

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 2005 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 2006.

HKAS 39 Amendment	The Fair Value Option
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease

There was no material impact on the unaudited condensed consolidated interim financial statements arising from the application of the above-mentioned HKFRSs.

2. SEGMENT INFORMATION

The following tables present revenue and results by business and geographical segments for the six months ended 30 June 2006.

A. Business segments

	Golf equipment For the six months ended 30 June		Golf bag For the six months ended 30 June		Eliminations For the six months ended 30 June		Consolidated For the six months ended 30 June	
	2006 (unaudited) HK\$'000	2005 (unaudited) HK\$'000	2006 (unaudited) HK\$'000	2005 (unaudited) HK\$'000	2006 (unaudited) HK\$'000	2005 (unaudited) HK\$'000	2006 (unaudited) HK\$'000	2005 (unaudited) HK\$'000
	Segment revenue:							
Sales to external customers	233,910	140,453	46,765	30,019	-	-	280,675	170,472
Rental income	159	260	826	750	-	-	985	1,010
Testing income	8	1,771	-	-	-	-	8	1,771
Toolings charges	446	567	-	-	-	-	446	567
Intersegment revenue	108	3,913	8,677	3,407	(8,785)	(7,320)	-	-
Other income and gains	331	5,421	-	40	-	-	331	5,461
	<u>234,962</u>	<u>152,385</u>	<u>56,268</u>	<u>34,216</u>	<u>(8,785)</u>	<u>(7,320)</u>	<u>282,445</u>	<u>179,281</u>
Total								
Segment results	<u>30,255</u>	<u>26,406</u>	<u>2,673</u>	<u>(2,945)</u>			<u>32,928</u>	<u>23,461</u>
Interest income							457	229
Finance costs							(9,226)	(4,216)
Profit before tax							<u>24,159</u>	<u>19,474</u>
Tax							(958)	(1,562)
Profit for the period							<u>23,201</u>	<u>17,912</u>

B. Geographical segments

	For the six months ended 30 June	
	2006 (unaudited) HK\$'000	2005 (unaudited) HK\$'000
Segment revenue: sales to external customers		
North America	209,698	125,083
Europe	10,174	13,146
Asia (excluding Japan)	27,612	13,579
Japan	32,907	14,094
Others	284	4,570
	<u>280,675</u>	<u>170,472</u>

3. REVENUE

Revenue represents the invoiced value of goods sold net of trade discounts and goods returns, which is also Group's turnover, and rental income, testing income and tooling charges earned during the period.

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2006 (unaudited) HK\$'000	2005 (unaudited) HK\$'000
Revenue		
Turnover:		
Sales of goods	280,675	170,472
Rental income	985	1,010
Testing income	8	1,771
Tooling charges	446	567
	<hr/> 282,114 <hr/>	<hr/> 173,820 <hr/>

4. OTHER INCOME AND GAINS

	For the six months ended 30 June	
	2006 (unaudited) HK\$'000	2005 (unaudited) HK\$'000
Interest income	457	229
Handling charges	–	1,182
Gain on disposal of a subsidiary	–	2,581
Others	331	1,698
	<hr/> 788 <hr/>	<hr/> 5,690 <hr/>

5. FINANCE COSTS

	For the six months ended 30 June	
	2006 (unaudited) HK\$'000	2005 (unaudited) HK\$'000
Changes in fair value of interest rate swap contracts	–	(2,093)
Interest expenses on:		
Bank loans	7,501	5,291
Finance leases	2	2
Bank charges	1,723	1,016
Total finance costs	<u>9,226</u>	<u>4,216</u>

6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2006 (unaudited) HK\$'000	2005 (unaudited) HK\$'000
Amortisation of prepaid land lease payments	81	81
Depreciation	6,930	8,882
Loss on disposal of property, plant and equipment	–	281
Interest income	(457)	(229)

7. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (six months ended 30 June 2005: 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	
	2006 (unaudited) HK\$'000	2005 (unaudited) HK\$'000
Provision for the period:		
Current – Hong Kong profits tax	<u>958</u>	<u>1,562</u>

8. EARNINGS PER SHARE

The calculation of basic earnings per share for the period is based on the profit attributable to equity holders of the parent of approximately HK\$23,261,000 (six months ended 30 June 2005: HK\$18,613,000) and the weighted average number of 302,200,000 (six months ended 30 June 2005: 302,200,000) ordinary shares in issue during the period.

The diluted earnings per share amounts for the six months ended 30 June 2006 and 2005 have not been shown as there was no dilutive effect on the basic earnings per share amounts for these periods. The outstanding share options of the Company would not result in the issue of ordinary shares for less than the fair values as their exercise price was above the average market price of the Company's shares during these periods.

9. DIVIDEND PER SHARE

At a meeting of the board of directors held on 15 September 2006, the directors resolved to pay an interim dividend of HK3.30 cents per ordinary share to shareholders (six months ended 30 June 2005: HK3.00 cents).

10. TRADE AND BILLS RECEIVABLES

An aged analysis of the Group's trade and bills receivables 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 2006 (unaudited) HK\$'000	31 December 2005 (audited) HK\$'000
Within 3 months	25,568	18,407
4 to 6 months	2,213	2,169
7 to 12 months	1,939	3,187
Over 1 year	3,881	3,336
	33,601	27,099

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\$278,000 (31 December 2005: HK\$528,000) due from 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.

