retail partners attempted to reduce inventory following extended business closure.

- Gross profit margin increased by 1.5 percentage points from 49.7% for the six months ended 30 September 2019 to 51.2% for the six months ended 30 September 2020, as a majority of the Company's markets started to benefit from the retail and wholesale price rationalization that started two years ago;

- For the same period, loss before tax narrowed by JPY79.4 million to JPY431.4 million and pre-tax loss margin remained at 4.8%. After tax loss increased to JPY803.5 million (equivalent to USD7.5 million), while the Company recorded a net loss of JPY51.2 million for the six months ended 30 September 2019, mainly due to increased income tax expenses during the period;

- EBITDA increased by JPY259.7 million to JPY442.4 million for the six months ended 30 September 2020;

- Net cash flows generated from operating activities amounted to JPY2,576.4 million (equivalent to USD24.1 million), representing a 540.2% increase from the six months ended 30 September 2019 thanks to improvement in working capital items.

Interim Dividend

The Board has declared the payment of an interim dividend of JPY1.5 per share, amounting to approximately a total of JPY908.5 million for the six months ended 30 September 2020, representing approximately 7.0% of the Group's distributable profits as at 30 September 2020.

The board of directors (the "**Board**") of Honma Golf Limited (the "**Company**") is pleased to announce the unaudited consolidated interim results (the "**Interim Results**") of the Company and its subsidiaries (the "**Group**") for the six months ended 30 September 2020. The Interim Results have been reviewed by the audit committee of the Company (the "**Audit Committee**").

MANAGEMENT DISCUSSION AND ANALYSIS OVERVIEW OF THE COMPANY, ITS KEY BUSINESS RESULTS AND BUSINESS OUTLOOK

Company Profile and Overview

HONMA is one of the most prestigious and iconic brands in the golf industry. Founded in 1959, the Company combines latest innovative technologies with traditional Japanese craftsmanship to provide golfers across the globe with premium, high-tech and the best performing golf clubs, balls, apparels and accessories. As the only vertically integrated golf company with in-house design, development and manufacturing capabilities, a strong retail footprint in Asia and a diverse range of golf clubs and golf related products, HONMA is perfectly positioned to continually grow its business in Asia and beyond, benefitting from the return of golfers in mature golf markets such as the US and Japan and from increased participation in golf's new and under-penetrated markets such as Korea and China.

2019 marked the 60th Anniversary of HONMA. In late 2018, in the run-up to HONMA's 60th Anniversary, HONMA inked a deal to be the title sponsor of the 2018 HONMA Hong Kong Open, one of Asia's most prestigious tournaments and part of the European PGA Tour, which further improved HONMA's brand awareness in Asia. In January 2019, HONMA stepped up its tour presence internationally in an effort to further elevate the HONMA brand and to boost its global reach among consumers in super-premium and premium-performance segments.

Overview of Key Operating Results

Since 2018, the global golf industry has seen continued recovery with golfers across the globe showing renewed interest and increased participation in this sport. With this, the management of HONMA made the decision to strengthen its product offering with a greater focus on the super-premium and premium-performance consumer segments. This has led to a conscious decision to enrich its TOUR WORLD family clubs to include a performance enhancement series, and to continue with its legacy BERES family clubs with however a modern and sophisticated approach.

The outbreak of COVID-19 and government reactions to implement social distancing and shelter-in-place created significant business operation challenges and slowed retail sales, at a time when HONMA was launching two of its latest new products targeting super-premium and premium-performance segments. The majority of the Group's self-operated stores remained shut for most part of the three months ended 30 June 2020. On a constant currency basis, the Group's revenue decreased by 14.1% as compared to the six months ended 30 September 2019.

Market wise, China and Korea continued to lead the way in terms of growth, delivering a year on year growth of 52.3% and 16.9%, respectively, both on a constant currency basis due to a speedier recovery from the pandemic and the successful activation of products launched before the outbreak. On the other hand, revenue from Japan and North America declined by 59.6% and 36.7%, respectively, on a constant currency basis primarily due to extended and in some parts, worsening impact from the COVID-19 pandemic. Japan, Korea and China contributed 80.9% of total revenue.

Since May 2020, the golf industry started to experience encouraging recoveries, as a good majority of the golf courses in Asia, the US and Europe re-opened for play under social distancing rules. Since then, there have been steady and visible increase in the returned and new golf participation, and rounds played rose in most of the Group's major markets.

Overview of Major Achievements

In the six months ended 30 September 2020, the Company steadfastly followed its growth strategies while protecting the health of its employees and financial status. Among others, the Company delivered the following major achievements which the Company believes will continue to bring satisfactory business advancements and results in the future.

- ***Re-defining the HONMA brand.*** The Company took several steps to improve its global brand positioning and communication.

  To re-define the HONMA brand as a dynamic, relevant and global brand among internet-savvy younger golfers, the Company relaunched its global website in November 2018, and its social media platforms in January 2019. Since then the Company made regular and frequent content updates of all of its digital platforms to promote brand awareness and to appeal to younger golfers. The rapid increase in HONMA's digital communications has generated continued improvement in the organic traffic, conversion and other digital engagement matrixes such as bounce rate, time on site, etc.

  To create an end-to-end digital ecosystem around the re-defined brand and golfers in the super-premium and premium-performance segments, the Company revamped and/or launched customer relationship management ("**CRM**") systems in multiple markets and added various e-commerce capabilities and consumer-facing custom tools thereon, to provide consumers with the ultimate 360-degree brand experience, to strengthen HONMA's direct to consumer communication and to eventually increase sales both online and offline.

- ***Focusing on club products that best represent Japanese traditional craftsmanship and innovative technology in pursuit of players in super-premium and premium-performance segments.*** HONMA remains committed to applying cutting-edge technologies and artisan-style Japanese craftsmanship to the design, development and manufacturing of a comprehensive range of exquisitely crafted and performance-driven golf clubs. In the six months ended 30 September 2020, HONMA applied several of its revolutionary proprietary technologies to the design and development of its new XP series, the first performance enhancement series under the TOUR WORLD club family, which is designed for avid golfers with a handicap of eight to twenty. XP-1 was launched in September 2019 followed by the launch of TR in March 2020, which targets single handicappers who often get inspired by tour players. In December 2019, HONMA launched BERES 07 targeting super-premium consumers, and revenue from BERES grew by 18.6% for the six months ended 30 September 2020 year over year on a constant currency basis, reconfirming HONMA's strong brand equity and its ability to withstand economic challenges since HONMA went into the golf business in 1959.

- ***Accelerating growth in golf balls and relaunching apparel business to create a comprehensive range of golf products for golfers in the super-premium and premium-performance segments.*** Unlike its peers, HONMA continues to derive most of its revenue from the sale and distribution of golf clubs, For the six months ended 30 September 2020, golf clubs generated 77.8% of the Company's total sales. Following continued and mid-double-digit growth in revenue from golf balls over the past five years, the Company further prioritized its product development resources and launched golf balls with its own patent in order to meet the HONMA brand positioning and the play preferences and performance demands of its club users. Due to negative impacts of the COVID-19 pandemic on the Company's retail activities in Japan, revenue from golf balls declined by 6.0% on a constant currency basis, as compared to the six months ended 30 September 2019. Nevertheless, golf ball sales expanded by 41.5% and 28.7% in Korea and China for the six months ended 30 September 2020, respectively.

  In January 2019, HONMA re-launched its apparel collection in Japan and China. The apparel collection comprises of three lines catering to the distinctive requirements of golfers in Japan, China and Korea, both on-course and off-course. The six months period ended 30 September 2020 included mostly sales from the 2020 Spring/Summer Collections from 2019. Due to the impact of COVID-19 pandemic on the Company's retail activities, apparel sales decreased by 5.2% on a constant currency basis during this period.

- ***Continued executing growth strategies in North America and Europe.*** The critical driver of HONMA North America's growth plan lies with a direct to consumer distribution model. For the six months ended 30 September 2020, the Company continued implementing elevated store presence with HONMA branded display/custom fixture while rolling out mobile vans to bring total HONMA fitting experience to the golfer's home course. As at the end of September 2020, the Company had 54 retail locations in North America, ranging from A-level (500+ square feet with golf simulator), B-level (250+ square feet and feature wall), C-level (100+ square feet) and to D-level (1-2 display only) shop in shops. Between January 2020 and September 2020, the Company increased its mobile van coverage to 14 vans, up from nine vans at the beginning of the year.

  Since 2019, the Company made continued investments into its e-commerce website to create another important brand touchpoint for consumers researching and searching for HONMA products, local retailers or fitting experience. Various digital marketing efforts have been implemented to drive website traffic and target potential shoppers through re-targeting efforts in social media and search engine marketing. For the six months ended 30 September 2020, the Company has seen site visits almost doubled and average order value climbed to more than one thousand US dollar, which trend continued into September 2020 albeit negative impact from COVID-19. The strong performance is a good evidence of HONMA's brand building and consumer interest in the second year of North American expansion. The Company is confident that this mobile strategy gives HONMA the best opportunity to establish a foothold in North America, grow brand awareness and loyalty, and drive high-margin revenue growth.

  In Europe, HONMA continued expanding its distribution network and opened 23 new points of sales ("**POS**") while closing none in the six months ended 30 September 2020, hence increasing its total POSs to 563 by 30 September 2020.

- ***360-degree brand experience built into new retail space and environments.*** The Company retained a leading design and marketing agency to renovate its retail space in order to provide ultimate brand experience and customizable consumer journey in major markets. In the six months ended 30 September 2020, the Company opened 2 new stores in Japan, 6 in China and 13 in Korea, by consistently applying the new retail visual identity, design concept and consumer experience elements using advanced technology. The Company also converted multiple shop-in-shops in the US, Japan and China using the same design concept in order to ultimately own its consumer space and experience in all of its major markets.

- ***Customer events.*** Customer events have always been key to the continued enhancement of HONMA's brand, product awareness and consumer mind share. During the six months ended 30 September 2020, HONMA hosted close to 1,400 customer days across its main markets, most of which were held on golf courses with dedicated fitters.

- ***Sponsoring TEAM HONMA players.*** As at 30 September 2020, TEAM HONMA consisted of 12 professional golf players. In July 2019, TEAM HONMA player Feng Shan-Shan claimed the title of Thornberry Creek LPGA Classic. The Company believes her image, endorsement and continued success on professional golf tournaments will continue to help drive its sales growth, especially in China. The Company is also in the process of securing additional and younger players in Asia with visible social media following to anchor brand redefinition and to better appeal to younger and avid golfers.

Product Design and Development

HONMA utilizes the latest innovative technologies and traditional Japanese craftsmanship to provide golfers across the globe with aesthetically beautiful, technology-based and performance-driven golf clubs. The Group uses cutting-edge proprietary technology to design and manufacture golf clubs primarily for consumers in the super-premium and premium-performance segments who want to hit effortless shots and drive the golf balls further.

HONMA currently offers golf clubs under three major product families: BERES, TOUR WORLD and Be ZEAL, each targeting specific consumer segments. The Group leverages its innovative research methods and development capabilities to manage the product life cycle to continually generate customer interest, ensure product offerings remain up to date with the latest market trends and meet the preferences of target customers.

