2017/18
INTERIM REPORT

HONMA GOLF LIMITED
本間高爾夫有限公司
Stock Code：6858

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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

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STOCK CODE

6858

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HONG KONG SHARE REGISTRAR

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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 2017, the Group continued to implement its growth strategies, including, among others:

- *Continuing executing the Group's U.S.* growth strategies (the "**U.S. Strategies**"): In April 2016, the Group completed a U.S. study with the assistance of a U.S. consulting firm and has since then began the execution of the U.S. Strategies. The Group re-designed its sales and distribution model by transacting directly with major retailers in the market, recruited industry veterans to strengthen its local presence and launched various offline and online marketing activities to promote brand and product awareness in the U.S. market. As an evidence of the successful execution of the U.S. Strategies, the Group's points of sales ("**POSs**") in North America has increased by 170 POSs to 345 POSs during the period from 31 March 2017 to 30 September 2017. In addition, the Group's revenue for North America increased by 186.3% from JPY209.5 million for the six months ended 30 September 2016 to JPY599.6 million for the six months ended 30 September 2017.

- *Preparing to re-enter the Group's continental European markets via a direct go-to-market model*: In parallel with the expansion into the U.S. market, the Group has re-organised its footprint in Europe, re-entered the European market via a direct go-to-market model and completed the assembly of a local team with solid industry expertise and market insights. As a result of the said changes, the Group has experienced a decrease in its revenue for Europe by 33.8% from JPY255.2 million for the six months ended 30

September 2016 to JPY169.1 million for the six months ended 30 September 2017. However, the number of the Group's POSs in Europe has increased by 131 POSs to 141 POSs during the period from 31 March 2017 to 30 September 2017, ahead of the new product launching in November 2017 and January 2018, which is expected to boost the sales growth for the Europe market.

- *Further expanding the Group's market share in Korea and other home markets*: Benefitting from the successful collaboration over the past three years, the Group renewed its partnership with its exclusive distributor Kolon and initiated intensive TV campaigns in Korea to drive sales of BERES and Be ZEAL product families. Revenue for Korea increased by 16.5% from JPY1,128.5 million for the six months ended 30 September 2016 to JPY1,314.2 million for the six months ended 30 September 2017.

- *Continuing optimisation of the Group's operations*: The Group has completed the implementation of an integrated ERP system in its home markets in July 2017 to deliver continued improvement in production planning and inventory management. In conjunction with the implementation of the ERP system as well as the strengthening of its local presence in the U.S. and Europe markets, the Group started to streamline its operations in Japan and reduced workforce by around 100 mainly through optimisation of back-office supporting functions.

- *Infusing new high profile industry calibers into the Group's existing team to nurture genes that are critical to future growth*: The Group infused a number of high profile industry experts into its sales and marketing team to drive deeper penetration into the sports megastore channels in Japan, to develop stronger marketing tour asset management catering for all markets and to revamp its non-club businesses across the globe.

Driven by the various growth initiatives, the Group continued to deliver solid revenue growth during the six months ended 30 September 2017. The Group's revenue increased by 3.1% from JPY10.2 billion for the six months ended 30 September 2016 to JPY10.5 billion for the six months ended 30 September 2017. On a constant currency basis, the Group's revenue grew by 1.7% from the six months ended 30 September 2016 to the six months ended 30 September 2017.

The Group's net operating profit increased by 65.3% from JPY747.0 million for the six months ended 30 September 2016 to JPY1,235.0 million for the six months ended 30 September 2017. For a reconciliation of net operating profit to net profit, see "Management Discussion and Analysis — Non-IFRS Financial Measure — Net Operating Profit." The Group seeks to grow its profit for the full year ending 31 March 2018 by, among others, improving sales of the new product family of Be ZEAL and BERES as well as making inroads into new markets such as the U.S. and Europe.

Principal Families of Golf Clubs

The Group currently offers golf clubs mainly under three major product families, namely BERES, TOUR WORLD and Be ZEAL, each targeting specific consumer segments. Based on extensive market research, the Group categorises 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.

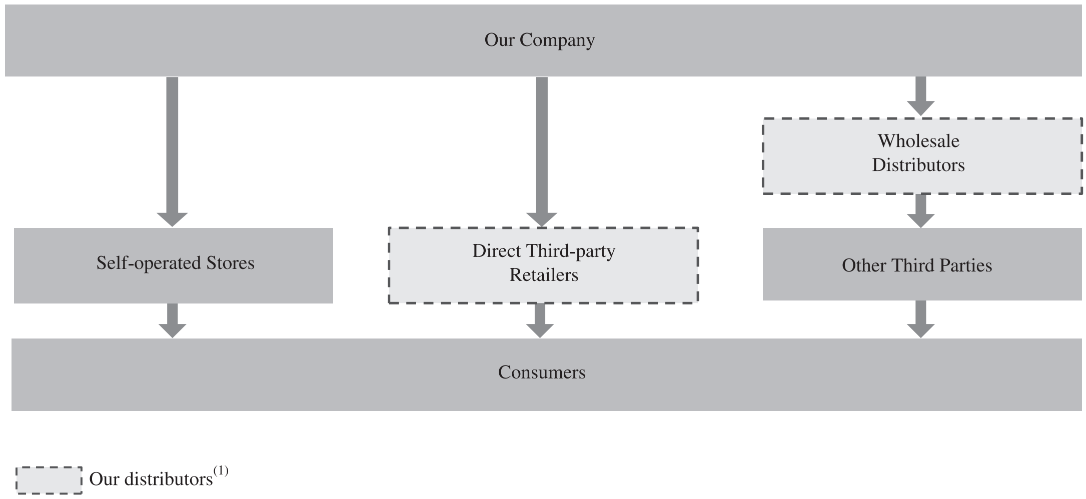
1 High Price Low Enthusiasm	**Design & Price**	2 High Price Middle Enthusiasm	**Primarily Design**	3 High Price High Enthusiasm	**Design & Performance**
4 Middle Price Low Enthusiasm	**Performance & Price**	5 Middle Price Middle Enthusiasm	**Performance & Design**	6 Middle Price High Enthusiasm	**Primarily 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 and comprises affluent consumers willing to pay a premium price for golf clubs. The Group has successfully expanded beyond Segment 2 with additional product offerings. TOUR WORLD golf clubs target consumers in Segment 6, which comprises golf enthusiasts who place a higher emphasis on performance. Be ZEAL golf clubs target consumers in Segment 5, which comprises beginner golfers who aim to improve their performance. Segments 5 and 6 are experiencing faster growth rates compared to the overall growth rates of major golf markets.

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 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 2017, the Group had 86 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 2017.

	Six months ended 30 September 2017			
	Period start	**Opened**	**Closed**	**Period end**
Japan	37	—	3	34
China (including Hong Kong and Macau)	50	7[1]	9	48
Rest of Asia	4	—	—	4
Total	91	7	12	86

Note:

(1) Mainly apparels dedicated stores.

During the six months ended 30 September 2017, the Group continued to optimise the operational efficiency of its self-operated stores by closing 3 stores in Japan and relocating 7 stores in China which are mainly apparel dedicated stores, in line with the Group's strategy of growing non-club product categories.

To better serve avid golf enthusiasts, certain self-operated stores offer fitting centres equipped with high-speed cameras and precision software to capture relevant swing data. As of 30 September 2017, the Group had four fitting centres.

As of 30 September 2017, the Group had approximately 2,700 distributors. The Group's distributors consist of (a) direct third-party retailers ("**Retailers**") and (b) wholesale distributors ("**Wholesale Distributors**") that on-sell the Group's products to other third parties and consumers. Retailers include, among others, sports megastores, which are large retailers of sports goods. As of 30 September 2017, the Group's products were sold at 1,188 individual sports megastores.

In Japan, the Group mainly sells products to Retailers, namely sports megastores such as Golf 5 and Xebio. With respect to the distribution channels outside Japan, the Group sells products to both Retailers and Wholesale Distributors.

The Group develops and manages its sales and distribution network on a country-by-country basis to cater for 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, reflecting on the purchase behaviour of target consumers. The Group is constantly evaluating its existing channels and exploring new channels to optimise 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 all key manufacturing processes for golf clubs at its campus located in Sakata, Yamagata prefecture of Japan (the "**Sakata Campus**") while outsourcing non-core processes 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 metre parcel of land, the Sakata Campus is staffed with approximately 335 craftsmen, 24 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 2017, the Group had 989 employees worldwide, a majority of whom were based in Japan.

The Group seeks to hire people who identify with its core values and emphasises 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 incentivise 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 expenses amounted to JPY2,440.0 million for the six months ended 30 September 2017.

The Group adopted its restricted share unit ("**RSU**") scheme in October 2015 to incentivise its directors ("**Director(s)**"), management and eligible employees. The Group recognised RSU expenses of JPY45.5 million during the six months ended 30 September 2017, including JPY2.6 million for manufacturing personnel, JPY18.4 million for sales and marketing personnel and JPY24.5 million for administrative personnel.

