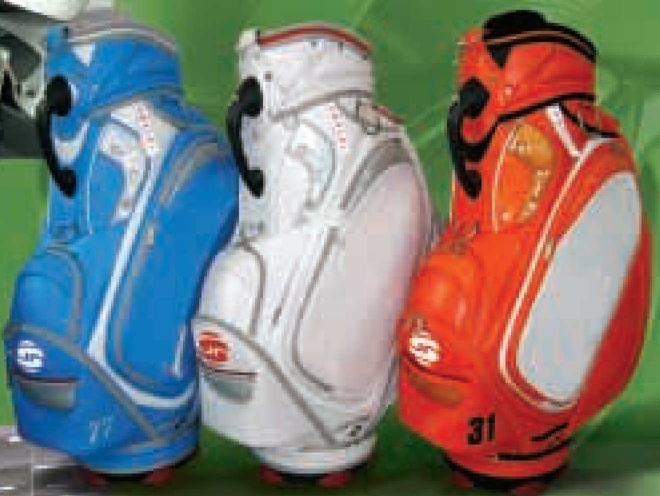
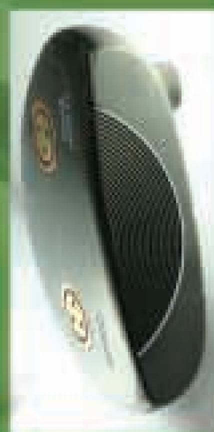
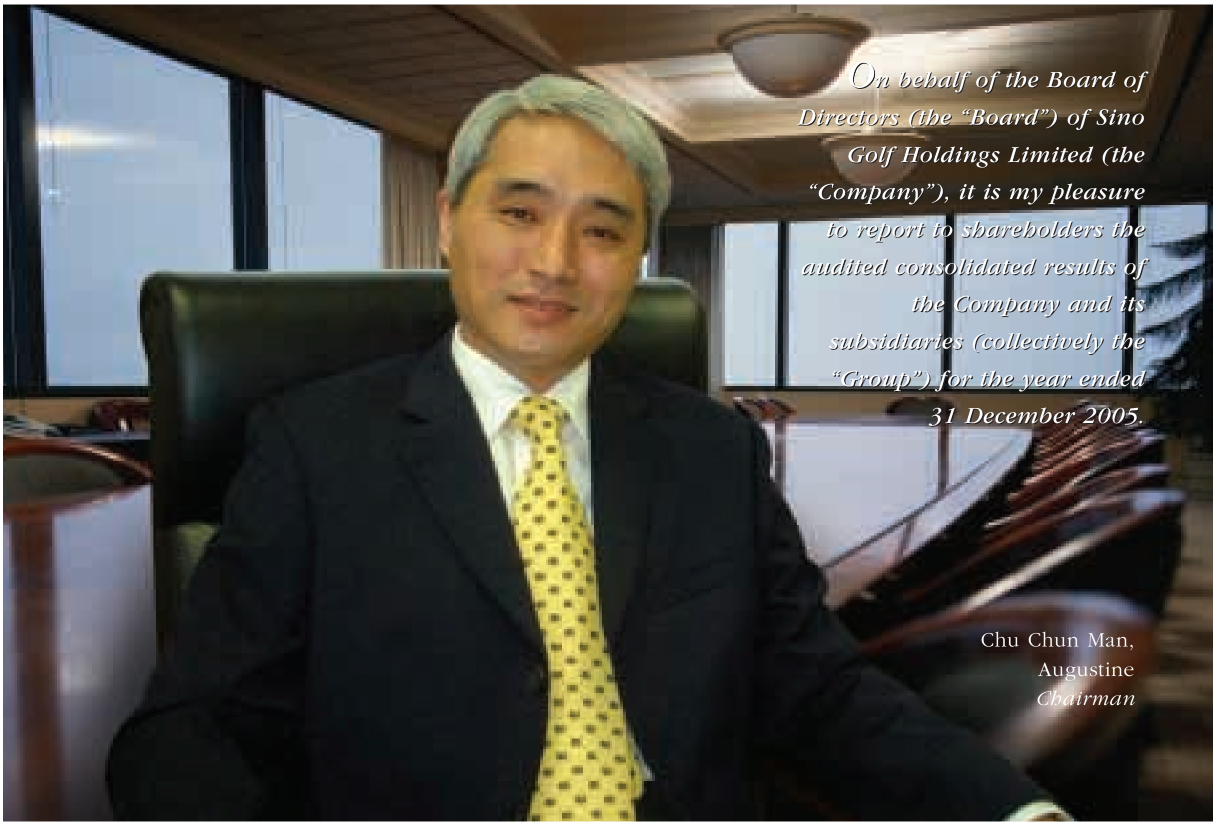
CHAIRMAN'S STATEMENT





