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**Honma Golf Limited**

**本間高爾夫有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 6858)**

**ANNUAL RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED 31 MARCH 2019**

**Major developments in the year ended 31 March 2019:**

- Revenue rose by 5.6% from the year ended 31 March 2018 to JPY27,770.7 million (equivalent to USD251.1 million). See “Management Discussion and Analysis — Financial Review — Revenue”;
- *By geography.* Following the Group’s continued penetration in its home markets, revenue from Japan, Korea and China, increased by 3.5% and contributed to 83.8% of the Group’s total revenue. Revenue from North America and Europe grew by 16.7% and 62.2%, respectively, thanks to the Group’s continued implementation of its growth strategies for both markets;
- *By channel.* Revenue from third-party retailers and wholesalers increased by 28.0%, and revenue contribution increased by 13.6% to 78.2% of the Group’s total revenue, as the Group continued increasing HONMA’s mind share among avid and passionate golfers by developing strategic partnership with quality third-party retailers and improving tour presence with internationally reputable players. Revenue from self-operated stores decreased by 35.2% following the closure of twenty stores as compared to the year ended 31 March 2018, primarily in China ahead of the re-launch of HONMA’s new apparel collections;

- *By product.* Revenue from golf clubs and golf balls rose by 6.4% and 57.2%, respectively following the successful activation of new TOUR WORLD clubs products and continued optimization of the Group’s ball portfolio. Albeit robust order book for HONMA’s relaunched apparel collections, revenue from apparel & accessories came down by 13.2%, due to clearance of previous collections ahead of HONMA’s relaunch of its apparel collection in January 2019;
- Gross profit margin decreased by three percentage points from the year ended 31 March 2018 primarily due to a price repositioning of Be ZEAL and clearance of apparel and accessories stock from past seasons;
- Operating profit decreased by 14.9% from the year ended 31 March 2018 to JPY5,309.4 million (equivalent to USD48.0 million) primarily due to gross profit margin erosion. For further information, see “Management Discussion and Analysis — Financial Review — Non-IFRS Financial Measures — Operating Profit”;
- Net profit increased by 7.0% from the year ended 31 March 2018 to JPY4,208.8 million (equivalent to USD38.1 million) due to, among others, positive currency revaluation results;
- Net cash flows generated from operating activities amounted to JPY2,609.1 million (equivalent to USD23.6 million), representing a 34.9% increase compared to 31 March 2018 continued improvement in profitability and working capital efficiency.

#### **PROPOSED FINAL DIVIDEND**

Proposed final dividend of JPY1.70 per share, amounting to approximately a total of JPY1,037.5 million for the year ended 31 March 2019 and representing approximately 24.6% of the Group’s distributable profit for the year ended 31 March 2019. Together with the interim dividend of JPY1.75 per share paid on 12 December 2018, total dividends for the year ended 31 March 2019 will amount to JPY3.45 per share and the total dividend payout will amount to JPY2,103.3 million, representing approximately 50% of the Group’s distributable profit for the year ended 31 March 2019.

The board of directors (the “**Board**”) of Honma Golf Limited (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 March 2019. The annual results have been prepared in accordance with the International Financial Reporting Standards (the “**IFRS**”). In addition, the annual results have also been reviewed by the audit committee of the Company (the “**Audit Committee**”).

## **MANAGEMENT DISCUSSION AND ANALYSIS OVERVIEW OF THE COMPANY, ITS KEY BUSINESS RESULTS AND BUSINESS OUTLOOK**

### **Company Profile and Overview**

HONMA is one of the most prestigious and iconic brands in the golf industry. Founded in 1959, the Company utilizes the latest innovative technologies and traditional Japanese craftsmanship to provide golfers across the globe with premium, high-tech and the best performing golf clubs, balls, apparels and accessories. As the only vertically integrated golf company with in-house design, development and manufacturing capabilities, a strong retail footprint in Asia and a diverse range of golf clubs and golf related products, HONMA is perfectly positioned to continually grow its business in Asia and beyond, benefitting from the return of golfers in mature golf markets such as the US and Japan and from increased participation in golf's new and under-penetrated markets such as Korea and China.

In 2019, HONMA will celebrate its 60th Anniversary. To further elevate the HONMA brand and to boost the Company's global reach among consumers in super premium and premium performance consumer segments, HONMA stepped up its tour presence internationally and entered into a multi-year partnership with one of the world's best golfers, Justin Rose, in January 2019. Weeks after Justin Rose became HONMA's Global Brand Ambassador, he secured a convincing victory at the Farmers Insurance Open using a complete set of HONMA's TW747 clubs, which not only solidified Justin's grip at the top of the game but also greatly improved the mind share of HONMA among golfers in North America, Europe and Japan. In late 2018, in the lead up to HONMA's 60th Anniversary, HONMA inked a deal to be the title sponsor of the 2018 HONMA Hong Kong Open, one of Asia's most prestigious tournaments and part of the European PGA Tour since 2001, which further improved HONMA's brand awareness in Asia.

### **Overview of Key Operating Results**

In 2018, the global golf industry continued its recovery with golfers across the globe showed renewed interest and increased participation in golf as a sport. With this, HONMA's net sales increased by 5.8% compared to the year ended 31 March 2018, thanks to the successful launch of the new TW747 Series in November 2018. On a constant currency basis, net profit grew by 7.0% as compared to the year ended 31 March 2018.

Market wise, Europe, North America and Korea continued to lead the way in terms of growth, showing a year-on-year increase of 65.0%, 17.4% and 16.0% respectively, all on constant currency basis. Japan, being the largest market for HONMA, grew by 5.3% on constant currency basis on the back of robust growth in clubs and balls

which grew by 5.9% and 53.6% respectively. Sales from China declined by 13.2% on a constant currency basis as a result of continued channel shift from a pure retail distribution model to a selective retail plus wholesale distribution model. Japan, Korea and China contributed 83.8% of total sales.

### **Highlights of Major achievements**

In the year ended 31 March 2019, the Company steadfastly followed its growth strategies made, among others, the following major achievements which the Company believes have led to and will continue to bring satisfactory business advancements.

- ***Combining innovative technology with Japanese traditional craftsmanship.*** HONMA has and will remain committed to applying cutting-edge technologies and artisan-style Japanese craftsmanship to the design, development and manufacturing of a comprehensive range of exquisitely crafted and performance-driven golf clubs. In the year ended 31 March 2019, HONMA applied one of its revolutionary proprietary adjustability technologies to create its new TW747 series, the 4th generation of the TOUR WORLD club family, designed for avid golfers with a handicap of below eight. TW747 was first launched in November 2018 and helped improve sales of the TOUR WORLD family by 124.7% in the second half of the year and by 30.5% on a full-year basis.
- ***Re-defining the HONMA brand.*** The Company took several steps to improve its global brand positioning communication and definition.

To re-position the HONMA brand as a dynamic, modern and global brand among internet-savvy younger golfers, the Company relaunched its global website in November 2018 and its social media accounts in January 2019. The rapid expansion of digital communications generated month-on-month double digit growth in the organic traffic, conversion and other digital engagement matrixes such as bounce rate, time on site, etc.

The Company also started revamping its customer relationship management (“CRM”) systems in key markets such as Japan, China and the US, and is in the process of adding e-commerce capabilities to provide consumers with the ultimate 360-degree brand experience and to eventually increase online sales.

At the start of 2019, the Company announced that it had signed Justin Rose to a multi-year partnership as HONMA’s Global Brand Ambassador. This important milestone generated immediate and elevated exposure and interest on HONMA in North America and Europe through Justin Rose’s international influence, his media coverage and social media following.

Following the announcement, HONMA increased media coverage in most of its markets through organic and paid social media posts, along with focused coverage on golf TV channels and magazines.

- ***Bringing HONMA to North America and Europe.*** To deliver on HONMA's North America growth strategy, the Company appointed Mark King, the former president and CEO of TaylorMade, as a full time consultant to the Board to lead and drive HONMA's business in North America in October 2018. Since the appointment, Mark King has been spearheading the update and execution of HONMA's US strategy in order to capture HONMA's unique opportunity in the increasing super premium and premium performance segments in a market that represents 53% of the global golf markets in terms of retail sales. HONMA's new US strategy includes, among others, an upgrade of its US management team and the design of a distribution model unique to the North America Golf Market.

To build a distribution model that reaches more customers and provides a 360-degree brand experience, HONMA US will be opening one HONMA house in Carlsbad, California in June 2019, followed by the opening of 30 premier shop-in-shops and 50 on-course retail hubs in North America in the next 24 months. The said distribution footprint will overlay with HONMA's existing wholesales points of sale (POS) and digital platform to allow HONMA to quickly increase its brand and product awareness while owning the entire consumer experience and relevant data.

In Europe, HONMA continued expanding its distribution network and opened 125 new POS in the year ended 31 March 2019, hence increasing its total POS to 518 by 31 March 2019. Full-year sales grew by 65.0% on a constant currency basis and full-year sales of TOUR WORLD grew by 331.7%.

- ***Introducing a comprehensive range of products.*** HONMA engages in research, design, manufacturing and sales of golf clubs and golf-related products. Unlike its peers, HONMA's golf clubs continued to generate 80% of sales. Following robust growth in golf balls over the past three years, the Company optimised its golf ball portfolios in order to meet the HONMA brand positioning and the play preferences and unique performance demands of its club users. Revenue from golf balls grew by 57.3% on a constant currency basis on the back of continued growth in Japan and China where revenue of golf balls grew by 53.6% and 102.5% respectively.