Based on extensive market research, HONMA categorises the market into nine key segments according to the importance golfers place on price, design and performance, which are correlated with their respective levels of affluence and enthusiasm towards golf, as illustrated in the chart below:

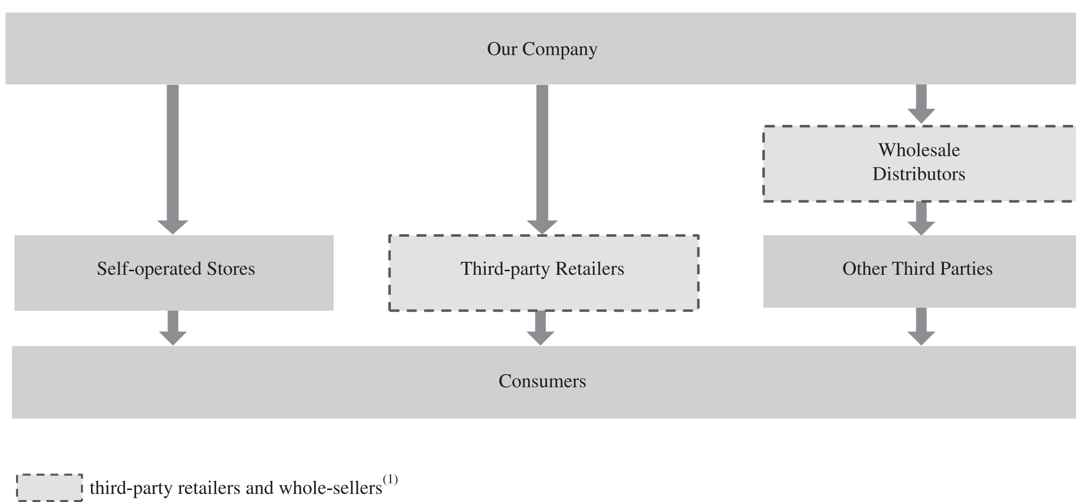
1 High Price Low Enthusiasm	**Design & Price**	2 High Price Middle Enthusiasm	**Primarily Design**	3 High Price High Enthusiasm	**Design & Performance**
4 Middle Price Low Enthusiasm	**Performance & Price**	5 Middle Price Middle Enthusiasm	**Performance & Design**	6 Middle Price High Enthusiasm	**Primarily Performance**
7 Low Price Low Enthusiasm	**Primarily Price**	8 Low Price Middle Enthusiasm	**Price & Design**	9 Low Price High Enthusiasm	**Price & Performance**

BERES golf clubs target consumers in Segment 2, which is the Company's traditional customer base and comprises affluent consumers willing to pay a premium price for golf clubs that offer excellent performance yet distinctively different from other golf clubs. TOUR WORLD golf clubs was first launched in 2011, target consumers in Segment 6, which comprises golf enthusiasts who place a higher emphasis on performance. First launched in 2015, Be ZEAL golf clubs target consumers in Segment 5, which comprises beginner golfers looking to improve their performance.

As part of the global brand re-definition and entry into the US and European markets, the Company made a decision to strengthen its focus on the super-premium and premium-performance consumer segments going forward by enriching the TOUR WORLD offering to include a performance-enhancement series called XP, in order to fully capture its growth potentials in the premium-performance segment or Segment 6 which is by far the fastest-growing segments in most major golf markets. In addition, the Company launched BERES 07 in December 2019 to strengthen its market position in the super-premium segment.

Sales and Distribution Network

The Company's sales and distribution network consists of HONMA-branded self-operated stores as well as third party distributors which included retailers and wholesalers. The following diagram illustrates the structure of the Group's sales and distribution network:



Note:

(1) The Group's distributors consist of (a) third-party retailers and (b) wholesale distributors that on-sell the Group's products to other third parties.

HONMA operates the largest number of self-operated stores among major golf companies. Self-operated stores provide consumers with a 360-degree experience with the HONMA brand and its products. As at 30 September 2020, the Group had 77 HONMA-branded self-operated stores, 74 of which were located in Asia and the rest in the US and Europe. The Group opened six new self-operated stores and closed ten stores in China in the six months ended 30 September 2020. The Group aims to continuously upgrade the design, visual display and consumer experience of its self-operated stores to project one consistent brand image and consumer experience. The table below sets forth the number of self-operated stores opened and closed during the six months ended 30 September 2020:

	For the six months ended 30 September 2020			
	Period start	**Opened**	**Closed**	**Period end**
Japan	29	2	2	29
China (including Hong Kong and Macau)	37	6	10	33
US	3	–	–	3
Rest of Asia	10	2	–	12
Total	79	10	12	77

To better serve avid golf enthusiasts, certain HONMA-branded self-operated stores offer fitting centers equipped with high-speed cameras and precision software to capture relevant swing data. As at 30 September 2020, the Group had six fitting centers, including two in Japan, two in China, one in Korea and one in the US.

As at 30 September 2020, the Group had approximately 4,077 POS, representing an increase of 158 POSs compared to 31 March 2020. The Group's POSs consist of (a) POS of third-party retailers ("**Retailers**") and (b) POS of wholesale distributors ("**Wholesale Distributors**") that on-sell the Group's products to other third parties and consumers. Retailers include, among others, sports megastores, which are large retailers of sports goods. As at 30 September 2020, the Group's products were sold at 1,559 POSs of sports megastores.

In Japan, the Group mainly sells products to Retailers, including nation-wide sports chain stores such as Golf 5 and Xebio. Outside Japan, the Group sells products to both Retailers and Wholesale Distributors.

The Group manages its sales and distribution network on a country-by-country basis to cater for each country's specific retail landscape and consumer demographics. The makeup of its sales and distribution network varies across regions depending on local retail landscape and its go-to-market strategy in that particular region, reflecting on the purchase behaviour of target consumers. To optimise its sales and distribution network, the Group is constantly evaluating its existing channels and exploring new channels.

Updating E-commerce Capabilities and Creating One Digital Ecosystem

The Group completely rebuilt its website and relaunched its social media platforms in various countries in January 2019. These efforts aimed to create one consistent and vibrant communication platform and brand image across all markets. The rapid expansion of digital communications generated a month-on-month double-digit growth in the organic traffic, conversion and other digital brand engagement matrixes such as bounce rate, time on site, etc. since January 2019.

The Company also revamped its customer relationship management ("**CRM**") systems in key markets such as Japan, China and the US, and upgraded its e-commerce capabilities to provide consumers with the ultimate 360-degree brand experience and to eventually increase online sales.

Manufacturing Processes

HONMA utilizes the latest innovative technologies and traditional Japanese craftsmanship to provide golfers across the globe with aesthetically beautiful and high-tech performance-driven golf clubs. The Company is the only major golf products company that utilizes professional handcrafted techniques together with significant in-house manufacturing capabilities. The Group conducts all key manufacturing processes for golf clubs at its campus located in Sakata, Yamagata prefecture of Japan (the "**Sakata Campus**"), while outsourcing non-core processes to its well-respected suppliers. This combination of in-house and outsourced manufacturing processes enables the Group to control core technical know-how and intellectual property and ensure the quality of products while controlling production costs.

Located on an approximately 163,000 square metre parcel of land, the Sakata Campus is staffed with approximately 228 craftsmen, 22 of whom are master craftsmen with more than 34 years of experience on average. The craftsmen's dedication to product quality enables the Group to maintain the iconic and premium status of the HONMA brand. The Group continually invests in Sakata Campus to improve its manufacturing processes in order to raise its annual manufacturing capability.

Employees

As at 30 September 2020, the Group had 787 employees worldwide, a majority of whom were based in Japan.

To ensure the long-term future of HONMA, the Group hires people who identify with its core values and the Group helps its employees grow by offering on job training and career progressions within HONMA. For sales personnel in self-operated stores, the Group offers a number of training programs, including an internal golf club fitter certification program. Moreover, the Group has implemented a rigorous apprenticeship program at the Sakata Campus which was instrumental to the retention and continued nurturing of craftsmen in Sakata.

The Group offers competitive remuneration packages, including, among others, salaries, performance-based cash bonus and share-based compensation. The Group reviews its remuneration scheme regularly to ensure its consistency with market practice. Employee benefit expenses amounted to JPY2,352.0 million for the six months ended 30 September 2020.

The Group adopted its restricted share unit ("**RSU**") scheme in October 2015 to incentivize its directors, management and eligible employees.

Brand Marketing

Since 1959, HONMA has remained true to the traditional methods used by Japanese craftsmen to make the finest golf clubs in the world. To fully capture HONMA's unique opportunities in super-premium and premium-performance consumer segments, the Group has started a series of actions that will help re-define and transform the HONMA brand in an age of technological innovation while maintaining its traditions.

The brand perception of luxury and super-rich Asians is strongly rooted in consumer sentiment, and extensive marketing efforts have been designed to evolve and expand this perception towards performance focus, rooted in unique craftsmanship and superior technology. The launch of XP-1 family of game-improvement products, and the subsequent launch of TR family of tour performance products have generated great consumer and media buzz for HONMA.

Outlook

Business Outlook

The current financial year began with an extremely challenging operating environment and a lot of uncertainties about the future. Since May, the golf industry recovered and quickly. As the COVID-19 related regulatory restrictions began to ease from Asia to Europe and North America, the Company observed pent-up demand to play golf, visible increase in new and returning golfers and an uptick in new orders from both end consumers and retailers.

For the twelve months ending 31 March 2021, the Group will continue executing its long-term growth strategy to build a world-leading golf lifestyle company leveraging HONMA's brand legacy, its expanding distribution network and innovative technologies and traditional Japanese craftsmanship. And in the face of uncertainties posed by the COVID-19 pandemic, the Company will continue to take active actions to reduce cost, maximize liquidity and protect its employees' health.

The Group intends to continue pursuing the following:

- ***Improve and transform HONMA brand value into customer loyalty.*** Multiple branding and marketing strategies have been executed to highlight HONMA's brand heritage and its core brand values of premium craftsmanship and performance to fully capture HONMA's unique opportunities to lead in both super-premium and premium-performance segments. Since a key part of the Group's future growth strategy lies with continuous enhancement of brand awareness and loyalty, HONMA plans to continue upgrading its offline and online retail experiences based on the updated HONMA brand image, retail and visual guidelines. In Asia, HONMA opened its first brand experience store in downtown Tokyo, Japan in July 2019 to present HONMA's new brand experience and customizable consumer journey to consumers in HONMA's home markets, followed by similar store openings in China, Korea, Taiwan, US and Europe. All these stores will form the centrepiece of HONMA's new consumer touchpoints and will act as the hub to generate traffic to HONMA's extensive shop-in-shop at third-party retailers, golf courses and its online e-commerce platforms.

- ***Further increase the Group's market share in home markets by maintaining its leading position in the super-premium segment while making solid inroads into the fast growing premium-performance segment.*** Increasing market share in HONMA's home markets, namely Japan, Korea and China will continue to be a key part of the Group's future growth strategy. While the Group already has a strong presence in its home markets of Japan, Korea and China, it believes that there is still significant room to increase its market shares in these markets, especially in the premium-performance segments. The Group intends to achieve this by enriching its TOUR WORLD family to include a performance enhancement product while leveraging HONMA's improved international tour presence. The Group will continuously foster stronger partnerships with its retail partners while intensifying investments in sales point product promotions that are relevant to these consumer segments.

- ***Pivoting growth in North America based on the updated product and its distribution strategy.*** North America accounts for more than half of the global golf market. During the six months ended 30 September 2020, HONMA continued implementing unique direct to consumer distribution strategy, and now possess 54 retail point of sales with elevated retail presence and 14 mobile vans that are capable of performing fitting events at major golf courses in the US. In October 2019, Honma opened its first flagship store in Carlsbad, California, which further increased HONMA's brand awareness. The said direct to consumer distribution network will overlay with HONMA's existing wholesales points of sale and digital platform to allow HONMA to quickly increase its brand and product awareness while owning the entire consumer experience and purchase journey.

  Furthermore, the decision to differentiate the TOUR WORLD product offering between tour inspired better players and golfers who look for performance enhancements will greatly support HONMA's growth strategy in North America, which market has continued to rebound with the number of golfers increasingly skewed towards premium-performance products. XP-1, the TOUR WORLD series designed for double handicappers was officially launched in October 2019, which together with TR, the TOUR WORLD series designed for single handicappers, will be a key growth enabler for North America's future sales growth.