perfect **swing** • perfect **tools**

Chairman's Statement



RESULTS AND DIVIDENDS

Consolidated turnover and net profit attributable to equity holders for the year amounted to HK$367,257,000 (2004: HK$393,945,000) and HK$31,560,000 (2004: HK$28,160,000 as restated) respectively. Earnings per share was HK$10.4 cents for the year.

The directors recommend the payment of a final dividend of HK4 cents per share, which is subject to the approval by shareholders at the forthcoming annual general meeting. Together with the interim dividend of HK3 cents per share declared and paid, the total annual dividend of HK7.0 cents (2004: HK6.3 cents) per share represents a payout ratio of 67.3% (2004: 67.7%).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 17 May 2006 to Wednesday, 24 May 2006 both days inclusive, during which period no transfer of shares will be effected. All share transfer, 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 not later than 4:00 p.m. on Tuesday, 16 May 2006 in order to qualify for the final dividend proposed which will be payable on or about 26 May 2006.

Chairman's Statement

BUSINESS REVIEW

Overview

Despite the challenges faced by most industrial companies in 2005, our Group made considerable success in the enhancement of customer portfolio towards the high end. Inspired by the events of 2004 and to sustain profitable growth over the long term, the Group has conducted an extensive and thorough review of its client portfolio to resign from less performing customers while focusing on the procurement of prominent name-brand customers. The business re-engineering process is inevitably painful, but is critical to our continued success.

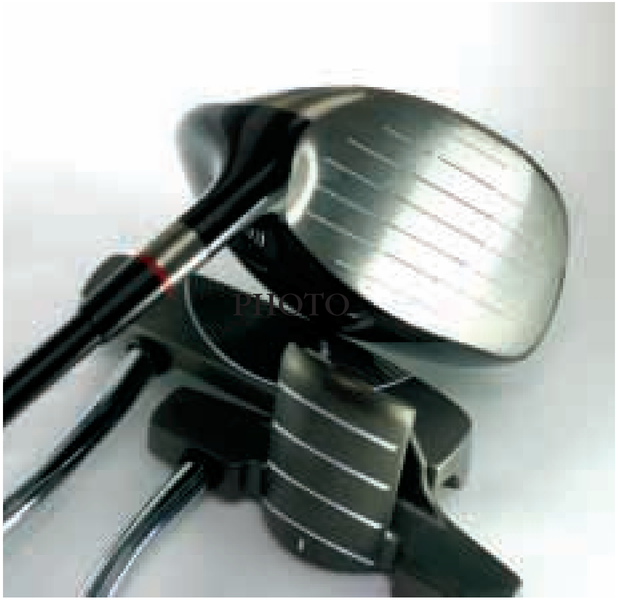
During the year, we successfully established new business contacts with some leading golf companies, a few of which have started placing trial orders with us. Although business generated from these name-brand customers was still modest in size, these new relationship have great potential for further development. The apparent recovery of business during the second half of 2005 came mainly from the growth and resumption of sales to existing customers.

Golf equipment sales for the year amounted to HK$301,046,000 representing 82% of the annual turnover, while golf bags and accessories sales accounted for the remaining 18% or HK$66,211,000. The golf equipment and golf bags segments achieved segmental profits of approximately HK$41,514,000 and HK$1,775,000 respectively. Both business segments have demonstrated improvement over the preceding year.

Golf Equipment Business

Same as prior years, the golf equipment segment continues to represent the largest business segment accounting for approximately 82% of the Group's turnover for the year. Sales of golf equipment decreased by about 8.1% to approximately HK$301,046,000 on an annual basis. Notwithstanding that a more prominent drop in segment sales of about 22.7% was recorded during the first six months of 2005, an obvious rebound had been achieved during the second half of the year, thus narrowing the overall decline in segment sales to about 8.1%.

