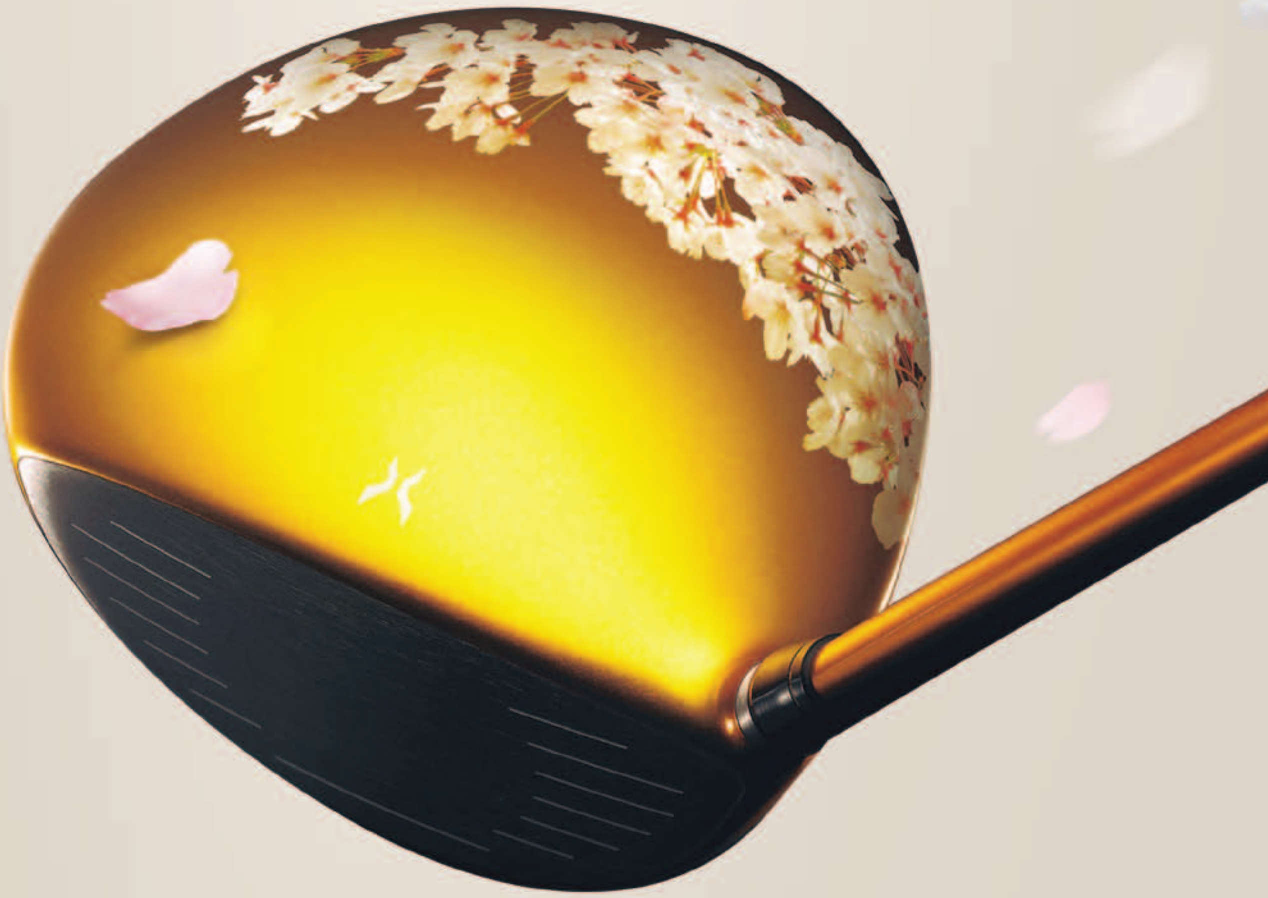
HONMA



HONMA GOLF LIMITED

本間高爾夫有限公司

Stock Code : 6858

INTERIM REPORT 2016/17

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Liu Jianguo (劉建國)
(Chairman and President)
Mr. Ito Yasuki (伊藤康樹)
Mr. Murai Yuji (邨井勇二)
Mr. Zuo Jun (左軍)

Independent Non-Executive Directors

Mr. Lu Pochin Christopher (盧伯卿)
Mr. Wang Jianguo (汪建國)
Mr. Xu Hui (徐輝)

AUDIT COMMITTEE

Mr. Lu Pochin Christopher
(盧伯卿) *(Chairman)*
Mr. Wang Jianguo (汪建國)
Mr. Xu Hui (徐輝)

REMUNERATION COMMITTEE

Mr. Wang Jianguo (汪建國) *(Chairman)*
Mr. Xu Hui (徐輝)
Mr. Zuo Jun (左軍)

NOMINATION COMMITTEE

Mr. Liu Jianguo (劉建國) *(Chairman)*
Mr. Wang Jianguo (汪建國)
Mr. Lu Pochin Christopher (盧伯卿)

COMPANY SECRETARY

Ms. Cheng Pik Yuk (鄭碧玉,
alias: Patsy Cheng)

AUTHORIZED REPRESENTATIVES

Mr. Zuo Jun (左軍)
Ms. Cheng Pik Yuk
(鄭碧玉, alias: Patsy Cheng)

AUDITOR

Ernst & Young
Certified Public Accountants

COMPLIANCE ADVISOR

Guotai Junan Capital Limited

COMPANY'S WEBSITE

http://www.honma.hk

STOCK CODE

6858

REGISTERED OFFICE IN CAYMAN ISLANDS

The offices of Maples Corporate
Services Limited
PO Box 309
Ugland House
Grand Cayman KY1-1104
Cayman Islands

CORPORATE INFORMATION

HEADQUARTERS IN JAPAN

35F Roppongi Hills Mori Tower
P.O. Box#62, 6-10-1
Roppongi
Minatoku
Tokyo, Japan

SHANGHAI OFFICE

31 Floor
No. 100, Century Ave.
Pudong New Area
Shanghai, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

THE CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

Maples Fund Services (Cayman) Limited
PO Box 1093, Boundary Hall, Cricket Square
Grand Cayman, KY1-1102
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17/F, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS

Mizuho Bank, Ltd., Aoyama Branch
The Tokyo Tomin Bank, Limited, Setagaya Branch
Bank of China Limited, Shanghai Branch, Songjiang Sub-Branch
The Hongkong and Shanghai Banking Corporation Limited

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

Overview

HONMA is one of the most prestigious and iconic brands in the golf industry, synonymous with intricate craftsmanship, dedication to performance excellence and distinguished product quality. Honma Golf Limited (the "**Company**", and together with its subsidiaries, the "**Group**") predominantly designs, develops, manufactures and sells a comprehensive range of aesthetically-crafted and performance-driven golf clubs. To provide customers with a complete golf lifestyle experience, the Group also offers HONMA-branded golf balls, apparel, accessories and other related products. The Group's products are sold in approximately 50 countries worldwide, primarily in Asia and also across North America, Europe and other regions.

On 6 October 2016, the Group completed the listing of its ordinary shares ("**Shares**") on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

For the six months ended 30 September 2016, the Group continued to implement its growth strategies, including, among others:

- *Marketing Be ZEAL golf clubs:* The Group launched Be ZEAL family of golf clubs in January 2016, which enabled the Group to tap into a new and high growth customer segment. Revenue for Be ZEAL for the six months ended 30 September 2016 amounted to JPY1,119.2 million, or 11.0% of the Group's total revenue for the period.

- *Developing TW737 golf clubs:* The Group completed the design, development and trial production of TW737, the third generation of TOUR WORLD family of golf clubs. Launched in October 2016, TW737 was engineered to meet the needs of avid golf enthusiasts and has been tested by members of TEAM HONMA, a group of professional golfers sponsored by the Group, as well as key retailers in its main markets.

- *Cooperating with sports megastores:* The Group continued cooperation with distributors, particularly sports megastores. Such cooperation is an efficient way to reach a diverse customer base in the Group's existing geographic markets and expand into new geographic markets. The Group aims to (i) deliver door expansion and same store sales growth within its existing wholesale channels and (ii) identify and cooperate with new quality distributors in home and new markets. The number of individual sports megastores in the Group's distribution network increased from 870 as of 31 March 2016 to 899 as of 30 September 2016.

- *Implementing the Group's U.S. business development plan* (the "**U.S. Plan**"): In April 2016, the Group completed the U.S. Plan with the assistance of a U.S. consulting firm and has since then began its execution. The Group has, among others, (i) recruited a local management team and expanded sales force with an initial focus on sun belt states such as Arizona, California, Florida and Nevada and (ii) entered into sales contracts with several big-box retailers. The Group made its first major shipment of TW737 products in November 2016 on the back of a strong marketing campaign in partnership with an international marketing agency.

- *Sponsoring TEAM HONMA players:* As of 30 September 2016, TEAM HONMA consisted of 38 professional golf players. For the six months ended 30 September 2016, TEAM HONMA players won a total of nine championships in professional golf tournaments. In addition, TEAM HONMA player Shan Shan Feng won bronze medal in women's golf in the 2016 Olympics.

Driven by the recent initiatives, the Group continued to achieve revenue growth during the six months ended 30 September 2016. The Group's revenue increased by 3.4% from JPY9.9 billion for the six months ended 30 September 2015 to JPY10.2 billion for the six months ended 30 September 2016. On a constant currency basis, the Group's revenue grew by 8.9% from the six months ended 30 September 2015 to the six months ended 30 September 2016.

The Group's adjusted net profit decreased by 0.4% from JPY750.1 million for the six months ended 30 September 2015 to JPY747.0 million for the six months ended 30 September 2016. For a reconciliation of adjusted net profit to net profit, see "Management Discussion and Analysis — Non-IFRS Financial Measure — Adjusted Net Profit." The Group seeks to grow its profit for the full year ending 31 March 2017 by, among others, improving sales of the new product family of Be ZEAL and the third generation of TOUR WORLD as well as making inroads into new markets such as the U.S.

Principal Families of Golf Clubs

The Group currently offers golf clubs mainly under four major product families, namely BERES, TOUR WORLD, Be ZEAL and G1X, each targeting specific consumer segments. Based on extensive market research, the Group categorizes the golf clubs market into nine key segments according to the priorities golf players 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.

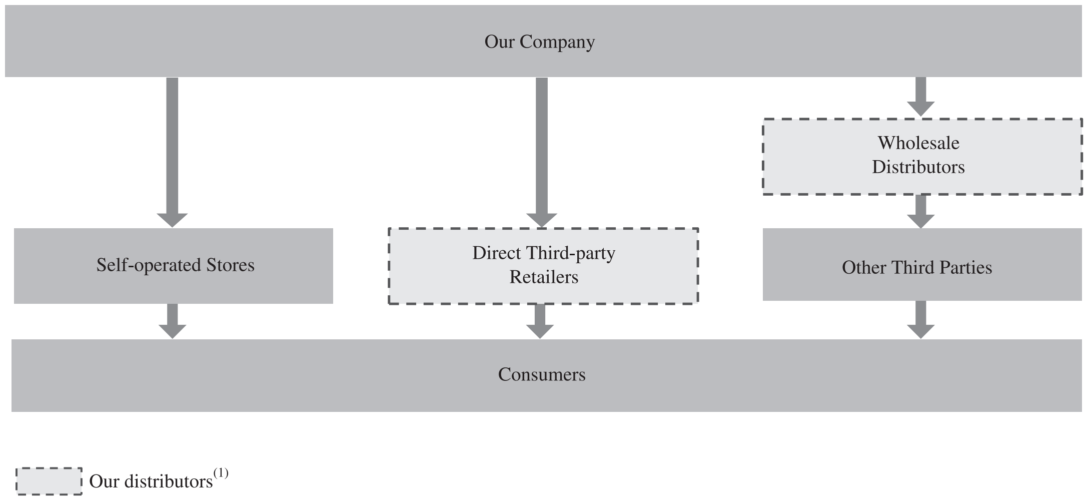
1	*High Price Low Enthusiasm*	**Design & Price**	2	*High Price Middle Enthusiasm*	**Primarily Design**	3	*High Price High Enthusiasm*	**Design & Performance**
4	*Middle Price Low Enthusiasm*	**Performance & Price**	5	*Middle Price Middle Enthusiasm*	**Performance & Design**	6	*Middle Price High Enthusiasm*	**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 Group's traditional customer base. The Group has successfully expanded beyond Segment 2 with additional product offerings. TOUR WORLD golf clubs target consumers in Segment 6. Be ZEAL golf clubs target consumers in Segment 5. G1X golf clubs target consumers in Segment 8 and Segment 9. Together, Segments 5, 6, 8 and 9 constitute the vast majority of the global golf clubs market.