- ***Nurturing complementary non-club product lines to provide customers with a complete golf lifestyle experience.*** In January 2018, HONMA announced the formation of a strategic partnership with Itochu Corporation, one of the leading textile and trading companies in Japan to expand its apparel & accessories business, utilizing Itochu's networks and know-how in the apparel industry while maintaining a "golf total brand approach". Since then, HONMA has already launched four apparel collections, targeting consumers in Japan, China and Korea. The Group has in parallel upgraded its apparel sales teams in all three markets and created a network of quality and long-term suppliers leveraging its partnership with ITOCHU.

- ***Continue product innovation and development to cater for latest market trends.*** The Group devotes significant resources to new product development to ensure that its product offerings remain up to date with the latest market trends. The Group's research and development expenses amounted to JPY161.5 million and JPY139.6 million for the six months ended 30 September 2019 and 2020, respectively. The Group has also created a product development hub in North America, to complement its product development capabilities which used to concentrate at the Sakata Campus. The extended research and development team of HONMA thrives to incorporate innovations in ergonomics and material sciences in its designs and collaborates closely with professional golf players to optimize product performance.

Industry Outlook

The golf industry will continue to face multiple challenges in the six months ending 31 March 2021 as we have seen in the six months ended 30 September 2020. These challenges included anticipated slowdown of GDP growths in the Company's major markets and sustained if not accelerating outbreak of COVID-19 which has and will continue to cause market turbulence and economic uncertainties. Since early 2020, we have seen golf courses and retail stores being forced to close, production activities suspended and consumption demands decreased in a short period of time. The Group's operations, mainly, the operations of a significant number of its self-operated stores and retailers in China and its supply base in China and to some extent Japan have been interrupted by the COVID-19 outbreak in the three months ended 30 June 2020, following the introduction of mandatory restrictive or lockdown measures by governmental authorities.

Since May 2020, the golf industry started to experience encouraging recoveries, as a good majority of the golf courses in Asia, the US and Europe re-opened for play under social distancing rules. Since then, there have been steady and visible increase in the sport, and rounds played rose in most of the Group's active markets. The Group's sales rose robustly in China, Korea, South East Asia and Taiwan for the six months ended 30 September 2020 on the back of a speedier recovery from the pandemic. The Company does expect the golf industry to gradually go back to the new norm as from July 2020.

The Group also believes that the six months ending 31 March 2021 will be a crucial period for it to execute its growth strategies. The Group is confident in its ability to mitigate the adverse impacts of the COVID-19 outbreak and will seize every possible opportunities to preserve cash, to right size its organization to foster a solid foundation for the mid- and long-term development with respect to its brand, products, distribution channel, employees and supply chain. The Group endeavors to promote the sustainable development and strives to create the long-term value for all of its shareholders.

The Group will stay alert on the developments of external challenges including COVID-19, continue to review its existing business strategies from time to time and take necessary action to mitigate the business risks while safe guarding the health and safety of its employees and teams.

FINANCIAL REVIEW

The following table is a summary of the Group's consolidated statement of profit or loss with line items in absolute amounts and as percentages of the Group's total revenue for the periods indicated, together with the change (expressed in percentages) from the six months ended 30 September 2019 to the six months ended 30 September 2020:

	Six months ended 30 September				**Period-to-Period Change**
	2020		2019		
	JPY	*%*	*JPY*	*%*	*%*
	(In thousands, except for percentages and per share data)				
Consolidated Statement of Profit or Loss (unaudited)					
Revenue	**9,052,973**	**100.0**	10,590,973	100.0	(14.5)
Cost of sales	**(4,418,599)**	**(48.8)**	(5,330,135)	(50.3)	(17.1)
Gross profit	**4,634,374**	**51.2**	5,260,838	49.7	(11.9)
Other income and gains	**362,048**	**4.0**	36,652	0.3	887.8
Selling and distribution expenses	**(4,319,244)**	**(47.7)**	(4,627,977)	(43.7)	(6.7)
Administrative expenses	**(832,987)**	**(9.2)**	(691,916)	(6.5)	20.4
Other expenses	**(244,568)**	**(2.7)**	(519,534)	(4.9)	(52.9)
Finance costs	**(39,108)**	**(0.4)**	(28,476)	(0.3)	37.3
Finance income	**8,109**	**0.1**	59,680	0.6	(86.4)
Loss before tax	**(431,376)**	**(4.8)**	(510,733)	(4.8)	(15.5)
Income tax (expense)/credit	**(372,149)**	**(4.1)**	459,495	4.3	(181.0)
Net loss	**(803,525)**	**(8.9)**	(51,238)	(0.5)	1,468.2
Loss per share attributable to ordinary equity holders of the parent:					
Basic and diluted					
– For loss for the period (JPY)	**(1.33)**		(0.08)		1,558.4
Non-IFRS Financial Measure					
Adjusted SG&A[(1)]	**(5,152,231)**	**(56.9)**	(5,320,608)	(50.2)	(3.2)
Operating loss[(2)]	**(548,856)**	**(6.1)**	(28,458)	(0.3)	1,828.7
Net operating (loss)/profit[(3)]	**(850,219)**	**(9.4)**	392,072	3.7	(316.9)

Notes:

(1) Adjusted SG&A is derived from the sum of (a) selling and distribution expenses and (b) administrative expenses by subtracting RSU expenses in relation to sales and marketing staff and administrative staff. For a reconciliation of adjusted SG&A to the sum of (a) selling and distribution expenses and (b) administrative expenses, see "Management Discussion and Analysis – Financial Review – Non-IFRS Financial Measures – Adjusted SG&A".

(2) Operating loss is derived from loss before tax by (i) subtracting other income and gains, (ii) adding other expenses, and (iii) adding RSU expenses. For a reconciliation of operating loss to loss before tax, see "Management Discussion and Analysis – Financial Review – Non-IFRS Financial Measures – Operating (Loss)/Profit".

(3) Net operating (loss)/profit is derived from net loss by (i) subtracting other income and gains, (ii) adding other expenses, (iii) adding RSU expenses and (iv) adding impact on tax. For a reconciliation of net operating (loss)/profit to net loss, see "Management Discussion and Analysis – Financial Review – Non-IFRS Financial Measures – Net Operating (Loss)/Profit".

Revenue

The Group's total revenue decreased by 14.5% from JPY10,591.0 million for the six months ended 30 September 2019 to JPY9,053.0 million for the six months ended 30 September 2020.

Constant Currency Revenue

On a constant currency basis, the Group's total revenue decreased by 14.1% from the six months ended 30 September 2019 to the six months ended 30 September 2020. For the purpose of calculating constant currency revenue, the Group has used the average exchange rate of the six months ended 30 September 2019 to translate sales recorded during the six months ended 30 September 2020, to the extent that the original currency for such sales is not in Japanese yen.

Constant currency revenue is used to supplement measures that were prepared in accordance with IFRS. It is however not a measure of financial performance under IFRS and should not be considered as an alternative to measures presented in accordance with IFRS.

Revenue by Product Groups

The Group offers customers a complete golf lifestyle experience through an extensive portfolio of HONMA-branded golf clubs, golf balls, bags, apparels and other accessories. The following table shows the revenue by product groups in absolute amounts and as percentages of the Group's total revenue for the periods indicated:

	For the six months ended 30 September				Period-to-Period Change	
	2020		2019		**on as reported basis**	**on constant currency basis[1]**
	JPY	*%*	*JPY*	*%*	*%*	*%*
	(In thousands, except for percentages)					
Golf clubs	**7,039,637**	**77.8**	8,077,227	76.3	(12.8)	(12.5)
Golf balls	**928,158**	**10.3**	989,945	9.3	(6.2)	(6.0)
Apparels	**501,060**	**5.5**	536,117	5.1	(6.5)	(5.2)
Accessories and other related[2]	**584,118**	**6.4**	987,684	9.3	(40.9)	(40.9)
Total	**9,052,973**	**100.0**	10,590,973	100.0	(14.5)	(14.1)

Notes:

(1) For further information, see "- Constant Currency Revenue Growth".

(2) Include golf bags, golf club head covers, footwear, gloves, headwear and other golf-related accessories.

Golf clubs comprise the majority of the Group's business. Revenue for golf clubs decreased by 12.8% from JPY8,077.2 million for the six months ended 30 September 2019 to JPY7,039.6 million for the six months ended 30 September 2020. On a constant currency basis, revenue for golf clubs decreased by 12.5% from the six months ended 30 September 2019 to the six months ended 30 September 2020. The decrease in golf clubs was primarily attributable to negative impacts from COVID-19 on the Company's supply chain, as well as retail activities in markets such as Japan and North America.

Due to unprecedented negative impacts from COVID-19 on the Company's supply chain and retail activities in certain markets, revenue for golf balls and apparels sales decreased by 6.2% and 6.5% from JPY989.9 million and JPY536.1 million for the six months ended 30 September 2019 to JPY928.2 million and JPY501.1 million for the six months ended 30 September 2020, respectively. On a constant currency basis, revenue for golf balls and apparels declined by 6.0% and 5.2% from the six months ended 30 September 2019 to the six months ended 30 September 2020, respectively.

Revenue for accessories and other related products decreased by 40.9% from JPY987.7 million for the six months ended 30 September 2019 to JPY584.1 million for the six months ended 30 September 2020. The decrease was mainly attributed to sales decline in Japan, which used to account for more than 70% of the Company's accessory sales.

Revenue by Geography

The Group's products are sold in approximately 50 countries worldwide, primarily in Asia and also across North America, Europe and other regions. The following table sets forth revenue from regions by absolute amounts and as percentages of total revenue for the periods indicated:

	For the six months ended 30 September				Period-to-Period Change	
	2020		2019		**on as reported basis**	**on constant currency basis[1]**
	JPY	*%*	*JPY*	*%*	*%*	*%*
	(In thousands, except for percentages)					
Japan	**1,855,759**	**20.5**	4,594,454	43.4	(59.6)	(59.6)
Korea	**3,115,910**	**34.4**	2,665,441	25.2	16.9	16.9
China (including Hong Kong and Macau)	**2,353,412**	**26.0**	1,584,299	15.0	48.5	52.3
North America	**305,182**	**3.4**	490,429	4.6	(37.8)	(36.7)
Europe	**409,994**	**4.5**	489,693	4.6	(16.3)	(19.4)
Rest of the World	**1,012,716**	**11.2**	766,657	7.2	32.1	30.7
Total	**9,052,973**	**100.0**	10,590,973	100.0	(14.5)	(14.1)

Note:

(1) For further information, see "– Constant Currency Revenue Growth"

For the six months ended 30 September 2020, the Group continued implementing its growth strategy in its home and new markets while the global health crisis posed major challenges. Revenue from its home markets, namely Japan, Korea and China (including Hong Kong and Macau) remained strong and accounted for 80.9% of the Group's total revenue for the six months ended 30 September 2020.

Revenue from Japan decreased by 59.6% from JPY4,594.5 million for the six months ended 30 September 2019 to JPY1,855.8 million for the six months ended 30 September 2020, as a result of negative impact of COVID-19 which affected the economy of Japan for the most part of the six months ended 30 September 2020.

Revenue from Korea recorded a double-digit growth of 16.9% for the seventh consecutive year from JPY2,665.4 million for the six months ended 30 September 2019 to JPY3,115.9 million for the six months ended 30 September 2020. In the six months ended 30 September 2020, the Group continuously increased its market share in Korea through intensive TV and social media campaigns to drive the mind share of HONMA brand as well as the product awareness and sales conversion of its TOUR WORLD products. The Group has also established a strong local team to lead and drive the creation of a direct-to-consumer distribution model for its golf ball and apparel businesses.

Revenue from China (including Hong Kong and Macau) increased by 48.5% from JPY1,584.3 million for the six months ended 30 September 2019 to JPY2,353.4 million for the six months ended 30 September 2020. On a constant currency basis, revenue for China (including Hong Kong and Macau) increased by 52.3%. The abovementioned increases in revenue from Korea and China were mainly attributed to a speedier recovery from the pandemic and the successful activation of products launched before the outbreak.