Of the total golf equipment sales, golf clubs sales accounted for about 75.2% or HK$226,518,000, while component sales including club heads, shafts and accessories took up the remaining 24.8% or HK$74,528,000. There has been no material fluctuation in the proportion of product mix throughout the years.



During the year, the successful launch of the hybrid iron sets by the Group's largest customer has made it one of the best selling hybrid iron sets in the United States at off course golf specialty retailers. The Group benefited from the sales success and strengthened its position as the primary supplier of golf clubs to this customer. As an up-and-coming name-brand in golf products, the customer has been enjoying uninterrupted and expediting growth in sales of the hybrid iron sets. The Group is confident of the ongoing business success with and growth from this customer.

Chairman's Statement

At the end of 2004, the Group adopted measures to enhance its customer profile with a view to better managing the long-term exposure and risk. Such measures, which included the tightening of credit controls and adoption of more stringent trade terms, have resulted in a short term slow down in sales activities of the golf equipment segment due to rescheduling and/or reduction of shipments to certain customers. This has to some extent affected the level of sales achieved during the first half of 2005. Segment sales and results therefore dropped by about 22.7% and 18.6% respectively during the first six months of 2005 compared to the corresponding preceding period.

To secure recoverability of trade debts, the Group has also arranged factoring and insurance coverage for shipments to major customers. With the contribution from orders of the new customers and the restoration of sales level to existing clients, a rebound had been achieved during the second half of 2005, which successfully reduced the decrease in annual segment sales to approximately 8.1%. Overall, the segment results for the year has instead improved by about 4.7% to approximately HK$41,514,000 compared to that of the preceding year.

The Group's persistent investments in research and development have successfully enhanced our industry profile and recognition. Our capability to produce sophisticated high-end golf clubs of almost any kind has strengthened our competitive advantage and our ability to react swiftly to the rapid market changes, and also reaffirms the Group's position in the golf industry.

During the year, both the major raw materials prices and production costs both escalated. The prices of titanium and graphite sheets have soared by considerable double-digit percentages and the energy and fuel costs also increased due to supply shortages. The Group effectively managed and combated the impact of price hikes through improvement of productivity and selectively stocking up key raw materials to optimize product costs. To the extent possible, the sales prices of new product models have been adjusted to reflect the increase in materials costs. Notwithstanding that, the availability of graphite sheets has become more volatile in 2006 when the market supply is further restricted.

In October 2005, the U.S. Bankruptcy Court confirmed the reorganisation plan of Huffy Corporation, which was voted and approved by its creditors in September 2005. The debts owed by Huffy Corporation to its unsecured creditors prior to its filing of bankruptcy protection would be discharged in exchange for a proportionate share by the unsecured creditors of (i) a US$9 million promissory note carrying interest at 10% per annum; and (ii) common stock of US$14 million representing 70% ownership in Huffy Corporation to be issued under the reorganization plan. Based on the information contained in the reorganization plan of Huffy Corporation and given the amount of provision already made by the Group against the debts owed by Huffy Corporation, we consider that no further provision of any material amount would be necessary in respect of the debts owed to the Group by Huffy Corporation prior to its filing of bankruptcy protection. Sales to Huffy Corporation during the year amounted to approximately HK$26,764,000, payment of which was timely settled and covered with export insurance.

Golf Bags Business

Sales of the golf bag segment amounted to approximately 66,211,000, taking up approximately 18.0% of the Group's turnover versus 16.9% in 2004. Of the total segment sales, golf bag sales amounted to approximately HK$55,119,000 or 83.2%, while accessory sales including boston bag sales accounted for the remaining 16.8% or HK$11,092,000. The product mix was stable over the years.

Chairman's Statement

Adversely affected by the late commencement of operations of the new golf bag facility in 2004, the golf bag segment has recorded a drop of about 32.2% in sales during the first six months of 2005 compared to the corresponding preceding period. However, with the resumption of sales from the business foregone in 2004 and business development, a strong rebound was accomplished during the second half of 2005 which rebutted the declining trend and lifted the annual segment sales to nearly the same level as that of 2004. Segment sales dropped only marginally by less than 0.5% in 2005 and the Group has successfully turned around the segment from a loss of HK$302,000 in 2004 to a segment profit of HK$1,775,000 in 2005.