HONMA re-launched its apparel collection in January 2019, mainly in Japan and China. The apparel collection comprises of three lines which cater to the distinctive on-course and off-course requirements of golfers in Japan and China. The order book for the 2019 Spring/Summer collection doubled that of the 2018 Spring/Summer collection, yet full-year sales declined by 18.3% due to clearance of previous collections.

- ***Sponsorship of golf events.*** Throughout its history, HONMA has been a pioneer in the golf industry. In the lead up to its 60th Anniversary, the Group stepped up its marketing efforts with a series of event sponsorships, including signing a deal to be the title sponsor of the 2018 HONMA Hong Kong Open, one of the most important tournaments in Asian golf and part of the European PGA Tour since 2001.
- ***Customer events.*** Customer events have always been key to the continued improvement in HONMA's brand and product awareness and consumer mind share. During the year ended 31 March 2019, HONMA hosted close to five thousand customer days across its main markets, most of which were held on golf courses with dedicated fitters.

### ***Product Design and Development***

HONMA utilizes the latest innovative technologies and traditional Japanese craftsmanship to provide golfers across the globe with aesthetically beautiful, technology based and performance-driven golf clubs. We use our cutting-edge proprietary technology to design and manufacture golf clubs primarily for consumers in the super premium and premium performance segments who want to hit effortless shots and drive the golf balls further.

HONMA currently offers golf clubs under three major product families: BERES, TOUR WORLD and Be ZEAL, each targeting specific consumer segments. We leverage our innovative research methods and development capabilities to manage the product life cycle to continually generate customer interest, ensure product offerings remain up to date with the latest market trends and meet the preferences of target customers.

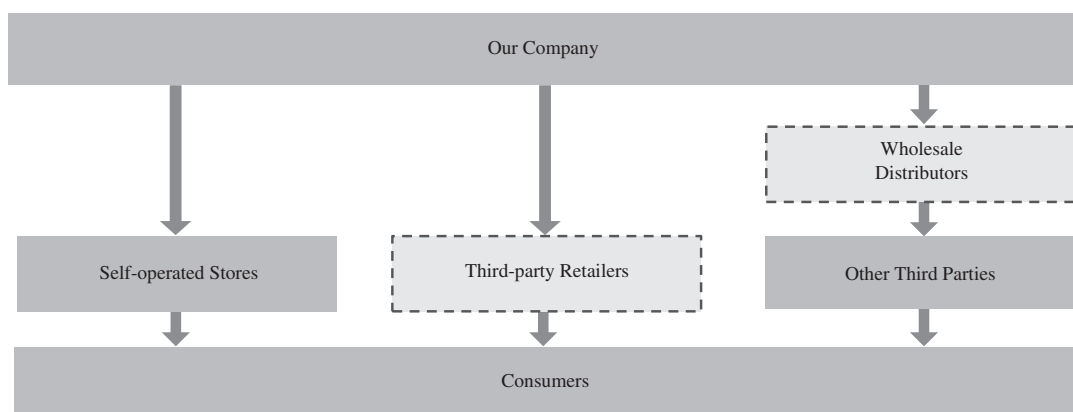
Based on extensive market research, HONMA categorises the market into nine key segments according to the importance golfers place on price, design and performance, which are correlated with their respective levels of affluence and enthusiasm towards golf, as illustrated in the chart below.

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. 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 are looking to improve their performance. Segments 5 and 6 are experiencing faster growth rates compared to the overall growth rates of major golf markets.

### *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.



  third-party retailers and whole-sellers<sup>(1)</sup>

*Note:*

- (1) The Group’s distributors consist of (a) third-party retailers and (b) wholesale distributors that on-sell the Group’s products to other third parties.

HONMA operates the largest number of self-operated stores among major golf companies. Self-operated stores provide consumers with a 360 degree experience with the HONMA brand and its products. As at 31 March 2019, the Group had 68 HONMA-branded self-operated stores, all of which were located in Asia. As part of the apparel relaunch, we opened four new self-operated stores and closed twenty stores in China. We will continue upgrading the design, zoning and visual display of our self-operated stores to project one consistent brand image and consumer experience, which will turn our stores into brand experience hubs across all markets. The table below sets forth the numbers of self-operated stores opened and closed during the year ended 31 March 2019.

	<b>For the year ended 31 March 2019</b>			
	<u>Period start</u>	<u>Opened</u>	<u>Closed</u>	<u>Period end</u>
Japan .....	32	—	—	32
China (including Hong Kong and Macau).....	48	4	20	32
Rest of Asia.....	<u>4</u>	<u>—</u>	<u>—</u>	<u>4</u>
<b>Total</b> .....	<u>84</u>	<u>4</u>	<u>20</u>	<u>68</u>

To better serve avid golf enthusiasts, certain Honma-branded self-operated stores offer fitting centers equipped with high-speed cameras and precision software to capture relevant swing data. As at 31 March 2019, the Group had six fitting centers, up by two compared to the year ended 31 March 2018.

As at 31 March 2019, the Group had approximately 3,734 points of sales (“**POS**”), representing a year-on-year increase of 128 POSs. The Group’s POSs consist of (a) POS of third-party retailers (“**Retailers**”) and (b) POS of 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 at 31 March 2019, the Group’s products were sold at 1,474 POSs of sports megastores.

In Japan, the Group mainly sells products to Retailers, namely sports megastores such as Golf 5 and Xebio. 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. To optimise its sales and distribution network, the Group is constantly evaluating its existing channels and exploring new channels.

### *Updating e-commerce capabilities and online presence*

We also rebuilt our website in November 2018 and our social media accounts in January 2019 to create one consistent and vibrant brand image across all markets. The rapid expansion of digital communications generated a month-on-month double digit growth in the organic traffic, conversion and other digital brand engagement matrixes such as bounce rate, time on site, etc., from January 2019.

The Company also started revamping its customer relationship management (“**CRM**”) systems in key markets such as Japan, China and the US, and is in the process of adding e-commerce capabilities to provide consumers with the ultimate 360-degree brand experience and to eventually increase online sales.

### *Manufacturing Processes*

HONMA utilizes the latest innovative technologies and traditional Japanese craftsmanship to provide golfers across the globe with aesthetically beautiful and high-tech performance-driven golf clubs. We are the only major golf products company that utilizes professional handcrafted techniques together with significant in-house manufacturing capabilities. We conduct all key manufacturing processes for golf clubs at our campus located in Sakata, Yamagata prefecture of Japan (the “**Sakata Campus**”) while outsourcing non-core processes to our well-respected suppliers. This combination of in-house and outsourced manufacturing processes enables us 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 261 craftsmen, 24 of whom are master craftsmen with more than 33 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. The Group continually invests in Sakata Campus to improve its manufacturing processes in order to raise its annual manufacturing capability. It is expected that the annual manufacturing capability in Sakata Campus will grow by more than 50% by the summer of 2019.

## ***Employees***

As at 31 March 2019, the Group had 870 employees worldwide, the majority of whom were based in Japan.

To ensure the long-term future of HONMA, we hire people who identify with our core values and we help them grow by offering on job training. For sales personnel in self-operated stores, the Group offers a number of training programs, including an internal golf club fitter certification program. Moreover, the Group has implemented a rigorous apprenticeship program at the Sakata Campus.

The Group offers competitive remuneration packages, including, among others, salaries, performance-based cash bonus and share-based compensation. The Group reviews its remuneration scheme regularly to ensure its consistency with market practice. Employee benefits expenses amounted to JPY5,132.2 million for the year ended 31 March 2019.

The Group adopted its restricted share unit (“**RSU**”) scheme in October 2015 to incentivise its directors, management and eligible employees. The Group recognised RSU expenses of JPY30.6 million during the year ended 31 March 2019, including JPY2.9 million for manufacturing personnel, JPY17.7 million for sales and marketing personnel and JPY10.0 million for administrative personnel.

## ***Brand Marketing***

Since 1959, HONMA has remained true to the traditional methods used by Japanese craftsmen to make the finest golf clubs in the world. To fully capture HONMA’s unique opportunities in super premium and premium performance consumer segments, we have started a series of actions that will help re-define and transform the HONMA brand in an age of technological innovation while maintaining our traditions.

### ***A stronger Team HONMA with Justin Rose***

In early 2019, Justin Rose signed a multi-year endorsement deal to be our Global Brand Ambassador. Justin Rose is an English professional golf player and has 24 tournament wins across the PGA and European Tours to his name. During the 2018 season, he was ranked world number one for a total of 13 weeks and his reputation as a gentleman and tenacious player is the perfect fit for the HONMA brand. This endorsement agreement has already greatly increased HONMA’s brand awareness in the US and Europe through Justin Rose’s influence within the global golf industry,

his media coverage and social media following. To coincide with the partnership, we are creating a streamlined tour team with professional players relevant to each market plus a network of local players and social media influencers to build a coherent communication strategy among target consumers.