Outlook

Business Outlook

For the six months ending 31 March 2018, 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:

- ***Optimise the product mix by further penetrating high growth consumer segments.*** The Group's traditional customer base comprises Segment 2 consumers, which are affluent consumers willing to pay a premium price for golf clubs. Since 2013, the Group has expanded into new consumer segments which together constitute the vast majority of the high growth global golf products segments that are nascent to the Group. The Group aims to actively seek market share gains in these customer segments through product offerings designed to meet the evolving playing preferences of these customers.

- ***Continue product innovation and development to cater for the latest market 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 JPY293.2 million and JPY193.1 million for the six months ended 30 September 2016 and 2017, 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 optimise product performance. In December 2017 and January 2018, the Group plans to launch the following two new product categories: (i) BERES06, the fifth generation of BERES family of golf clubs, which targets consumers in Segment 2 and (ii) Be ZEAL535, the second generation of the Be ZEAL family of golf clubs, which targets consumers in Segment 5. The launching of the two new product categories will continue to drive market share gains in the high growth consumer segments in home and new markets.

- ***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, in particular the new consumer segments of Segments 5 and 6. The Group intends to achieve this by further expanding its distribution channels across Asia and by accelerating the penetration into new consumer segments while continuously investing in marketing campaigns.

- ***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 intends to support its expansion in these markets by, among others, (i) strengthening its sales and marketing teams in these markets, (ii) stepping up marketing activities that create brand and product awareness, (iii) partnering with quality retailers and (iv) considering attractive and complementary acquisition opportunities. In the year ended 31 March 2017, the Company established a local team, which is based in Los Angeles, and completed its channel reorganisation in the North America market. The Group has also redesigned its European go-to-market strategy with an initial focus on four country groups, namely (i) the German speaking countries (Germany, Austria and Switzerland), (ii) Southern Europe (primarily Spain and Italy), (iii) France and Benelux (Belgium, the Netherlands and Luxemburg) and (iv) Sweden. The Group has completed the assembly of a strong local team with solid industry expertise and insights in Europe, and the team is now gearing up for product launches in November 2017. The Group's other initiatives include the establishment of distribution and customer service centres and engagement of green grass players to raise its brand awareness and product recognition.

- ***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 maintaining a group of prominent professional golf players to TEAM HONMA, sponsoring high-profile golf tournaments and launching TV and social media campaigns to drive brand and product awareness. The Group will continue to utilise traditional media such as television and print media while tapping into online media and social networking websites and applications such as Facebook, Instagram and Twitter to increase media exposure globally. For example, Honma's innovative product development process is featured in CNN International's documentary series on Japanese innovations.

- ***Continue to increase operational efficiency and optimise cost structure.*** While pursuing its growth strategies, the Group is also focused on increasing its operational efficiency and optimising its cost structure. The Group has completed the implementation of an integrated ERP system in its home markets to deliver continued improvement in production planning and inventory management. The Group also streamlined its operations in Japan and reduced workforce by around 100 mainly through optimisation of back-office support staff.

- ***Provide customers with a complete golf lifestyle experience by growing non-club 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, bags, apparels and other accessories to complement its future growth. For example, the Group is redesigning its golf ball business and seeking strategic partnerships to restructure apparel business.

MANAGEMENT DISCUSSION AND ANALYSIS

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:

- ***"Lifestyle Sport" Proposition and Increasing Popularity in Major Markets.*** 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. As a result, the sport has been gaining popularity in major markets. For example, there were 2.5 million beginner golfers, which comprised individuals who played golf on a golf course for the first time, in the U.S. in 2016, up from 1.5 million in 2011, representing a compound annual growth rate of 10.8%. The number of rounds played in the U.S. increased by 0.6% from 2015 to 2016. Women and non-Caucasians represent 24% and 19%, respectively, of golfers in the U.S. in 2016, reflecting golf's growing popularity in these demographic segments.

- ***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, which is driven by increasing disposable income, higher standards of living and greater emphasis on leisure activities.

- ***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.

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 2016 to the six months ended 30 September 2017.

	Six months ended 30 September				Period-to-Period Change
	2017		2016		
	JPY	**%**	JPY	%	**%**
	(In thousands, except for percentages and per share data)				
Consolidated Statement of Profit or Loss (unaudited)					
Revenue	**10,521,806**	**100.0**	10,205,712	100.0	3.1
Cost of sales	**(4,340,410)**	**41.3**	(4,361,779)	(42.7)	(0.5)
Gross profit	**6,181,396**	**58.7**	5,843,933	57.3	5.8
Other income and gains	**140,354**	**1.3**	42,879	0.4	227.3
Selling and distribution expenses	**(3,943,688)**	**(37.5)**	(4,351,570)	(42.6)	(9.4)
Administrative expenses	**(717,730)**	**(6.8)**	(930,646)	(9.1)	(22.9)
Other (expenses)/ income, net	**(253,431)**	**(2.4)**	(96,873)	(0.9)	161.6
Finance costs	**(18,061)**	**(0.2)**	(13,806)	(0.1)	30.8
Finance income	**72,707**	**0.8**	5,867	0.1	1,139.3
Profit before tax	**1,461,547**	**13.9**	499,784	5.1	192.4
Income tax expense	**(351,219)**	**(3.3)**	(199,309)	(2.0)	76.2
Net profit	**1,110,328**	**10.6**	300,475	3.1	269.5

	Six months ended 30 September				Period-to-Period Change
	2017		2016		
	JPY	**%**	JPY	%	**%**
Earnings per share attributable to ordinary equity holders of the parent:					
Basic and diluted					
– For profit for the period (JPY)	**1.82**		0.65		180.0
Non-IFRS Financial Measures					
Adjusted SG&A[(1)]	**4,618,506**	**43.9**	4,882,457	47.8	(5.4)
Operating profit[(2)]	**1,620,130**	**15.4**	962,981	9.4	68.2
Net operating profit[(3)]	**1,234,988**	**11.7**	747,008	7.3	65.3

Notes:

(1) Adjusted SG&A is derived from the sum of (a) selling and distribution expenses and (b) administrative expenses by (i) subtracting listing expenses and (ii) subtracting RSU expenses in relation to sales and marketing staff and administrative staff. For a reconciliation of adjusted SG&A to the sum of (a) selling and distribution expenses and (b) administrative expenses, see "Management Discussion and Analysis — Non-IFRS Financial Measures — Adjusted SG&A."

(2) Operating profit is derived from profit before tax by (i) subtracting other income and gains, (ii) adding other expenses, (iii) adding listing expenses and (iv) adding RSU expenses. For a reconciliation of operating profit to profit before tax, see "Management Discussion and Analysis — Non-IFRS Financial Measures — Operating Profit."

(3) Net operating 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. The Group referred to such measure as adjusted net profit in the Group's Interim Results Announcement for the Six Months Ended 30 September 2016 dated 16 November 2016. For a reconciliation of net operating profit to net profit, see "Management Discussion and Analysis — Non-IFRS Financial Measures — Net Operating Profit."

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

The Group's total revenue increased by 3.1% from JPY10,205.7 million for the six months ended 30 September 2016 to JPY10,521.8 million for the six months ended 30 September 2017.

Constant Currency Revenue Growth

On a constant currency basis, the Group's total revenue grew by 1.7% from the six months ended 30 September 2016 to the six months ended 30 September 2017. For the purpose of calculating constant currency revenue growth, the Group has used the average exchange rate of the six months ended 30 September 2016 to translate sales recorded during the six months ended 30 September 2017, 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 Groups

The Group offers customers a complete golf lifestyle experience through an extensive portfolio of HONMA-branded golf clubs, golf balls, bags, apparels and other accessories. 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.

	For the six months ended 30 September				Period-to-Period Change	
	2017		2016		**on as reported basis**	**on constant currency basis[1]**
	JPY	**%**	JPY	%	%	%
	(In thousands, except for percentages)					
Golf clubs:						
BERES	**3,716,990**	**35.3**	4,063,575	39.8	(8.5)	(10.5)
TOUR WORLD	**2,548,503**	**24.2**	1,888,933	18.5	34.9	34.0
Be ZEAL	**1,022,246**	**9.7**	1,119,165	11.0	(8.7)	(9.1)
G1X[2]	**27,233**	**0.3**	20,696	0.2	31.6	25.9
Others						
Specialised models[3]	**1,123,722**	**10.7**	1,009,313	9.9	11.3	9.9
Putters	**227,589**	**2.2**	273,617	2.7	(16.8)	(18.2)
Golf clubs subtotal	**8,666,283**	**82.4**	8,375,299	82.1	3.5	2.0
Golf Balls	**438,226**	**4.2**	232,950	2.3	88.1	87.1
Bags, apparels and other accessories[4]	**1,417,297**	**13.4**	1,597,463	15.6	(11.3)	(12.3)
Total	**10,521,806**	**100.0**	10,205,712	100.0	3.1	1.7

Notes:

(1) For further information, see "— Constant Currency Revenue Growth."