Revenue from North America and Europe decreased by 37.8% and 16.3% from JPY490.4 million and JPY489.7 million for the six months ended 30 September 2019 to JPY305.2 million and JPY410.0 million for the six months ended 30 September 2020, respectively. On a constant currency basis, revenue for North America and Europe decreased by 36.7% and 19.4%. These decreases were primarily due to extended and in some parts, worsening impact from the COVID-19 pandemic.

Revenue by Sales and Distribution Channels

The Group has an extensive sales and distribution network that allows the Group to reach a broad customer base in its target markets. The Group's sales and distribution network consists of HONMA-branded self-operated stores as well as third-party retailers and wholesalers. The Group's third-party retailers and wholesalers include (a) Retailers, including sports megastores, and (b) Wholesale Distributors that on-sell the Group's products to other third parties and consumers. The following table sets forth revenue for self-operated stores and POSs in absolute amounts and as percentages of total revenue for the periods indicated:

	For the six months ended 30 September				**Period-to-Period Change**	
	2020		2019		**on as reported basis**	**on constant currency basis(1)**
	JPY	*%*	*JPY*	*%*	*%*	*%*
	(In thousands, except for percentages)					
Self-operated stores	**2,611,905**	**28.9**	2,629,839	24.8	(0.7)	(0.2)
3rd party retailers and wholesalers	**6,441,068**	**71.1**	7,961,134	75.2	(19.1)	(18.8)
Total	**9,052,973**	**100.0**	10,590,973	100.0	(14.5)	(14.1)

Note:

(1) For further information, see "- Constant Currency Revenue Growth".

Revenue from self-operated stores remained resilient and slightly decreased by 0.7% from JPY2,629.8 million for the six months ended 30 September 2019 to JPY2,611.9 million for the six months ended 30 September 2020. Although self-operated stores experienced significant disruptions in the three months ended 30 June 2020, sales at such stores for the six months ended 30 June 2020 remained on par with the same period last year, primarily due to increased sales per store and continued operational optimization in Japan, China, Korea and Taiwan. Revenue from sales to third-party retailers and wholesalers decreased by 19.1% from JPY7,961.1 million for the six months ended 30 September 2019 to JPY6,441.1 million for the six months ended 30 September 2020 as these retail partners attempted to reduce inventory while suffering extended business closure as a result of the impact of COVID-19 pandemic.

Cost of Sales

Cost of sales decreased by 17.1% from JPY5,330.1 million for the six months ended 30 September 2019 to JPY4,418.6 million for the six months ended 30 September 2020. The table below sets forth a breakdown of the key components of cost of sales, each expressed in absolute amounts and as percentages of the total cost of sales during the periods indicated:

	For the six months ended 30 September			
	2020		2019	
	JPY	***%***	*JPY*	*%*
	(In thousands, except for percentages)			
Raw materials	**2,517,978**	**57.0**	2,808,040	52.7
Employee benefits	**497,560**	**11.3**	603,247	11.3
Manufacturing overhead[(1)]	**274,261**	**6.2**	282,124	5.3
Finished goods purchased from suppliers	**1,128,800**	**25.5**	1,636,724	30.7
Total	**4,418,599**	**100.0**	5,330,135	100.0

Note:

(1) Includes depreciation and amortisation of property, plant and equipment, other manufacturing overhead and cost of services rendered.

Gross Profit and Gross Profit Margin

Gross profit decreased by 11.9% from JPY5,260.8 million for the six months ended 30 September 2019 to JPY4,634.4 million for the six months ended 30 September 2020. Gross profit margin increased from 49.7% for the six months ended 30 September 2019 to 51.2% for the six months ended 30 September 2020.

Gross Profit and Gross Profit Margin by Product Groups

The following table sets forth a breakdown of gross profit and gross profit margin by product groups for the periods indicated:

	For the six months ended 30 September			
	2020		2019	
	JPY	*%*	*JPY*	*%*
	(In thousands, except for percentages)			
Golf clubs	**3,580,343**	**50.9**	4,249,693	52.6
Golf balls	**453,854**	**48.9**	464,810	47.0
Apparels	**348,869**	**69.6**	167,287	31.2
Accessories and other related[(1)]	**251,308**	**43.0**	379,047	38.4
Total	**4,634,374**	**51.2**	5,260,837	49.7

Note:

(1) Include golf bags, golf club head covers, footwear, gloves, headwear and other golf-related accessories.

Gross profit for golf clubs decreased by 15.8% from JPY4,249.7 million for the six months ended 30 September 2019 to JPY3,580.3 million for the six months ended 30 September 2020. Gross profit margin for golf clubs decreased from 52.6% for the six months ended 30 September 2019 to 50.9% for the six months ended 30 September 2020, primarily due to decrease in Japan's gross margin percentage resulting from extended negative impacts from COVID-19.

Gross profit for golf balls decreased by 2.4% from JPY464.8 million for the six months ended 30 September 2019 to JPY453.9 million for the six months ended 30 September 2020. Gross profit margin for golf balls increased from 47.0% for the six months ended 30 September 2019 to 48.9% for the six months ended 30 September 2020, primarily due to greater sales contribution from self-operated stores compared to third-party retailers and wholesalers.

Gross profit for apparels increased by 108.5% from JPY167.3 million for the six months ended 30 September 2019 to JPY348.9 million for the six months ended 30 September 2020, and gross profit margin for apparels increased from 31.2% for the six months ended 30 September 2019 to 69.6% for the six months ended 30 September 2020. The increases were due to increased brand and product recognition for HONMA's apparels, rigorous price management initiatives and upgrade in HONMA's supplier base.

Gross profit for accessories and other related products decreased by 33.7% from JPY379.0 million for the six months ended 30 September 2019 to JPY251.3 million for the six months ended 30 September 2020. The decrease was primarily due to sharp sales decline in Japan, which used to account for more than 70% of the Company's accessory sales. Gross profit margin for accessories and other related products increased from 38.4% for the six months ended 30 September 2019 to 43.0% for the six months ended 30 September 2020. The increase was primarily due to continued sourcing improvement efforts.

Other Income and Gains

Other income and gains further increased significantly from JPY36.7 million for the six months ended 30 September 2019 to JPY362.0 million for the six months ended 30 September 2020. The increase was primarily due to one off contractual compensation received.

Selling and Distribution Expenses

Selling and distribution expenses decreased by 6.7% from JPY4,628.0 million for the six months ended 30 September 2019 to JPY4,319.2 million for the six months ended 30 September 2020. The decrease was primarily due to decreases in employee benefits and advertising and promotion expenses due to discretionary cost control measures taken by the Company to mitigate the negative impact of the COVID-19 pandemic. Selling and distribution expenses as a percentage of revenue increased from 43.7% for the six months ended 30 September 2019 to 47.7% for the six months ended 30 September 2020. The increase was primarily due to the decrease in overall sales. The following table sets forth a breakdown of selling and distribution expenses by absolute amounts and percentages of total selling and distribution expenses for the periods indicated:

	For the six months ended 30 September			
	2020		2019	
	JPY	***%***	*JPY*	*%*
	(In thousands, except for percentages)			
Employee benefits	**1,582,985**	**36.6**	1,676,928	36.2
Advertising and promotion expenses	**1,176,895**	**27.2**	1,390,689	30.0
Depreciation of right-of-use assets	**450,383**	**10.4**	384,838	8.3
Rental fees	**188,628**	**4.4**	240,693	5.2
Others[(1)]	**920,353**	**21.4**	934,829	20.3
Total	**4,319,244**	**100.0**	4,627,977	100.0

Note:

(1) Include distribution costs, depreciation and amortisation of certain tangible and intangible assets, travel expenses, consumables and other expenses.

Administrative Expenses

Administrative expenses increased by 20.4% from JPY691.9 million for the six months ended 30 September 2019 to JPY833.0 million for the six months ended 30 September 2020, primarily due to increase in bad debt provision of JPY128.2 million as per IFRS 9.

Other Expenses, Net

Other expenses decreased by 52.9% from JPY519.5 million for the six months ended 30 September 2019 to JPY244.6 million for the six months ended 30 September 2020. The decrease was primarily due to reduced foreign exchanges losses.

Finance Costs

Finance costs increased by 37.3% from JPY28.5 million for the six months ended 30 September 2019 to JPY39.1 million for the six months ended 30 September 2020. The increase was primarily due to interest expense relating to increase in interest-bearing bank borrowings and lease liabilities as adoption of IFRS 16.

Finance Income

Finance income decreased by 86.4% from JPY59.7 million for the six months ended 30 September 2019 to JPY8.1 million for the six months ended 30 September 2020. The decrease was primarily due to the decrease in average bank fixed deposit.

Loss Before Tax

As a result of the foregoing, loss before tax for the six months ended 30 September 2020 was JPY431.4 million.

Income Tax (Expense)/Credit

The Group recorded income tax expense of JPY372.1 million for the six months ended 30 September 2020 as compared to the income tax credit of JPY459.5 million for the six months ended 30 September 2019. The Group's effective tax rate increased from negative 90.0% for the six months ended 30 September 2019 to 86.3% for the six months ended 30 September 2020.

Net Loss

As a result of the foregoing, net loss increased from JPY51.3 million for the six months ended 30 September 2019 to JPY803.5 million for the six months ended 30 September 2020.

Non-IFRS Financial Measures

In addition to the IFRS measures in its consolidated financial statements, the Group also uses the non-IFRS financial measures of adjusted SG&A, operating loss and net operating (loss)/profit to evaluate its operating performance. The Group believes that such non-IFRS measures provide useful information to investors in understanding and evaluating its consolidated results of operations in the same manner as its management and in comparing financial results across accounting periods on a like-for-like basis.

The use of adjusted SG&A, operating loss and net operating (loss)/profit has material limitations as analytical tools, as adjusted SG&A does not include all items that have impacted selling and distribution expenses and administrative expenses, the nearest IFRS expense measures, operating loss does not include all items that have impacted loss before tax, the nearest IFRS performance measure, and net operating (loss)/profit does not include all items that have impacted net loss, the nearest IFRS performance measure.

Adjusted SG&A

The Group derives adjusted SG&A from the sum of (a) selling and distribution expenses and (b) administrative expenses by subtracting RSU expenses in relation to sales and marketing staff and administrative staff. The following table reconciles adjusted SG&A to the sum of (a) selling and distribution expenses and (b) administrative expenses for the periods indicated:

	For the six months ended 30 September	
	2020	2019
	(In JPY thousands)	
Selling and distribution expenses	**4,319,244**	4,627,977
Administrative expenses	**832,987**	691,916
Adjustment for:		
RSU expenses in relation to sales and marketing staff and administrative staff	**–**	715
Adjusted SG&A	**5,152,231**	5,320,608

Operating Loss

The Group derives operating loss from loss before tax by (i) subtracting other income and gains, (ii) adding other expenses, and (iii) adding RSU expenses. Operating loss eliminates the effect of other income and gains and other expenses, which are primarily related to non-recurring events. The following table reconciles operating loss to loss before tax for the periods indicated:

	For the six months ended 30 September	
	2020	2019
	(In JPY thousands)	
Loss before tax	**(431,376)**	(510,733)
Adjustment for:		
Other income and gains	**(362,048)**	(36,652)
Other expenses	**244,568**	519,534
RSU expenses	**–**	(607)
Operating loss	**(548,856)**	(28,458)

Net Operating (Loss)/Profit

The Group derives net operating (loss)/profit from net loss by (i) subtracting other income and gains, (ii) adding other expenses, (iii) adding RSU expenses and (iv) adding impact on tax related to items (i) and (ii) above. Net operating (loss)/profit eliminates the effect of other income and gains and other expenses, which are primarily related to non-recurring events. The following table reconciles net operating (loss)/profit to net loss for the periods indicated:

	For the six months ended 30 September	
	2020	2019
	(In JPY thousands)	
Net loss	**(803,525)**	(51,238)
Adjustment for:		
Other income and gains	**(362,048)**	(36,652)
Other expenses	**244,568**	519,534
RSU expenses	**–**	(607)
Impact on tax	**70,786**	(38,965)
Net operating (loss)/profit	**(850,219)**	392,072

Working Capital Management

	For the twelve months ended	
	30 September 2020	31 March 2020
Inventories turnover days[1]	**309**	268
Trade and bills receivables turnover days[2]	**116**	139
Trade and bills payables turnover days[3]	**70**	63

Notes:

(1) Inventories turnover days are calculated using the average of opening balance and closing balance of inventories for a twelve-month period divided by cost of sales for the relevant twelve-month period and multiplied by 365 days.