## **Outlook**

### ***Business Outlook***

For the year ending 31 March 2020, the Group will continue its efforts to build a world-leading golf lifestyle company on the foundation of its latest innovative technologies and traditional Japanese craftsmanship. The Group intends to continue pursuing the following:

- ***Improve and transform HONMA brand value into customer loyalty.*** Multiple branding and marketing strategies have been executed to highlight HONMA's brand heritage and its core brand values of premium craftsmanship and performance in order to capture HONMA's unique opportunities to lead in both super premium and premium performance segments. Signing Justin Rose as the Global Brand Ambassador has helped HONMA to communicate and to reinforce this new brand image and values to avid and passionate golfers in matured markets such as North America, Europe and Japan. Since a key part of the Group's future growth strategy will be to continuously enhance consumers' brand awareness towards loyalty and to transform HONMA brand value into sales revenues, HONMA plans to upgrade its offline and online retail experiences based on the updated HONMA brand image, retail and visual guidelines. In Asia, HONMA plans to open its first brand experience store in downtown Tokyo, Japan in July 2019 to present HONMA's new brand experience and customizable consumer journey to consumers in HONMA's home markets. Other markets, including the US, will follow suit. All these stores will form the centrepiece of HONMA's new distribution model and will act as the hub to generate traffic to HONMA's extensive shop-in-shop at third-party retailers, golf courses and its online e-commerce platforms.
- ***Further increase the Group's market share in home markets by maintaining its leading position in the super premium segment while penetrating deeper into premium performance segment.*** Increasing market share in HONMA's home markets, namely Japan, Korea and China will continue to be a key part of the Group's future growth strategy. While the Group already has a strong presence in its home markets of Japan, Korea and China (including Hong Kong and Macau), we believe that there is still significant room to increase our market shares in these markets, especially in the premium performance segments. The Group intends to achieve this by expanding its TOUR WORLD family to cater

to those in need of performance enhancement while leveraging HONMA's improved tour presence with Justin Rose as our Global Brand Ambassador. The Group will continuously foster stronger partnership with its retail partners while intensifying investments in sales point product promotions that are relevant to these consumer segments.

- ***Pivoting growth in North America based on the updated product and distribution strategy.*** North America accounts for more than half of the global golf market. During the year ended 31 March 2019, HONMA made a major upgrade of its US management team and its North America distribution strategy under the leadership of Mark King. The signing of Justin Rose and the successful launch of TW747 generated overwhelming interest from retailers and consumers in North America. In June 2019, HONMA will be opening its first brand experience center, the HONMA house in Carlsbad, California, to be followed by the opening of 30 premier shop-in-shops and 50 on course retail hubs in North America in the next 24 months. The said distribution footprint will overlay with HONMA's existing wholesales points of sale and digital platform to allow HONMA to quickly increase its brand and product awareness while owning the entire consumer experience and relevant data.

Furthermore, the decision to extend the TOUR WORLD family to include a performance-enhancement product for golfers who handicapped between 8 and 20 will greatly support HONMA's growth strategy in North America, which market has continued to rebound with the number of golfers increasing and more buyers moving towards higher-end premium performance products.

- ***Nurturing complementary non-club product lines to provide customers with a complete golf lifestyle experience.*** On 28 January 2018, HONMA announced the formation of a strategic partnership with Itochu Corporation, one of the leading textile and trading companies in Japan to expand our apparel & accessories business, utilizing Itochu's networks and know-how in the apparel industry while maintaining a "golf total brand approach". HONMA successfully relaunched its apparel collections in January 2019 with a debut 2019 Spring/Summer collection and rebuilt its in house design and sourcing capabilities and distribution footprint in Japan, China and Korea. The Group will continue leveraging this partnership, along with the strength of the HONMA brand to ramp up the sales contribution of golf related product lines such as golf balls, bags, apparels and other accessories to complement its future growth.

- ***Continue product innovation and development to cater for latest market trends.*** The Group devotes significant resources to new product development to ensure that its product offerings remain up to date with the latest market trends. The Group's research and development expenses amounted to JPY350.6 million and JPY362.3 million for the years ended 31 March 2018 and 2019, 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 incorporates innovations in ergonomics and material sciences in its designs and collaborates closely with professional golf players to optimize product performance.

### ***Industry Outlook***

Golf is one of the world's most popular sports and continues to have an impressive global reach. Market data and research forecasts indicate that the golf industry will record continual growth over the next several years:

- ***Focus on 2020 Olympic Games and re-emergence of Tiger Woods.*** The reinstatement of golf at the 2016 Olympic Games significantly raised the profile of the sport worldwide. As we edge closer to the 2020 Tokyo Olympic Games, global attention is slowly starting to focus on Olympic qualification. With Japan hosting the 2020 Olympics, the golf markets in Japan and other parts of Asia are expected to receive a significant boost in the build-up to the Olympics. Combine this with Tiger Woods winning the Masters at Augusta in April, viewership for his final round surged 41% year-on year<sup>1</sup>, and the future looks bright for the golf industry.
- ***Expanding global golf market and demographics.*** The global golf market continues to grow. Recent research shows that the global golf equipment manufacturing market is expected to reach US\$9,460 million by the end of 2025, growing at a CAGR of 2.6% during 2019-2025<sup>2</sup>. Golf has traditionally been under-penetrated in emerging markets. In recent years, however, more people in emerging markets, especially in Asia, have started to play the sport, which is primarily down to increasing disposable income, higher standards of living and greater emphasis on leisure activities.

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<sup>1</sup> <https://www.reuters.com/article/us-media-cbs-woods/tiger-woods-delivers-masters-ratings-win-for-cbs-blunted-by-early-start-idUSKCN1RS20R>

<sup>2</sup> <https://www.reuters.com/brandfeatures/venture-capital/article?id=86884>

According to Yano's White Paper on Golf Industry, Japan was expected to see more than JPY106 billion in golf club wholesales value in 2018, referring to a 7% year-on-year increase. Golf DataTech's research report also shows that the US' overall golf market size is expanding and saw a 10% year-on year-increase in the retail sales value of irons in 2018. These promising sets of data further highlight that the global golf market is rebounding.

- ***Technological Innovation and customization***<sup>3</sup>. While new technology and innovation are driving advances in golf products, customization is gaining traction among more golfers who want to optimize and personalize the customer experience. New developments in clubs, balls and related products are expected to make the game more accessible, customized and exciting.
- ***Digitalization of retail channels***. Digital retail channels such as e-commerce, mobile commerce and social commerce now address consumers' purchase preferences, which were predominantly restricted to brick and mortar stores in the past. These emerging channels play vital roles in penetrating different consumer segments.

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<sup>3</sup> <https://www.linkedin.com/pulse/7-golf-industry-trends-2019-jeff-penson>

## 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 years indicated, together with the change (expressed in percentages) from the year ended 31 March 2018 to the year ended 31 March 2019.

	For the year ended 31 March				Year-on-Year Change
	2019		2018		
	JPY	%	JPY	%	
<i>(In thousands, except for percentages and per share data)</i>					
<b>Consolidated Statement of Profit or Loss</b>					
Revenue .....	<b>27,770,704</b>	<b>100.0</b>	26,296,159	100.0	<b>5.6</b>
Cost of sales.....	<b>(11,713,928)</b>	<b>(42.2)</b>	(10,318,713)	(39.2)	<b>13.5</b>
<b>Gross profit</b> .....	<b>16,056,776</b>	<b>57.8</b>	15,977,446	60.8	<b>0.5</b>
Other income and gains .....	<b>422,207</b>	<b>1.5</b>	50,005	0.2	<b>744.3</b>
Selling and distribution expenses .....	<b>(9,060,498)</b>	<b>(32.6)</b>	(8,410,223)	(32.0)	<b>7.7</b>
Administrative expenses .....	<b>(1,805,750)</b>	<b>(6.5)</b>	(1,522,235)	(5.8)	<b>18.6</b>
Other expenses, net .....	<b>(96,841)</b>	<b>(0.3)</b>	(837,672)	(3.2)	<b>(88.4)</b>
Finance costs.....	<b>(15,056)</b>	<b>(0.1)</b>	(21,872)	(0.1)	<b>(31.2)</b>
Finance income.....	<b>103,383</b>	<b>0.4</b>	138,816	0.5	<b>(25.5)</b>
<b>Profit before tax</b> .....	<b>5,604,221</b>	<b>20.2</b>	5,374,265	20.4	<b>4.3</b>
Income tax expense .....	<b>(1,395,382)</b>	<b>(5.0)</b>	(1,441,054)	(5.5)	<b>(3.2)</b>
<b>Net profit</b> .....	<b>4,208,839</b>	<b>15.2</b>	3,933,211	14.9	<b>7.0</b>
<b>Earnings per share attributable to ordinary equity holders of the parent:</b>					
Basic and diluted					
— For profit for the period (JPY) .....					
	<b>6.91</b>		6.46		<b>7.0</b>
<b>Non-IFRS Financial Measure</b>					
Adjusted SG&A <sup>(1)</sup> .....	<b>(10,838,560)</b>	<b>(39.0)</b>	(9,859,227)	(37.5)	<b>9.9</b>
Operating profit <sup>(2)</sup> .....	<b>5,309,429</b>	<b>19.1</b>	6,242,193	23.7	<b>(14.9)</b>
Net operating profit <sup>(3)</sup> .....	<b>3,928,898</b>	<b>14.1</b>	4,707,416	17.9	<b>(14.9)</b>

Notes:

- (1) Adjusted SG&A is derived from the sum of (a) selling and distribution expenses and (b) administrative expenses by 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 — Financial Review — 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, and (iii) adding RSU expenses. For a reconciliation of operating profit to profit before tax, see “Management Discussion and Analysis — Financial Review — 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 RSU expenses and (iv) 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 — Financial Review — Non-IFRS Financial Measures — Net Operating Profit”.