(2) Targets consumers in Segments 8 and 9, whose purchasing decisions are more driven by price.

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

The Group recorded modest revenue growth in golf clubs during the six months ended 30 September 2017. Golf clubs comprise the majority of the Group's business, and revenue for golf clubs increased by 3.5% from JPY8,375.3 million for the six months ended 30 September 2016 to JPY8,666.3 million for the six months ended 30 September 2017. On a constant currency basis, revenue for golf clubs grew by 2.0% from the six months ended 30 September 2016 to the six months ended 30 September 2017. The relatively low growth rate was primarily attributable to a decrease in sales of BERES due to a temporary shortage of raw materials in the first quarter of 2017, partially offset by a 34.0% increase in TOUR WORLD driven by the activation of TW737 in October 2016.

Revenue for golf balls increased significantly by 88.1% from JPY233.0 million for the six months ended 30 September 2016 to JPY438.2 million for the six months ended 30 September 2017. On a constant currency basis, revenue for golf balls grew by 87.1% from the six months ended 30 September 2016 to the six months ended 30 September 2017.

Revenue for bags, apparels and other accessories decreased by 11.3% from JPY1,597.5 million for the six months ended 30 September 2016 to JPY1,417.3 million for the six months ended 30 September 2017. On a constant currency basis, revenue for these complementary product lines decreased by 12.3% from the six months ended 30 September 2016 to the six months ended 30 September 2017. The decrease was mainly caused by a 15.9% decrease in Japan due to the absence of one-off stock clearance for the six months ended 30 September 2017, partially offset by the 27% increase in China on a constant currency basis.

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.

	For the six months ended 30 September				Period-to-Period Change	
	2017		2016		**on as reported basis**	**on constant currency basis(1)**
	JPY	**%**	JPY	%	%	%
	(In thousands, except for percentages)					
Japan	**5,680,039**	**54.0**	5,706,910	55.9	(0.5)	(0.5)
Korea	**1,314,180**	**12.5**	1,128,455	11.1	16.5	16.2
China (including Hong Kong and Macau)	**1,967,028**	**18.7**	1,968,746	19.3	(0.1)	(2.3)
North America	**599,611**	**5.7**	209,460	2.1	186.3	159.5
Europe	**169,064**	**1.6**	255,234	2.5	(33.8)	(38.0)
Rest of the World	**791,884**	**7.5**	936,907	9.1	(15.5)	(19.9)
Total	**10,521,806**	**100.0**	10,205,712	100.0	3.1	1.7

Note:

(1) For further information, see "— Constant Currency Revenue Growth."

Revenue for Japan, Korea and China (including Hong Kong and Macau) collectively accounted for 85.2% of the Group's total revenue for the six months ended 30 September 2017, and these markets are the Group's home markets. Sales in the Group's home markets were primary drivers of revenue growth during the six months ended 30 September 2017.

Revenue for Japan slightly decreased by 0.5% from JPY5,706.9 million for the six months ended 30 September 2016 to JPY5,680.0 million for the six months ended 30 September 2017. The decrease was primarily caused by a temporary shortage of raw materials in the first quarter of 2017 and a backlog in orders resulted from the implementation of an integrated ERP system in July 2017.

Revenue for Korea increased by 16.5% from JPY1,128.5 million for the six months ended 30 September 2016 to JPY1,314.2 million for the six months ended 30 September 2017. On a constant currency basis, revenue for Korea increased by 16.2% from the six months ended 30 September 2016 to the six months ended 30 September 2017. The increase was primarily due to the strength of the Group's product portfolio, successful cooperation with its exclusive distributor in the country and intensive TV campaigns to drive sales of BERES and Be ZEAL product families.

Revenue for China (including Hong Kong and Macau) slightly decreased by 0.1% from JPY1,968.7 million for the six months ended 30 September 2016 to JPY1,967.0 million for the six months ended 30 September 2017. On a constant currency basis, revenue for China (including Hong Kong and Macau) decreased by 2.3% from the six months ended 30 September 2016 to the six months ended 30 September 2017. The decrease was primarily caused by a temporary shortage of raw materials in the first quarter of 2017, a backlog in orders resulted from the implementation of an ERP system in July 2017 and the closure of one retail store in Hong Kong.

Revenue for North America increased significantly by 186.3% from JPY209.5 million for the six months ended 30 September 2016 to JPY599.6 million for the six months ended 30 September 2017. On a constant currency basis, revenue for North America increased by 159.5% from the six months ended 30 September 2016 to the six months ended 30 September 2017. The growth was primarily due to a complete reorganisation of the Group's distribution channels and continued marketing activities to promote brand and products awareness.

Revenue for Europe decreased by 33.8% from JPY255.2 million for the six months ended 30 September 2016 to JPY169.1 million for the six months ended 30 September 2017. On a constant currency basis, revenue for Europe decreased by 38.0% from the six months ended 30 September 2016 to the six months ended 30 September 2017. The decrease was primarily caused by the planned changes in the Group's go-to-market strategy in Europe. The Group has completed the assembly of a strong local team with solid industry expertise and insights in Europe, and the team is now gearing up for new product launches in November 2017.

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) Retailers, including sports megastores, and (b) Wholesale Distributors that on-sell the Group's products to other third parties and consumers. 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.

	For the six months ended 30 September				Period-to-Period Change	
	2017		2016		**on as reported basis**	**on constant currency basis(1)**
	JPY	**%**	JPY	%	%	%
	(In thousands, except for percentages)					
Self-operated stores	**3,779,743**	**35.9**	3,944,704	38.7	(4.2)	(5.3)
Distributors	**6,742,063**	**64.1**	6,261,008	61.3	7.7	6.2
Total	**10,521,806**	**100.0**	10,205,712	100.0	3.1	1.7

Note:

(1) For further information, see "— Constant Currency Revenue Growth."

Revenue for sales to distributors increased by 7.7% from JPY6,261.0 million for the six months ended 30 September 2016 to JPY6,742.1 million for the six months ended 30 September 2017. Going forward, the Group expects that sales to distributors will continue to increase as the Group plans to penetrate new markets by partnering with quality distributors.

Revenue for self-operated stores decreased by 4.2% from JPY3,944.7 million for the six months ended 30 September 2016 to JPY3,779.7 million for the six months ended 30 September 2017. The decrease was primarily due to closures of self-operated stores as the Group stepped up its collaboration with major retailers across the globe.

Cost of Sales

Cost of sales decreased by 0.5% from JPY4,361.8 million for the six months ended 30 September 2016 to JPY4,340.4 million for the six months ended 30 September 2017, which was primarily due to a decrease in employee benefits resulting from continued efforts to automate the non-critical production processes and to optimise production overheads. The table below sets forth a breakdown of the key components of cost of sales, each expressed in absolute amounts and as percentages of the total cost of sales during the periods indicated.

	Six months ended 30 September			
	2017		2016	
	JPY	**%**	JPY	%
	(In thousands, except for percentages)			
Raw materials	**2,282,713**	**52.4**	2,065,437	47.4
Employee benefits	**693,298**	**16.0**	837,138	19.2
Manufacturing overhead[1]	**228,007**	**5.4**	276,289	6.3
Finished goods purchased from suppliers	**1,136,392**	**26.2**	1,182,915	27.1
Total	**4,340,410**	**100.0**	4,361,779	100.0

Note:

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

Gross Profit and Gross Profit Margin

Gross profit increased by 5.8% from JPY5,843.9 million for the six months ended 30 September 2016 to JPY6,181.4 million for the six months ended 30 September 2017. Gross profit margin increased from 57.3% for the six months ended 30 September 2016 to 58.7% for the six months ended 30 September 2017.

Gross Profit and Gross Profit Margin by Product Groups

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			
	2017		2016	
	JPY	**%**	JPY	%
	(In thousands, except for percentages)			
Golf clubs:				
BERES	**2,462,226**	**66.2**	2,741,629	67.5
TOUR WORLD	**1,444,460**	**56.6**	953,182	50.5
Be ZEAL	**628,513**	**61.5**	649,891	58.1
G1X(1)	**15,139**	**55.6**	11,127	53.8
Others				
Specialised models(2)	**656,239**	**58.4**	653,370	64.7
Putters	**136,591**	**60.0**	177,666	64.9
Golf clubs subtotal	**5,343,168**	**61.6**	5,186,865	61.9
Golf Balls	**224,368**	**51.2**	121,212	52.0
Bags, apparels and other accessories(3)	**613,860**	**43.3**	535,856	33.5
Total	**6,181,396**	**58.7**	5,843,933	57.3

Notes:

(1) Targets consumers in Segments 8 and 9, whose purchasing decisions are more driven by price.