The Group designs technologically advanced golf clubs and constantly strives to deliver effortless shots dreamed by every golfer. By leveraging its superior research and development capabilities, the Group manages its product life cycle to continually generate customer interest, ensure its product offerings remain up to date with the latest market trends and meet the preferences of its target customers.

Sales and Distribution Network

The Group's sales and distribution network consists of HONMA-branded self-operated stores as well as distributors. The following diagram illustrates the structure of the Group's sales and distribution network.



Note:

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

The Group operates the largest number of self-operated stores among major golf companies. Self-operated stores provide the Group with a direct sales channel as well as a platform to maintain and enhance its brand image. As of 30 September 2016, the Group had 96 HONMA-branded self-operated stores, all of which were located in Asia. The table below sets forth the numbers of self-operated stores opened and closed during the six months ended 30 September 2016.

	Six months ended 30 September 2016			
	Period start	**Opened**	**Closed**	**Period end**
Japan	41	—	3	38
China (including Hong Kong and Macau)	37	20[1]	7	50
Rest of Asia	8	—	—	8
Total	86	20	10	96

Note:

(1) Include 13 apparel stores.

During the six months ended 30 September 2016, the Group opened 13 apparel stores in China, in line with the Group's strategy of growing complementary product lines.

To better serve avid golf enthusiasts, certain self-operated stores offer fitting centers equipped with high-speed cameras and precision software to capture relevant swing data. As of 30 September 2016, the Group had four fitting centers.

As of 30 September 2016, the Group had approximately 2,000 distributors. The Group's distributors consist of (a) direct third-party retailers and (b) Wholesale Distributors that on-sell the Group's products to other third parties. Direct third-party retailers include, among others, sports megastores, which are large retailers of sports goods. As of 30 September 2016, the Group's products were sold at 899 individual sports megastores.

In Japan, the Group sells products to direct third-party retailers, including sports megastores such as Xebio and Nikigolf. The Group has no Wholesale Distributors in Japan. With respect to the distribution channels outside of Japan, the Group generally sells products to Wholesale Distributors.

The Group develops and manages its sales and distribution network on a country-by-country basis to cater to the 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. The Group is constantly evaluating its existing channels and exploring new channels to optimize its sales and distribution network.

Manufacturing Processes

Committed to its craftsmanship heritage, the Group is the only major golf products company that possesses professional handcrafted techniques together with significant in-house manufacturing capabilities. The Group performs key manufacturing processes for golf clubs at its campus located in Sakata, Yamagata prefecture of Japan (the "**Sakata Campus**"). Some of the non-core manufacturing processes are outsourced to the Group's suppliers, most of whom the Group has stable and long-term relationships with. 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 meter parcel of land, the Sakata Campus is staffed with approximately 366 craftsmen, 25 of whom are master craftsmen with more than 30 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 in the golf industry.

Employees

As of 30 September 2016, the Group had 1,018 employees worldwide, a majority of whom were based in Japan.

The Group seeks to hire people who identify with its core values and emphasizes on the job training. For sales personnel in self-operated stores, the Group offers a number of training curriculum, including an internal golf club fitter certification program. Moreover, the Group has implemented a rigorous apprenticeship program at the Sakata Campus through which senior craftsmen pass down their experience to the younger generation.

To retain and incentivize the management and employees, the Group offers competitive remuneration packages including, among others, salaries, performance-based cash bonus and share-based compensation. The Group reviews its remuneration scheme from time to time to ensure its consistency with market practice. The Group's employee benefits expense amounted to JPY2,863.9 million for the six months ended 30 September 2016.

The Group adopted its RSU scheme in October 2015 to incentivize its directors, management and eligible employees. The Group recognized RSU expenses of JPY166.2 million during the six months ended 30 September 2016, including JPY88.8 million for sales and marketing personnel, JPY67.9 million for administrative personnel and JPY9.5 million for manufacturing personnel.

Outlook

Business Outlook

During the six months ending 31 March 2017, the Group will continue its efforts to build a world-leading golf lifestyle company on the foundation of its craftsmanship heritage. The Group intends to continue to pursue the following:

- ***Tap into adjacent consumer segments by continuing to optimize the product mix.*** Based on extensive market research, the Group categorizes the golf clubs market into nine key segments according to the priorities golf players place on price, design and performance. Historically, the Group focused on Segment 2 (consumers who purchase golf clubs at high prices and assign high priority to design). The Group has expanded and will continue to expand into new consumer segments which together constitute the vast majority of the global golf products market and which the Group believes there is strong growth potential.

- ***Continue product innovation and development to cater to evolving industry trends.*** The Group devotes significant resources to new product development to ensure that its offerings remain up to date with the latest market trends. The Group's research and development expenses amounted to JPY277.9 million and JPY293.2 million for the six months ended 30 September 2015 and 2016, respectively. All of the Group's golf clubs are developed at the Sakata Campus by its master craftsmen and other research and development personnel. The research and development team will seek to incorporate innovations in ergonomics and material sciences in its designs and continue to collaborate closely with professional golf players to optimize product performance. In October 2016, the Group launched TW737, the third generation of TOUR WORLD family of golf clubs. TW737 was engineered to meet the needs of avid golf enthusiasts and has been tested by members of TEAM HONMA.

- ***Further increase market share and enhance brand awareness in existing markets.*** Enhancing brand awareness and gaining market share in Asia will continue to be a key part of the Group's future growth strategies. While the Group already has a strong presence in its home markets of Japan, Korea and China (including Hong Kong and Macau), the Group believes that there remains significant room to increase its market share. The Group intends to facilitate this by further expanding its product portfolio as well as its distribution channels across Asia, particularly by (i) growing sales to existing distributors and (ii) working with new distributors.

- ***Penetrate new markets in North America and Europe.*** North America and Europe account for a significant share of the global golf products market. The Group currently only has a small presence in these markets, and expansion into these markets will form a key component of its future growth. The Group believes certain of its products have strong appeal to golfers in North America and Europe. The Group intends to support its expansion in these markets by, among others, (i) aggressively promoting its brand and products, (ii) partnering with quality retailers and (iii) considering attractive and complementary acquisition opportunities.

- ***Continue to invest in the marketing and promotion of HONMA brand.*** The Group plans to further increase the exposure and recognition of HONMA brand, primarily by continuing to add prominent professional golf players to TEAM HONMA and sponsor high-profile golf tournaments. The Group will continue to utilize traditional media such as television and print media while tapping into online media and social networking websites to increase media exposure globally.

- ***Continue to increase operational efficiency and optimize cost structure.*** While pursuing its growth strategies, the Group is also focused on increasing its operational efficiency and optimizing its cost structure. The Group will continuously seek measures to eliminate inefficiencies and optimize operational performance.

- ***Provide customers with a complete golf lifestyle experience by growing complementary product lines.*** The Group plans to leverage the strength of its brand to continue expanding its business to related product lines such as golf balls, apparel, accessories and other related products to complement its future growth.

Industry Outlook

Golf is a sport which boasts worldwide popularity and is enjoyed by millions globally. The Group expects the following factors to be key drivers of growth for the golf products industry over the next several years:

- ***New Markets and Demographics.*** Golf has traditionally been under-penetrated in emerging markets. In recent years, more people in emerging markets, especially in Asia, have started to play the sport, driven by increasing disposable income, higher standards of living and greater emphasis on leisure activities. Meanwhile, golf has also gained greater popularity among women and the younger generation worldwide, as a result of the increasing perception of golf as a "lifestyle sport", a new generation of young golfers coming to prominence on the professional circuit, and additional marketing efforts by golf brands towards these demographics.

- ***"Lifestyle Sport" Proposition.*** Positioned as a "lifestyle sport" with an element of prestige that accommodates competition, entertainment and physical exercise, golf appeals to modern consumers who pursue a higher quality lifestyle with an increasing awareness for health and wellness.

- ***New Generation of Professional Golfers.*** A new generation of professional golfers, including Jason Day, Jordan Spieth and Rory McIlroy, has helped to renew enthusiasm towards the sport, following the success of premier athletes such as Tiger Woods in the late 1990s and early 2000s.

- ***Golf's Return to the Olympic Games.*** The reinclusion of golf in the Olympic Games beginning in 2016 is expected to significantly raise the profile of the sport worldwide. In addition, with Japan hosting the Olympics in 2020, the golf products markets in Japan and other parts of Asia are expected to receive a significant boost in the years to come.

- ***Expansion of Retail Channels.*** Diverse retail channels have been established to address consumers' purchase preferences, which were predominantly bricks and mortar store focused in the past. In recent years, emerging channels, such as e-commerce channels, have gained increasing importance in capturing previously untapped or underpenetrated consumer segments.

- ***Technological Innovation.*** Golf products development has always been driven by technological innovations over the years. Further developments in clubs, balls and related products are expected to make the game more accessible, enjoyable and exciting, while continuing to attract new players.

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 2015 to the six months ended 30 September 2016.

	Six months ended 30 September				**Period-to-Period Change**
	2016		2015		
	JPY	**%**	JPY	%	**%**
	(In thousands, except for percentages and per share data)				
Consolidated Statement of Profit or Loss (unaudited)					
Revenue	**10,205,712**	**100.0**	9,874,577	100.0	3.4
Cost of sales	**(4,361,779)**	**(42.7)**	(4,242,807)	(43.0)	2.8
Gross profit	**5,843,933**	**57.3**	5,631,770	57.0	3.8
Other income and gains	**42,879**	**0.4**	26,926	0.3	59.2
Selling and distribution expenses	**(4,351,570)**	**(42.6)**	(4,104,419)	(41.6)	6.0
Administrative expenses	**(930,646)**	**(9.1)**	(565,782)	(5.7)	64.5
Other expenses	**(96,873)**	**(0.9)**	(60,144)	(0.6)	61.1
Finance costs	**(13,806)**	**(0.1)**	(9,226)	(0.1)	49.6
Finance income	**5,867**	**0.1**	11,581	0.1	(49.3)
Profit before tax	**499,784**	**5.1**	930,706	9.4	(46.3)
Income tax expense	**(199,309)**	**(2.0)**	(202,844)	(2.1)	(1.7)
Net profit	**300,475**	**3.1**	727,862	7.3	(58.7)
Earnings per share attributable to ordinary equity holders of the parent:					
Basic and diluted - For profit for the period (JPY)	**0.65**		1.54		(57.8)
Non-IFRS Financial Measure					
Adjusted net profit(1)	**747,008**	**7.3**	750,098	7.6	(0.4)

Note:

(1) Adjusted net profit is derived from net profit by (i) subtracting other income and gains, (ii) adding other expenses, (iii) adding listing expenses, (iv) adding RSU expenses and (v) adding impact on tax. For a reconciliation of adjusted net profit to net profit, see "Management Discussion and Analysis — Non-IFRS Financial Measure — Adjusted Net Profit."