## **Revenue**

The Group’s total revenue increased by 5.6% from JPY26,296.2 million for the year ended 31 March 2018 to JPY27,770.7 million for the year ended 31 March 2019.

### ***Constant Currency Revenue Growth***

On a constant currency basis, the Group’s total revenue grew by 5.8% from the year ended 31 March 2018 to the year ended 31 March 2019. For the purpose of calculating constant currency revenue growth, the Group has used the average exchange rate of the year ended 31 March 2018 to translate sales recorded during the year ended 31 March 2019, to the extent the original currency for such sales is not in Japanese Yen.

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 years indicated.

	For the year ended 31 March				Year-on-Year Change	
	2019		2018		on as reported basis	on constant currency basis <sup>(1)</sup>
	JPY	%	JPY	%	%	%
	<i>(In thousands, except for percentages)</i>					
<b>Golf clubs</b> .....	<b>22,467,732</b>	<b>80.9</b>	21,117,356	80.3	<b>6.4</b>	<b>6.6</b>
<b>Golf balls</b> .....	<b>1,805,002</b>	<b>6.5</b>	1,148,410	4.4	<b>57.2</b>	<b>57.3</b>
<b>Apparels</b> .....	<b>1,283,130</b>	<b>4.6</b>	1,573,791	6.0	<b>(18.5)</b>	<b>(18.3)</b>
<b>Accessories and other related<sup>(2)</sup></b> ....	<b>2,214,839</b>	<b>8.0</b>	<u>2,456,601</u>	<u>9.3</u>	<u>(9.8)</u>	<u>(9.7)</u>
<b>Total</b> .....	<b><u>27,770,704</u></b>	<b><u>100.0</u></b>	<u>26,296,159</u>	<u>100.0</u>	<u><b>5.6</b></u>	<u><b>5.8</b></u>

Notes:

- (1) For further information, see “— Constant Currency Revenue Growth”.
- (2) Include golf bags, golf club head covers, footwear, gloves, headwear and other golf-related accessories.

Golf clubs comprise the majority of the Group's business, and albeit continued negative channel impact on sales resulting from a shift from retail to wholesale, the Group recorded modest revenue growth in golf clubs during the year ended 31 March 2019. Revenue for golf clubs increased by 6.4% from JPY21,117.4 million for the year ended 31 March 2018 to JPY22,467.7 million for the year ended 31 March 2019. On a constant currency basis, revenue for golf clubs grew by 6.6% from the year ended 31 March 2018 to the year ended 31 March 2019. The growth in golf clubs was primarily attributable to the successful launch of TW747, the fourth generation of TOUR WORLD family which was designed for avid golfers and golf enthusiasts who place a higher emphasis on performance. Sales of TOUR WORLD family grew by 30.3% from the year ended 31 March 2018.

Revenue for golf balls increased significantly by 57.2% from JPY1,148.4 million for the year ended 31 March 2018 to JPY1,805.0 million for the year ended 31 March 2019. On a constant currency basis, revenue for golf balls grew by 57.3%

from the year ended 31 March 2018 to the year ended 31 March 2019. The continued strong growth in golf balls was driven by the Group's continued effort to optimize its product portfolio and to build a dedicated go-to-market strategy for balls in Japan and China.

Albeit strong order book for the 2019 Spring/Summer collection, the first apparel collection after HONMA relaunched its apparel business, revenue for apparels decreased by 18.5% from JPY1,573.8 million for the year ended 31 March 2018 to JPY1,283.1 million for the year ended 31 March 2019. The decrease was mainly attributed to clearance of inventories from past seasons.

Revenue for accessories and other related products decreased by 9.8% from JPY2,456.6 million for the year ended 31 March 2018 to JPY2,214.8 million for the year ended 31 March 2019. The decrease was mainly attributed to clearance of inventories from past seasons.

### ***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 from regions by absolute amounts and as percentages of total revenue for the years indicated.

	<b>For the year ended 31 March</b>				<b>Year-on-Year Change</b>	
	<b>2019</b>		<b>2018</b>		<b>on as reported basis</b>	<b>on constant currency basis<sup>(1)</sup></b>
	<b>JPY</b>	<b>%</b>	<b>JPY</b>	<b>%</b>	<b>%</b>	<b>%</b>
<i>(In thousands, except for percentages)</i>						
Japan .....	<b>14,369,818</b>	<b>51.7</b>	13,640,542	51.9	<b>5.3</b>	<b>5.3</b>
Korea.....	<b>4,919,939</b>	<b>17.7</b>	4,240,280	16.1	<b>16.0</b>	<b>16.0</b>
China (including Hong Kong and Macau) .....	<b>3,975,678</b>	<b>14.3</b>	4,598,348	17.5	<b>(13.5)</b>	<b>(13.2)</b>
North America .....	<b>1,362,855</b>	<b>4.9</b>	1,167,873	4.4	<b>16.7</b>	<b>17.4</b>
Europe .....	<b>1,069,485</b>	<b>3.9</b>	659,370	2.5	<b>62.2</b>	<b>65.0</b>
Rest of the World .....	<b>2,072,929</b>	<b>7.5</b>	1,989,746	7.6	<b>4.2</b>	<b>4.5</b>
<b>Total .....</b>	<b><u>27,770,704</u></b>	<b><u>100.0</u></b>	<b><u>26,296,159</u></b>	<b><u>100.0</u></b>	<b><u>5.6</u></b>	<b><u>5.8</u></b>

*Note:*

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

Revenue from Japan, Korea and China (including Hong Kong and Macau) accounted for 83.8% of the Group's total revenue for the year ended 31 March 2019, which collectively formed the Group's home markets. Sales from Europe, North America and Korea lead the way in terms of sales growth and grew by 62.2%, 16.7% and 16.0% respectively.

Revenue from Japan increased by 5.3% from JPY13,640.5 million for the year ended 31 March 2018 to JPY14,369.8 million for the year ended 31 March 2019. BERES, TOUR WORLD and ball led the way in terms of sales growth in Japan.

Revenue from Korea recorded a double-digit growth of 16.0% for the sixth consecutive year from JPY4,240.3 million for the year ended 31 March 2018 to JPY4,919.9 million for the year ended 31 March 2019. On a constant currency basis, revenue for Korea also increased by 16.0% from the year ended 31 March 2018 to the year ended 31 March 2019. In the year ended 31 March 2019, the Group continuously increased its market share in Korea through intensive TV and social media campaigns to drive the mind share of HONMA brand as well as the product awareness and sales of its TOUR WORLD products. The Group has also began to create a strong local team to lead and drive the creation of a direct to consumer distribution model for its ball and apparel businesses.

Revenue from China (including Hong Kong and Macau) decreased by 13.5% from JPY4,598.3 million for the year ended 31 March 2018 to JPY3,975.7 million for the year ended 31 March 2019. On a constant currency basis, revenue for China (including Hong Kong and Macau) decreased by 13.2% from the year ended 31 March 2018 to the year ended 31 March 2019. The decrease was primarily caused by the Group's continued reshuffling of its distribution model from pure retail to selective retail plus wholesale. In the year ended 31 March 2019, the Group closed twenty stores in China (including Hong Kong and Macau) and opened four, ahead of the relaunch of its 2019 Spring/Summer apparel collection.

Revenue from North America increased by 16.7% from JPY1,167.9 million for the year ended 31 March 2018 to JPY1,362.9 million for the year ended 31 March 2019. Negative impact resulting from an update of HONMA's product and distribution strategy was largely offset by the successful launch of TW747, improved tour presence and continued investments into the brand and product awareness. On a constant currency basis, revenue from North America increased by 17.4% from the year ended 31 March 2018 to the year ended 31 March 2019.

Revenue from Europe increased significantly by 62.2% from JPY659.4 million for the year ended 31 March 2018 to JPY1,069.5 million for the year ended 31 March 2019, primarily due to the expansion of our distribution network and POSs in Europe. On a constant currency basis, revenue from Europe increased by 65.0% from the year ended 31 March 2018 to the year ended 31 March 2019.

### *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 third-party retailers and wholesalers. The Group's third-party retailers and wholesalers 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 POSs in absolute amounts and as percentages of total revenue for the years indicated.

	<u>For the year ended 31 March</u>				<u>Year-on-Year Change</u>	
	<u>2019</u>		<u>2018</u>		<u>on as</u>	<u>on constant</u>
	<u>JPY</u>	<u>%</u>	<u>JPY</u>	<u>%</u>	<u>reported</u>	<u>currency</u>
					<u>basis</u>	<u>basis<sup>(1)</sup></u>
					<u>%</u>	<u>%</u>
	<i>(In thousands, except for percentages)</i>					
Self-operated stores .....	<b>6,040,575</b>	<b>21.8</b>	9,315,368	35.4	<b>(35.2)</b>	<b>(35.0)</b>
3rd party retailers and wholesalers .....	<b>21,730,129</b>	<b>78.2</b>	16,980,791	64.6	<b>28.0</b>	<b>28.2</b>
<b>Total .....</b>	<b><u>27,770,704</u></b>	<b><u>100.0</u></b>	<b><u>26,296,159</u></b>	<b><u>100.0</u></b>	<b><u>5.6</u></b>	<b><u>5.8</u></b>

*Note:*

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

Revenue from self-operated stores decreased by 35.2% from JPY9,315.4 million for the year ended 31 March 2018 to JPY6,040.6 million for the year ended 31 March 2019. The decrease was primarily due to closures of 20 self-operated stores as the Group continued reshuffling its distribution model from pure retail to selective retail plus wholesale in order to engage with avid and younger golfers across the globe. Revenue from sales to third-party retailers and wholesalers increased by 28.0% from JPY16,980.8 million for the year ended 31 March 2018 to JPY21,730.1 million for the year ended 31 March 2019. Going forward, the Group expects that sales from third-party retailers and wholesalers will continue to increase at higher pace than self-operated stores.