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

(3) Include, golf bags, apparels, 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. Gross profit for BERES decreased by 10.3% from JPY2,741.6 million for the six months ended 30 September 2016 to JPY2,462.2 million for the six months ended 30 September 2017, and gross profit margin for BERES slightly decreased from 67.5% for the six months ended 30 September 2016 to 66.2% for the six months ended 30 September 2017.

Following the launch of TW737, the third generation of the TOUR WORLD family of golf clubs, gross profit margin for TOUR WORLD increased by 6.1%, reaching 56.6% for the six months ended 30 September 2017. Gross profit margin for Be ZEAL increased by 3.4%, reaching 61.5% for the six months ended 30 September 2017. The increases were due to the retail price harmonisation and improved manufacturing efficiency in Sakata.

Other Income and Gains

Other income and gains increased from JPY42.9 million for the six months ended 30 September 2016 to JPY140.4 million for the six months ended 30 September 2017. The increase was primarily due to foreign exchange gains of JPY104.4 million for the six months ended 30 September 2017.

Selling and Distribution Expenses

Selling and distribution expenses decreased by 9.4% from JPY4,351.6 million for the six months ended 30 September 2016 to JPY3,943.7 million for the six months ended 30 September 2017. The decrease was primarily due to a decrease in rental fees and employee benefits resulting from the streamlining of the Group's operations in Japan. 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			
	2017		2016	
	JPY	**%**	JPY	%
	(In thousands, except for percentages)			
Employee benefits	**1,531,057**	**38.8**	1,776,689	40.8
Advertising and promotion expenses	**1,164,665**	**29.5**	1,177,679	27.1
Rental fees	**694,367**	**17.6**	718,763	16.5
Others[(1)]	**553,599**	**14.1**	678,439	15.6
Total	**3,943,688**	**100.0**	4,351,570	100.0

Note:

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

Administrative Expenses

Administrative expenses decreased by 22.9% from JPY930.6 million for the six months ended 30 September 2016 to JPY717.7 million for the six months ended 30 September 2017. The change was primarily due to the recognition of JPY243.0 million of listing expenses in the six months ended 30 September 2016.

Other Expenses or Income

Other expenses amounted to JPY253.4 million for the six months ended 30 September 2017, compared to JPY96.9 million of other income for the six months ended 30 September 2016. The change was primarily due to one-off restructuring costs of JPY212.4 million relating to the streamlining of the Group's operational efficiency.

Finance Costs

Finance costs increased by 30.8% from JPY13.8 million for the six months ended 30 September 2016 to JPY18.1 million for the six months ended 30 September 2017. The increase was primarily due to an increase in bank borrowings in the six months ended 30 September 2017.

Finance Income

Finance income increased from JPY5.9 million for the six months ended 30 September 2016 to JPY72.7 million for the six months ended 30 September 2017. The increase was primarily due to the interest income received from unused balance of the proceeds from the global offering as well as operational cash inflow.

Profit before Tax

As a result of the foregoing, profit before tax increased significantly by 192.4% from JPY499.8 million for the six months ended 30 September 2016 to JPY1,461.5 million for the six months ended 30 September 2017.

Income Tax Expense

Income tax expense increased from JPY199.3 million for the six months ended 30 September 2016 to JPY351.2 million for the six months ended 30 September 2017. The increase was primarily due to an increase in the taxable income. The Group's effective tax rate decreased from 39.9% for the six months ended 30 September 2016 to 24.0% for the six months ended 30 September 2017.

Net Profit

As a result of the foregoing, net profit increased by 269.5% from JPY300.5 million for the six months ended 30 September 2016 to JPY1,110.3 million for the six months ended 30 September 2017. Net profit margin increased from 3.1% for the six months ended 30 September 2016 to 10.6% for the six months ended 30 September 2017.

Non-IFRS Financial Measures

In addition to the IFRS measures in its consolidated financial statements, the Group also uses the non-IFRS financial measures of adjusted SG&A, operating profit and net operating profit to evaluate its operating performance. The Group believes that such non-IFRS measures provide 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 SG&A, operating profit and net operating profit has material limitations as analytical tools, as adjusted SG&A does not include all items that have impacted selling and distribution expenses and administrative expenses, the nearest IFRS expense measures, operating profit does not include all items that have impacted profit before tax, the nearest IFRS performance measure, and net operating profit does not include all items that have impacted net profit, the nearest IFRS performance measure.

Adjusted SG&A

The Group derives adjusted SG&A from the sum of (a) selling and distribution expenses and (b) administrative expenses by (i) subtracting listing expenses and (ii) subtracting RSU expenses in relation to sales and marketing staff and administrative staff. The following table reconciles adjusted SG&A to the sum of (a) selling and distribution expenses and (b) administrative expenses for the periods indicated.

	For the six months ended 30 September	
	2017	2016
	(In JPY thousands)	
Selling and distribution expenses	**3,943,688**	4,351,570
Administrative expenses	**717,730**	930,646
Adjustment for:		
Listing expenses	**—**	(243,000)
RSU expenses in relation to sales and marketing staff and administrative staff	**(42,912)**	(156,759)
Adjusted SG&A	**4,618,506**	4,882,457

Operating Profit

The Group derives operating profit from profit before tax by (i) subtracting other income and gains, (ii) adding other expenses, (iii) adding listing expenses and (iv) adding RSU expenses. Operating profit eliminates the effect of other income and gains and other expenses, which are primarily related to non-recurring events. The following table reconciles operating profit to profit before tax for the periods indicated.

	For the six months ended 30 September	
	2017	2016
	(In JPY thousands)	
Profit before tax	**1,461,547**	499,784
Adjustment for:		
Other income and gains	**(140,354)**	(42,879)
Other expenses	**253,431**	96,873
Listing expenses	**—**	243,000
RSU expenses	**45,506**	166,203
Operating profit	**1,620,130**	962,981

Net Operating Profit

The Group derives net operating 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. Net operating profit eliminates the effect of other income and gains and other expenses, which are primarily related to non-recurring events. The following table reconciles net operating profit to net profit for the periods indicated.

	For the six months ended 30 September	
	2017	2016
	(In JPY thousands)	
Net profit	**1,110,328**	300,475
Adjustment for:		
Other income and gains	**(140,354)**	(42,879)
Other expenses	**253,431**	96,873
Listing expenses	**—**	243,000
RSU expenses	**45,506**	166,203
Impact on tax	**(33,923)**	(16,664)
Net operating profit	**1,234,988**	747,008

Working Capital Management

	For the twelve-months ended	
	30 September 2017	31 March 2017
Inventories turnover days[(1)]	**244**	258
Trade and bills receivables turnover days[(2)]	**45**	65
Trade and bills payables turnover days[(3)]	**31**	39

Note:

(1) Inventories turnover days are calculated using the average of opening balance and 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 average of opening balance and 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 average of opening balance and 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 year ended 31 March 2017, inventories turnover days, trade and bills receivables turnovers days and trade and bills payables turnover days decreased for the twelve months ended 30 September 2017. The decreases were primarily due to decreases in inventories, trade and bills receivables and trade and bills payables from 31 March 2017 to 30 September 2017 which is due to the Group's continued efforts in improving working capital management. The Group aims to continuously deliver reduction in its inventories.

Inventories

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

	As of 30 September 2017	As of 31 March 2017
	(In JPY thousands)	
Raw materials	**1,779,470**	962,601
Work in progress	**782,347**	1,173,860
Finished goods	**3,792,558**	4,508,865
Less: provision	**(440,218)**	(352,428)
Total	**5,914,157**	6,292,898

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

	As of 30 September 2017	As of 31 March 2017
	(In JPY thousands)	
Within 1 year	**1,275,632**	3,572,854
1 year to 2 years	**2,534,747**	1,287,782
2 to 3 years	**1,361,269**	698,430
3 to 4 years	**384,005**	355,957
Over 4 years	**358,504**	377,875
Total	**5,914,157**	6,292,898

The Group prepares its inventory aging analysis with reference to product launch date, instead of capitalisation 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 capitalised 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 2017, the Group financed its operations primarily through cash from operations, net proceeds received from the global offering 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 2017, the Group had JPY16,092.0 million in cash and cash equivalents, which were primarily held in U.S. dollar, Japanese yen and Renminbi. The Group's cash and cash equivalents primarily consist of cash on hand and demand deposits.

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 currency risk is limited, and the Group did not use any derivative contracts to hedge against such risk as of 30 September 2017.

Indebtedness

As of 30 September 2017, the Group's interest-bearing borrowings amounted to JPY1,450.0 million, all of which were denominated in Japanese yen. All of such borrowings were unsecured and payable within one year. The effective interest rate for the balance of the Group's interest-bearing borrowings as of 30 September 2017 ranged from 0.33% to 0.78%.

Gearing Ratio

The Group's gearing ratio is calculated by dividing (i) interest-bearing bank borrowings by (ii) total equity. As of 31 March 2017 and 30 September 2017, the Group's gearing ratio was 1.1% and 5.4%, respectively.