(2) Trade and bills receivables turnover days are calculated using the average of opening balance and closing balance of trade and bills receivables for a twelve-month period divided by revenue for the relevant twelve-month period and multiplied by 365 days.

(3) Trade and bills payables turnover days are calculated using the average of opening balance and closing balance of trade and bills payables for a twelve-month period divided by cost of sales for the relevant twelve-month period and multiplied by 365 days.

Compared to the year ended 31 March 2020, Inventories turnover days increased for the twelve months ended 30 September 2020 due to negative impact from COVID-19 where some of the Company's third party retailers and whole-sellers reduced purchase. During the same period, trade and bills payables turnover days increased, primarily due to payment term improvements attained vis-à-vis major suppliers of the Company. Trade and bills receivables turnovers days decreased due to strengthened collection during COVID-19.

Inventories

The following table sets forth the balance of the Group's inventories as at the dates indicated:

	As at 30 September 2020	As at 31 March 2020
	(In JPY thousands)	
Raw materials	**2,038,671**	2,200,698
Work in progress	**1,057,328**	1,105,279
Finished goods	**8,032,785**	7,106,722
Less: provision	**(1,060,837)**	(822,734)
Total	**10,067,947**	9,589,965

The following table sets forth aging analysis of the Group's inventories as at the dates indicated:

	As at 30 September 2020	As at 31 March 2020
	(In JPY thousands)	
Within 1 year	**4,205,615**	5,984,035
1 year to 2 years	**3,699,316**	1,793,830
2 to 3 years	**933,878**	1,072,500
3 to 4 years	**811,119**	435,545
Over 4 years	**418,019**	304,055
Total	**10,067,947**	9,589,965

The Group prepares its inventory aging analysis with reference to product launch date, instead of capitalisation date. For example, inventories reported as aged between two to three years in the table above represent inventories relating to products that were launched two to three years before the relevant balance sheet date. Such inventories may have been produced and/or procured and hence capitalised more recently than as shown in the said aging analysis.

The Group adopted this approach of inventory aging analysis because it allows the Group to implement a more effective inventory management process with a view to each product's life cycle. The Group typically launches new products every 18 to 24 months while continuously marketing the older generation for another six to twelve months.

Liquidity and Capital Resources

During the six months ended 30 September 2020, the Group financed its operations primarily through cash from operations, net proceeds received from the global offering and proceeds from bank loans. The Group intends to finance its expansion and business operations by internal resources and through organic and sustainable growth, bank borrowings, as well as the net proceeds received from the global offering.

As at 30 September 2020, the Group had JPY11,202.6 million in cash and cash equivalents, which were primarily held in U.S. dollar, Japanese yen and Renminbi. The Group's cash and cash equivalents primarily consist of cash on hand and demand deposits.

A substantial portion of the Group's operation is based in Japan, and a substantial portion of the Group's revenue and expenditures are denominated and settled in Japanese yen. As a result, the Group's currency risk is limited, and the Group did not use any derivative contracts to hedge against such risk as at 30 September 2020.

Indebtedness

As at 30 September 2020, the Group's interest-bearing bank borrowings amounted to JPY8,624.5 million, mainly of which were denominated in Japanese yen and carry interest at variable rates. All of such borrowings were unsecured and payable within one year. The effective interest rate for the balance of the Group's interest-bearing bank borrowings as at 30 September 2020 ranged from 0.33% to 1.00%.

Gearing Ratio

The Group's gearing ratio is calculated by dividing (i) the sum of interest-bearing bank borrowings and lease liabilities by (ii) total equity. As at 30 September 2020, the Group's gearing ratio was 53.9% (As at 31 March 2020 the Group's gearing ratio was 50.1%).

Capital Expenditures

The Group's capital expenditures for the six months ended 30 September 2020 amounted to JPY401.3 million, which was used primarily to purchase plant machinery and equipments, office equipments and leasehold improvement. In the six months ended 30 September 2020, the Group financed its capital expenditures primarily with cash generated from operations and net proceeds received from the global offering.

Contingent Liabilities

As at 30 September 2020, the Group did not have any significant contingent liabilities.

Funding and Treasury Policy

The Group adopts a stable, conservative approach on its funding and treasury policy, aiming to maintain an optimal financial position, the most economical finance costs, and minimal financial risks. The Group regularly reviews its funding requirements to maintain adequate financial resources in order to support its current business operations as well as its future investments and expansion plans.

Charge on Assets

There was no charge on the Group's assets as at 30 September 2020.

Material Acquisitions and Future Plans for Major Investment

During the six months ended 30 September 2020, the Group did not conduct any material investments, acquisitions or disposals. In addition, save for the expansion plans as disclosed in the sections headed "Business" and "Future Plans and Use of Proceeds" in the prospectus (the "**Prospectus**") of the Company dated 23 September 2016, the Group has no specific plan for major investment or acquisition for major capital assets or other businesses. However, the Group will continue to identify new opportunities for business development.

Use of Proceeds from the Global Offering

The Company was listed on The Stock Exchange of Hong Kong Limited on 6 October 2016. The net proceeds from the Company's global offering amounted to JPY16,798.0 million, which are intended to be applied in compliance with the intended use of proceeds as set out in the section headed "Net Proceeds from the Global Offering" in the Company's Announcement of Offer Price and Allotment Results dated 5 October 2016.

The following table sets forth the status of the use of proceeds from the global offering[1]:

Intended use of proceeds	Percentage of intended use of proceeds	Intended use of proceeds from the global offering	Percentage of used amount as at 30 September 2020	Percentage of unused balance as at 30 September 2020	Expected timeframe for utilizing the remaining unused net proceeds[2]
	(%)	*(In JPY millions)*	*(%)*	*(%)*	
Potential strategic acquisitions	29.4	4,939	–	29.4	–[3]
Sales and marketing activities in North America and Europe	15.1	2,536	15.1	–	N/A
Sales and marketing activities in home markets of Japan, Korea and China (including Hong Kong and Macau)	15.1	2,536	15.1	–	N/A
Capital expenditures	13.0	2,184	13.0	–	N/A
Repayment of interest-bearing bank borrowings	17.3	2,906	17.1	0.2	From 1 April 2019 to 31 March 2021
Providing funding for working capital and other general corporate purposes	10.1	1,697	10.1	–	N/A
Total	100.0	16,798	70.4	29.6	

Notes:

(1) The figures in the table are approximate figures.

(2) The expected timeline for utilizing the remaining proceeds is based on the best estimation of the future market conditions made by the Group. It will be subject to change based on the current and future development of market conditions.

(3) As at the date of this announcement, the Group had not identified, committed to or entered into negotiations with any acquisition targets for its use of net proceeds from the global offering; hence it has no specific expected timeframe for fully utilizing such proceeds. The Group will continue to prudently evaluate potential acquisition targets within the golf products industry based on, among other factors, their brand recognition, geographic footprint, distribution network, product offerings, and financial condition, with a goal of identifying potential acquisition targets that best fit its growth strategies.

As at 30 September 2020, the unused balance of the proceeds from the global offering of approximately JPY4,972.2 million are currently deposited with creditworthy banks with no recent history of default.

Events after the Reporting Period

The Board has declared the payment of an interim dividend of JPY1.5 per share, amounting to approximately a total of JPY908.5 million for the six months ended 30 September 2020 (the "**2020/2021 Interim Dividend**"), representing approximately 7.0% of the Group's distributable profits as at 30 September 2020.

Exchange Rate Conversion

Unless otherwise specified, amounts denominated in USD have been translated, for the purpose of illustration only, into JPY at the exchange rate of USD1.00 : JPY106.90. No representation is made that any amount in USD and JPY could have been or could be converted at the above rates or at any other rates or at all.

FINANCIAL INFORMATION

The financial information set out below in this announcement represents an extract from the interim condensed consolidated financial statements, which is unaudited but has been reviewed by the Company's independent auditor, Ernst & Young, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", and by the Audit Committee.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2020

	Notes	FOR THE SIX MONTHS ENDED 30 SEPTEMBER	
		2020	2019
		(Unaudited) ***(JPY'000)***	*(Unaudited)* *(JPY'000)*
Revenue	*4*	**9,052,973**	10,590,973
Cost of sales		**(4,418,599)**	(5,330,135)
Gross profit		**4,634,374**	5,260,838
Other income and gains	*4*	**362,048**	36,652
Selling and distribution expenses		**(4,319,244)**	(4,627,977)
Administrative expenses		**(832,987)**	(691,916)
Other expenses		**(244,568)**	(519,534)
Finance costs	*5*	**(39,108)**	(28,476)
Finance income		**8,109**	59,680
LOSS BEFORE TAX	*6*	**(431,376)**	(510,733)
Income tax (expense)/credit	*7*	**(372,149)**	459,495
LOSS FOR THE PERIOD		**(803,525)**	(51,238)
Attributable to:			
Owners of the parent		**(803,534)**	(51,250)
Non-controlling interests		**9**	12
		(803,525)	(51,238)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT:	*8*		
Basic and diluted			
– For loss for the period (JPY)		**(1.33)**	(0.08)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2020

	Note	**FOR THE SIX MONTHS ENDED 30 SEPTEMBER** **2020** *(Unaudited)* *(JPY'000)*	2019 *(Unaudited)* *(JPY'000)*
LOSS FOR THE PERIOD		**(803,525)**	(51,238)
OTHER COMPREHENSIVE INCOME			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**28,763**	(5,621)
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods		**28,763**	(5,621)
Other comprehensive income that will not be reclassified to profit in subsequent periods:			
Defined benefit plans:			
Remeasurement gains	*17*	**21,323**	24,272
Income tax effect		**–**	(8,724)
		21,323	15,548
Equity investments designated at fair value through other comprehensive income:			
Changes in fair value		**1,437**	2,012
Income tax effect		**(410)**	(53)
		1,027	1,959
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods		**22,350**	17,507
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		**51,113**	11,886
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(752,412)**	(39,352)
Attributable to:			
Owners of the parent		**(752,421)**	(39,364)
Non-controlling interests		**9**	12
		(752,412)	(39,352)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 September 2020

	Notes	**30 September 2020**	31 March 2020
		(Unaudited) ***(JPY'000)***	*(Audited)* *(JPY'000)*
NON-CURRENT ASSETS			
Property, plant and equipment	*10*	**2,580,124**	2,634,443
Right-of-use assets		**1,809,969**	1,897,674
Freehold land	*11*	**1,940,789**	1,940,789
Intangible assets		**255,154**	293,850
Finance lease receivables		**74,551**	86,953
Other non-current assets		**871,829**	828,698
Deferred tax assets		**1,452,787**	1,502,459
Total non-current assets		**8,985,203**	9,184,866
CURRENT ASSETS			
Inventories	*12*	**10,067,947**	9,589,965
Trade and bills receivables	*13*	**5,403,643**	8,391,262
Prepayments, deposits and other receivables		**649,449**	1,238,129
Due from a related party	*21(c)*	**14,849**	–
Finance lease receivables		**20,412**	20,302
Cash and cash equivalents	*14*	**11,202,593**	10,472,793
Total current assets		**27,358,893**	29,712,451
CURRENT LIABILITIES			
Trade payables	*15*	**1,704,706**	2,497,969
Other payables and accruals		**1,778,931**	2,122,465
Interest-bearing bank borrowings	*16*	**8,624,494**	8,600,000
Lease liabilities		**878,773**	837,912
Income tax payable		**1,677,113**	1,201,467
Total current liabilities		**14,664,017**	15,259,813
NET CURRENT ASSETS		**12,694,876**	14,452,638
TOTAL ASSETS LESS CURRENT LIABILITIES		**21,680,079**	23,637,504

continued/...

