INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board declares an interim dividend of HK 3.00 cents per ordinary share for the six months ended 30 June 2005 payable to the shareholders whose names appear on the Register of Members of the Company at the close of business on Thursday, 13 October 2005. The Register of Members will be closed from Wednesday, 12 October 2005 to Thursday, 13 October 2005, both days inclusive, during which period no transfer of shares will be registered. To qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Tengis Limited at G/F, Bank of East Asia Harbour View Center, 56 Gloucester Road, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 10 October 2005. The dividend will be paid on or around Thursday, 27 October 2005.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Overview

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

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

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Financial Results

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

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

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

Golf Equipment Business

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

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Golf Equipment Business *(Continued)*

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

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

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Golf Equipment Business *(Continued)*

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

Golf Bags Business

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

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Golf Bags Business *(Continued)*

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

Geographical Segments

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

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Disposal of a Subsidiary

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

Prospects

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

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Prospects *(Continued)*

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

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

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