The golf bag segment can broadly be classified into the Japan and Non-Japan lines, accounting for approximately 53.7% and 46.3% respectively of total segment sales. As a result of dedicated efforts to develop the high-end golf bags business sector, contribution of the higher-margin Japan line products increased over the sales of the Non-Japan line, which represents mostly golf bags of American and European styles. With the continued support of the Japanese partner, sales of the Japan line increased and accounted for the majority of the rebound in golf bags in the second half of 2005. The new golf bag facility, which is compliant with the Standard of Engagement ("SOE") requirement, has gained strong recognition in the Japanese market. It is anticipated that the Japan line of golf bags will continue to expand with growing momentum in the ensuing year.

During the year, major materials prices for golf bags production like PVC, PU and nylon fluctuated within moderate ranges while the energy and fuel costs were pushed up due to supply shortages. To mitigate the impact of price hikes, the Group has embarked on programs to enhance productivity and reduce wastages. With the increase in contributions from the Japan-line with higher average margin, the performance of the golf bag segment is expected to improve continually to alleviate the impact brought about by the costs increase.

Geographical Segments

The Group's geographical spread continued to be stable. North America remains the largest geographical segment generating approximately 67.6% of the Group's annual turnover. Other geographical segments including Europe, Japan and other countries in turn accounted for about 6.8%, 11.2% and 14.4% of the Group's annual turnover respectively.

Sales to the North American market aggregated to approximately HK$248,108,000 comprising primarily of golf clubs sales with a minor portion of golf bags. Possessing the largest golf market in the world, the North America provides opportunities for both mass merchandise and branded golf products. It is the Group's objective to pursue premium brands that offer higher margins and to gradually phase out, lower margin mass merchandise lines. As the majority of the Group's customers are American based, the North American segment will continue to dominate and contribute a substantial portion of the Group's revenue.

Sales to the Japan market amounted to approximately HK$41,215,000, of which golf bags accounted for the majority of sales. Based on historic track record, there is great potential for the Group to expand sale of golf equipment in the Japan market. Although the Japanese segment is still modest in size, it presents good potential for development. Being the largest golf market in Asia, Japan represents a market that warrants the Group's continued efforts to persistently explore and penetrate into. Benefited by the continuing increase in sale of Japan-line golf bags, the Japan market is expected to grow and contribute better margins for the Group.

Chairman's Statement

Other geographical segments comprise Europe and other countries, of which sales to Europe decreased slightly from 7.7% of the annual turnover in 2004 to approximately 6.8% in 2005, while sales to other countries increased from 9.8% of the annual turnover in 2004 to approximately 14.4% in 2005 mainly due to increase in Asian shipments by some customers. It is anticipated that both of these geographical segments will maintain relatively stable.

PROSPECTS AND RISK FACTORS

Prospects

The golf industry is becoming ever more competitive nowadays than past years. It is the Group's mission to provide high quality one-stop services to its customers with value added options. With a successful transformation and enhancement of the customer profile, the Group is well equipped for continuing growth and development. The establishment of businesses with big names provides huge opportunities for expansion and help enhance the Group's industry recognition. The Group is also devoted to persistently invest in research and development to strengthen its competitive advantage in product innovations and materials exploitation.

Despite mounting pressures caused by materials price hikes, the golf industry still benefits from a general recovery of the global economy. Entering 2006, orders for golf equipment and golf bags placed with the Group have shown significant increase in monetary terms. Total shipments during the first quarter of 2006 have exceeded HK$113 million, comprising golf equipment and golf bag sales of approximately HK$87 million and HK$26 million respectively. The golf bag business has accomplished substantial growth as the Japan-line products continue to expand with strong momentum. The golf club business, on the other hand, also demonstrates remarkable growth during the first quarter of 2006 due partly to selling price adjustments and partly to the increase in order quantities. Based on the orders on hand, sales in the second quarter of 2006 will remain strong and it is anticipated that sales of the Group in the first half of 2006 are likely to considerably exceed that of the corresponding period in 2005. The expected increase in sales amounts has been attributable to the combined effect of price adjustments, mainly of golf equipment, that compensate the surge in materials costs, and the increase in order quantities. Given the volatility of the sales growth in the first half of 2006, it would be premature to make any forecast of sales for the second half of 2006 at current stage. In view of market uncertainties, the directors are cautions but remain confident that the Group should achieve reasonably well performance in 2006.