Revenue

The Group's total revenue increased by 3.4% from JPY9,874.6 million for the six months ended 30 September 2015 to JPY10,205.7 million for the six months ended 30 September 2016. The growth was primarily due to increases in sales volume, which was driven by (i) continued expansion of product portfolio and (ii) deepening of sales and distribution channels, especially in the Group's home markets.

Constant Currency Revenue Growth

On a constant currency basis, the Group's total revenue grew by 8.9% from the six months ended 30 September 2015 to the six months ended 30 September 2016. For the purpose of calculating constant currency revenue growth, the Group has used the average exchange rate of the six months ended 30 September 2015 to translate sales recorded during the six months ended 30 September 2016, to the extent the original currency for such sales is not JPY.

Constant currency revenue growth 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

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

	Six months ended 30 September			
	2016		2015	
	JPY	**%**	JPY	%
	(In thousands, except for percentages)			
Golf clubs:				
BERES	**4,063,575**	**39.8**	4,270,336	43.2
TOUR WORLD	**1,888,933**	**18.5**	2,546,311	25.8
Be ZEAL	**1,119,165**	**11.0**	—	—
G1X	**20,696**	**0.2**	49,527	0.5
Others				
Specialized models(1)	**1,009,313**	**9.9**	1,154,198	11.7
Putters	**273,617**	**2.7**	265,341	2.7
Golf clubs subtotal	**8,375,299**	**82.1**	8,285,713	83.9
Golf Balls	**232,950**	**2.3**	146,055	1.5
Apparel, accessories and other related products(2)	**1,597,463**	**15.6**	1,442,809	14.6
Total	**10,205,712**	**100.0**	9,874,577	100.0

Notes:

(1) Consist of golf clubs that are produced for specific geographic regions or events.

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

The Group experienced revenue growth in all three main product categories during the six months ended 30 September 2016. Golf clubs comprise the majority of the Group's business, and revenue for golf clubs increased by 1.1% from JPY8,285.7 million for the six months ended 30 September 2015 to JPY8,375.3 million for the six months ended 30 September 2016. The growth was primarily driven by Be ZEAL, a new family of golf clubs that was launched in January 2016, which allowed the Group to tap into Segment 5 customers. Revenue for golf balls increased by 59.5% from JPY146.1 million for the six months ended 30 September 2015 to JPY233.0 million for the six months ended 30 September 2016. Revenue for apparel, accessories and other related products increased by 10.7% from JPY1,442.8 million for the six months ended 30 September 2015 to JPY1,597.5 million for the six months ended 30 September 2016. The robust growth for these complementary product lines was primarily due to the establishment of dedicated sales teams and sales and distribution channels in the Group's home markets.

Revenue for BERES decreased from JPY4,270.3 million for the six months ended 30 September 2015 to JPY4,063.6 million for the six months ended 30 September 2016. The decrease was primarily due to decreased sales in Korea and North America. For more information, see "— Revenue by Geography." Revenue for TOUR WORLD decreased from JPY2,546.3 million for the six months ended 30 September 2015 to JPY1,888.9 million for the six months ended 30 September 2016. The decrease was primarily due to (i) an earlier phase-out of TW727 in anticipation of the launch of TW737 and (ii) decreased sales in Korea.

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 for regions by absolute amounts and as percentages of total revenue for the periods indicated.

	Six months ended 30 September			
	2016		2015	
	JPY	**%**	JPY	%
	(In thousands, except for percentages)			
Japan	**5,706,910**	**55.9**	5,377,231	54.5
Korea	**1,128,455**	**11.1**	1,129,879	11.4
China (including Hong Kong and Macau)	**1,968,746**	**19.3**	1,799,837	18.2
North America	**209,460**	**2.1**	423,157	4.3
Europe	**255,234**	**2.5**	346,029	3.5
Rest of the World	**936,907**	**9.1**	798,444	8.1
Total	**10,205,712**	**100.0**	9,874,577	100.0

Revenue for Japan, Korea and China (including Hong Kong and Macau) collectively accounted for 86.3% of the Group's total revenue for the six months ended 30 September 2016, and these markets are the Group's home markets. Sales in Japan and China (including Hong Kong and Macau) were primary drivers of revenue growth during the six months ended 30 September 2016.

Revenue for Japan increased by 6.1% from JPY5,377.2 million for the six months ended 30 September 2015 to JPY5,706.9 million for the six months ended 30 September 2016. The increase was due to the strength of the Group's product portfolio as well as brand equity. With the launch of Be ZEAL in January 2016, the Group is able to complete its product portfolios to address the needs of affluent, avid and new golfers in Segments 2, 5 and 6. Golfers in Segments 5 and 6 have demonstrated higher growth rates as compared to country average.

Revenue for China (including Hong Kong and Macau) increased by 9.4% from JPY1,799.8 million for the six months ended 30 September 2015 to JPY1,968.7 million for the six months ended 30 September 2016. On a constant currency basis, revenue for China (including Hong Kong and Macau) increased by 26.5% from the six months ended 30 September 2015 to the six months ended 30 September 2016. The increase was primarily due to the popularity of products such as BERES and TOUR WORLD among affluent and avid golfers, supported by continued expansion of wholesale distribution channels in China and Hong Kong.

Revenue for Korea decreased by 0.1% from JPY1,129.9 million for the six months ended 30 September 2015 to JPY1,128.5 million for the six months ended 30 September 2016. On a constant currency basis, revenue for Korea increased by 2.3% from the six months ended 30 September 2015 to the six months ended 30 September 2016. The slowdown was caused by an inventory reduction measure implemented by the Group's sole distributor in Korea. The distributor informed the Group that the measure was applied to all manufacturers that supply products to the distributor and is expected to be temporary. The Group aims to recover sales lost in the six months ended 30 September 2016 and increase revenue in Korea on a full year basis.

Revenue for North America decreased from JPY423.2 million for the six months ended 30 September 2015 to JPY209.5 million for the six months ended 30 September 2016. Revenue for Europe decreased by 26.2% from JPY346.0 million for the six months ended 30 September 2015 to JPY255.2 million for the six months ended 30 September 2016. The decrease was due to the restructuring of the Group's distribution channels in these markets, as the Group seeks to make substantial inroads into these markets and better address the needs of local golfing communities.

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 distributors. The Group's distributors include (a) direct third-party retailers, including sports megastores, and (b) Wholesale Distributors that on-sell the Group's products to other third parties. The following table sets forth revenue for self-operated stores and distributors by absolute amounts and as percentages of total revenue for the periods indicated.

	Six months ended 30 September			
	2016		2015	
	JPY	**%**	JPY	%
	(In thousands, except for percentages)			
Self-operated stores	**3,944,704**	**38.7**	4,131,689	41.8
Distributors[1]	**6,261,008**	**61.3**	5,742,888	58.2
Total	**10,205,712**	**100.0**	9,874,577	100.0

Note:

(1) Include sports megastores.

Revenue for sales to distributors increased both in absolute amount and as a percentage of total revenue for the six months ended 30 September 2016. Going forward, the Group expects that sales to distributors will continue to increase as a percentage of total revenue as the Group plans to penetrate new markets by partnering with quality distributors, and gradually shift focus towards a distributorship model in certain existing geographic markets.

Revenue for self-operated stores decreased by 4.5% from JPY4,131.7 million for the six months ended 30 September 2015 to JPY3,944.7 million for the six months ended 30 September 2016. The decrease was primarily due to the closing of three stores in Japan and the relocation of four stores in China during the six months ended 30 September 2016.

Cost of Sales

Cost of sales increased by 2.8% from JPY4,242.8 million for the six months ended 30 September 2015 to JPY4,361.8 million for the six months ended 30 September 2016, which increase was in line with revenue growth. The table below sets forth a breakdown of the key components of cost of sales, each expressed as absolute amounts and as percentages of the total cost of sales during the periods indicated.

	Six months ended 30 September			
	2016		2015	
	JPY	**%**	JPY	%
	(In thousands, except for percentages)			
Raw materials	**2,065,437**	**47.4**	2,189,914	51.6
Employee benefits	**837,138**	**19.2**	714,466	16.8
Manufacturing overhead (1)	**276,289**	**6.3**	330,228	7.8
Finished goods purchased from OEM suppliers	**1,182,915**	**27.1**	1,008,199	23.8
Total	**4,361,779**	**100.0**	4,242,807	100.0

Note:

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

Gross Profit and Gross Profit Margin

Gross profit increased by 3.8% from JPY5,631.8 million for the six months ended 30 September 2015 to JPY5,843.9 million for the six months ended 30 September 2016. Gross profit margin slightly increased from 57.0% for the six months ended 30 September 2015 to 57.3% for the six months ended 30 September 2016.

Gross Profit and Gross Profit Margin by Product

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

	Six months ended 30 September			
	2016		2015	
	JPY	**%**	JPY	%
	(In thousands, except for percentages)			
Golf clubs:				
BERES	**2,741,629**	**67.5**	2,761,007	64.7
TOUR WORLD	**953,182**	**50.5**	1,350,483	53.0
Be ZEAL	**649,891**	**58.1**	—	—
G1X	**11,127**	**53.8**	25,524	51.5
Others				
Specialized models(1)	**653,370**	**64.7**	713,221	61.8
Putters	**177,666**	**64.9**	176,868	66.7
Golf clubs subtotal	**5,186,865**	**61.9**	5,027,103	60.7
Golf Balls	**121,212**	**52.0**	73,032	50.0
Apparel, accessories and other related products(2)	**535,856**	**33.5**	531,635	36.8
Total	**5,843,933**	**57.3**	5,631,770	57.0

Notes:

(1) Consist of golf clubs that are produced for specific geographic regions or events.

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

BERES golf clubs target Segment 2 consumers, who purchase golf clubs at high prices, and gross profit margin for BERES golf clubs is higher than those for other three families of golf clubs.

Other Income and Gains

Other income and gains increased by 59.2% from JPY26.9 million for the six months ended 30 September 2015 to JPY42.9 million for the six months ended 30 September 2016. The increase was primarily due to the payment of JPY14.0 million from certain distributors for the Group's assistance with such distributors' promotional activities during the six months ended 30 September 2016.

Selling and Distribution Expenses

Selling and distribution expenses increased by 6.0% from JPY4,104.4 million for the six months ended 30 September 2015 to JPY4,351.6 million for the six months ended 30 September 2016. The increase was primarily due to an increase in employee benefits, which included RSU expenses of JPY88.8 million for the six months ended 30 September 2016. 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.

	Six months ended 30 September			
	2016		2015	
	JPY	**%**	JPY	%
	(In thousands, except for percentages)			
Employee benefits	**1,776,689**	**40.8**	1,486,664	36.2
Advertising and promotion expenses	**1,177,679**	**27.1**	1,076,484	26.2
Rental fees	**718,763**	**16.5**	796,693	19.4
Others[(1)]	**678,439**	**15.6**	744,578	18.2
Total	**4,351,570**	**100.0**	4,104,419	100.0

Note:

(1) Include depreciation, travel expenses, consumables, transportation expenses and other expenses.