Capital Expenditures

The Group's capital expenditures for the six months ended 30 September 2017 amounted to JPY201.7 million, which was used primarily to purchase property, plant and equipment and intangible assets. In the six months ended 30 September 2017, the Group financed its capital expenditures primarily with cash generated from operations and net proceeds received from the global offering.

Contingent Liabilities

As of 30 September 2017, the Group did not have any significant contingent liabilities.

Material Acquisitions and Future Plans for Major Investment

During the six months ended 30 September 2017, 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.

Use of Proceeds from the Global Offering

The Company was listed on the Stock Exchange on 6 October 2016. The net proceeds from the Company's global offering amounted to JPY16,798.3 million, which are intended to be applied in compliance with the intended use of proceeds as set out in the section headed "Net Proceeds from the Global Offering" in the Group's Announcement of Offer Price and Allotment Results dated 5 October 2016.

The following table sets forth the status of the use of proceeds from the global offering[1]:

Intended use of proceeds	Percentage of intended use of proceeds	Intended use of proceeds from the global offering	Percentage of used amount as of 30 September 2017	Percentage of unused balance as of 30 September 2017
	(%)	*(In JPY millions)*	*(%)*	*(%)*
Potential strategic acquisitions	29.4	4,939	—	29.4
Sales and marketing activities in North America and Europe	15.1	2,536	11.8	3.3
Sales and marketing activities in home markets of Japan, Korea and China (including Hong Kong and Macau)	15.1	2,536	5.9	9.2
Capital expenditures	13.0	2,184	4.0	9.0
Repayment of interest-bearing bank borrowings	17.3	2,906	17.1	0.2
Providing funding for working capital and other general corporate purposes	10.1	1,697	3.8	6.3
Total	100.0	16,798	42.6	57.4

Note*:*

(1) The figures in the table are approximate figures.

As of 30 September 2017, the unused balance of the proceeds from the global offering of approximately JPY9,647.5 million are currently deposited with creditworthy banks with no recent history of default.

Events after the Reporting Period

There is no material subsequent event undertaken by the Group after 30 September 2017.

Exchange Rate Conversion

Unless otherwise specified, amounts denominated in USD have been translated, for the purpose of illustration only, into JPY at the exchange rate of USD1.00: JPY114.250.

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

As at 30 September 2017, the interests and short positions of the Directors and 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 Securities and Futures Ordinance (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 interested [1]	Approximate percentage of interest [6]
Mr. Liu Jianguo [2]	Interest of controlled corporation	422,749,525(L)	
	Beneficial owner	952,250(L)	
		423,701,775(L)	69.57%
Mr. Ito Yasuki [3]	Beneficial owner	571,900(L)	0.09%
Mr. Murai Yuji [4]	Beneficial owner	457,950(L)	0.08%
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 and sole director of Kouunn Holdings Limited, which beneficially owned 422,749,525 Shares. By virtue of the SFO, Mr. Liu is deemed to be interested in the Shares held by Kouunn Holdings Limited. Mr. Liu also directly held 380,900 Shares and was interested in 571,350 restricted share units (the "**RSU**"s) granted to him under the RSU Scheme entitling him to receive 571,350 Shares upon vesting.

(3) Mr. Ito Yasuki directly held 160 Shares and was interested in 571,740 RSUs granted to him under the RSU Scheme entitling him to receive 571,740 Shares upon vesting.

(4) Mr. Murai Yuji directly held 480 Shares and was interested in 457,470 RSUs granted to him under the RSU Scheme entitling him to receive 457,470 Shares upon vesting.

(5) Mr. Zuo Jun directly held 254,020 Shares and was interested in 381,030 RSUs granted to him under the RSU Scheme entitling him to receive 381,030 Shares upon vesting.

(6) The calculation is based on the total number of 609,050,000 Shares in issue as at 30 September 2017.

Interests in Associated Corporation 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 30 September 2017, 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

As at 30 September 2017, the following persons (other than the Directors and the chief executive of the Company) had interests or short positions in the Shares or underlying Shares of the Compnay 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) (6)	Approximate percentage of interest(6)
Kouunn Holdings Limited (2)(5)	Beneficial owner	422,749,525(L)	69.41%
Ms. Huang Wenhuan (黃文歡) (3)	Interest of spouse	423,701,775(L)	69.57%
Fosun Industrial Holdings Limited (復星產業控股有限公司) (4)	Beneficial owner	35,629,425(L)	5.85%
Fosun International Limited (4)	Interest of controlled corporation	35,629,425(L)	5.85%
Fosun Holdings Limited (4)	Interest of controlled corporation	35,629,425(L)	5.85%
Fosun International Holdings Ltd. (4)	Interest of controlled corporation	35,629,425(L)	5.85%
Mr. Guo Guangchang (郭廣昌) (4)	Interest of controlled corporation	35,629,425(L)	5.85%
Yuanta Financial Holding Co., Ltd. (2)(5)	Person having a security interest in Shares	215,000,000(L)	35.30%

Notes:

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

(2) 215,000,000 Shares held by Kouunn Holdings Limited were pledged in favour of Yuanta Commercial Bank Co., Ltd.

(3) 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 is interested.

(4) 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).

(5) Yuanta Financial Holding Co., Ltd. is interested in the 215,000,000 Shares held by Yuanta Commercial Bank Co., Ltd., which it controls 100%. Yuanta Commercial Bank Co., Ltd. has a security interest in 215,000,000 Shares pledged by Kouunn Holdings Limited in its favour.

(6) The calculation is based on the total number of 609,050,000 Shares in issue as at 30 September 2017.

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 of the Group (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 2017, the remaining life of the RSU Scheme is approximately eight 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 2017, held (as the RSU Nominee) 9,794,850 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 2017, RSUs representing 9,794,850 underlying Shares has been granted to 137 participants in the RSU Scheme pursuant to the RSU Scheme. 4 of the participants in the RSU Scheme are Directors, 3 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 2017 are set out below:

Name of grantee of RSU	Position held with the Group	Number of Shares represented by RSUs at 1 April 2017	*date of grant*	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Number of Shares represented by RSUs at 30 September 2017
Director of the Company								
Liu Jianguo	Chairman of the Board, President and Executive Director	571,350	3 November 2015	—	—	—	—	571,350
Ito Yasuki	Executive Director, Chief Marketing Officer and President of Japan Operations	571,740	20 October 2015 31 May 2016	—	—	—	—	571,740
Murai Yuji	Executive Director and Chief Sales Officer	457,470	20 October 2015 31 May 2016	—	—	—	—	457,470
Zuo Jun	Executive Director, Chief Administrative Officer and President of China Operations	381,030	3 November 2015	—	—	—	—	381,030

Name of grantee of RSU	Position held with the Group	Number of Shares represented by RSUs at 1 April 2017	*date of grant*	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Number of Shares represented by RSUs at 30 September 2017
Senior management of the Company, and directors and other executive managers of the subsidiaries of the Company (excluding those who are also Directors of the Company)								
3 senior managerment of the Company, 3 directors and 2 other executive managers of the subsidiaries of the Company		2,671,110	20 October 2015 3 November 2015 31 May 2016	—	—	—	—	2,671,110
Other employees of the Group								
125 other employees of the Group		5,650,710	20 October 2015 3 November 2015	—	—		-508,560	5,142,150
Total		10,303,410	20 October 2015 3 November 2015 31 May 2016	—	—	—	-508,560	9,794,850

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.

OTHER INFORMATION

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 have 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, being 18 September 2016 to 17 September 2026, 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 1 April 2017 to 30 September 2017, no option had been granted or agreed to be granted by the Company pursuant to the Post-IPO Share Option Scheme.

CHARGE ON ASSETS

There was no charge on the Group's assets as at 30 September 2017.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 September 2017, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

OTHER INFORMATION

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the six months ended 30 September 2017.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). During the six months ended 30 September 2017, the Company has complied with all applicable code provisions as set out in the CG Code save for the deviation from code provision A.2.1.

Code provision A.2.1 stipulates that the roles of Chairman and Chief Executive should be separate and should not be performed by the same individual. The positions of the chairman and president of the Company are both held by Mr. Liu Jianguo. With the assistance of Mr. Ito Yasuki and Mr. Zuo Jun, the respective presidents of Japan operations and China operations overseeing the Group's business in Japan and China, the Board believes that this arrangement would allow for effective and efficient planning and implementation of business decisions and strategies under the strong and consistent leadership and should be beneficial to the management and development of the Group's business.

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.

Having made specific enquiry of all Directors, all of them have confirmed that they have complied with the Model Code and the Company's own code of conduct regarding directors' securities transactions throughout the six months ended 30 September 2017.

OTHER INFORMATION

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 2017 and this interim report.

