NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Basis of Preparation and Accounting Policies

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The accounting policies adopted in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those used in the preparation of the Group's audited financial statements for the year ended 31 December 2004 except as described below.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2. Impact of Changes in Accounting Policies

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

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

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

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

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

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

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

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

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

3. Segment Information

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

(A) Business segments

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

3. Segment Information *(Continued)*

(B) Geographical segments

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

4. Revenue

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

5. Other Income and Gains

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

6. Finance Costs

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

7. Profit Before Tax

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

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

8. Tax

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

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

9. Earnings per Share

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

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

10. Dividend per Share

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

11. Trade and Bills Receivable

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

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

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period granted by the Group is generally between 30 to 90 days from the date of recognition of sale.

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

12. Trade and Bills Payable

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

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

13. Share Capital

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

14. Reserves

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

15. Contingent Liabilities

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

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

16. Commitments

(a) Capital commitments

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

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

(b) Operating lease commitments

(i) As lessor

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

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

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

16. Commitments *(Continued)*

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

(ii) *As lessee*

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

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

17. Related Party Transactions

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

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

17. Related Party Transactions *(Continued)*

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

Notes:

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

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

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

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

(b) Outstanding balances with related parties

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

18. Approval of the Interim Financial Report

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