11. TRADE AND BILLS PAYABLES

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 2006 (unaudited) HK\$'000	31 December 2005 (audited) HK\$'000
Within 3 months	50,879	40,419
4 to 6 months	9,703	3,379
7 to 12 months	1,412	1,307
Over 1 year	265	539
	<hr/> 62,259 <hr/>	<hr/> 45,644 <hr/>

12. SHARE CAPITAL

	30 June 2006 (unaudited) HK\$'000	31 December 2005 (audited) HK\$'000
Authorised: 1,000,000,000 ordinary shares of HK\$0.1 each	<hr/> 100,000 <hr/>	<hr/> 100,000 <hr/>
Issued and fully paid: 302,200,000 ordinary shares of HK\$0.1 each	<hr/> 30,220 <hr/>	<hr/> 30,220 <hr/>

13. CONTINGENT LIABILITIES

- (a) At the balance sheet date, the Group had no bills discounted with recourse not provided for in the condensed consolidated interim financial statements (31 December 2005: Nil).
- (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\$2,315,000 (31 December 2005: HK\$2,140,000) as at 30 June 2006. 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.

14. COMMITMENTS
(a) Capital commitments

	30 June 2006 (unaudited) HK\$'000	31 December 2005 (audited) HK\$'000
Contracted, but not provided for:		
Land and buildings	3,259	9,893
Plant and machinery	2,762	925
	6,021	10,818
Authorised, but not contracted for:		
Land and buildings	–	6,375
Capital contributions into subsidiaries	87,630	98,679
	87,630	105,054
	93,651	115,872

14. COMMITMENTS *(Continued)***(b) Operating lease arrangements***(i) As lessor*

The Group leases certain of its rented property, machinery and motor vehicle under operating lease arrangements, with leases negotiated for terms ranging from one to three years. 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 2006 (unaudited) HK\$'000	31 December 2005 (audited) HK\$'000
Within one year	1,755	1,907
In the second to fifth years, inclusive	2,761	3,611
	4,516	5,518

(ii) As lessee

The Group leases certain of its office properties, production plants, staff quarters and motor vehicle under operating lease arrangements, with leases negotiated with original terms ranging from 1 to 14 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 2006 (unaudited) HK\$'000	31 December 2005 (audited) HK\$'000
Within one year	6,184	5,461
In the second to fifth years, inclusive	9,168	9,666
After five years	1,836	2,992
	17,188	18,119

15. RELATED PARTY TRANSACTIONS

(a) Material transactions with related parties

		For the six months ended 30 June	
		2006 (unaudited) HK\$'000	2005 (unaudited) HK\$'000
	<i>Notes</i>		
Purchases of raw materials from Nikko Bussan (Japan)	<i>(i)</i>	11	–
Sales of finished goods to Nikko Bussan (Japan)	<i>(ii)</i>	3,139	2,263
Tooling charge received from Nikko Bussan (Japan)	<i>(iii)</i>	86	–
Rental expenses paid to Progolf Manufacturing Company Limited (“Progolf”) and Oriental Leader Limited	<i>(iv)</i>	720	720
Rental income from Sino Sporting Company Limited (“Sino Sporting”)	<i>(v)</i>	160	260
Rental expenses paid to Sino Sporting	<i>(v)</i>	–	66

Notes:

- (i) 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.
- (ii) The selling prices of finished goods were based on the agreement between the parties.
- (iii) The tooling charge was based on the agreement between the parties.
- (iv) 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.
- (v) 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.

15. RELATED PARTY TRANSACTIONS (Continued)

(b) Outstanding balances with related parties

	Notes	Due from related parties		Due to related parties	
		30 June 2006 (unaudited) HK\$'000	31 December 2005 (audited) HK\$'000	30 June 2006 (unaudited) HK\$'000	31 December 2005 (audited) HK\$'000
Mr. Simon Chu	(i)	687	687	–	–
Mr. Chang Hua Jung	(i)	153	176	–	–
Nikko Bussan (Japan)	(ii)	278	528	–	–

Notes:

- (i) The above balances are included in prepayments, deposits and other receivables under current assets of the condensed consolidated balance sheet. The amount due from Simon Chu bears interest at a rate of 1.5% per annum and is repayable on 31 December 2006. The amount due from Chang Hua Jung is interest-free, of which HK\$101,000 and HK\$52,000 are payable before August 2007 and July 2010, respectively.
- (ii) The amount due from Nikko Bussan (Japan) is included in trade and bills receivables under current assets of the condensed consolidated balance sheet. The balance is unsecured, interest-free and is repayable within similar credit periods offered by the Group to its major customers (Details refer to note 10 of the Notes To Condensed Consolidated Interim Financial Statements).

16. APPROVAL OF THE INTERIM FINANCIAL REPORT

These condensed consolidated interim financial statements were approved and authorized for issue by the board of directors on 15 September 2006.

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board declares an interim dividend of HK3.30 cents per ordinary share for the six months ended 30 June 2006 payable to the shareholders whose names appear on the Register of Members of the Company at the close of business on Thursday, 12 October 2006. The Register of Members will be closed from Wednesday, 11 October 2006 to Thursday, 12 October 2006, 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 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 10 October 2006. The dividend will be paid on or around Friday, 27 October 2006.