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

Changes in Directors' biographical details which are required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules are as follows:

1. Mr. Lu Pochin Christopher has served as an executive director of FIT Hon Teng Limited (incorporated in the Cayman Islands with limited liability under the name Foxconn Interconnect Technology Limited), which became listed on the Stock Exchange on 13 July 2017 (stock code: 6088).

2. Mr. Wang Jianguo has served as the chairman of Kidswant Children Products Co., Ltd which became listed on the National Equities Exchange and Quotations on 9 December 2016 (stock code: 839843).

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The Company was listed on the Stock Exchange on 6 October 2016. The net proceeds from the Company's global offering amounted to JPY16,798.3 million, which are intended to be applied in compliance with the intended use of proceeds as set out in the section headed "Net Proceeds from the Global Offering" in the Group's Announcement of Offer Price and Allotment Results dated 5 October 2016. Up to 30 September 2017, the Company utilized approximately 42.6%, or JPY7,150.8 million of the net proceeds from the global offering. For details on the percentage of used amount and unused balance of each intended use of proceeds as of 30 September 2017, see "Management Discussion and Analysis — Financial Review — Use of Proceeds from the Global Offering."

As of 30 September 2017, the unused balance of the proceeds from the global offering of approximately JPY9,647.5 million are currently deposited with creditworthy banks with no recent history of default. In the rest of 2017 and the upcoming years, the Group will continue to utilize the net proceeds from the global offering for purposes consistent with those set out in the section headed "Net Proceeds from the Global Offering" in the Group's Announcement of Offer Price and Allotment Results dated 5 October 2016.

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

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 47 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 2017 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

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

13 November 2017

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

	Notes	**FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017 (Unaudited) (JPY'000)**	2016 (Unaudited) (JPY'000)
Revenue	4	**10,521,806**	10,205,712
Cost of sales		**(4,340,410)**	(4,361,779)
Gross profit		**6,181,396**	5,843,933
Other income and gains	4	**140,354**	42,879
Selling and distribution expenses		**(3,943,688)**	(4,351,570)
Administrative expenses		**(717,730)**	(930,646)
Other expenses		**(253,431)**	(96,873)
Finance costs	5	**(18,061)**	(13,806)
Finance income		**72,707**	5,867
PROFIT BEFORE TAX	6	**1,461,547**	499,784
Income tax expense	7	**(351,219)**	(199,309)
PROFIT FOR THE PERIOD		**1,110,328**	300,475
Attributable to:			
Owners of the parent		**1,111,393**	308,516
Non-controlling interests		**(1,065)**	(8,041)
		1,110,328	300,475
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT:	8		
Basic and diluted			
– For profit for the period (JPY)		**1.82**	0.65

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

	FOR THE SIX MONTHS ENDED 30 SEPTEMBER	
	2017	2016
	(Unaudited)	(Unaudited)
	(JPY'000)	(JPY'000)
PROFIT FOR THE PERIOD	**1,110,328**	300,475
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Changes in fair value of available-for-sale investments	**1,313**	(506)
Income tax effect	**(405)**	156
	908	(350)
Exchange differences on translation of foreign operations	**27,693**	(216,534)
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	**28,601**	(216,884)
Other comprehensive income not to be reclassified to profit in subsequent periods:		
Remeasurement gains/(losses) on the defined benefit plan	**128,673**	25,614
Income tax effect	**(39,400)**	—
Re-measurement gains on the defined benefit plans	**89,273**	25,614
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	**89,273**	25,614

continued/…

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

	FOR THE SIX MONTHS ENDED 30 SEPTEMBER	
	2017	2016
	(Unaudited)	(Unaudited)
	(JPY'000)	(JPY'000)
OTHER COMPREHENSIVE INCOME/LOSS FOR THE PERIOD, NET OF TAX	**117,874**	(191,270)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**1,228,202**	109,205
Attributable to:		
Owners of the parent	**1,229,267**	117,246
Non-controlling interests	**(1,065)**	(8,041)
	1,228,202	109,205

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2017

	Notes	**30 September 2017 (Unaudited) (JPY'000)**	31 March 2017 (Audited) (JPY'000)
NON-CURRENT ASSETS			
Property, plant and equipment	10	**1,962,479**	2,015,445
Freehold land	11	**1,940,789**	1,940,789
Intangible assets		**338,942**	342,212
Other non-current assets		**652,295**	724,432
Deferred tax assets		**1,247,385**	1,356,814
Total non-current assets		**6,141,890**	6,379,692
CURRENT ASSETS			
Inventories	12	**5,914,157**	6,292,898
Trade and bills receivables	13	**3,965,250**	5,097,647
Prepayments, deposits and other receivables		**756,440**	443,543
Due from a related party	22(c)	**—**	7,508
Cash and cash equivalents	14	**16,091,992**	12,712,506
Total current assets		**26,727,839**	24,554,102
CURRENT LIABILITIES			
Trade payables	15	**614,962**	699,601
Other payables and accruals		**1,312,541**	1,361,176
Interest-bearing bank borrowings	16	**1,450,000**	291,287
Due to related parties	22(c)	**28,055**	7,803
Income tax payable		**653,689**	627,995
Total current liabilities		**4,059,247**	2,987,862
NET CURRENT ASSETS		**22,668,592**	21,566,240
TOTAL ASSETS LESS CURRENT LIABILITIES		**28,810,482**	27,945,932

continued/…

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2017

	Notes	**30 September 2017 (Unaudited) (JPY'000)**	31 March 2017 (Audited) (JPY'000)
NON-CURRENT LIABILITIES			
Net employee defined benefit liabilities	17	**1,389,383**	1,656,540
Deferred tax liabilities		**354,470**	476,596
Other non-current liabilities		**63,643**	83,518
Total non-current liabilities		**1,807,496**	2,216,654
Net assets		**27,002,986**	25,729,278
EQUITY			
Equity attributable to owners of the parent			
Share capital	18	**154**	154
Reserves		**27,047,938**	25,773,165
		27,048,092	25,773,319
Non-controlling interests		**(45,106)**	(44,041)
Total equity		**27,002,986**	25,729,278

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

	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)*	Share Premium (JPY'000) *	Retained profits (JPY'000) *	Total (JPY'000)	Non controlling interests (JPY'000)	Total equity (JPY'000)
At 1 April 2017	**154**	**1,010,220**	**4,771**	**148,475**	**356,318**	**16,798,289**	**7,455,092**	**25,773,319**	**(44,041)**	**25,729,278**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**1,111,393**	**1,111,393**	**(1,065)**	**1,110,328**
Other comprehensive income for the period:										
Change in fair value of available-for-sale investments, net of tax	**–**	**–**	**908**	**–**	**–**	**–**	**–**	**908**	**–**	**908**
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**27,693**	**–**	**–**	**–**	**27,693**	**–**	**27,693**
Remeasurement loss on defined benefit plans	**–**	**–**	**–**	**–**	**–**	**–**	**89,273**	**89,273**	**–**	**89,273**
Total comprehensive income/(loss) for the period	**–**	**–**	**908**	**27,693**	**–**	**–**	**1,200,666**	**1,229,267**	**(1,065)**	**1,228,202**
Equity-settled share-based payment expenses	**–**	**–**	**–**	**–**	**45,506**	**–**	**–**	**45,506**	**–**	**45,506**
At 30 September 2017 (unaudited)	**154**	**1,010,220**	**5,679**	**176,168**	**401,824**	**16,798,289**	**8,655,758**	**27,048,092**	**(45,106)**	**27,002,986**
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 (loss)/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 (loss)/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

* These reserve accounts comprise the consolidated reserves of JPY27,047,938,000 as at 30 September 2017 (31 March 2017: JPY25,773,165,000) in the interim condensed consolidated statement of financial position.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