Administrative Expenses

Administrative expenses increased by 64.5% from JPY565.8 million for the six months ended 30 September 2015 to JPY930.6 million for the six months ended 30 September 2016. The increase was primarily due to JPY243.0 million of listing expenses and JPY67.9 million of RSU expenses recognized in the six months ended 30 September 2016. The following table sets forth a breakdown of administrative expenses by absolute amounts and percentages of total administrative expenses for the periods indicated.

	Six months ended 30 September			
	2016		2015	
	JPY	**%**	JPY	%
	(In thousands, except for percentages)			
Employee benefits	**387,614**	**41.7**	269,973	47.7
Listing expenses	**243,000**	**26.1**	—	—
Other costs[1]	**300,032**	**32.2**	295,809	52.3
Total	**930,646**	**100.0**	565,782	100.0

Note:

(1) Include depreciation and consumables.

Other Expenses

Other expenses increased by 61.1% from JPY60.1 million for the six months ended 30 September 2015 to JPY96.9 million for the six months ended 30 September 2016. The increase was primarily due to an increase in foreign exchange losses of JPY36.9 million.

Finance Costs

Finance costs increased by 49.6% from JPY9.2 million for the six months ended 30 September 2015 to JPY13.8 million for the six months ended 30 September 2016. The increase was primarily due to increase in bank borrowings in the six months ended 30 September 2016.

Finance Income

Finance income decreased by 49.3% from JPY11.6 million for the six months ended 30 September 2015 to JPY5.9 million for the six months ended 30 September 2016. The decrease was primarily due to the full repayment of US$6.3 million due from Honma Golf (Shanghai) Company Limited, a related party of the Group, in June 2016.

Profit before Tax

As a result of the foregoing, profit before tax decreased by 46.3% from JPY930.7 million for the six months ended 30 September 2015 to JPY499.8 million for the six months ended 30 September 2016.

Income Tax Expense

Income tax expense decreased by 1.7% from JPY202.8 million for the six months ended 30 September 2015 to JPY199.3 million for the six months ended 30 September 2016. The Group's effective tax rate increased from 21.8% for the six months ended 30 September 2015 to 39.9% for the six months ended 30 September 2016. The Group's effective tax rate increased primarily due to the booking of JPY69.8 million of corporate income tax relating to its sales in Korea, which the management expects to utilize as tax credit in Japan in the six months ending 31 March 2017.

Net Profit

As a result of the foregoing, net profit decreased by 58.7% from JPY727.9 million for the six months ended 30 September 2015 to JPY300.5 million for the six months ended 30 September 2016. Net profit margin decreased from 7.4% for the six months ended 30 September 2015 to 2.9% for the six months ended 30 September 2016.

Non-IFRS Financial Measure

In addition to the IFRS measures in its consolidated financial statements, the Group also uses the non-IFRS financial measure of adjusted net profit to evaluate its operating performance. The Group believes that this non-IFRS measure provides 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 net profit has material limitations as analytical tools, as adjusted net profit does not include all items that have impacted net profit, the nearest IFRS performance measure.

Adjusted Net Profit

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

	Six months ended 30 September	
	2016	2015
	(In JPY thousands)	
Net profit	**300,475**	727,862
Adjustment for:		
Other income and gains	**(42,879)**	(26,926)
Other expenses	**96,873**	60,144
Listing expenses	**243,000**	—
RSU expenses	**166,203**	—
Impact on tax	**(16,664)**	(10,982)
Adjusted net profit	**747,008**	750,098

Working Capital Management

	Twelve months ended	
	30 September 2016	31 March 2016
Inventories turnover days(1)	**276**	294
Trade and bills receivables turnover days(2)	**33**	58
Trade and bills payables turnover days(3)	**40**	55

Notes:

(1) Inventories turnover days are calculated using the 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 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 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 twelve months ended 31 March 2016, inventories turnover days, trade and bills receivables turnovers days and trade and bills payables turnover days decreased for the twelve months ended 30 September 2016. The decreases were primarily due to decreases in inventories, trade and bills receivables and trade and bills payables from 31 March 2016 to 30 September 2016 due to the Group's continued efforts in improving working capital management.

Inventories

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

	As of 30 September 2016	As of 31 March 2016
	(In JPY thousands)	
Raw materials	**941,576**	750,035
Work in progress	**1,472,379**	1,486,927
Finished goods	**4,983,600**	5,580,667
Less: provision for inventories	**(378,322)**	(428,299)
Total	**7,019,233**	7,389,330

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

	As of 30 September 2016	As of 31 March 2016
	(In JPY thousands)	
Within 1 year	**2,991,638**	3,625,204
1 year to 2 years	**2,015,784**	1,704,916
2 to 3 years	**967,325**	1,127,924
3 to 4 years	**583,597**	685,535
Over 4 years	**460,889**	245,751
Total	**7,019,233**	7,389,330

The Group prepares its inventory aging analysis with reference to product launch date, instead of capitalization 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 capitalized 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 2016, the Group financed its operations primarily through cash from operations 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 of 30 September 2016, the Group had JPY2,615.4 million in cash and cash equivalents, which were primarily held in Japanese yen, U.S. dollar and Renminbi. The Group's cash and cash equivalents primarily consist of cash on hand and demand deposits.

Exposure to Fluctuations in Exchange Rates

Fluctuations in exchange rates give rise to both translation and transaction effects.

Currency Fluctuation Effects on Translation

The Group's financial statements are prepared in Japanese yen. In connection with the preparation of the Group's consolidated financial statements, the results of operations of its subsidiaries, which are initially prepared in their respective local functional currencies, are translated into Japanese yen, using average monthly exchange rates. Fluctuations in these exchange rates from one period to the next impact the Group's consolidated results of operations and, depending on the magnitude of these fluctuations, could obscure underlying trends that would have been apparent if consolidated financial statements had been prepared on a constant currency basis. In the six months ended 30 September 2015 and 2016, the Group recognized exchange differences on translation of foreign operations of JPY(55.5) million and JPY(216.5) million, respectively in other comprehensive (loss)/income accounts.

Currency Fluctuation Effects on Transactions

The Group is exposed to transaction risks arising from sales or purchases by operating units in currencies other than the units' applicable functional currencies. 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 transaction risks are limited, and the Group currently does not use any derivative contracts to hedge against such risks.

Indebtedness

As of 30 September 2016, the Group's interest-bearing borrowings amounted to JPY3,291.5 million, all of which were denominated in Japanese yen. All of such borrowings were unsecured and payable within one year. All of such borrowings bore floating rate of interest. The effective interest rate for the balance of the Group's interest-bearing borrowings as of 30 September 2016 ranged from 0.33% to 0.83%.

Gearing Ratio

The Group's gearing ratio is calculated by dividing (i) interest-bearing bank borrowings by (ii) total equity. As of 31 March 2016 and 30 September 2016, the Group's gearing ratio was 30.9% and 86.4%, respectively.

Capital Expenditures

The Group's capital expenditures for the six months ended 30 September 2016 amounted to JPY350.9 million, which was used primarily to purchase property, plant and equipment and intangible assets. In the six months ended 30 September 2016, the Group financed its capital expenditures primarily with cash generated from operations.

Contingent Liabilities

As of 30 September 2016, the Group did not have any significant contingent liabilities.

Material Acquisitions and Future Plans for Major Investment

During the six months ended 30 September 2016, 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.

Subsequent Events

During the six months ended 30 September 2016, the Company was in the process of applying for the listing of its Shares on the Main Board of the Stock Exchange. On 6 October 2016, the Shares of the Company were listed on the Main Board of the Stock Exchange. A total of 133,991,000 Shares were issued at an offer price of HK$10.00 per Share.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

Since the Shares were only listed on the Stock Exchange on 6 October 2016 (the "**Listing Date**"), no disclosure of interests or short positions of any director of the Company (the "**Directors**") or the chief executive of the Company in any Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) as of 30 September 2016 was required to be made under the provisions of Divisions 7 and 8 of Part XV of the SFO.

As at 16 November 2016, the date of this interim report, the interests and short positions of the Directors or the chief executive of the Company in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") were as follows:

Interests in the Company

Name of Director/ Chief Executive	Capacity/Nature of interest	Number of Shares or underlying Shares[(1)]	Approximate percentage of interest[(6)]
Mr. Liu Jianguo[(2)]	Interest in controlled corporation	421,875,025(L)	
	Beneficial owner	952,250(L)	
		422,827,275(L)	69.42%
Mr. Ito Yasuki[(3)]	Beneficial owner	952,900(L)	0.16%
Mr. Murai Yuji[(4)]	Beneficial owner	762,450(L)	0.13%
Mr. Zuo Jun[(5)]	Beneficial owner	635,050(L)	0.10%

Notes:

(1) The letter "L" denotes the person's long position in such Shares or underlying Shares.

(2) Mr. Liu Jianguo is the sole beneficial owner of Kouunn Holdings Limited, which beneficially owns 421,875,025 Shares of the Company. By virtue of the SFO, Mr. Liu Jianguo is deemed to be interested in the Shares held by Kouunn Holdings Limited. Mr. Liu Jianguo is also interested in 952,250 restricted share units (the "**RSU**"s) granted to him under the RSU Scheme (as defined below) entitling him to receive 952,250 Shares subject to vesting.

(3) Mr. Ito Yasuki is interested in 952,900 RSUs granted to him under the RSU Scheme entitling him to receive 952,900 Shares subject to vesting.

(4) Mr. Murai Yuji is interested in 762,450 RSUs granted to him under the RSU Scheme entitling him to receive 762,450 Shares subject to vesting.

(5) Mr. Zuo Jun is interested in 635,050 RSUs granted to him under the RSU Scheme entitling him to receive 635,050 Shares subject to vesting.

(6) The calculation is based on the total number of 609,050,000 Shares in issue as at 16 November 2016, the date of this interim report.

Interests in Associated Corporations of the Company

Name of Director	Name of associated corporation	Capacity/Nature of interest	Number of Shares held	Percentage of the issued share capital
Mr. Liu Jianguo	Kouunn Holdings Limited	Beneficial owner	1,000	100%

Save as disclosed above, as at 16 November 2016, the date of this interim report, none of the Directors nor the chief executive of the Company had any interests or short positions in any of the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

Since the Shares were only listed on the Stock Exchange on 6 October 2016, no disclosure of interests or short positions in any Shares or underlying Shares of the substantial shareholders of the Company as of 30 September 2016 was required to be made under the provisions of Divisions 2 and 3 of Part XV of the SFO.

As at 16 November 2016, the date of this interim report, the following persons (other than the Directors or the chief executive of the Company) had interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name	Nature of interest	Number of Shares or underlying Shares interested[(1) (5)]	Approximate percentage of interest[(4)]
Kouunn Holdings Limited	Beneficial owner	421,875,025(L)	69.27%
Ms. Huang Wenhuan (黃文歡)[(2)]	Interest of spouse	422,827,275(L)	69.42%
Fosun Industrial Holdings Limited (復星產業控股有限公司)[(3)]	Beneficial owner	35,629,425(L)	5.85%
Fosun International Limited[(3)]	Interest in controlled corporation	35,629,425(L)	5.85%
Fosun Holdings Limited[(3)]	Interest in controlled corporation	35,629,425(L)	5.85%
Fosun International Holdings Ltd.[(3)]	Interest in controlled corporation	35,629,425(L)	5.85%
Mr. Guo Guangchang (郭廣昌)[(3)]	Interest in controlled corporation	35,629,425(L)	5.85%

Notes:

(1) The letter “L” denotes the person’s long position in such Shares or underlying Shares.