## Cost of Sales

Cost of sales increased by 13.5% from JPY10,318.7 million for the year ended 31 March 2018 to JPY11,713.9 million for the year ended 31 March 2019, which was primarily due to increase in raw materials and finished goods purchased from suppliers resultant from sales growth. 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 years indicated.

	For the year ended 31 March			
	2019		2018	
	JPY	%	JPY	%
	<i>(In thousands, except for percentages)</i>			
Raw materials .....	<b>6,735,500</b>	<b>57.5</b>	5,167,520	50.1
Employee benefits.....	<b>1,336,261</b>	<b>11.4</b>	1,629,278	15.8
Manufacturing overhead <sup>(1)</sup> .....	<b>539,599</b>	<b>4.6</b>	688,973	6.7
Finished goods purchased from suppliers .....	<b><u>3,102,567</u></b>	<b><u>26.5</u></b>	<u>2,832,942</u>	<u>27.4</u>
<b>Total .....</b>	<b><u>11,713,928</u></b>	<b><u>100.0</u></b>	<u>10,318,713</u>	<u>100.0</u>

*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 0.5% from JPY15,977.5 million for the year ended 31 March 2018 to JPY16,056.8 million for the year ended 31 March 2019. Gross profit margin decreased from 60.8% for the year ended 31 March 2018 to 57.8% for the year ended 31 March 2019.

## ***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 years indicated.

	<b>For the year ended 31 March</b>			
	<b>2019</b>		<b>2018</b>	
	<b>JPY</b>	<b>%</b>	<b>JPY</b>	<b>%</b>
	<i>(In thousands, except for percentages)</i>			
<b>Golf clubs</b> .....	<b>13,605,115</b>	<b>60.6</b>	13,305,564	63.0
<b>Golf balls</b> .....	<b>838,309</b>	<b>46.4</b>	558,551	48.6
<b>Apparels</b> .....	<b>670,034</b>	<b>52.2</b>	851,859	54.1
<b>Accessories and other related<sup>(1)</sup> ..</b>	<b>943,318</b>	<b>42.6</b>	1,261,472	51.4
<b>Total</b> .....	<b><u>16,056,776</u></b>	<b><u>57.8</u></b>	<b><u>15,977,446</u></b>	<b><u>60.8</u></b>

*Note:*

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

Gross profit for golf clubs increased by 2.3% from JPY13,305.6 million for the year ended 31 March 2018 to JPY13,605.1 million for the year ended 31 March 2019. Gross profit margin for golf clubs decreased from 63.0% for the year ended 31 March 2018 to 60.6% for the year ended 31 March 2019, primarily due to a price positioning of Be ZEAL, following Group's decision to expand the TOUR WORLD portfolio to fully capture its potential in premium performance segments hence making TOUR WORLD its second hero product in markets such as North America and Japan.

Gross profit for golf balls increased by 50.1% from JPY558.6 million for the year ended 31 March 2018 to JPY838.3 million for the year ended 31 March 2019. Gross profit margin for golf balls decreased from 48.6% for the year ended 31 March 2018 to 46.4% for the year ended 31 March 2019, primarily due to greater sales contribution from third-party retailers and wholesalers in Japan and China.

Gross profit for apparels decreased by 21.3% from JPY851.9 million for the year ended 31 March 2018 to JPY670.0 million for the year ended 31 March 2019, and gross profit margin for apparels decreased from 54.1% for the year ended 31 March 2018 to 52.2% for the year ended 31 March 2019. The decreases were due to clearance of inventories from past collections.

Gross profit for accessories and other related products decreased by 25.2% from JPY1,261.5 million for the year ended 31 March 2018 to JPY943.3 million for the year ended 31 March 2019 and gross profit margin for accessories and other related products decreased from 51.4% for the year ended 31 March 2018 to 42.6% for the year ended 31 March 2019. The decreases were primarily due to clearance of inventories from past collections.

### Other Income and Gains

Other income and gains increased significantly from JPY50.0 million for the year ended 31 March 2018 to JPY422.2 million for the year ended 31 March 2019. The increase was primarily due currency revaluation profits of JPY336.7 million for the year ended 31 March 2019.

### Selling and Distribution Expenses

Selling and distribution expenses increased by 7.7% from JPY8,410.2 million for the year ended 31 March 2018 to JPY9,060.5 million for the year ended 31 March 2019. Selling and distribution expenses as a percentage of revenue increased from 32.0% for the year ended 31 March 2018 to 32.6% for the year ended 31 March 2019. These increases were primarily due to increase in advertising and promotion expenses following a step up in HONMA's tour presence and other brand related marketing campaigns. 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 years indicated.

	<b>For the year ended 31 March</b>			
	<b>2019</b>		<b>2018</b>	
	<b>JPY</b>	<b>%</b>	<b>JPY</b>	<b>%</b>
	<i>(In thousands, except for percentages)</i>			
Employee benefits .....	<b>3,187,106</b>	<b>35.2</b>	3,185,319	37.9
Advertising and promotion expenses .....	<b>3,156,787</b>	<b>34.8</b>	2,489,651	29.6
Rental fees .....	<b>1,229,628</b>	<b>13.6</b>	1,387,291	16.5
Others <sup>(1)</sup> .....	<b>1,486,977</b>	<b>16.4</b>	1,347,962	16.0
<b>Total</b> .....	<b><u>9,060,498</u></b>	<b><u>100.0</u></b>	<b><u>8,410,223</u></b>	<b><u>100.0</u></b>

Note:

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

## **Administrative Expenses**

Administrative expenses increased by 18.6% from JPY1,522.2 million for the year ended 31 March 2018 to JPY1,805.8 million for the year ended 31 March 2019, primarily due to the increase in R&D expenses and bad debt provision top up as per IFRS9 requirement.

## **Other Expenses, Net**

Other expenses decreased by 88.4% from JPY837.7 million for the year ended 31 March 2018 to JPY96.8 million for the year ended 31 March 2019. The decrease was primarily due to the absence of foreign exchange losses which amounted to JPY524.2 and nil, respectively, for the years ended 31 March 2018 and 2019.

## **Finance Costs**

Finance costs decreased by 31.2% from JPY21.9 million for the year ended 31 March 2018 to JPY15.1 million for the year ended 31 March 2019. The decrease was primarily due to the decrease of weight-average amount of bank borrowings during the year ended 31 March 2019.

## **Finance Income**

Finance income decreased by 25.5% from JPY138.8 million for the year ended 31 March 2018 to JPY103.4 million for the year ended 31 March 2019. The decrease was primarily due to the decrease in average bank deposit and the decline in bank interest rates.

## **Profit Before Tax**

As a result of the foregoing, profit before tax increased by 4.3% from JPY5,374.3 million for the year ended 31 March 2018 to JPY5,604.2 million for the year ended 31 March 2019.

## **Income Tax Expense**

Income tax expense decreased by 3.2% from JPY1,441.1 million for the year ended 31 March 2018 to JPY1,395.4 million for the year ended 31 March 2019. The Group's effective tax rate decreased from 26.8% for the year ended 31 March 2018 to 24.9% for the year ended 31 March 2019.

## **Net Profit**

As a result of the foregoing, net profit increased by 7.0% from JPY3,933.2 million for the year ended 31 March 2018 to JPY4,208.8 million for the year ended 31 March 2019. Net profit margin increased from 14.9% for the year ended 31 March 2018 to 15.2% for the year ended 31 March 2019.

## 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 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 years indicated.

	<b>For the year ended 31 March</b>	
	<b>2019</b>	2018
	<i>(In JPY thousands)</i>	
Selling and distribution expenses .....	<b>9,060,498</b>	8,410,223
Administrative expenses .....	<b>1,805,750</b>	1,522,235
Adjustment for:		
RSU expenses in relation to sales and marketing staff and administrative staff.....	<b>(27,688)</b>	(73,231)
Adjusted SG&A.....	<b>10,838,560</b>	9,859,227

### ***Operating Profit***

The Group derives operating profit from profit before tax by (i) subtracting other income and gains, (ii) adding other expenses, and (iii) 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 years indicated.

	<b>For the year ended 31 March</b>	
	<b>2019</b>	<b>2018</b>
	<i>(In JPY thousands)</i>	
Profit before tax .....	<b>5,604,221</b>	5,374,265
Adjustment for:		
Other income and gains .....	<b>(422,207)</b>	(50,005)
Other expenses .....	<b>96,841</b>	837,672
RSU expenses .....	<b>30,574</b>	80,261
Operating profit .....	<b>5,309,429</b>	6,242,193

### ***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 RSU expenses and (iv) 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 years indicated.