	Notes	**FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017 (Unaudited) (JPY'000)**	2016 (Unaudited) (JPY'000)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**1,461,547**	499,784
Adjustments for:			
Depreciation	6	**149,076**	163,756
Write-down/(reversal) of inventories to net realizable value	6	**87,790**	(49,977)
Reversal of impairment provision of trade and bills receivables		**(251)**	—
Amortization of intangible assets	6	**36,642**	24,274
Net gains on disposal of items of property, plant and equipment	6	**(1,080)**	(1,902)
Net losses on disposal of intangible assets		**28,681**	—
Defined benefit plan expenses	17	**45,995**	89,032
Equity-settled share-based payment expenses	19	**45,506**	166,203
Finance costs	5	**18,061**	13,806
Finance income		**(72,707)**	(5,867)
		1,799,260	899,109

continued/…

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

	Notes	FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017 (Unaudited) (JPY'000)	2016 (Unaudited) (JPY'000)
Decrease in inventories		**290,951**	420,074
Decrease in trade and bills receivables		**1,132,648**	1,526,570
Increase in prepayments, deposits and other receivables		**(312,897)**	(49,333)
Decrease/(increase) in an amount due from a related party		**7,508**	(17,035)
Decrease/(increase) in loans and other receivables classified as other non-current assets		**73,450**	(4,831)
Decrease in trade payables		**(84,639)**	(361,511)
Decrease in other payables and accruals		**(113,845)**	(33,406)
Increase in amounts due to related parties in operating activities		**20,252**	12,748
Decrease in other non-current liabilities		**(19,875)**	(8,515)
Payment of the defined benefit obligation	17	**(184,479)**	(33,547)
Contributions in plan assets	17	**—**	(58,641)
Decrease in pledged deposits		**—**	121,676
Cash generated from operations		**2,608,334**	2,413,358
Interest received		**72,707**	—
Interest paid		**(18,061)**	(13,806)
Japan income tax paid		**(150,294)**	(248,000)
Overseas income tax paid		**(227,733)**	(145,015)
Net cash flows generated from operating activities		**2,284,953**	2,006,537

continued/…

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

	Notes	FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017 (Unaudited) (JPY'000)	2016 (Unaudited) (JPY'000)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment and intangible assets		**(201,737)**	(350,884)
Proceeds from disposal of items of property, plant and equipment and intangible assets		**12,815**	16,936
Decrease in an amount due from a related party		**—**	775,055
Net cash flows (used in)/generated from investing activities		**(188,922)**	441,107
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from bank borrowings		**13,238,203**	2,500,000
Repayment of bank borrowings		**(12,079,490)**	(888,725)
Borrowings provided by a related party		**—**	879,440
Repayment of borrowings from a related party		**—**	(2,035,399)
Dividends paid		**—**	(1,995,000)
Net cash flows generated from/(used in) financing activities		**1,158,713**	(1,539,684)

continued/…

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

	Notes	**FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017 (Unaudited) (JPY'000)**	2016 (Unaudited) (JPY'000)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**3,254,744**	907,960
Cash and cash equivalents at beginning of period		**12,712,506**	1,825,809
Effect of foreign exchange rate changes, net		**124,742**	(118,386)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	14	**16,091,992**	2,615,383
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the statement of financial position	14	**16,091,992**	2,615,383
Cash and cash equivalents as stated in the statement of cash flows		**16,091,992**	2,615,383

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, P.O. 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 are 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 2017 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 2017, 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 2017.

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 2017, except for the adoption of the following new standards and amendments effective as of 1 April 2017 below:

Amendments to IAS 7	*Statement of Cash Flows: Disclosure Initiative*
Amendments to IAS 12	*Income Taxes: Recognition of Deferred Tax Assets for Unrecognised Losses*

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	
	2017	2016
	(Unaudited)	(Unaudited)
	(JPY'000)	(JPY'000)
Japan	**5,680,039**	5,706,910
Korea	**1,314,180**	1,128,455
China (including Hong Kong and Macau)	**1,967,028**	1,968,746
North America	**599,611**	209,460
Europe	**169,064**	255,234
Rest of the world	**791,884**	936,907
	10,521,806	10,205,712

Information about major customers

Revenue of approximately JPY1,099,567,000 (for the six months ended 30 September 2016: JPY930,087,000) was derived from sales to a single customer.

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	
	2017	2016
	(Unaudited)	(Unaudited)
	(JPY'000)	(JPY'000)
Revenue		
Sale of goods	**10,441,178**	10,118,138
Rendering of services	**80,628**	87,574
Total	**10,521,806**	10,205,712
Other income and gains		
Net foreign exchange gain	**104,373**	—
Gains on disposal of items of property, plant and equipment, net	**1,080**	1,902
Rental income	**186**	5,792
Others	**34,715**	35,185
	140,354	42,879

5. FINANCE COSTS

	For the six months ended 30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	(JPY'000)	(JPY'000)
Interest on bank borrowings	**18,061**	13,806

6. PROFIT BEFORE TAX

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

	Notes	For the six months ended 30 September	
		2017	2016
		(Unaudited)	(Unaudited)
		(JPY'000)	(JPY'000)
Cost of inventories sold		**4,314,551**	4,334,697
Cost of service provided		**25,859**	27,082
Depreciation	10	**149,076**	163,756
Amortization of intangible assets		**36,642**	24,274
Research and development costs		**193,148**	293,217
Reversal of impairment provision of trade and bills receivables		**(251)**	—
Minimum lease payments under operating leases		**630,195**	652,404
Auditors' remuneration		**52,085**	51,832
Employee benefit expense:			
Wages and salaries		**1,892,365**	2,043,921
Pension and social security costs		**104,738**	116,993
Defined benefit plan expenses	17	**45,995**	89,032
Employee benefits		**256,906**	315,963
Other benefits		**94,467**	131,811
Equity-settled share-based payment expenses	19	**45,506**	166,203
Foreign exchange (gains)/losses, net		**(104,373)**	91,074
Write-down/(reversal) of inventories to net realizable value		**87,790**	(49,977)
Net gains on disposal of items of property, plant and equipment		**(1,080)**	(1,902)
Net loss on disposal of items of intangible assets		**28,861**	—

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 2017.

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 2017 (six months ended 30 September 2016: 30.86%).

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 2017.

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 2017, 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 Company's subsidiary incorporated and operating in the United States was subject to federal corporation income tax at a rate of 34% during the year, as well as state tax at approximately 8.64%.

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

	For the six months ended 30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	(JPY'000)	(JPY'000)
Current income tax – Japan	**20,342**	118,994
Current income tax – Hong Kong	**235,067**	—
Current income tax – elsewhere	**11,212**	547
Withholding tax on dividend declared	**137,100**	105,000
Deferred tax	**(52,502)**	(25,232)
	351,219	199,309

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 2017 and 2016 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	
	2017	2016
	(Unaudited)	(Unaudited)
	(JPY'000)	(JPY'000)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**1,111,393**	308,516

	Number of shares For the six months ended 30 September	
	2017	2016
	('000)	('000)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**609,050**	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	
	2017	2016
	(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 2017, the Group acquired items of property, plant and equipment with a cost of JPY105,828,000 (six months ended 30 September 2016: JPY279,997,000). Depreciation for items of property, plant and equipment was JPY149,076,000 during the period (six months ended 30 September 2016: JPY163,756,000). Assets with a net book value of JPY11,735,000 were disposed of by the Group during the six months ended 30 September 2017 (six months ended 30 September 2016: JPY15,034,000), resulting in a net gain on disposal of JPY1,080,000 (six months ended 30 September 2016: JPY1,902,000).

11. FREEHOLD LAND

The carrying amounts of the Group's freehold land is JPY1,940,789,000 as at 30 September 2017 and 31 March 2017. 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 2017 (Unaudited) (JPY'000)	31 March 2017 (Audited) (JPY'000)
Raw materials	**1,779,470**	962,601
Work in progress	**782,347**	1,173,860
Finished goods	**3,792,558**	4,508,865
	6,354,375	6,645,326
Less: provision for inventories	**(440,218)**	(352,428)
	5,914,157	6,292,898

13. TRADE AND BILLS RECEIVABLES

	30 September 2017 (Unaudited) (JPY'000)	31 March 2017 (Audited) (JPY'000)
Trade receivables	**3,630,612**	4,943,330
Bills receivable	**335,007**	154,937
	3,965,619	5,098,267
Impairment of trade receivables	**(369)**	(620)
	3,965,250	5,097,647

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 2017 (Unaudited) (JPY'000)	31 March 2017 (Audited) (JPY'000)
Within 1 month	**2,505,406**	3,711,842
Over 1 and within 3 months	**501,221**	662,132
Over 3 and within 12 months	**623,152**	563,115
Over 1 year	**464**	5,621
	3,630,243	4,942,710

14. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	30 September 2017 (Unaudited) (JPY'000)	31 March 2017 (Audited) (JPY'000)
Cash and bank balances	**15,491,528**	12,712,506
Short-term time deposits	**600,464**	—
Cash and cash equivalents	**16,091,992**	12,712,506

15. TRADE PAYABLES

	30 September 2017 (Unaudited) (JPY'000)	31 March 2017 (Audited) (JPY'000)
Trade payables	**614,962**	699,601

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 payables as at 30 September 2017 and 31 March 2017 were all aged within 3 months.