(2) Ms. Huang Wenhuan (黃文歡) is the wife of Mr. Liu Jianguo and, by virtue of the SFO, is deemed to be interested in the Shares and the underlying Shares in which Mr. Liu Jianguo is interested.

(3) Fosun Industrial Holdings Limited (復星產業控股有限公司) is a wholly-owned subsidiary of Fosun International Limited (“FIL”). FIL is 71.53% held by Fosun Holdings Limited (“FHL”). Fosun International Holdings Ltd. (“FIHL”) is the beneficial owner of all issued shares in FHL and is in turn owned as to 64.45% by Mr. Guo Guangchang (郭廣昌). By virtue of the SFO, FIL, FHL, FIHL and Mr. Guo Guangchang (郭廣昌) are deemed to be interested in the same parcel of Shares held by Fosun Industrial Holdings Limited (復星產業控股有限公司).

(4) The calculation is based on the total number of 609,050,000 Shares in issue as at 16 November 2016, the date of this interim report.

(5) Pursuant to section 336 of the SFO, the interest holders are required to file a disclosure of interests form when certain criteria are fulfilled. When an interest in the Company changes, it is not necessary for the interest holders to notify the Company and the Stock Exchange unless several criteria have been fulfilled, therefore an interest holder’s latest interest in the Company may be different from the interest filed with the Stock Exchange.

RESTRICTED SHARE UNIT SCHEME AND POST-IPO SHARE OPTION SCHEME

Restricted Share Unit Scheme

On 20 October 2015, the Restricted Share Unit Scheme (the "**RSU Scheme**") was approved and adopted by the then shareholders of the Company. The purpose of the RSU Scheme is to incentivize Directors, senior management and employees (the "**RSU Eligible Persons**") for their contribution to the Group, to attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of the Group by providing them with the opportunity to own equity interests in the Company. The board of directors of the Company (the "**Board**") selects the RSU Eligible Persons to receive RSUs under the RSU Scheme at its discretion. The RSU Scheme will be valid and effective for a period of ten years from the date of the first grant of the RSUs, being 20 October 2015. As of 30 September 2016, the remaining life of the RSU Scheme is approximately nine years and one month. The maximum number of RSUs that may be granted under the RSU Scheme in aggregate (excluding RSUs that have lapsed or been cancelled in accordance with the rules of the RSU Scheme) shall be such number of Shares held or to be held by the trustee for the RSU Scheme for the purpose of the RSU Scheme from time to time. There is no maximum entitlement for each RSU Eligible Person under the rules of the RSU Scheme. Further details of the principal terms of the RSU Scheme are set out in the Prospectus.

The Company has appointed The Core Trust Company Limited (the "**RSU Trustee**") as the trustee to assist in the administration of the RSU Scheme. All the Shares underlying the RSUs granted and to be granted under the RSU Scheme will be transferred, allotted or issued to Taisai Holdings Ltd. (the "**RSU Nominee**"), a company indirectly wholly-owned by the RSU Trustee, which, as of 30 September 2016, held (as the RSU Nominee) 17,554,550 Shares underlying the RSUs granted under the RSU Scheme for the benefit of RSU Eligible Persons pursuant to the RSU Scheme.

As of 30 September 2016, RSUs representing 17,554,550 underlying Shares has been granted to 152 participants in the RSU Scheme pursuant to the RSU Scheme. 4 of the participants in the RSU Scheme are Directors, 6 are directors of the Company's subsidiaries, 3 of the participants in the RSU Scheme are members of the senior management of the Company and 2 are executive managers of the subsidiaries of the Company.

Details of the RSUs granted under the RSU Scheme at the beginning and end of, and movements in the RSUs during, the six months ended 30 September 2016 are set out below:

Name of grantee of RSU	Position held with the Group	Number of Shares represented by RSUs at 1 April 2016	*date of grant*	Number of Shares represented by RSUs granted during the six months ended 30 September 2016	*date of grant*	Number of Shares represented by RSUs at 30 September 2016
Director of the Company						
Liu Jianguo	Chairman of the Board, President and Executive Director	952,250	3 November 2015	–	–	952,250
Ito Yasuki	Executive Director, Chief Marketing Officer and President of Japan Operations	635,050	20 October 2015	317,850	31 May 2016	952,900
Murai Yuji	Executive Director and Chief Sales Officer	635,050	20 October 2015	127,400	31 May 2016	762,450
Zuo Jun	Executive Director, Chief Administrative Officer and President of China Operations	635,050	3 November 2015	–	–	635,050

Name of grantee of RSU	Position held with the Group	Number of Shares represented by RSUs at 1 April 2016	*date of grant*	Number of Shares represented by RSUs granted during the six months ended 30 September 2016	*date of grant*	Number of Shares represented by RSUs at 30 September 2016
Director of the subsidiaries of the Company (excluding those who are also Directors of the Company)						
Xu Kang	Director of Honma Japan (1)	635,050	3 November 2015	127,400	31 May 2016	762,450
Shigeru Kyuma	Director of Honma Hong Kong(2) and Honma Macau(3)	63,700	20 October 2015	–	–	63,700
Masanao Hayashi	Director of Honma Taiwan(4) and Honma Thailand(5)	380,900	20 October 2015	–	–	380,900
Yusuke Hiraide	Director of Honma Taiwan(4)	133,900	20 October 2015	–	–	133,900
Masaru Takahashi	Director of Honma Thailand(5)	76,700	20 October 2015	–	–	76,700
Li Sihong	Director of WP International Trading(6)	635,050	3 November 2015	–	–	635,050

Name of grantee of RSU	Position held with the Group	Number of Shares represented by RSUs at 1 April 2016	*date of grant*	Number of Shares represented by RSUs granted during the six months ended 30 September 2016	*date of grant*	Number of Shares represented by RSUs at 30 September 2016
Senior management member of the Company (excluding those who are also Directors of the Company)						
Suwa Hiroshi	Managing Executive Officer of Product Development	635,050	20 October 2015	–	–	635,050
Ueda Kenji	Executive Officer of Production	317,850	20 October 2015	–	–	317,850
Bian Weiwen	Chief Financial Officer	635,050	3 November 2015	315,900	31 May 2016	950,950

Name of grantee of RSU	Position held with the Group	Number of Shares represented by RSUs at 1 April 2016	date of grant	Number of Shares represented by RSUs granted during the six months ended 30 September 2016	date of grant	Number of Shares represented by RSUs at 30 September 2016
Other executive managers of the subsidiaries of the Company						
Odauchi Hisaki	Operating Director of the Management Division of Honma Japan(1)	317,850	20 October 2015	63,700	31 May 2016	381,550
Liu Qi	Senior Manager of the PRC Strategic Department of WP International Trading(6)	635,050	3 November 2015	–	–	635,050
Other employees of the Group						
137 other employees of the Group		8,834,150	20 October 2015	–	–	
		444,600	3 November 2015	–	–	9,278,750
Total		12,030,200	20 October 2015			
		4,572,100	3 November 2015	952,250	31 May 2016	17,554,550

Notes:

(1) Honma Japan refers to Honma Golf Co., Ltd. （株式会社本間ゴルフ）, a limited liability company incorporated on February 18, 1959 under the laws of Japan and a wholly-owned subsidiary of the Company.

(2) Honma Hong Kong refers to Hong Kong Honma Golf Co., Limited (香港本間高爾夫有限公司), a limited liability company incorporated under the laws of Hong Kong on April 2, 1996 and an indirect wholly-owned subsidiary of the Company.

(3) Honma Macau refers to Honma Golf (Macau) Co., Ltd. (本間高爾夫(澳門)有限公司), a company incorporated on May 29, 2012 under the laws of Macau and an indirect wholly-owned subsidiary of the Company.

(4) Honma Taiwan refers to Honma Golf Stock Company Limited (本間高爾夫股份有限公司), a company limited by shares incorporated on June 10, 1996 under the laws of Taiwan and an indirect wholly-owned subsidiary of the Company.

(5) Honma Thailand refers to Honma Golf (Thailand) Company Limited, a limited liability company incorporated under the laws of Thailand on May 28, 1997, and a subsidiary of the Company.

(6) WP International Trading refers to World Power International Trading (Shanghai) Company Limited (世力國際貿易(上海)有限公司), a limited liability company incorporated on December 27, 2013 under the laws of the PRC and an indirect wholly-owned subsidiary of the Company.

No exercise price is required for the exercise of the RSUs granted to the participants under the RSU Scheme as referred to in the above. The participants shall serve the exercise notice within three (3) months after receiving the vesting notice. Subject to the vesting conditions, the RSUs granted to the participants under the RSU Scheme shall be vested in accordance with the vesting schedule as follows:

(i) as to 40% of the RSUs on the Listing Date;

(ii) as to 30% of the RSUs on the date ending 12 months after the Listing Date; and

(iii) as to 30% of the RSUs on the date ending 24 months after the Listing Date.

No RSUs granted were cancelled during the six months ended 30 September 2016, and no RSUs were exercised or lapsed during such period as the first batch of the RSUs were only vested on 6 October 2016.

Post-IPO Share Option Scheme

On 18 September 2016, the post-IPO share option scheme (the "**Post-IPO Share Option Scheme**") was approved and adopted by the then shareholders of the Company. The purpose of the Post-IPO Share Option Scheme is to provide incentives and/or rewards to Directors or employees of the Group who in the sole discretion of the Board has contributed or will contribute to the Group (the "**Eligible Persons**") for their contribution to, and continuing efforts to promote the interests of, the Group.

Subject to the terms of the Post-IPO Share Option Scheme, the Board shall be entitled at any time within the period of ten years after the adoption date to grant options to any Eligible Person as the Board in its absolute discretion selects. No offer shall be made and no option shall be granted to any participant in the Post-IPO Share Option Scheme (the "**Participant**") in circumstances prohibited by the Listing Rules at a time when the Participant would or might be prohibited from dealing in the Shares by the Listing Rules or by any applicable rules, regulations or law. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of (i) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or other interim period; and (ii) the deadline for the Company to publish its interim or annual results announcement under the Listing Rules; and ending on the date of actual publication of such results announcement.

No options granted under the Post-IPO Share Option Scheme may be exercised more than 10 years after the date of grant. Subject to the terms of grant of any option, an option granted may be exercised at any time during the option period and in accordance with the vesting schedule and other terms specified in the offer. Further details of the principal terms of the Post-IPO Share Option Scheme are set out in the Prospectus.

During the period from 18 September 2016 to 30 September 2016, no option had been granted or agreed to be granted by the Company pursuant to the Post-IPO Share Option Scheme.

OTHER INFORMATION

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

During the six months ended 30 September 2016, since the Company's Shares were not listed on the Stock Exchange, 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 resolved not to declare any interim dividend for the six months ended 30 September 2016.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted the code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules as its own code of corporate governance.

As the Company's Shares were listed on the Stock Exchange on 6 October 2016, the code provisions of the CG Code were not applicable to the Company during the period from 1 April 2016 to 5 October 2016.

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 as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions.

As the Company's Shares were listed on the Stock Exchange on 6 October 2016, the relevant terms of the Model Code were not applicable to the Company during the period from 1 April 2016 to 5 October 2016.

Having made specific enquiry of all Directors, they have confirmed that they have complied with the required standard set out in the Model Code regarding directors' securities transactions throughout the period from the Listing Date to 16 November 2016, the date of this interim report.

AUDIT COMMITTEE

The Company established the audit committee (the "**Audit Committee**") with written terms of reference in compliance with the CG Code. As at the date of this interim report, 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 unaudited interim results for the six months ended 30 September 2016 and this interim report.