	<b>For the year ended 31 March</b>	
	<b>2019</b>	<b>2018</b>
	<i>(In JPY thousands)</i>	
Net profit .....	<b>4,208,839</b>	3,933,211
Adjustment for:		
Other income and gains .....	<b>(422,207)</b>	(50,005)
Other expenses .....	<b>96,841</b>	837,672
RSU expenses .....	<b>30,574</b>	80,261
Impact on tax .....	<b>14,851</b>	(93,723)
Net operating profit .....	<b>3,928,898</b>	4,707,416

## Working Capital Management

	<b>For the year ended 31 March</b>	
	<b>2019</b>	2018
Inventories turnover days <sup>(1)</sup> .....	<b>224</b>	232
Trade and bills receivables turnover days <sup>(2)</sup> .....	<b>122</b>	96
Trade payables turnover days <sup>(3)</sup> .....	<b>39</b>	30

### Notes:

- (1) Inventories turnover days are calculated using the average of opening balance and closing balance of inventories for a year divided by cost of sales for the relevant year 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 year divided by revenue for the relevant year and multiplied by 365 days.
- (3) Trade payables turnover days are calculated using the average of opening balance and closing balance of trade payables for a year divided by cost of sales for the relevant year and multiplied by 365 days.

Compared to the year ended 31 March 2018, inventories turnover days decreased for the year ended 31 March 2019 primarily due to continued supply chain improvement within the Group's Sakarta factory. Trade and bills receivables turnover days increased for the year ended 31 March 2019, primarily due to greater sales contribution from third-party retail and wholesale channels for which credit terms are offered. Trade payables turnover days increased for the year ended 31 March 2019.

## Inventories

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

	<b>As at 31 March 2019</b>	As at 31 March 2018
	<i>(In JPY thousands)</i>	
Raw materials .....	<b>2,785,076</b>	2,776,492
Work in progress.....	<b>952,581</b>	818,854
Finished goods .....	<b>4,419,599</b>	3,628,450
Less: provision .....	<b>(579,255)</b>	(416,801)
<b>Total.....</b>	<b><u>7,578,001</u></b>	<b><u>6,806,995</u></b>

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

	<b>As at</b> <b>31 March 2019</b>	As at <u>31 March 2018</u>
	<i>(In JPY thousands)</i>	
Within 1 year.....	<b>4,160,007</b>	3,713,065
1 year to 2 years.....	<b>2,051,945</b>	1,608,077
2 to 3 years .....	<b>611,205</b>	888,229
3 to 4 years .....	<b>420,914</b>	236,740
Over 4 years .....	<b><u>333,931</u></b>	<u>360,884</u>
<b>Total</b> .....	<b><u>7,578,001</u></b>	<u>6,806,995</u>

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 year ended 31 March 2019, 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 at 31 March 2019, the Group had JPY14,674.1 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 in 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 at 31 March 2019.

### **Indebtedness**

As at 31 March 2019, the Group's interest-bearing borrowings amounted to JPY3,800 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 at 31 March 2019 ranged from 0.33% to 0.51%.

### **Gearing Ratio**

The Group's gearing ratio is calculated by dividing (i) interest-bearing bank borrowings by (ii) total equity. As at 31 March 2018 and 31 March 2019, the Group's gearing ratio was 8.9% and 13.0%, respectively.

### **Capital Expenditures**

The Group's capital expenditures for the year ended 31 March 2019 amounted to JPY669.4 million, which was used primarily to purchase plant machinery and equipment, office equipment and leasehold improvement. In the year ended 31 March 2019, the Group financed its capital expenditures primarily with cash generated from operations and net proceeds received from the global offering.

### **Contingent Liabilities**

As at 31 March 2019, the Group did not have any significant contingent liabilities.

### **Material Acquisitions and Future Plans for Major Investment**

During the year ended 31 March 2019, 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 of Hong Kong Limited on 6 October 2016. The net proceeds from the Company's global offering amounted to JPY16,798.4 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<sup>(1)</sup>:

<u>Intended use of proceeds</u>	<u>Percentage of intended use of proceeds</u>	<u>Intended use of proceeds from the global offering</u>	<u>Percentage of used amount as at 31 March 2019</u>	<u>Percentage of unused balance as at 31 March 2019</u>
	(%)	<i>(In JPY millions)</i>	(%)	(%)
Potential strategic acquisitions ..	29.4	4,939	—	29.4
Sales and marketing activities in North America and Europe.	15.1	2,536	14.7	0.4
Sales and marketing activities in home markets of Japan, Korea and China (including Hong Kong and Macau).....	15.1	2,536	15.1	—
Capital expenditures.....	13.0	2,184	7.4	5.6
Repayment of interest-bearing bank borrowings.....	17.3	2,906	17.1	0.2
Providing funding for working capital and other general corporate purposes.....	<u>10.1</u>	<u>1,697</u>	<u>10.1</u>	<u>—</u>
<b>Total.....</b>	<b><u>100.0</u></b>	<b><u>16,798</u></b>	<b><u>64.4</u></b>	<b><u>35.6</u></b>

*Note:*

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

As at 31 March 2019, the unused balance of the proceeds from the global offering of approximately JPY5,976.7 million are currently deposited with creditworthy banks with no recent history of default.

## **Events after the Reporting Period**

### ***Final Dividend***

The Board recommends the payment of a final dividend of JPY1.70 per share, amounting to approximately a total of JPY1,037.5 million for the year ended 31 March 2019 (the “**2018/2019 Final Dividend**”), representing approximately 24.6% of the Group’s distributable profit for the year ended 31 March 2019. The 2018/2019 Final Dividend is subject to the approval of the Company’s shareholders at the forthcoming annual general meeting (the “**AGM**”).

### **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: JPY110.60. No representation is made that any amount in USD and JPY could have been or could be converted at the above rates or at any other rates or at all.

## FINANCIAL INFORMATION

The consolidated annual results of the Group for the year ended 31 March 2019 are as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS YEAR ENDED 31 MARCH 2019

	Notes	Year ended 31 March	
		2019	2018
		JPY'000	JPY'000
<b>REVENUE</b> .....	4	<b>27,770,704</b>	26,296,159
Cost of sales .....	8	<b>(11,713,928)</b>	(10,318,713)
<b>Gross profit</b> .....		<b>16,056,776</b>	15,977,446
Other income and gains .....	4	<b>422,207</b>	50,005
Selling and distribution expenses ....		<b>(9,060,498)</b>	(8,410,223)
Administrative expenses.....		<b>(1,805,750)</b>	(1,522,235)
Other expenses, net.....	5	<b>(96,841)</b>	(837,672)
Finance costs .....	6	<b>(15,056)</b>	(21,872)
Finance income.....	7	<b>103,383</b>	138,816
<b>PROFIT BEFORE TAX</b> .....		<b>5,604,221</b>	5,374,265
Income tax expense.....	9	<b>(1,395,382)</b>	(1,441,054)
<b>PROFIT FOR THE YEAR</b> .....		<b>4,208,839</b>	3,933,211
<b>Attributable to:</b>			
Owners of the parent .....		<b>4,209,367</b>	3,934,291
Non-controlling interests.....		<b>(528)</b>	(1,080)
		<b>4,208,839</b>	3,933,211
<b>Earnings per share attributable to ordinary equity holders of the parent (expressed in JPY per share)</b>	11		
Basic and diluted			
— For profit for the year.....		<b>6.91</b>	6.46

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**YEAR ENDED 31 MARCH 2019**

	<b>Year ended 31 March</b>	
	<b>2019</b>	<b>2018</b>
	<b>JPY'000</b>	<b>JPY'000</b>
PROFIT FOR THE YEAR .....	<b><u>4,208,839</u></b>	<b><u>3,933,211</u></b>
<b>OTHER COMPREHENSIVE INCOME</b>		
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:		
Changes in fair value of available-for-sale investments .....	—	(234)
Income tax effect .....	—	72
	—	(162)
Exchange differences on translation of foreign operations.....	<u>(2,833)</u>	<u>(4,418)</u>
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods .....	<u>(2,833)</u>	<u>(4,580)</u>
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Remeasurement gains on the defined benefit plans .....	<b>14,004</b>	129,214
Income tax effect .....	<u>(3,672)</u>	<u>(38,488)</u>
	<b>10,332</b>	90,726
Loss on equity instruments at fair value through other comprehensive income.....	<b>(5,288)</b>	—
Income tax effect .....	<u>1,642</u>	—
	<b>(3,646)</b>	—
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods.....	<u>6,686</u>	<u>90,726</u>
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX.....</b>	<b><u>3,853</u></b>	<b><u>86,146</u></b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR .....</b>	<b><u>4,212,692</u></b>	<b><u>4,019,357</u></b>
Attributable to:		
Owners of the parent.....	<b>4,213,220</b>	4,020,437
Non-controlling interests .....	<u>(528)</u>	<u>(1,080)</u>
	<b><u>4,212,692</u></b>	<b><u>4,019,357</u></b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2019