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

16. INTEREST-BEARING BANK BORROWINGS

	30 September 2017			31 March 2017		
	Effective interest rate (%)	**Maturity**	**JPY'000 (Unaudited)**	Effective interest rate (%)	Maturity	JPY'000 (Audited)
Current						
Bank loans - unsecured .	**0.33%-0.78%**	**October 2017**	**1,450,000**	0.33%-0.83%	June and October 2017	291,287

	30 September 2017 (Unaudited) (JPY'000)	31 March 2017 (Audited) (JPY'000)
Analysed into:		
Bank loans repayable:		
Within one year..	**1,450,000**	291,287

As at 30 September 2017 and 31 March 2017, 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 2017 (Unaudited) (JPY'000)	31 March 2017 (Audited) (JPY'000)
Retirement benefit plan	**1,389,383**	1,656,540

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 31 December 2016 by Mizuho Trust & Banking Co., Ltd. and on 31 March 2017 by Professional Actuary Management Consulting Co.,, which are members of the actuarial society of Japan and Taiwan, 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 2017 (Unaudited) (JPY'000)	30 September 2016 (Unaudited) (JPY'000)
Current service cost	**42,915**	85,293
Interest cost	**3,080**	3,739
Net benefit expenses	**45,995**	89,032
Recognized in cost of sales	**21,743**	24,255
Recognized in selling and distribution costs	**12,006**	39,540
Recognized in administrative expenses	**12,246**	25,237
	45,995	89,032

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 2017 in the defined benefit obligation and fair value of plan assets:

	1 April 2017 (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 2017 (JPY'000)
Defined benefit obligation	**4,007,717**	**44,025**	**7,501**	**51,526**	**(367,459)**	**–**	**–**	**10,370**	**–**	**10,370**	**–**	**3,702,154**
Fair value of plan assets	**(2,351,177)**	**(1,110)**	**(4,421)**	**(5,531)**	**182,980**	**(139,043)**	**–**	**–**	**–**	**(139,043)**	**–**	**(2,312,771)**
Benefit liability	**1,656,540**	**42,915**	**3,080**	**45,995**	**(184,479)**	**(139,043)**	**–**	**10,370**	**–**	**(128,673)**	**–**	**1,389,383**

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

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

	30 September 2017 (Unaudited) (JPY'000)	31 March 2017 (Audited) (JPY'000)
Stocks	**1,207,913**	1,200,304
Bonds	**919,385**	948,646
General account of life insurance companies	**138,691**	137,756
Others	**46,782**	64,471
Total	**2,312,771**	2,351,177

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

	30 September 2017 (Unaudited) (JPY'000)	31 March 2017 (Audited) (JPY'000)
Method of allocating projected retirement benefits	**Projected unit credit method**	Projected unit credit method
Discount rate	**0.38%**	0.38%
Salary increase rate (aged based, on average)	**1.80%**	1.80%
Turnover rate (aged based, on average)	**2.20%**	2.20%
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	
Assumption	**Change in assumption**	**30 September 2017**	31 March 2017
		(Unaudited)	(Audited)
		(JPY'000)	(JPY'000)
Discount rate	Increase by 0.5%	**(147,684)**	(180,651)
	Decrease by 0.5%	**200,757**	181,303

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 2017	31 March 2017
	(Unaudited)	(Audited)
	(JPY'000)	(JPY'000)
Within the next 12 months	**—**	115,808

The average durations of the defined benefit plan obligation as at 30 September 2017 is 9.6 years (31 March 2017: 9.6 years).

The actuarial valuation showed that the market value of plan assets was JPY2,312,771,000 as at 30 September 2017 (31 March 2017: JPY2,351,177,000), and represented 63% (31 March 2017: 59%) of the defined benefit obligation that had accrued to qualifying employees. The deficiency of JPY1,389,383,000 as at 30 September 2017 (31 March 2017: JPY1,656,540,000) is expected to be cleared over the remaining service period.

18. SHARE CAPITAL

	30 September 2017 (Unaudited)	31 March 2017 (Audited)
Issued capital (As of 30 September 2017 and as of 31 March 2017: 20,000,000,000 authorised shares of USD0.0000025 each, 609,050,000 ordinary shares in issue) US$	**1,523**	1,523
Equivalent to JPY	**154,000**	154,000

As of the date of incorporation in the Cayman Islands on 7 October 2013, the Company had an authorised share capital of USD50,000, divided into 50,000 shares with par value of USD1.00 each with issued capital of USD1,000.

On 18 September 2016, the Company sub-divided each of its issued and unissued shares with par value of USD1.00 each into 400,000 shares with par value of USD0.0000025 each, such that following the sub-division, the issued share capital of the Company was USD1,000 divided into 400,000,000 shares with par value of USD0.0000025 each and the authorised share capital of the Company was USD50,000 divided into 20,000,000,000 shares with par value USD0.0000025 each.

On 19 September 2016, the Company allotted and issued a total of 75,059,000 shares with par value of USD0.0000025 each by way of capitalization of the distributable reserves of the Company at the amount of USD187.6 (equivalent to JPY20,000). Immediately following the allotment, the issued share capital of the Company was USD1,187.6, divided into 475,059,000 shares with par value of USD0.0000025 each.

In connection with the Listing of the shares on the Main Board of the Stock Exchange on 6 October 2016, 133,991,000 shares of USD0.0000025 each were issued at a price of HKD10 per share at a total cash consideration of HKD1,339,910,000 (equivalent to approximately JPY17,476,557,000), which has been credited to the Company's share capital after deduction of listing expense of JPY 678,234,439.

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 2017 and six months ended 30 September 2017:

	Six Months ended 30 September 2017 Number of RSUs	Year ended 31 March 2017 Number of RSUs
At the beginning of the period/year	**15,851**	25,542
Granted during the period/year	**—**	1,465
Forfeited during the period/year	**(782)**	(373)
Exercised during the period/year	**—**	(10,783)
At the end of the period/year	**15,069**	15,851

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 JPY45,506,000 during the six months ended 30 September 2017 (For the six months ended 30 September 2016: JPY166,203,000).

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	**11.50%**
Terminal growth rate	**2%**
Discount on lack of marketability	**10%**

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. OPERATING LEASE 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 2017 (Unaudited) (JPY'000)	31 March 2017 (Audited) (JPY'000)
Within one year	**6,252**	9,250

(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 2017 (Unaudited) (JPY'000)	31 March 2017 (Audited) (JPY'000)
Within one year	**897,228**	1,026,349
After one year but within five years	**620,119**	769,283
Over five years	**26,005**	38,961
	1,543,352	1,834,593

21. COMMITMENTS

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 2017 (Unaudited) (JPY'000)	31 March 2017 (Audited) (JPY'000)
Contracted, but not provided for:		
Property, plant and equipment	**9,356**	82,069

22. 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	
	2017	2016
	(Unaudited)	(Unaudited)
	(JPY'000)	(JPY'000)
Rental expense charged by related parties (note (i))		
Shanghai POVOS Enterprise (Group) Co., Ltd.	**17,525**	16,097
Borrowings provided by a related party		
Kouunn Holdings Limited	**—**	879,440

	For the six months ended 30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	(JPY'000)	(JPY'000)
Expenses paid on behalf of the Group by a related party		
Mr. Liu	**—**	130

Note (i): 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 2017	31 March 2017
	(Unaudited)	(Audited)
	(JPY'000)	(JPY'000)
Due from a related party		
Honma Golf (Shanghai) Company Limited	**—**	7,508
Due to related parties		
Shanghai POVOS Enterprise (Group) Co., Ltd.	**26,288**	6,040
Mr. Liu	**1,767**	1,763
	28,055	7,803

(d) Compensation of key management personnel of the Group

	For the six months ended 30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	(JPY'000)	(JPY'000)
Short term employee benefits	**47,159**	59,572
Pension scheme contributions	**4,180**	4,825
Total compensation paid to key management personnel	**51,339**	64,397

23. 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 2017	31 March 2017
	(Unaudited)	(Audited)
	(JPY'000)	(JPY'000)
Trade and bills receivables	**3,965,250**	5,097,647
Cash and cash equivalents	**16,091,992**	12,712,506
Financial assets included in prepayments, deposits and other receivables	**97,936**	54,827
Due from a related party	**—**	7,508
Other non-current assets	**610,741**	656,514
	20,765,919	18,529,002

Financial assets -- available-for-sale financial assets

	30 September 2017 (Unaudited) (JPY' 000)	31 March 2017 (Audited) (JPY' 000)
Available-for-sale investments	**21,101**	19,788

Financial liabilities -- at amortized cost

	30 September 2017 (Unaudited) (JPY' 000)	31 March 2017 (Audited) (JPY' 000)
Trade payables	**614,962**	699,601
Due to related parties	**28,055**	7,803
Interest-bearing bank borrowings	**1,450,000**	291,287
Financial liabilities included in other payables and accruals	**583,726**	632,446
Other non-current liabilities	**1,135**	14,235
	2,677,878	1,645,372

24. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMETS

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 2017 (31 March 2017: Nil).

Assets measured at fair value:

As at 30 September 2017

	Level 1	**Level 2**	**Level 3**	**Total**
	JPY'000	**JPY'000**	**JPY'000**	**JPY'000**
Available-for-sale investments	21,101	—	—	21,101

As at 31 March 2017

	Level 1	Level 2	Level 3	Total
	JPY'000	JPY'000	JPY'000	JPY'000
Available-for-sale investments	19,688	—	100	19,788

During the six months ended 30 September 2017 and the year ended 31 March 2017, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

25. EVENT AFTER THE REPORTING PERIOD

There is no material subsequent event undertaken by the Group after 30 September 2017.

26. 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 13 November 2017.

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