CHANGE IN DIRECTORS' BIOGRAPHICAL DETAILS UNDER RULE 13.51B(1) OF THE LISTING RULES

There is no change in the Directors' biographical details which is required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules since the disclosure of Directors' biographical details in the Prospectus.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

On 6 October 2016, the Company's Shares were listed on the Stock Exchange. A total of 133,991,000 Shares were issued at HK$10.00 per Share for a total of HK$1,339.9 million under the global offering of the Company. The net proceeds raised by the Company from the above mentioned global offering, after deducting the underwriting fees and commissions and expenses paid by the Company in connection with the global offering, amounted to approximately HK$1,262.6 million. The net proceeds from the global offering are intended to be applied in the manner as disclosed in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the board of directors of Honma Golf Limited

(Incorporated in Cayman Islands with limited liability)

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements set out on pages 45 to 84 which comprises the interim condensed consolidated statement of financial position of Honma Golf Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as at 30 September 2016 and the interim condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim condensed consolidated financial statements to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board.

The directors are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the board of directors of Honma Golf Limited
(Incorporated in Cayman Islands with limited liability)

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

16 November 2016

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

	Notes	**FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016 (Unaudited) (JPY'000)**	2015 (Unaudited) (JPY'000)
Revenue	4	**10,205,712**	9,874,577
Cost of sales		**(4,361,779)**	(4,242,807)
Gross profit		**5,843,933**	5,631,770
Other income and gains	4	**42,879**	26,926
Selling and distribution expenses		**(4,351,570)**	(4,104,419)
Administrative expenses		**(930,646)**	(565,782)
Other expenses		**(96,873)**	(60,144)
Finance costs	5	**(13,806)**	(9,226)
Finance income		**5,867**	11,581
PROFIT BEFORE TAX	6	**499,784**	930,706
Income tax expense	7	**(199,309)**	(202,844)
PROFIT FOR THE PERIOD		**300,475**	727,862
Attributable to:			
Owners of the parent		**308,516**	731,065
Non-controlling interests		**(8,041)**	(3,203)
		300,475	727,862
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT:	8		
Basic and diluted			
– For profit for the period (JPY)		**0.65**	1.54

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

	FOR THE SIX MONTHS ENDED 30 SEPTEMBER	
	2016	2015
	(Unaudited)	(Unaudited)
	(JPY'000)	(JPY'000)
PROFIT FOR THE PERIOD	**300,475**	727,862
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:		
Changes in fair value of available-for-sale investments	**(506)**	(1,097)
Income tax effect	**156**	392
	(350)	(705)
Exchange differences on translation of foreign operations	**(216,534)**	(55,453)
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods	**(216,884)**	(56,158)
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods:		
Re-measurement gains/(losses) on the defined benefit plans	**25,614**	(30,979)
Net other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods	**25,614**	(30,979)

continued/…

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

	FOR THE SIX MONTHS ENDED 30 SEPTEMBER	
	2016	2015
	(Unaudited)	(Unaudited)
	(JPY'000)	(JPY'000)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	**(191,270)**	(87,137)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**109,205**	640,725
Attributable to:		
Owners of the parent	**117,246**	643,928
Non-controlling interests	**(8,041)**	(3,203)
	109,205	640,725

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2016

	Notes	**30 September 2016 (Unaudited) (JPY'000)**	31 March 2016 (Audited) (JPY'000)
NON-CURRENT ASSETS			
Property, plant and equipment	10	**2,110,659**	2,015,478
Freehold land	11	**1,940,789**	1,940,789
Intangible assets		**178,396**	150,107
Other non-current assets		**687,487**	677,295
Deferred tax assets		**833,039**	906,321
Total non-current assets		**5,750,370**	5,689,990
CURRENT ASSETS			
Inventories	12	**7,019,233**	7,389,330
Trade and bills receivables	13	**2,050,075**	3,576,645
Prepayments, deposits and other receivables		**719,365**	670,032
Due from a related party	21(c)	**37,272**	795,292
Pledged deposits	14	**—**	121,676
Cash and cash equivalents	14	**2,615,383**	1,825,809
Total current assets		**12,441,328**	14,378,784
CURRENT LIABILITIES			
Trade and bills payables	15	**1,020,696**	1,382,207
Other payables and accruals		**1,325,399**	1,263,335
Interest-bearing bank borrowings	16	**3,291,500**	1,707,554
Due to related parties	21(c)	**6,236,544**	7,379,755
Income tax payable		**34,995**	203,469
Total current liabilities		**11,909,134**	11,936,320
NET CURRENT ASSETS		**532,194**	2,442,464
TOTAL ASSETS LESS CURRENT LIABILITIES		**6,282,564**	8,132,454

continued/...

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2016

	Notes	**30 September 2016 (Unaudited) (JPY'000)**	31 March 2016 (Audited) (JPY'000)
TOTAL ASSETS LESS CURRENT LIABILITIES		**6,282,564**	8,132,454
NON-CURRENT LIABILITIES			
Net employee defined benefit liabilities	17	**2,070,109**	2,098,879
Deferred tax liabilities		**305,550**	398,563
Other non-current liabilities		**99,200**	107,715
Total non-current liabilities		**2,474,859**	2,605,157
Net assets		**3,807,705**	5,527,297
EQUITY			
Equity attributable to owners of the parent			
Share capital	18	**120**	100
Reserves		**4,242,388**	5,953,959
		4,242,508	5,954,059
Non-controlling interests		**(434,803)**	(426,762)
Total equity		**3,807,705**	5,527,297

LIU Jianguo
Director

ITO Yasuki
Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

	Attributable to owners of the parent								
	Share capital (JPY'000) (note 18)	Surplus reserve (JPY'000) *	Available-for-sale investment revaluation reserve (JPY'000) *	Exchange translation reserve (JPY'000) *	Equity-settled share-based payment fund (JPY'000) (note 19)*	Retained profits (JPY'000) *	Total (JPY'000)	Non-controlling interests (JPY'000)	Total equity (JPY'000)
At 1 April 2016	**100**	**1,000,929**	**1,948**	**237,006**	**128,323**	**4,585,753**	**5,954,059**	**(426,762)**	**5,527,297**
Profit for the period	**—**	**—**	**—**	**—**	**—**	**308,516**	**308,516**	**(8,041)**	**300,475**
Other comprehensive income for the period:									
Change in fair value of available-for-sale investments, net of tax	**—**	**—**	**(350)**	**—**	**—**	**—**	**(350)**	**—**	**(350)**
Exchange differences on translation of foreign operations	**—**	**—**	**—**	**(216,534)**	**—**	**—**	**(216,534)**	**—**	**(216,534)**
Remeasurement gains on defined benefit plans	**—**	**—**	**—**	**—**	**—**	**25,614**	**25,614**	**—**	**25,614**
Total comprehensive income for the period	**—**	**—**	**(350)**	**(216,534)**	**—**	**334,130**	**117,246**	**(8,041)**	**109,205**
Transfer from retained profit	**20**	**—**	**—**	**—**	**—**	**(20)**	**—**	**—**	**—**
Equity-settled share-based payment expenses	**—**	**—**	**—**	**—**	**166,203**	**—**	**166,203**	**—**	**166,203**
Dividends declared (note 9)	**—**	**—**	**—**	**—**	**—**	**(1,995,000)**	**(1,995,000)**	**—**	**(1,995,000)**
At 30 September 2016 (unaudited)	**120**	**1,000,929**	**1,598**	**20,472**	**294,526**	**2,924,863**	**4,242,508**	**(434,803)**	**3,807,705**
At 1 April 2015	100	983,786	8,455	412,484	—	2,533,068	3,937,893	(422,101)	3,515,792
Profit for the period	—	—	—	—	—	731,065	731,065	(3,203)	727,862
Other comprehensive income for the period:									
Change in fair value of available-for-sale investments, net of tax	—	—	(705)	—	—	—	(705)	—	(705)
Exchange differences on translation of foreign operations	—	—	—	(55,453)	—	—	(55,453)	—	(55,453)
Remeasurement losses on defined benefit plans	—	—	—	—	—	(30,979)	(30,979)	—	(30,979)
Total comprehensive income for the period	—	—	(705)	(55,453)	—	700,086	643,928	(3,203)	640,725
At 30 September 2015 (unaudited)	100	983,786	7,750	357,031	—	3,233,154	4,581,821	(425,304)	4,156,517

* These reserve accounts comprise the consolidated reserves of JPY4,242,388,000 as at 30 September 2016 (31 March 2016: JPY5,953,959,000) in the interim condensed consolidated statement of financial position.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

	Notes	**FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016 (Unaudited) (JPY'000)**	2015 (Unaudited) (JPY'000)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**499,784**	930,706
Adjustments for:			
Depreciation	6	**163,756**	170,278
(Reversal)/write-down of inventories to net realizable value	6	**(49,977)**	108,470
Impairment provision of trade and bills receivables		**—**	6
Amortization of intangible assets	6	**24,274**	21,965
Net (gains)/losses on disposal of items of property, plant and equipment	6	**(1,902)**	98
Defined benefit plan expenses	17	**89,032**	87,099
Equity-settled share-based payment expenses	19	**166,203**	—
Finance costs	5	**13,806**	9,226
Finance income		**(5,867)**	(11,581)
		899,109	1,316,267

continued/…

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

	Notes	FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016 (Unaudited) (JPY'000)	2015 (Unaudited) (JPY'000)
Decrease/(increase) in inventories		**420,074**	(2,493)
Decrease in trade and bills receivables		**1,526,570**	290,086
Increase in prepayments, deposits and other receivables		**(49,333)**	(13,931)
(Increase)/decrease in an amount due from a related party		**(17,035)**	52,905
(Increase)/decrease in loans and other receivables classified as other non-current assets		**(4,831)**	41,229
Decrease in trade and bills payables		**(361,511)**	(97,962)
Decrease in other payables and accruals		**(33,406)**	(613,113)
Increase/(decrease) in amounts due to related parties in operating activities		**12,748**	(239,206)
Decrease in other non-current liabilities		**(8,515)**	(10,585)
Payment of the defined benefit obligation	17	**(33,547)**	(17,220)
Contributions in plan assets	17	**(58,641)**	(58,186)
Decrease in pledged deposits		**121,676**	4,559
Cash generated from operations		**2,413,358**	652,350
Interest paid		**(13,806)**	(9,226)
Japan income tax paid		**(248,000)**	(123,050)
Overseas income tax paid		**(145,015)**	(130,176)
Net cash flows generated from operating activities		**2,006,537**	389,898

continued/…

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

	Notes	**FOR THE SIX MONTHS ENDED 30 SEPTEMBER**	
		2016	2015
		(Unaudited)	(Unaudited)
		(JPY'000)	(JPY'000)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment and intangible assets		**(350,884)**	(184,940)
Proceeds from disposal of items of property, plant and equipment		**16,936**	8
Decrease/(increase) in an amount due from a related party		**775,055**	(775,055)
Net cash flows generated from/(used in) investing activities		**441,107**	(959,987)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from bank borrowings		**2,500,000**	774,931
Repayment of bank borrowings		**(888,725)**	—
Borrowings provided by a related party		**879,440**	7,139,751
Deemed distribution to the then shareholders		**—**	(7,139,751)
Repayment of borrowings from a related party		**(2,035,399)**	—
Dividends paid	9	**(1,995,000)**	—
Net cash flows (used in)/generated from financing activities		**(1,539,684)**	774,931

continued/…

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

	Notes	**FOR THE SIX MONTHS ENDED 30 SEPTEMBER**	
		2016	2015
		(Unaudited)	(Unaudited)
		(JPY'000)	(JPY'000)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**907,960**	204,842
Cash and cash equivalents at beginning of period		**1,825,809**	2,315,069
Effect of foreign exchange rate changes, net		**(118,386)**	(14,210)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	14	**2,615,383**	2,505,701
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the statement of financial position	14	**2,615,383**	2,505,701
Cash and cash equivalents as stated in the statement of cash flows		**2,615,383**	2,505,701

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.