		At 31 March	
		2019	2018
		<i>JPY'000</i>	<i>JPY'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment.....	12	2,033,426	1,918,773
Freehold land .....	13	1,940,789	1,940,789
Intangible assets .....		333,423	406,722
Other non-current assets .....		754,445	651,954
Deferred tax assets .....		1,062,790	920,242
Total non-current assets .....		6,124,873	5,838,480
<b>CURRENT ASSETS</b>			
Inventories.....	14	7,578,001	6,806,995
Trade and bills receivables .....	15	9,787,669	8,790,023
Prepayments, deposits and other receivables ....		922,932	602,740
Due from a related party .....		—	7,851
Cash and cash equivalents .....	16	14,674,123	14,147,319
Total current assets.....		32,962,725	30,354,928
<b>CURRENT LIABILITIES</b>			
Trade payables.....	17	1,523,086	997,546
Other payables and accruals.....		1,781,690	1,737,833
Interest-bearing bank borrowings .....	18	3,800,000	2,500,000
Due to a related party.....		7,144	6,656
Income tax payable.....		1,028,470	1,121,239
Total current liabilities .....		8,140,390	6,363,274
<b>NET CURRENT ASSETS</b> .....		24,822,335	23,991,654
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b> .....			
		30,947,208	29,830,134

		<u>At 31 March</u>	
		<u>2019</u>	<u>2018</u>
<i>Notes</i>		<i>JPY'000</i>	<i>JPY'000</i>
<b>NON-CURRENT LIABILITIES</b>			
	Net employee defined benefit liabilities .....	<b>1,297,203</b>	1,275,525
	Deferred tax liabilities .....	<b>388,814</b>	489,218
	Other non-current liabilities .....	<u><b>68,464</b></u>	<u>60,478</u>
	<b>Total non-current liabilities</b> .....	<u><b>1,754,481</b></u>	<u>1,825,221</u>
	<b>NET ASSETS</b> .....	<u><b>29,192,727</b></u>	<u>28,004,913</u>
<b>EQUITY</b>			
<b>Equity attributable to holders of the parent</b>			
	Share capital .....	<b>154</b>	154
	Reserves .....	<u><b>29,238,222</b></u>	<u>28,049,880</u>
		<b>29,238,376</b>	28,050,034
	Non-controlling interests .....	<u><b>(45,649)</b></u>	<u>(45,121)</u>
	<b>Total equity</b> .....	<u><b>29,192,727</b></u>	<u>28,004,913</u>

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**YEAR ENDED 31 MARCH 2019**

	Notes	Year ended 31 March	
		2019	2018
		JPY'000	JPY'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax .....		<b>5,604,221</b>	5,374,265
Adjustments for:			
Provision for impairment of property, plant and equipment .....	12	<b>40,384</b>	—
Write-down of inventories to net realizable value.....	8	<b>162,454</b>	64,373
Impairment of trade receivables.....		<b>129,504</b>	53,909
Net losses on disposal of property, plant and equipment and intangible assets .....	8	<b>52,170</b>	72,622
Depreciation .....	12	<b>340,650</b>	280,873
Amortisation of intangible assets .....		<b>96,814</b>	84,004
Defined benefit plan expenses .....	19	<b>85,545</b>	99,183
Equity-settled share-based payment expenses...	21	<b>30,574</b>	80,261
Foreign exchange (gains)/losses.....		<b>(348,503)</b>	538,810
Finance costs.....	6	<b>15,056</b>	21,872
Finance income.....	7	<b>(103,383)</b>	(138,816)
		<b>6,105,486</b>	6,531,356
Increase in inventories.....		<b>(933,460)</b>	(578,470)
Increase in trade and bills receivables .....		<b>(1,127,150)</b>	(3,746,285)
Increase in prepayments, deposits and other receivables.....		<b>(320,192)</b>	(159,197)
Decrease/(increase) in an amount due from a related party .....		<b>7,851</b>	(343)
(Increase)/decrease in other non-current assets.....		<b>(107,779)</b>	75,566
Increase in trade and bills payables .....		<b>525,540</b>	297,945
Increase in other payables and accruals .....		<b>141,789</b>	312,788
Increase/(decrease) in an amount due to a related party .....		<b>488</b>	(1,147)
Increase/(decrease) in other non-current liabilities .....		<b>7,986</b>	(23,040)
Payment of the defined benefit obligations .....		<b>(48,772)</b>	(349,813)
Contributions in plan assets.....		<b>(1,091)</b>	(1,171)
<b>Cash generated from operating activities.....</b>		<b>4,250,696</b>	2,358,189

	<b>Year ended 31 March</b>	
	<b>2019</b>	2018
	<i>JPY'000</i>	<i>JPY'000</i>
Interest received .....	<b>103,383</b>	135,494
Interest paid .....	<b>(15,056)</b>	(21,872)
Japan income tax paid .....	<b>(93,995)</b>	(227,451)
Overseas income tax paid .....	<b>(1,635,958)</b>	(309,581)
<b>Net cash flows generated from operating activities</b> .....	<b><u>2,609,070</u></b>	<u>1,934,779</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of items of property, plant and equipment and intangible assets .....	<b>(669,397)</b>	(391,944)
Proceeds from disposal of items of property, plant and equipment and intangible assets.....	<u>—</u>	<u>51,350</u>
<b>Net cash flows used in investing activities</b> ....	<b><u>(669,397)</u></b>	<u>(340,594)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from bank borrowings .....	<b>40,800,000</b>	24,588,216
Repayment of bank borrowings.....	<b>(39,500,000)</b>	(22,379,503)
Dividends paid .....	<b>(3,055,452)</b>	(1,823,983)
<b>Net cash flows (used in)/generated from financing activities</b> .....	<b><u>(1,755,452)</u></b>	<u>384,730</u>
<b>Net increase in cash and cash equivalents</b> ...	<b><u>184,221</u></b>	<u>1,978,915</u>
Cash and cash equivalents at the beginning of year .....	<b>14,147,319</b>	12,712,506
Effect of foreign exchange rate changes, net .....	<b><u>342,583</u></b>	<u>(544,102)</u>
<b>Cash and cash equivalents at the end of year</b> .....	<b><u><u>14,674,123</u></u></b>	<u><u>14,147,319</u></u>
<b>Analysis of balances of cash and cash equivalents</b>		
Cash and cash equivalents as stated in the consolidated statement of financial position..	<b><u><u>14,674,123</u></u></b>	<u><u>14,147,319</u></u>

## NOTES TO FINANCIAL STATEMENTS

31 MARCH 2019

### 1. CORPORATE AND GROUP 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, Uglund 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 sale 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 PRESENTATION

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) (which include all International Financial Reporting Standards, International Accounting Standards (“IASs”) and Interpretations) issued by the International Accounting Standards Board (the “IASB”) and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for available-for-sale investments which have been measured at fair value. These financial statements are presented in Japanese Yen (“JPY”) and all values are rounded to the nearest thousand except when otherwise indicated.

#### **Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 March 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained earnings, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i>
Amendments to IFRS 4	<i>Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts</i>
IFRS 9	<i>Financial Instruments</i>
IFRS 15	<i>Revenue from Contracts with Customers</i>
Amendments to IFRS 15	<i>Clarifications to IFRS 15 Revenue from Contracts with Customers</i>
Amendments to IAS 40	<i>Transfers of Investment Property</i>
I(IFRIC)-Int 22	<i>Foreign Currency Transactions and Advance Consideration</i>
<i>Annual Improvements 2014-2016 Cycle</i>	Amendments to IFRS 1 and IAS 28

Except for IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments*, the rest of new and revised IFRSs have no significant impact on the preparation of the Group's financial statements. The nature and the impact of IFRS 15 and IFRS 9 are described below:

### **IFRS 15 *Revenue from Contracts with Customers***

IFRS 15 supersedes IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted IFRS 15 using the modified retrospective method. There was no substantive effect of adopting IFRS 15 except for the followings:

- The comparative information for each of the primary financial statements would be presented based on the requirements of IAS 11, IAS 18 and related Interpretations;
- The Group has disclosed additional information regarding performance obligations, disaggregation of revenue and contract balances for the year ended 31 March 2019 without any comparative information, which would follow the requirements of IAS 11, IAS 18 and related Interpretations; and
- Before the adoption of IFRS 15, the Group recognised consideration received from customers in advance as advances from customers included in other payables and accruals. Under IFRS 15, the amount is classified as contract liabilities which is included in other payables and accruals as well. Therefore, upon adoption of IFRS 15, the Group reclassified JPY152,204,000 from advances from customers to contract liabilities as at 1 April 2018 in relation to the consideration received from customers in advance as at 1 April 2018. As at 31 March 2019, under IFRS 15, JPY202,162,000 was reclassified from advances from customers to contract liabilities in relation to the consideration received from customers in advance for the sale of golf products.

### **IFRS 9 *Financial Instruments***

IFRS 9 *Financial Instruments* replaces IAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group has not restated comparative information for financial instruments in the scope of IFRS 9. Therefore, the comparative information is reported under IAS 39 and is not comparable to the information presented for the year ended 31 March 2019. Differences arising from the adoption of IFRS 9 have been recognised directly in reserves as of 1 April 2018.