	Notes	**30 September 2020**	31 March 2020
		(Unaudited)	*(Audited)*
		(JPY'000)	*(JPY'000)*
NON-CURRENT LIABILITIES			
Net employee defined benefit liabilities	*17*	**814,554**	904,809
Lease liabilities		**1,071,442**	1,205,404
Deferred tax liabilities		**90,137**	196,902
Other non-current liabilities		**94,573**	66,592
Total non-current liabilities		**2,070,706**	2,373,707
Net assets		**19,609,373**	21,263,797
EQUITY			
Equity attributable to owners of the parent			
Share capital	*18*	**153**	153
Reserves		**19,654,910**	21,309,343
		19,655,063	21,309,496
Non-controlling interests		**(45,690)**	(45,699)
Total equity		**19,609,373**	21,263,797

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2020

	Notes	FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020	2019
		(Unaudited) (JPY'000)	*(Unaudited) (JPY'000)*
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(431,376)**	(510,733)
Adjustments for:			
Provision for impairment of property, plant and equipment	*6*	**3,737**	–
Write-down of inventories to net realizable value	*6*	**238,103**	115,203
Provision for/(reversal of) impairment of trade receivables	*6*	**129,701**	(40,393)
Net losses on disposal of items of property, plant and equipment	*6*	**16,321**	4,299
Net losses on disposal of right-of-use assets	*6*	**385**	11,790
Depreciation of property, plant and equipment	*6*	**327,183**	219,801
Depreciation of right-of-use assets	*6*	**450,383**	384,838
Amortisation of intangible assets	*6*	**57,122**	60,343
Defined benefit plan expenses	*17*	**42,096**	40,475
Equity-settled share-based payment expenses	*19*	**–**	(607)
Foreign exchange losses		**159,167**	331,161
Finance costs	*5*	**39,108**	28,476
Finance income		**(8,109)**	(59,680)
		1,023,821	584,973
Increase in inventories		**(716,085)**	(656,804)
Decrease in trade and bills receivables		**2,857,918**	1,056,675
Decrease/(increase) in prepayments, deposits and other receivables		**188,400**	(125,805)
Increase in an amount due from a related party		**(14,849)**	–
Increase in other non-current assets		**(41,694)**	(168,512)
(Decrease)/increase in trade payables		**(793,263)**	894,548
Decrease in other payables and accruals		**(267,330)**	(314,060)
Increase in an amount due to a related party		**–**	12,713
Increase in other non-current liabilities		**27,981**	292
Payment of the defined benefit obligation	*17*	**(111,028)**	(67,100)
Cash generated from operations		**2,153,871**	1,216,920
Interest received		**8,109**	59,680
Interest paid		**(39,108)**	(28,476)
Japan income tax refund/(paid)		**431,571**	(791,999)
Overseas income tax refund/(paid)		**21,915**	(53,677)
Net cash flows generated from operating activities		**2,576,358**	402,448

continued/...

	Notes	FOR THE SIX MONTHS ENDED 30 SEPTEMBER	
		2020	2019
		(Unaudited)	*(Unaudited)*
		(JPY'000)	*(JPY'000)*
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment and intangible assets		**(401,290)**	(896,119)
Proceeds from disposal of items of property, plant and equipment and intangible assets		**7,155**	19,454
Decrease in finance lease receivables		**10,026**	3,735
Net cash flows used in investing activities		**(384,109)**	(872,930)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from bank borrowings		**50,824,494**	35,300,000
Repayment of bank borrowings		**(50,800,000)**	(33,500,000)
Principal portion of lease payments		**(451,465)**	(388,422)
Dividends paid		**(902,012)**	(5,091,686)
Net cash flows used in financing activities		**(1,328,983)**	(3,680,108)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**863,266**	(4,150,590)
Cash and cash equivalents at beginning of period		**10,472,793**	14,674,123
Effect of foreign exchange rate changes, net		**(133,466)**	(301,411)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	*14*	**11,202,593**	10,222,122
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the statement of financial position	*14*	**11,202,593**	10,222,122

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2020

1. CORPORATE INFORMATION

The Company is an exempted company with limited liability incorporated in the Cayman Islands on 7 October 2013. The registered office address of the Company is at the offices of Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands. Shares of the Company were listed (the "Listing") on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 6 October 2016 (the "Listing Date").

The Company is an investment holding company. The Company's subsidiaries were principally engaged in the manufacture and sales of golf related products.

2.1 BASIS OF PREPARATION

The interim condensed financial information for the six months ended 30 September 2020 has been prepared in accordance with IAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2020.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2019, except for the adoption of the following revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

Amendments to IFRS 3	*Definition of a Business*
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*
Amendments to IFRS 16	*Covid-19-Related Rent Concessions* (early adopted)
Amendments to IAS 1 and IAS 8	*Definition of Material*

Other than as explained below regarding the impact of Amendments to IFRS 16 *Covid-19-Related Rent Concessions*, the revised standards are not relevant to the preparation of the Group's interim condensed consolidated financial information. The nature and impact of Amendments to IFRS 16 are described below:

Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the covid-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted.

During the period ended 30 September 2020, certain monthly lease payments for the leases of the Group's office buildings and retail stores have been reduced or waived by the lessors as a result of the covid-19 pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 April 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the covid-19 pandemic during the period ended 30 September 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of JPY28,637,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the period ended 30 September 2020.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and has only one reportable operating segment: the manufacture and sales of golf related products and rendering of services relating to such products. Management monitors the operating results of its business units as a whole for the purpose of making decisions about resources allocation and performance assessment. Accordingly, no operating segment information is presented.

Revenues are attributed to geographic areas based on the location of customers as follows:

	For the six months ended 30 September	
	2020	2019
	(Unaudited) ***(JPY'000)***	*(Unaudited)* *(JPY'000)*
Japan	**1,855,759**	4,594,454
Korea	**3,115,910**	2,665,441
China (including Hong Kong and Macau)	**2,353,412**	1,584,299
North America	**305,182**	490,429
Europe	**409,994**	489,693
Rest of the world	**1,012,716**	766,657
	9,052,973	10,590,973

Information about major customers

For the six months ended 30 September 2020, revenue of approximately JPY2,572,348,993 was derived from sales to a single customer (six months ended 30 September 2019: JPY2,277,638,604).

4. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold and services rendered, after allowances for returns and trade discounts during the period.

An analysis of revenue, other income and gains is as follows:

	For the six months ended 30 September	
	2020	2019
	(Unaudited) ***(JPY'000)***	*(Unaudited)* *(JPY'000)*
Revenue		
Sale of goods	**8,995,210**	10,535,583
Rendering of services	**57,763**	55,390
	9,052,973	10,590,973
Other income and gains		
Compensation income	**277,189**	–
Government grants	**58,461**	–
Rental income	**622**	914
Others	**25,776**	35,738
	362,048	36,652

The disaggregation of the Group's revenue from contracts with customers, including the sale of goods and rendering of services above, for the six months ended 30 September 2020 and 2019, respectively are as follows:

	For the six months ended 30 September	
	2020	2019
	(Unaudited) ***(JPY'000)***	*(Unaudited)* *(JPY'000)*
Types of goods or services		
Sale of golf related products	**8,995,210**	10,535,583
Rendering of services relating to golf related products	**57,763**	55,390
Total revenue from contracts with customers	**9,052,973**	10,590,973
Timing of revenue recognition		
Goods transferred at a point in time	**8,995,210**	10,535,583
Services transferred over time	**57,763**	55,390
Total revenue from contracts with customers	**9,052,973**	10,590,973

The disaggregation of the Group's revenue based on the geographical region for the six months ended 30 September 2020 is included in note 3.

5. FINANCE COSTS

	For the six months ended 30 September	
	2020	2019
	(Unaudited) ***(JPY'000)***	*(Unaudited)* *(JPY'000)*
Interest on bank borrowings	**18,596**	11,297
Interest on lease liabilities	**20,512**	17,179
	39,108	28,476

6. LOSS BEFORE TAX

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

	Notes	For the six months ended 30 September 2020	2019
		(Unaudited)	(Unaudited)
		(JPY'000)	(JPY'000)
Cost of inventories sold		**4,385,193**	5,286,239
Cost of service provided		**33,406**	43,896
Depreciation of property, plant and equipment	*10*	**327,183**	219,801
Depreciation of right-of-use assets		**450,383**	384,838
Amortisation of intangible assets		**57,122**	60,343
Research and development costs		**139,641**	161,452
Provision for impairment of property, plant and equipment		**3,737**	–
Provision for/(reversal of) impairment of trade receivables	*13*	**129,701**	(40,393)
Expense relating to short term leases and low-value assets		**188,628**	240,693
Auditors' remuneration		**41,040**	40,512
Employee benefit expense:			
Wages and salaries		**1,836,132**	1,952,895
Pension and social security costs		**116,538**	202,128
Defined benefit plan expenses	*17*	**42,096**	40,475
Employee benefits		**233,066**	273,710
Other benefits		**124,125**	142,017
Equity-settled share-based payment expenses	*19*	**–**	(607)
Foreign exchange losses, net		**71,937**	496,951
Write-down of inventories to net realizable value		**238,103**	115,203
Net losses on disposal of items of property, plant and equipment		**16,321**	4,299
Net losses on disposal of right-of-use assets		**385**	11,790

7. INCOME TAX

The Group is subject to income tax on an entity basis on profit arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("BVI"), the Group is not subject to any income tax in the Cayman Islands and BVI.

The subsidiaries incorporated in Hong Kong are subject to income tax at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the six months ended 30 September 2020.

Pursuant to the rules and regulations of Japan, the subsidiary incorporated in Japan is subject mainly to corporate tax, inhabitant tax and enterprise tax, and the aggregate effective statutory tax rates for these taxes were 30.62% for the six months ended 30 September 2020 (six months ended 30 September 2019: 30.62%).

The provision for the PRC corporate income tax is based on the statutory rate of 25% for the assessable profits of the Group's PRC subsidiary as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008.

During the six months ended 30 September 2020, the Company's subsidiary incorporated and operating in the United States is subject to a federal corporation income tax rate of 21% (six months ended 30 September 2019: 21%), as well as state tax at 8.84% (six months ended 30 September 2019: 8.84%).

The major components of income tax expense/(credit) of the Group are as follows:

	For the six months ended 30 September	
	2020	2019
	(Unaudited) ***(JPY'000)***	*(Unaudited)* *(JPY'000)*
Current income tax – Hong Kong	**422,440**	335,453
Deferred tax	**(50,291)**	(794,948)
	372,149	(459,495)

8. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculations of basic and diluted earnings per share are based on the loss for the period attributable to ordinary equity holders of the parent and weighted average number of ordinary shares in issue during the period.

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 September 2020 and 2019 in respect of a dilution as the Group had no potentially ordinary shares in issue during those periods.