In the opinion of the directors, the holding company of the Company is Kouunn Holdings Limited. The ultimate shareholder of the Company is Mr. Liu Jianguo ("Mr. Liu").

2.1 BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements, which comprise the interim condensed consolidated statement of financial position of the Group as at 30 September 2016 and the related interim condensed consolidated statement of profit or loss, statements of comprehensive income, changes in equity and cash flows for the six months ended 30 September 2016, have been prepared in accordance with IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The unaudited interim condensed consolidated financial statements do 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 2016.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 March 2016, except for the adoption of the following new standards and amendments effective as of 1 April 2016 below:

Amendments to IFRS 10, IFRS 12 and IAS 28	*Investment Entities: Applying the Consolidation Exception*
Amendments to IFRS 11	*Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations*
Amendments to IAS 1	*Disclosure Initiative*
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to IAS 27	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 Cycle	*Amendments to a number of IFRSs*

The adoption of these new standards and amendments apply has had no material impact on the interim condensed consolidated financial statements of the Group. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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	
	2016	2015
	(Unaudited)	(Unaudited)
	(JPY'000)	(JPY'000)
Japan	**5,706,910**	5,377,231
Korea	**1,128,455**	1,129,879
China (including Hong Kong and Macau)	**1,968,746**	1,799,837
North America	**209,460**	423,157
Europe	**255,234**	346,029
Rest of the world	**936,907**	798,444
	10,205,712	9,874,577

Information about major customers

For the six months ended 30 September 2016, no single customer accounted for more than 10% of the Group's total revenue (six months ended 30 September 2015: Nil).

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	
	2016	2015
	(Unaudited)	(Unaudited)
	(JPY'000)	(JPY'000)
Revenue		
Sale of goods	**10,118,138**	9,786,276
Rendering of services	**87,574**	88,301
Total	**10,205,712**	9,874,577
Other income and gains		
Gains on disposal of items of property, plant and equipment, net	**1,902**	—
Rental income	**5,792**	5,477
Others	**35,185**	21,449
	42,879	26,926

5. FINANCE COSTS

	For the six months ended 30 September	
	2016	2015
	(Unaudited)	(Unaudited)
	(JPY'000)	(JPY'000)
Interest on bank borrowings	**13,806**	9,226

6. PROFIT BEFORE TAX

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

		For the six months ended 30 September	
	Notes	**2016**	2015
		(Unaudited)	(Unaudited)
		(JPY'000)	(JPY'000)
Cost of inventories sold		**4,334,697**	4,216,583
Cost of service provided		**27,082**	26,224
Depreciation	10	**163,756**	170,278
Amortization of intangible assets		**24,274**	21,965
Research and development costs		**293,217**	277,908
Provision for impairment of trade and bills receivables		**—**	6
Minimum lease payments under operating leases		**652,404**	714,454
Auditors' remuneration		**51,832**	24,633
Employee benefit expense:			
Wages and salaries		**2,043,921**	1,831,671
Pension and social security costs		**116,993**	90,859
Defined benefit plan expenses	17	**89,032**	87,099
Employee benefits		**315,963**	275,587
Other benefits		**131,811**	97,122
Equity-settled share-based payment expenses	19	**166,203**	—
Foreign exchange losses, net		**91,074**	54,144
(Reversal)/write-down of inventories to net realizable value		**(49,977)**	108,470
Net (gains)/losses on disposal of items of property, plant and equipment		**(1,902)**	98

7. INCOME TAX EXPENSE

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 2016.

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 30.86% for the six months ended 30 September 2016 (six months ended 30 September 2015: 33.06%).

According to the Macau Complementary Tax ("MCT") Law, taxable profits below Macau Pataca ("MOP") 300,000 are exempted from tax, and taxable profits over MOP300,000 are subject to the rate of 12% throughout the six months ended 30 September 2016.

The subsidiaries incorporated in Taiwan and Thailand are subject to income tax at the rates of 17% and 20% on the assessable profits throughout the six months ended 30 September 2016, respectively.

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.

The major components of income tax expense of the Group are as follows:

	For the six months ended 30 September	
	2016	2015
	(Unaudited)	(Unaudited)
	(JPY'000)	(JPY'000)
Current income tax – Japan	**118,994**	68,890
Current income tax – elsewhere	**547**	18,511
Withholding tax on dividend declared	**105,000**	65,000
Deferred tax	**(25,232)**	50,443
	199,309	202,844

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

The calculations of basic and diluted earnings per share are based on the profit 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 2016 and 2015 in respect of a dilution as the Group had no potentially ordinary shares in issue during the 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	
	2016	2015
	(Unaudited)	(Unaudited)
	(JPY'000)	(JPY'000)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**308,516**	731,065

	Number of shares For the six months ended 30 September	
	2016	2015
	('000)	('000)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**475,059**	475,059

The number of ordinary shares outstanding before the sub-division and the capitalization is adjusted for the proportionate change in the number of ordinary shares outstanding as if the sub-division and the capitalization had occurred at the beginning of the earliest period presented.

9. DIVIDENDS

	For the six months ended 30 September	
	2016	2015
	(Unaudited)	(Unaudited)
	(JPY'000)	(JPY'000)
Dividends declared by the Company	**1,995,000**	—

Pursuant to the shareholders' meeting on 26 April 2016, the Company declared JPY1,995,000,000 dividends to its shareholders and the dividends have been paid in May 2016.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended on 30 September 2016, the Group acquired items of property, plant and equipment with a cost of JPY279,997,000 (six months ended 30 September 2015: JPY197,405,000). Depreciation for items of property, plant and equipment was JPY163,756,000 during the period (six months ended 30 September 2015: JPY170,278,000). Assets with a net book value of JPY 15,034,000 were disposed of by the Group during the six months ended 30 September 2016 (31 March 2016: JPY1,382,000), resulting in a net gain on disposal of JPY 1,902,000 (31 March 2016: JPY6,742,000).

11. FREEHOLD LAND

The carrying amounts of the Group's freehold land is JPY1,940,789,000 as at 30 September 2016 and 31 March 2016. 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 2016 (Unaudited) (JPY'000)	31 March 2016 (Audited) (JPY'000)
Raw materials	**941,576**	750,035
Work in progress	**1,472,379**	1,486,927
Finished goods	**4,983,600**	5,580,667
	7,397,555	7,817,629
Less: provision for inventories	**(378,322)**	(428,299)
	7,019,233	7,389,330

13. TRADE AND BILLS RECEIVABLES

	30 September 2016 (Unaudited) (JPY'000)	31 March 2016 (Audited) (JPY'000)
Trade receivables	**1,991,264**	3,513,671
Bills receivable	**59,343**	63,506
	2,050,607	3,577,177
Impairment of trade receivables	**(532)**	(532)
	2,050,075	3,576,645

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 aged 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 2016 (Unaudited) (JPY'000)	31 March 2016 (Audited) (JPY'000)
Within 1 month	**1,165,338**	2,181,335
Over 1 and within 3 months	**519,239**	836,585
Over 3 and within 12 months	**297,852**	486,180
Over 1 year	**8,303**	9,039
	1,990,732	3,513,139

14. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	30 September 2016 (Unaudited) (JPY'000)	31 March 2016 (Audited) (JPY'000)
Cash and bank balances	**2,615,383**	1,825,809
Short-term time deposits	**—**	121,676
	2,615,383	1,947,485
Less: pledged deposits	**—**	(121,676)
Cash and cash equivalents	**2,615,383**	1,825,809

Pledged deposits with a carrying value of JPY121,676,000 as at 31 March 2016 were pledged to secure bills payable.

15. TRADE AND BILLS PAYABLES

	30 September 2016 (Unaudited) (JPY'000)	31 March 2016 (Audited) (JPY'000)
Trade payables	**991,072**	773,829
Bills payables	**29,624**	608,378
	1,020,696	1,382,207

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

The trade and bills payables as at 30 September 2016 and 31 March 2016 were all aged within 3 months.

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

16. INTEREST-BEARING BANK BORROWINGS

	30 September 2016			31 March 2016		
	Effective interest rate (%)	**Maturity**	**JPY'000 (Unaudited)**	Effective interest rate (%)	Maturity	JPY'000 (Audited)
Current						
Bank loans - unsecured	**0.33%-0.83%**	**October 2016**	**3,291,500**	0.82%-2.48%	June and October 2016	1,707,554

	30 September 2016 (Unaudited) (JPY'000)	31 March 2016 (Audited) (JPY'000)
Analysed into:		
Bank loans repayable:		
Within one year	**3,291,500**	1,707,554

As at 30 September 2016 and 31 March 2016, 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 2016 (Unaudited) (JPY'000)	31 March 2016 (Audited) (JPY'000)
Retirement benefit plan	**2,070,109**	2,098,879

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 on 30 September 2015 by Mizuho Trust & Banking Co., Ltd., a member of the actuarial society of Japan, 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 2016 (Unaudited) (JPY' 000)	30 September 2015 (Unaudited) (JPY' 000)
Current service cost	**85,293**	80,101
Interest cost	**3,739**	6,998
Net benefit expenses	**89,032**	87,099
Recognized in cost of sales	**24,255**	21,302
Recognized in selling and distribution costs	**39,540**	46,310
Recognized in administrative expenses	**25,237**	19,487
	89,032	87,099

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 2016 in the defined benefit obligation and fair value of plan assets:

	1 April 2016 (JPY'000)	Service cost (JPY'000)	Net interest (JPY'000)	Sub-total included in profit or loss (JPY'000) (note 6)	Benefits paid (JPY'000)	Return on plan assets (JPY'000)	Actuarial changes arising from changes in demographic assumptions (JPY'000)	Actuarial changes arising from changes in financial assumptions (JPY'000)	Experience adjustments (JPY'000)	Sub-total included in other comprehensive income (JPY'000)	Contributions by employer (JPY'000)	30 September 2016 (JPY'000)
Defined benefit obligation	**4,249,284**	**85,293**	**7,610**	**92,903**	**(66,720)**	**–**	**–**	**(71,498)**	**–**	**(71,498)**	**–**	**4,203,969**
Fair value of plan assets	**(2,150,405)**	**–**	**(3,871)**	**(3,871)**	**33,173**	**45,884**	**–**	**–**	**–**	**45,884**	**(58,641)**	**(2,133,860)**
Benefit liability	**2,098,879**	**85,293**	**3,739**	**89,032**	**(33,547)**	**45,884**	**–**	**(71,498)**	**–**	**(25,614)**	**(58,641)**	**2,070,109**

Changes for the six months ended 30 September 2015 in the defined benefit obligation and fair value of plan assets:

	1 April 2015 (JPY'000)	Service cost (JPY'000)	Net interest (JPY'000)	Sub-total included in profit or loss (JPY'000) (note 6)	Benefits paid (JPY'000)	Return on plan assets (JPY'000)	Actuarial changes arising from changes in demographic assumptions (JPY'000)	Actuarial changes arising from changes in financial assumptions (JPY'000)	Experience adjustments (JPY'000)	Sub-total included in other comprehensive income (JPY'000)	Contributions by employer (JPY'000)	30 September 2015 (JPY'000)
Defined benefit obligation	3,973,640	80,101	15,426	95,527	(36,121)	–	–	(61,768)	–	(61,768)	–	3,971,278
Fair value of plan assets	(2,160,851)	–	(8,428)	(8,428)	18,901	92,747	–	–	–	92,747	(58,186)	(2,115,817)
Benefit liability	1,812,789	80,101	6,998	87,099	(17,220)	92,747	–	(61,768)	–	30,979	(58,186)	1,855,461