To sustain long-term growth, the Group will enhance its competitiveness through continued improvements in product quality, materials innovation and design capabilities to ensure that customer needs are best served and prioritized. We shall be well equipped to establish closer links with the leading golf companies of substantial business potential. While attaching emphasis on the continued development of the North American market, the Group is devoted to further exploring and developing the Japanese market especially in the golf equipment segment where the historical sales were relatively low. With expected synergies to be derived from its golf club sale network, the Group also plans to actively develop the golf bag business in the North America market.

Risk Factors

As the Group's historical results are not necessarily indicative of the Group's future performance or financial condition, it is therefore desirable to provide a discussion of certain factors that could affect the Group's future performance or financial condition. These factors could cause the Group's future performance or financial condition to differ materially from that of the prior years or from management's expectations or estimates.

Chairman's Statement

Trade Status between China and the United States

As the Group exports majority of its products to the United States, the trade status and relations between China and the United States may fundamentally affect our Group's performance if the persistent imbalance of trade between China and the United States is not properly resolved by both governments and ultimately results in trade disputes or imposition of trade sanctions against the imports from China. Any levy of additional duties or import charges will significantly curtail the competitiveness of the Group's products in the United States market. Besides, the pressure of Renminbi appreciation is another factor that may affect the competitive advantage of the goods exported from China.

Interest Rates Movements

The Group employs banking facilities to finance its operations, which bears interests at floating rates. Movements in interest rates would therefore affect the finance cost to be incurred by the Group. The successive increase in interest rates during 2005 has resulted in a net increase in interest payments by the Group. Any further increase in interest rates will add burden to the finance cost of the Group. Although the Group may enter into interest swaps to hedge interest payments, there is no assurance that the interest swaps will result in any savings for the Group.

Concentration of Key Customers

During 2005, one customer individually represented over 40% of the golf equipment sales or over 35% of the Group's annual turnover. The five largest customers in aggregate accounted for approximately 66% of the Group's turnover for the year. Although the Group endeavors to explore and develop new high profile customers, there is no assurance that the existing key customers would continue to expand and contribute additional sales to support the growth expected of the Group before the new customer sales pick up a representative portion of the Group's turnover. It is inevitable that matters that cause material adverse effect on the key customers would also adversely affect the Group.

Material Cost and Source of Supply

The golf industry is facing challenges from a trend of rising materials costs, especially those of titanium plates and graphite sheets which are major materials for golf equipment manufacturing. To mitigate the impact, most manufacturers have adjusted to the extent possible the selling prices of new golf equipment models to reflect the increase in materials costs. It is worth noting that the selling price adjustments on new product models, unlike the increase in order quantities, would not generate additional gross profits for the Group. The increase fundamentally only reflects the higher costs to be shift to the customers. A lower gross profit margin will result as the more or less fixed gross profit is compared against the increased sales price.

The supply of graphite sheets has become even more volatile in 2006 due to further restrictions in the market supply. To ensure smooth production, there is an increased tendency for the OEM manufacturers opt to for direct components purchase such as graphite shafts, or to purchase materials and components from sources specified by the customers. Although we are unable to make an accurate assessment at this stage, the changes in the purchasing pattern would inevitably undermine the gross profit margins achievable for golf equipment sales in 2006.

In addition to above risk factors, the Group may also be subject to other risks and uncertainties that arise when conditions change from time to time. The management would continue to keep alert of the risks and adopt appropriate measures to manage the Group's exposure.

Chairman's Statement

ACKNOWLEDGEMENT

On behalf of the Board, I would like to extend my gratitude to everyone on the Board, the management and all employees for their devotion, hard work and loyalty, without which the Group could not have achieved its goals and mission with great success.

Chu Chun Man, Augustine
Chairman

Hong Kong
21 April 2006