The following reflects the income and the share data used in the basic earnings per share computation:

	For the six months ended 30 September	
	2020	2019
	(Unaudited) ***(JPY'000)***	*(Unaudited)* *(JPY'000)*
Loss		
Loss attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**(803,534)**	(51,250)

	Number of shares For the six months ended 30 September	
	2020	2019
	('000)	*('000)*
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**605,643**	609,050

9. DIVIDENDS

	For the six months ended 30 September	
	2020	2019
	(Unaudited) ***(JPY'000)***	*(Unaudited)* *(JPY'000)*
Final declared – JPY1.50 per ordinary share (2019: JPY1.70)	**902,012**	1,037,501
Interim declared -Nil (2019: JPY8.21)	**–**	5,091,686
	902,012	6,129,187

During the period, the Company's shareholders approved 2020 proposed final dividend with a total amount of JPY902,012,000 (six months ended 30 September 2019: JPY1,037,501,000). The amount of the 2020 final dividend was calculated based on the number of shares of the Company as of 10 September 2020.

On 7 August 2019, the board of directors declared the payment of a special dividend of JPY8.21 per ordinary share totaling approximately JPY5,091,686,000 as a reward to the shareholders of the Company for their continuous support and to commemorate the 60th anniversary of Honma brand. The special dividend has been paid on 2 September 2019.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended on 30 September 2020, the Group acquired items of property, plant and equipment with a cost of JPY306,914,000 (six months ended 30 September 2019: JPY834,189,000). Depreciation for items of property, plant and equipment was JPY327,183,000 during the period (six months ended 30 September 2019: JPY219,801,000). Assets with a net book value of JPY23,476,000 were disposed of by the Group during the six months ended 30 September 2020 (six months ended 30 September 2019: JPY23,753,000).

11. FREEHOLD LAND

The carrying amounts of the Group's freehold land is JPY1,940,789,000 as at 30 September 2020 and 31 March 2020. The freehold land, which is located in Japan, is owned by Honma Golf Co., Ltd., a limited liability company incorporated under the laws of Japan.

12. INVENTORIES

	30 September 2020	31 March 2020
	(Unaudited) ***(JPY'000)***	*(Audited)* *(JPY'000)*
Raw materials	**2,038,671**	2,200,698
Work in progress	**1,057,328**	1,105,279
Finished goods	**8,032,785**	7,106,722
	11,128,784	10,412,699
Provision for inventories	**(1,060,837)**	(822,734)
	10,067,947	9,589,965

13. TRADE AND BILLS RECEIVABLES

	30 September 2020	31 March 2020
	(Unaudited) *(JPY'000)*	*(Audited)* *(JPY'000)*
Trade receivables	**6,212,240**	8,887,817
Bills receivable	**77,769**	260,552
	6,290,009	9,148,369
Impairment of trade receivables	**(886,366)**	(757,107)
	5,403,643	8,391,262

The Group's trading terms with its customers are mainly on credit. The credit period is ranging from 30 to 140 days. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	30 September 2020	31 March 2020
	(Unaudited) *(JPY'000)*	*(Audited)* *(JPY'000)*
Within 1 month	**2,814,216**	4,193,113
Over 1 and within 3 months	**353,318**	1,195,788
Over 3 and within 12 months	**1,782,338**	1,490,551
Over 1 year	**376,002**	1,251,258
	5,325,874	8,130,710

14. CASH AND CASH EQUIVALENTS

	30 September 2020	31 March 2020
	(Unaudited) *(JPY'000)*	*(Audited)* *(JPY'000)*
Cash and bank balances	**11,202,593**	10,472,793

15. TRADE PAYABLES

	30 September 2020	31 March 2020
	(Unaudited)	*(Audited)*
	(JPY'000)	*(JPY'000)*
Trade payables	**1,704,706**	2,497,969

An ageing analysis of the trade payables of the Group as at the end of the reporting period, based on the invoice date, is as follows:

	30 September 2020	31 March 2020
	(Unaudited)	*(Audited)*
	(JPY'000)	*(JPY'000)*
Within 3 months	**1,684,319**	2,373,238
Over 3 months	**20,387**	124,731
	1,704,706	2,497,969

The trade payables are unsecured, non-interest-bearing and normally settled in 2 to 4 months.

16. INTEREST-BEARING BANK BORROWINGS

	30 September 2020	31 March 2020
	(Unaudited)	*(Audited)*
	(JPY'000)	*(JPY'000)*
Current		
Bank loans – unsecured	**8,624,494**	8,600,000
Analysed into:		
Bank loans repayable:		
Within one year	**8,624,494**	8,600,000

The Group's bank borrowings bore effective interest rates as follows:

	30 September 2020	31 March 2020
	(Unaudited)	*(Audited)*
Effective interest rates	**0.33%-1.00%**	0.33%-0.51%

As at 30 September 2020 and 31 March 2020, there were no properties pledged to secure bank borrowings granted to the Group.

17. EMPLOYEE DEFINED BENEFIT PLANS

Net employee defined benefit liability:

	30 September 2020	31 March 2020
	(Unaudited) (JPY'000)	*(Audited) (JPY'000)*
Retirement benefit plan	**814,554**	904,809

The Group operates a funded defined benefit plan for all its qualifying employees in Japan. Under the plan, the employees are entitled to retirement benefits on attainment of a retirement age of 60.

The Group's defined benefit plan is a post-employment benefit plan, which requires contributions to be made to a separately administered fund. The plan has the legal form of a foundation and it is administrated by independent trustees with the assets held separately from those of the Group. The trustees are responsible for the determination of the investment strategy of the plan.

The trustees review the level of funding in the plan by the end of each reporting period. Such a review includes the asset-liability matching strategy and investment risk management policy. This includes employing the use of annuities and longevity swaps to manage the risks. The trustees decide the contribution based on the results of the annual review.

The plan is exposed to interest rate risk, the risk of changes in the life expectancy for pensioners and equity market risk.

The most recent actuarial valuations of the plan assets and the present value of the defined benefit obligation were carried out by Mizuho Trust & Banking Co., Ltd. and by Professional Actuary Management Consulting Co., which are members of the actuarial society of Japan and Taiwan, using the projected unit credit actuarial valuation method.

The total expenses recognized in the interim condensed consolidated statement of profit or loss in respect of the plan are as follows:

	30 September 2020	30 September 2019
	(Unaudited) (JPY'000)	*(Unaudited) (JPY'000)*
Current service cost	**40,738**	38,706
Interest cost	**1,358**	1,769
Net benefit expenses	**42,096**	40,475
Recognised in cost of sales	**13,468**	12,949
Recognised in selling and distribution costs	**14,145**	13,600
Recognised in administrative expenses	**14,483**	13,926
	42,096	40,475

The following tables summarize the components of net benefit expenses recognized in the interim condensed consolidated statement of profit or loss and the funded status and amounts recognized in the interim condensed consolidated statement of financial position for the plan:

Changes for the six months ended 30 September 2020 in the defined benefit obligation and fair value of plan assets:

	1 April 2020	**Service cost**	**Net interest**	**Sub-total included in profit or loss**	**Benefits paid**	**Return on plan assets**	**Actuarial changes arising from changes in financial assumptions**	**Sub-total included in other comprehensive income**	**30 September 2020**
	(JPY'000)	***(JPY'000)***	***(JPY'000)***	***(JPY'000)*** *(note 6)*	***(JPY'000)***	***(JPY'000)***	***(JPY'000)***	***(JPY'000)***	***(JPY'000)***
Defined benefit obligation	**2,860,169**	**40,738**	**4,449**	**45,187**	**(357,508)**	**–**	**151,647**	**151,647**	**2,699,495**
Fair value of plan assets	**(1,955,360)**	**–**	**(3,091)**	**(3,091)**	**246,480**	**(172,970)**	**–**	**(172,970)**	**(1,884,941)**
Benefit liability	**904,809**	**40,738**	**1,358**	**42,096**	**(111,028)**	**(172,970)**	**151,647**	**(21,323)**	**814,554**

Changes for the six months ended 30 September 2019 in the defined benefit obligation and fair value of plan assets:

	1 April 2019	Service cost	Net interest	Sub-total included in profit or loss	Benefits paid	Return on plan assets	Actuarial changes arising from changes in financial assumptions	Sub-total included in other comprehensive income	30 September 2019
	(JPY'000)	*(JPY'000)*	*(JPY'000)*	*(JPY'000)* *(note 6)*	*(JPY'000)*	*(JPY'000)*	*(JPY'000)*	*(JPY'000)*	*(JPY'000)*
Defined benefit obligation	3,437,388	38,706	2,873	41,579	(130,261)	–	88	88	3,348,794
Fair value of plan assets	(2,140,185)	–	(1,104)	(1,104)	63,161	(24,360)	–	(24,360)	(2,102,488)
Benefit liability	1,297,203	38,706	1,769	40,475	(67,100)	(24,360)	88	(24,272)	1,246,306

The major categories of the fair value of the total plan assets are as follows:

	30 September 2020	31 March 2020
	(Unaudited) ***(JPY'000)***	*(Audited)* *(JPY'000)*
Stocks	**909,522**	939,727
Bonds	**776,761**	796,943
General account of life insurance companies	**143,316**	140,101
Others	**55,342**	78,589
	1,884,941	1,955,360

The principal actuaries assumptions used in determining the defined benefit obligation for the retirement benefit plan are shown below:

	30 September 2020	31 March 2020
	(Unaudited) ***(JPY'000)***	*(Audited)* *(JPY'000)*
Method of allocating projected retirement benefits	**Projected unit credit method**	Projected unit credit method
Discount rate	**0.32%**	0.29%
Salary increase rate (aged based, on average)	**1.90%**	1.90%
Turnover rate (aged based, on average)	**4.90%**	4.90%
Mortality (Mortality Table published by Ministry of Health, Labour and Welfare dated on)	**26 March 2015**	26 March 2015

A quantitative sensitivity analysis for significant assumption is as shown below:

		Increase/(decrease) in defined benefit obligations	
		30 September 2020	31 March 2020
Assumption	*Change in assumption*	***(Unaudited)*** ***(JPY'000)***	*(Audited)* *(JPY'000)*
Discount rate	Increase by 0.5%	**(121,321)**	(113,827)
	Decrease by 0.5%	**106,333**	113,827

The sensitivity analysis above has been determined based on a method that extrapolates the impact on defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analysis is based on a change in a significant assumption, keeping all other assumption constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligations as it is unlikely that changes in assumptions would occur in isolation of one another.

The average durations of the defined benefit plan obligation as at 30 September 2020 is 6.8 years (31 March 2020: 6.8 years).

The actuarial valuation showed that the market value of plan assets was JPY1,884,941,000 as at 30 September 2020 (31 March 2020: JPY1,955,360,000), and represented 70% (31 March 2020: 68%) of the defined benefit obligation that had accrued to qualifying employees. The deficiency of JPY814,554,000 as at 30 September 2020 (31 March 2020: JPY904,809,000) is expected to be cleared over the remaining service period.

18. SHARE CAPITAL

	30 September 2020	31 March 2020
	(Unaudited)	*(Audited)*
Issued capital (As of 30 September 2020 and as of 31 March 2020: 20,000,000,000 authorised shares of USD0.0000025 each, 605,642,500 ordinary shares in issue) USD	**1,514**	1,514
Equivalent to JPY	**153,000**	153,000

19. SHARE-BASED PAYMENT

The company operates a restricted share unit scheme ("the Scheme") for the purpose of providing incentives and rewards to eligible participants who contributed the success of the Group's operations. The Scheme includes three batches, which were effective on 20 October 2015 and 31 May 2016 ("2015 and 2016 RSU scheme") and 6 October 2017 ("2017 RSU scheme").

2015 and 2016 RSU scheme

By a resolution of the board of directors on 20 October 2015 and 31 May 2016, the Group granted 17,554,550 shares represented by RSUs and 952,250 shares represented by RSUs, respectively for the purpose of providing incentives and rewards to eligible participants who will contribute to the success of the Group's operations in future years. All the RSUs granted were based on the Company's and individuals' performance. The vesting schedule of the RSUs is 40% on the date on which the shares of the Company are listed on The Stock Exchange of Hong Kong Limited, 30% after 12 months from the Listing Date and 30% after 24 months from the Listing Date.