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

	30 September 2016 (Unaudited) (JPY'000)	31 March 2016 (Audited) (JPY'000)
Stocks	**1,047,508**	953,409
Bonds	**902,746**	780,229
General account of life insurance companies	**136,908**	369,515
Others	**46,698**	47,252
Total	**2,133,860**	2,150,405

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

	30 September 2016 (Unaudited) (JPY'000)	31 March 2016 (Audited) (JPY'000)
Method of allocating projected retirement benefits	**Projected unit credit method**	Projected unit credit method
Discount rate	**0.31%**	0.36%
Salary increase rate (aged based, on average)	**1.8%**	1.8%
Turnover rate (aged based, on average)	**2.2%**	2.2%
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	31 March
Assumption	**Change in assumption**	**2016**	2016
		(Unaudited)	(Audited)
		(JPY'000)	(JPY'000)
Discount rate	Increase by 0.5%	**(171,940)**	(197,969)
	Decrease by 0.5%	**202,727**	208,705

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 following is the expected contributions to the defined benefit plan in future years:

	30 September	31 March
	2016	2016
	(Unaudited)	(Audited)
	(JPY'000)	(JPY'000)
Within the next 12 months	**117,756**	115,808
Between 2 and 5 years	**471,024**	463,232
Between 5 and 10 years	**588,780**	579,040
Total expected payments	**1,177,560**	1,158,080

The average durations of the defined benefit plan obligation as at 30 September 2016 is 9.6 years (31 March 2016: 9.6 years).

The actuarial valuation showed that the market value of plan assets was JPY2,133,860,000 as at 30 September 2016 (31 March 2016: JPY2,150,405,000), and represented 49% (31 March 2016: 51%) of the defined benefit obligation that had accrued to qualifying employees. The deficiency of JPY2,070,109,000 as at 30 September 2016 (31 March 2016: JPY2,098,879,000) is expected to be cleared over the remaining service period.

18. SHARE CAPITAL

	30 September 2016 (Unaudited)	31 March 2016 (Audited)
Issued capital (As of 30 September 2016: 20,000,000,000 authorized shares of US$0.0000025 each and 475,059,000 ordinary shares in issue; As at 31 March 2016: 50,000 authorized shares of US$1.00 each and 1,000 ordinary shares in issue) in US$	**1,188**	1,000
Equivalent to JPY	**120,000**	100,000

As of the date of incorporation in Cayman Islands on 7 October 2013, the Company had an authorized share capital of US$50,000, divided into 50,000 shares of par value of US$1.00 each with issued capital of US$1,000.

On 18 September 2016, the Company sub-divided each of its issued and unissued shares of par value US$1.00 each into 400,000 Shares of par value US$0.0000025 each, such that following the sub-division, the issued share capital of the Company is US$1,000 divided into 400,000,000 Shares of par value US$0.0000025 each and the authorized share capital of the Company is US$50,000 divided into 20,000,000,000 Shares of par value US$0.0000025 each.

On 19 September 2016, the Company allotted and issued a total of 75,059,000 Shares of par value US$0.0000025 each by way of capitalization of the distributable reserves of the Company at the amount of US$187.6 (equivalent to JPY20,000). Immediately following the allotment, the issued share capital of the Company is US$1,187.6, divided into 475,059,000 shares of par value US$0.0000025 each.

19. SHARE-BASED PAYMENT

By a resolution of the board of directors on 20 October 2015 and 31 May 2016, the Group granted 27,007 restricted share units ("RSU"s) and 1,465 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 individual's 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 (the "Listing Date"), 30% after 12 months from the Listing Date and 30% after 24 months from the Listing Date.

The following RSUs were outstanding during the year ended 31 March 2016 and six months ended 30 September 2016:

	Six Months ended 30 September 2016 Number of RSUs	Year ended 31 March 2016 Number of RSUs
At the beginning of the period/year	**25,542**	—
Granted during the period/year	**1,465**	27,007
Forfeited during the period/year	**—**	(1,465)
Exercised during the period/year	**—**	—
At the end of the period/year	**27,007**	25,542

The fair value of the RSUs granted during the six months ended 30 September 2016 was JPY36,584,000 (JPY25,000 each) of which and together with those granted during the year ended 31 March 2016, the Group recognized RSU expenses of JPY166,203,000 during the six months ended 30 September 2016 (nil for the six months ended 30 September 2015).

The fair value of the RSUs granted during the six months ended 30 September 2016 was estimated as at the date of grant by using income approach (discount cash flow method, in particular), taking into account the terms and conditions upon which the RSUs were granted. The following table lists the inputs to the model used:

	Six months ended 30 September 2016
Discount rate	**11.5%**
Terminal growth rate	**2.0%**
Discount on lack of marketability	**10.0%**

Management estimated the discount rate based on risks relating to the industry. Terminal growth rate is based on industry growth rate. Discount on lack of marketability is based on risks relating to the nature of the Company.

20. COMMITMENTS

(a) As lessor

The Group sublets retail shops, under operating lease arrangements, with contractual lease term of 16 to 19 years and one remaining lease term. The terms of the leases generally also require the tenant to provide for the periodic rent adjustments according to the then prevailing market conditions.

The Group had total future minimum lease receivables under non-cancellable operating leases falling due as follows:

	30 September 2016 (Unaudited) (JPY'000)	31 March 2016 (Audited) (JPY'000)
Within one year	**34,344**	22,410
After one year but within five years	**8,190**	—
	42,534	22,410

(b) As lessee

The Group leases certain of its office properties and shops under operating lease arrangements. Leases are negotiated for terms ranging from one to six years and rentals are fixed for the lease period.

The Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 September 2016 (Unaudited) (JPY'000)	31 March 2016 (Audited) (JPY'000)
Within one year	**624,050**	778,352
After one year but within five years	**750,150**	833,014
Over five years	**53,022**	57,534
	1,427,222	1,668,900

(c) Capital commitment

In addition to the operating lease commitments detailed above, the Group had the following capital commitments at the end of the reporting period:

	30 September 2016 (Unaudited) (JPY'000)	31 March 2016 (Audited) (JPY'000)
Contracted, but not provided for:		
Property, plant and equipment	**142,800**	—

21. RELATED PARTY TRANSACTIONS AND BALANCES

(a) Name and relationship

Related parties	**Relationships**
Mr. Liu	Ultimate Shareholder
Kouunn Holdings Limited	Immediate holding company of the Company
Honma Golf (Shanghai) Company Limited	Company controlled by the Ultimate Shareholder
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 statements, the Group had the following material transactions with related parties during the period:

	For the six months ended 30 September	
	2016	2015
	(Unaudited)	(Unaudited)
	(JPY'000)	(JPY'000)
Sales of finished goods (note (i))		
Honma Golf (Shanghai) Company Limited	**—**	256,186
Purchases of trading goods (note (ii))		
Honma Golf (Shanghai) Company Limited	**—**	173,904
Rental expense charged by related parties (note (iii))		
Shanghai POVOS Enterprise (Group) Co., Ltd.	**16,097**	16,781
Borrowings provided to a related party		
Honma Golf (Shanghai) Company Limited	**—**	775,055
Interest received from a related party		
Honma Golf (Shanghai) Company Limited	**—**	5,064
Borrowings provided by a related party		
Kouunn Holdings Limited	**879,440**	7,139,751
Expenses paid on behalf of a related party		
Honma Golf (Shanghai) Company Limited	**—**	26,126

	For the six months ended 30 September	
	2016	2015
	(Unaudited)	(Unaudited)
	(JPY'000)	(JPY'000)
Expenses paid on behalf of the Group by a related party		
Mr. Liu	**130**	928

Note (i): The sales of goods to the related party were made according to the prices and terms agreed between the parties.

Note (ii): The purchases of goods from the related party were made according to the prices and terms offered by the related party.

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

(c) Balances with related parties

	30 September	31 March
	2016	2016
	(Unaudited)	(Audited)
	(JPY'000)	(JPY'000)
Due from a related party		
Honma Golf (Shanghai) Company Limited	**37,272**	795,292
Due to related parties		
Kouunn Holdings Limited	**6,214,192**	7,370,151
Shanghai POVOS Enterprise (Group) Co., Ltd.	**20,754**	7,937
Mr. Liu	**1,598**	1,667
	6,236,544	7,379,755

Except for borrowings provided to Honma Golf (Shanghai) Company Limited of JPY775,055,000 as at 31 March 2016 which bears interest at a rate of 2.5% p.a., amounts due from and due to related parties were interest-free and unsecured.

(d) Compensation of key management personnel of the Group

	For the six months ended 30 September	
	2016	2015
	(Unaudited)	(Unaudited)
	(JPY'000)	(JPY'000)
Short term employee benefits	**59,572**	56,752
Pension scheme contributions	**4,825**	4,309
Total compensation paid to key management personnel	**64,397**	61,061

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 – loans and receivables

	30 September 2016	31 March 2016
	(Unaudited)	(Audited)
	(JPY'000)	(JPY'000)
Trade and bills receivables	**2,050,075**	3,576,645
Pledged deposits	**—**	121,676
Cash and cash equivalents	**2,615,383**	1,825,809
Financial assets included in prepayments, deposits and other receivables	**78,482**	86,787
Due from a related party	**37,272**	795,292
Other non-current assets	**665,204**	653,682
	5,446,416	7,059,891

Financial assets – available-for-sale financial assets

	30 September 2016 (Unaudited) (JPY' 000)	31 March 2016 (Audited) (JPY' 000)
Available-for-sale investments	**15,200**	15,705

Financial liabilities – at amortized cost

	30 September 2016 (Unaudited) (JPY' 000)	31 March 2016 (Audited) (JPY' 000)
Trade and bills payables	**1,020,696**	1,382,207
Due to related parties	**6,236,544**	7,379,755
Interest-bearing bank borrowings	**3,291,500**	1,707,554
Financial liabilities included in other payables and accruals	**752,503**	736,662
Other non-current liabilities	**8,271**	14,235
	11,309,514	11,220,413

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, pledged deposits, trade and bills receivables, financial assets included in prepayments, deposits and other receivables, an amount due from a related party, trade and bills payables, interest-bearing bank borrowings, amounts due to related parties and financial liabilities included in other payables and accruals. Their fair values are approximate to their carrying amounts largely due to the short term maturities of these instruments.

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 available-for-sale 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 2016 (31 March 2016: Nil).

Assets measured at fair value:

	As at 30 September 2016			
	Level 1 (JPY'000)	**Level 2 (JPY'000)**	**Level 3 (JPY'000)**	**Total (JPY'000)**
Available-for-sale investments	**15,100**	**—**	**100**	**15,200**

	As at 31 March 2016			
	Level 1 (JPY'000)	Level 2 (JPY'000)	Level 3 (JPY'000)	Total (JPY'000)
Available-for-sale investments	15,605	—	100	15,705

During the six months ended 30 September 2016 and the year ended 31 March 2016, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

24. EVENT AFTER THE REPORTING PERIOD

On 6 October 2016, the shares of the Company were listed on the Main Board of the Stock Exchange. A total of 133,991,000 shares were issued at an offer price of HK$10.00 per share.

25. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorized for issue by the board of directors on 16 November 2016.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