During the year ended 31 March 2018, agreed by employees who accepted the grant of the above RSUs, 286,042 shares represented by RSUs were cancelled and the vesting schedule of above RSUs was modified to 40% on the date on which the shares of the Company are listed on The Stock Exchange of the Hong Kong Limited, 30% on 30 April 2018 or the date on which the Company publishes its annual results for the fiscal year ended 31 March 2018 (whichever is earlier) and 30% on 30 April 2019 or the date on which the Company publishes its annual results for the fiscal year ended 31 March 2019 (whichever is earlier), which was accounted for as cancellation and modification of share-based payment.

During the period ended 30 September 2020, the vesting schedule of the above RSUs was modified to 40% on the date on which the shares of the Company are listed on The Stock Exchange of Hong Kong Limited, 30% on 30 April 2018 or the date on which the Company publishes its annual results for the fiscal year ended 31 March 2018 (whichever is earlier) and 30% on 30 April 2021, which was accounted for as cancellation and modification of share-based payment.

2017 RSU scheme

During the year ended 31 March 2018, the Group granted 318,396 shares represented by RSUs, which has been approved by the board of directors, for the purpose of providing incentives and rewards to eligible participants who will contribute to the success of the Group's operations in future years. All the RSUs granted were based on the Company's and individuals' performance. The vesting schedule of the RSUs is 50% on 30 April 2018 or the date on which the Company publishes its annual results for the fiscal year ended 31 March 2018 (whichever is earlier) and 50% on 30 April 2019 or the date on which the Company publishes its annual results for the fiscal year ended 31 March 2019 (whichever is earlier).

During the period ended 30 September 2020, the vesting schedule of the above RSUs was modified to 50% on 30 April 2018 or the date on which the Company publishes its annual results for the fiscal year ended 31 March 2018 (whichever is earlier) and 50% on 30 April 2021, which was accounted for as cancellation and modification of share-based payment.

The following RSUs were outstanding during the year ended 31 March 2020 and the six months ended 30 September 2020:

	For the six months ended 30 September 2020	For the year ended 31 March 2020
	Number of RSUs	Number of RSUs
At the beginning of the period	**3,746,909**	4,212,608
Forfeited during the period	**(140,400)**	(465,699)
At the end of the period	**3,606,509**	3,746,909

The Group reversed RSU expenses of JPY607,000 during the six months ended 30 September 2019 since the resignation of employees.

20. CAPITAL COMMITMENTS

At the end of the reporting period, the Group did not have any significant capital commitments (31 March 2020: Nil).

21. RELATED PARTY TRANSACTIONS AND BALANCES

(a) Name and relationship

Related parties	**Relationships**
Shanghai POVOS Enterprise (Group) Co., Ltd.	Company controlled by the Ultimate Shareholder

(b) Related party transactions

In addition to the transactions and balances disclosed elsewhere in the interim condensed consolidated financial information, the Group had the following material transactions with related parties during the period:

	For the six months ended 30 September	
	2020	2019
	(Unaudited) ***(JPY'000)***	*(Unaudited)* *(JPY'000)*
Rental expense charged by related parties *(note (i))*		
Shanghai POVOS Enterprise (Group) Co., Ltd.	**13,465**	13,815

Note (i): The related party transactions also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

(c) Balances with related parties

	30 September 2020	31 March 2020
	(Unaudited) ***(JPY'000)***	*(Audited)* *(JPY'000)*
Due from a related party		
Shanghai POVOS Enterprise (Group) Co., Ltd.	**14,849**	–

(d) Compensation of key management personnel of the Group

	For the six months ended 30 September	
	2020	2019
	(Unaudited) ***(JPY'000)***	*(Unaudited)* *(JPY'000)*
Short term employee benefits	**87,985**	132,663
Pension scheme contributions	**6,085**	12,302
Total compensation paid to key management personnel	**94,070**	144,965

22. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets – Debt instruments at amortised cost

	30 September 2020	31 March 2020
	(Unaudited) (JPY'000)	*(Audited) (JPY'000)*
Trade receivables	**5,325,874**	8,130,710
Cash and cash equivalents	**11,202,593**	10,472,793
Financial assets included in prepayments, deposits and other receivables	**65,819**	71,786
Due from a related party	**14,849**	–
Finance lease receivables	**94,963**	107,255
Other non-current assets	**707,039**	638,515
	17,411,137	19,421,059

Financial assets – debt instruments at fair value through other comprehensive income

	30 September 2020	31 March 2020
	(Unaudited) (JPY'000)	*(Audited) (JPY'000)*
Bills receivables	**77,769**	260,552

Financial assets – equity instruments at fair value through other comprehensive income

	30 September 2020	31 March 2020
	(Unaudited) (JPY'000)	*(Audited) (JPY'000)*
Equity instruments at fair value through other comprehensive income	**13,560**	12,123

Financial liabilities – at amortised cost

	30 September 2020	31 March 2020
	(Unaudited) (JPY'000)	*(Audited) (JPY'000)*
Trade payables	**1,704,706**	2,497,969
Interest-bearing bank borrowings	**8,624,494**	8,600,000
Financial liabilities included in other payables and accruals	**975,224**	1,050,034
Lease liabilities	**1,950,215**	2,043,316
Financial liabilities included in other non-current liabilities	**15,462**	1,233
	13,270,101	14,192,552

23. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Financial assets and liabilities not presented at their fair value on the interim condensed consolidated statements of financial position mainly represent cash and cash equivalents, trade receivables, financial assets included in prepayments, deposits and other receivables, an amount due from a related party, the current portion of finance lease receivables, rental deposits included in other non-current assets, trade payables, interest-bearing bank borrowings, financial liabilities included in other payables and accruals and the current portion of lease liabilities, Their fair values are approximate to their carrying amounts largely due to the short term maturities of these instruments.

The non-current portion of finance lease receivables and the non-current portion of lease liabilities of the Group approximate to their fair values because their carrying amounts are present value and internal rates of return are close to rates currently available for instruments with similar terms, credit risk and remaining maturities.

The fair values of rental deposits paid as lessee included in other non-current assets and rental deposits received as lessor included in other non-current liabilities have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The fair values have been assessed to be approximate to their carrying amounts.

The fair values of listed equity investments are based on quoted market prices. The fair values of unlisted equity investments require the directors to make estimates about the expected future cash flows from future proceeds when the investments are realized and the fair values have been estimated to be the principal plus estimated interest income. The directors believe that the estimated fair values which are recorded in the interim condensed consolidated statements of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of each of the reporting periods.

The Group's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief financial officer and the board of directors. At each reporting date, the corporate finance team analyzes the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the vice president responsible for finance. The valuation process and results are discussed with the board of directors once a year for annual financial reporting.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

The Group did not have any financial liability measured at fair value as at 30 September 2020 (31 March 2020: Nil).

Assets measured at fair value:

As at 30 September 2020

	Level 1	**Level 2**	**Level 3**	**Total**
	(Unaudited)	***(Unaudited)***	***(Unaudited)***	***(Unaudited)***
	JPY'000	***JPY'000***	***JPY'000***	***JPY'000***
Equity instruments at fair value through other comprehensive income	**13,460**	**–**	**100**	**13,560**
Bills receivable	**–**	**77,769**	**–**	**77,769**
	13,460	**77,769**	**100**	**91,329**

As at 31 March 2020

	Level 1	Level 2	Level 3	Total
	(Audited)	*(Audited)*	*(Audited)*	*(Audited)*
	JPY'000	*JPY'000*	*JPY'000*	*JPY'000*
Equity instruments at fair value through other comprehensive income	12,023	–	100	12,123
Bills receivable	–	260,552	–	260,552
	12,023	260,552	100	272,675

During the six months ended 30 September 2020, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (six months ended 30 September 2019: Nil).

24. EVENT AFTER THE REPORTING PERIOD

On 27 November 2020, the board of directors declared the payment of an interim dividend of JPY1.50 per ordinary share totaling approximately JPY908,464,000 for the six months ended 30 September 2020.

25. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The interim condensed consolidated financial information was approved and authorized for issue by the board of directors on 27 November 2020.

OTHER INFORMATION

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

During the six months ended 30 September 2020, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

INTERIM DIVIDEND

The Board has declared the payment of the 2020/2021 Interim Dividend of JPY1.5 per share for the six months ended 30 September 2020, amounting to approximately a total of JPY908.5 million, representing approximately 7.0% of the Group's distributable profits as at 30 September 2020. The interim dividend for the six months ended 30 September 2019 amounted to JPY1,000 million (JPY1.64 per share).

The 2020/2021 Interim Dividend has been declared in Japanese Yen and will be paid in Hong Kong dollars, the exchange rate of which will be calculated based on the rate of exchange as quoted to the Company by The Hongkong and Shanghai Banking Corporation Limited at its middle rate of exchange as at the record date for determining such dividend entitlement.

The 2020/2021 Interim Dividend will be paid on Monday, 28 December 2020 to the shareholders of the Company whose names appear on the register of members of the Company as at Monday, 14 December 2020.

The distribution of the 2020/2021 Interim Dividend will not be subject to withholding tax under the Cayman Islands laws.

CLOSURE OF REGISTER OF MEMBERS

To ascertain the Shareholders' entitlement to the interim dividend, the Register of Members of the Company will be closed for one day on Monday, 14 December 2020. No transfer of shares of the Company will be registered on the aforementioned book-close date. To qualify for the interim dividend, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Friday, 11 December 2020 for registration.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). During the six months ended 30 September 2020, the Company has complied with all applicable code provisions as set out in the CG Code save for the deviation from code provision A.2.1.

Code provision A.2.1 stipulates that the roles of Chairman and Chief Executive should be separate and should not be performed by the same individual. The positions of the chairman and president of the Company are both held by Mr. Liu Jianguo. With the assistance of Mr. Ito Yasuki and Mr. Zuo Jun, the respective presidents of Japan operations and China operations overseeing the Group's business in Japan and China, the Board believes that this arrangement would allow for effective and efficient planning and implementation of business decisions and strategies under the strong and consistent leadership and should be beneficial to the management and development of the Group's business.

The Board will continue to review and monitor the practices of the Company for the purpose of complying with the CG Code and maintaining a high standard of corporate governance practices of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions.

Having made specific enquiry of all directors of the Company (the "**Directors**"), all of them have confirmed that they have complied with the Model Code and the Company's own code regarding directors' securities transactions throughout the six months ended 30 September 2020.

AUDIT COMMITTEE

The Company established the Audit Committee with written terms of reference in compliance with the CG Code. As at the date of this announcement, the Audit Committee comprises three independent non-executive Directors, namely Mr. Lu Pochin Christopher, Mr. Wang Jianguo and Mr. Xu Hui. Mr. Lu Pochin Christopher is the chairman of the Audit Committee.

The Audit Committee has reviewed and discussed the Interim Results for the six months ended 30 September 2020. The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes for the six months ended 30 September 2020 as set out in this announcement have been agreed by the Group's auditor, Ernst & Young, to the amounts set out in the Group's consolidated financial statements for the six months ended 30 September 2020. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Ernst & Young on this announcement.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The interim results announcement is published on the website of Hong Kong Exchanges and Clearing Limited ("**HKEX**") (www.hkexnews.hk) and that of the Company (www.honma.hk). The interim report will be dispatched to the shareholders of the Company and will be available on the website of HKEX and that of the Company in due course.

For and on behalf of the Board
Honma Golf Limited
本間高爾夫有限公司
Liu Jianguo
Chairman

27 November 2020

As at the date of this announcement, the Board comprises Mr. Liu Jianguo, Mr. Ito Yasuki, Mr. Murai Yuji and Mr. Zuo Jun as executive Directors; Mr. Yang Xiaoping and Mr. Ho Ping-hsien Robert as non-executive Directors; and Mr. Lu Pochin Christopher, Mr. Wang Jianguo and Mr. Xu Hui as independent non-executive Directors.