### ***Changes to classification and measurement***

As of 1 April 2018, the category of loans and receivables under IAS 39, including cash and cash equivalents, trade and bills receivables, financial assets included in prepayments, deposits and other receivables and an amount due from a related party, were transferred to financial assets at amortised cost under IFRS 9. In addition, the Group has elected the option to irrevocably designate its previous available-for-sale investments as equity investments at fair value through other comprehensive income, which is set out in the following reconciliation:

	<i>Note</i>	<u>IAS 39 measurement</u>		<u>IFRS 9 measurement</u>		
		<b>Category</b>	<b>Amount</b> <i>JPY'000</i>	<b>Re-classification</b> <i>JPY'000</i>	<b>Amount</b> <i>JPY'000</i>	<b>Category</b>
<u>Financial assets</u>						
Equity instruments at fair value through other comprehensive income		N/A		19,554	19,554	FVOCI <sup>1</sup> (equity)
<hr/>						
From: Available-for-sale investments	(i)		19,554	19,554		
<hr/>						
Available-for-sale investments		AFS <sup>2</sup>	19,554	(19,554)		N/A
<hr/>						
To: Equity instruments at fair value through other comprehensive income	(i)			(19,554)		

<sup>1</sup> FVOCI: Financial assets at fair value through other comprehensive income

<sup>2</sup> AFS: Available-for-sale investments

(i) The Group has elected the option to irrevocably designate its previous available-for-sale investments as equity investments at fair value through other comprehensive income.

The classification and measurement for financial liabilities remains largely the same as it was under IAS 39.

### ***Changes to the impairment calculation***

The effect of replacing IAS 39's incurred credit loss calculations with IFRS 9's expected credit losses ("ECLs") is insignificant.

### ***Hedging accounting***

The Group has not involved any hedging accounting and, therefore, is not affected in this regard under IFRS 9.

## 2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 3	<i>Definition of Business</i> <sup>2</sup>
Amendments to IFRS 9	<i>Prepayment Features with Negative Compensation</i> <sup>1</sup>
Amendments to IFRS 10 and IAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>4</sup>
IFRS 16	<i>Leases</i> <sup>1</sup>
IFRS 17	<i>Insurance Contracts</i> <sup>3</sup>
Amendments to IAS 1 and IAS 8	<i>Definition of Material</i> <sup>2</sup>
Amendments to IAS 19	<i>Plan Amendment, Curtailment or Settlement</i> <sup>1</sup>
Amendments to IAS 28	<i>Long-term Interests in Associates and Joint Ventures</i> <sup>1</sup>
I(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i> <sup>1</sup>
<i>Annual Improvements 2015-2017 Cycle</i>	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2020

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>4</sup> No mandatory effective date yet determined but available for adoption

While the adoption of some of the new and revised IFRSs may result in changes in accounting policies, none of these IFRSs is expected to have a significant impact on the Group's results of operations and financial position, except the following:

IFRS 16 replaces IAS 17 Leases, I(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, I(SIC)-Int 15 Operating Leases — Incentives and I(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees — leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from the

accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases. IFRS 16 requires lessees and lessors to make more extensive disclosures than under IAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group expects to adopt IFRS 16 from 1 April 2019. The Group plans to adopt the transitional provisions in IFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 April 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying IAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application. The Group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application. During the year ended 31 March 2019, the Group has performed a detailed assessment on the impact of adoption of IFRS 16. The Group has estimated that the adoption will lead to an approximate 4% increase of assets, an approximate 15% increase of liabilities and an insignificant impact on equity as at 1 April 2019, respectively.

### 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 sale of golf related products and the 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 resource allocation and performance assessment. Accordingly, no further operating segment information is presented.

#### Geographic information

##### (a) Revenue from external customers

	<u>Year ended 31 March</u>	
	<u>2019</u>	<u>2018</u>
	<i>JPY'000</i>	<i>JPY'000</i>
Japan .....	<b>14,369,818</b>	13,640,542
Korea.....	<b>4,919,939</b>	4,240,280
China (including Hong Kong and Macau) .....	<b>3,975,678</b>	4,598,348
North America .....	<b>1,362,855</b>	1,167,873
Europe .....	<b>1,069,485</b>	659,370
Rest of the world .....	<b><u>2,072,929</u></b>	<u>1,989,746</u>
	<b><u>27,770,704</u></b>	<b><u>26,296,159</u></b>

The revenue information above is based on the locations of the customers.

(b) *Non-current assets*

	<b>At 31 March</b>	
	<b>2019</b>	<b>2018</b>
	<i>JPY'000</i>	<i>JPY'000</i>
Japan .....	<b>3,899,858</b>	3,839,628
Other Asia Pacific countries.....	<b>269,018</b>	378,738
North America .....	<b>136,482</b>	43,744
Europe .....	<b>2,280</b>	4,174
	<b><u>4,307,638</u></b>	<b><u>4,266,284</u></b>

The non-current asset information above is based on the locations of the assets and excludes other non-current assets and deferred tax assets.

**Information about major customers**

Revenue of approximately JPY4,535,905,000 was derived from one major customers (2018: JPY7,189,237,000 was derived from two major customers), including sales to a group of entities which are known to be under common control with that 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 year.

An analysis of revenue and other income and gains is as follows:

	<b>Year ended 31 March</b>	
	<b>2019</b>	<b>2018</b>
	<i>JPY'000</i>	<i>JPY'000</i>
<u>Revenue from contracts with customers</u>		
Sale of goods.....	<b>27,679,005</b>	26,154,517
Rendering of services.....	<b>91,699</b>	141,642
Total .....	<b><u>27,770,704</u></b>	<b><u>26,296,159</u></b>

	<b>Year ended 31 March</b>	
	<b>2019</b>	<b>2018</b>
	<i>JPY'000</i>	<i>JPY'000</i>
<u>Other income and gains</u>		
Foreign exchange gains, net.....	<b>336,698</b>	—
Government grants.....	<b>29,293</b>	—
Others.....	<b>56,216</b>	<u>50,005</u>
Total.....	<b><u>422,207</u></b>	<u>50,005</u>

With the adoption of IFRS 15 from 1 April 2018, the disaggregation of the Group's revenue from contracts with customers, including sales of goods above, for the year ended 31 March 2019 is as follows:

	<b>Year ended</b>
	<b>31 March 2019</b>
	<i>JPY'000</i>
<u>Type of goods or service</u>	
Sales of golf related products .....	27,679,005
Rendering of services relating to golf related products.....	<u>91,699</u>
Total revenue from contracts with customers.....	<b><u>27,770,704</u></b>
<u>Timing of revenue recognition</u>	
Goods transferred at a point in time .....	27,679,005
Services transferred over time.....	<u>91,699</u>
Total revenue from contracts with customers.....	<b><u>27,770,704</u></b>

The disaggregation of the Group's revenue based on the geographical region for the year ended 31 March 2019 is included in note 3.

## 5. OTHER EXPENSES, NET

	<b>Year ended 31 March</b>	
	<b>2019</b>	<b>2018</b>
	<i>JPY'000</i>	<i>JPY'000</i>
Employee termination benefits .....	<b>29,700</b>	220,763
Net loss on disposal of items of land and property, plant and equipment .....	<b>52,170</b>	72,622
Foreign exchange losses, net.....	—	524,236
Others .....	<b>14,971</b>	20,051
Total .....	<b><u>96,841</u></b>	<u>837,672</u>

## 6. FINANCE COSTS

An analysis of the Group's finance costs is as follows:

	<b>Year ended 31 March</b>	
	<b>2019</b>	<b>2018</b>
	<i>JPY'000</i>	<i>JPY'000</i>
Interest on bank borrowings .....	<b><u>15,056</u></b>	<u>21,872</u>

## 7. FINANCE INCOME

	<b>Year ended 31 March</b>	
	<b>2019</b>	<b>2018</b>
	<i>JPY'000</i>	<i>JPY'000</i>
Interest income .....	<b>102,791</b>	135,494
Others .....	<b><u>592</u></b>	<u>3,322</u>
Total .....	<b><u>103,383</u></b>	<u>138,816</u>

## 8. PROFIT BEFORE TAX

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

	<i>Notes</i>	<b>Year ended 31 March</b>	
		<b>2019</b>	<b>2018</b>
		<i>JPY'000</i>	<i>JPY'000</i>
Cost of inventories sold .....		<b>11,658,343</b>	10,240,218
Cost of service provided .....		<b>55,585</b>	78,495
Depreciation .....	12	<b>340,650</b>	280,873
Amortisation of intangible assets .....		<b>96,814</b>	84,004
Research and development costs .....		<b>362,284</b>	350,619
Provision for impairment of property, plant and equipment .....	12	<b>40,384</b>	—
Impairment of trade receivables .....	15	<b>129,504</b>	53,909
Minimum lease payments under operating leases .....		<b>1,129,811</b>	1,239,790
Auditors' remuneration.....		<b>81,023</b>	79,784
Employee benefit expense:			
Wages and salaries .....		<b>3,851,786</b>	4,088,596
Pension and social security costs .....		<b>344,291</b>	275,073
Defined benefit plan expenses.....	19	<b>85,545</b>	99,183
Employee benefits.....		<b>521,100</b>	585,842
Other benefits .....		<b>298,887</b>	152,896
Equity-settled share-based payment expenses .	21	<b>30,574</b>	80,261
		<b>5,132,183</b>	5,281,851
Foreign exchange (gains)/losses, net .....	4/5	<b>(336,698)</b>	524,236
Write-down of inventories to net realizable value .....		<b>162,454</b>	64,373
Net losses on disposal of items of land and property, plant and equipment.....	5	<b>52,170</b>	72,622

## 9. INCOME TAX

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.

The Company and the Company's subsidiary incorporated in BVI are not subject to corporate income tax ("CIT") as they do not have a place of business (other than a registered office) or carry on any business in the Cayman Islands and BVI.

The subsidiaries of the Company 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 year (2018: 16.5%).

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 effective statutory tax rates for these taxes were 30.62% for the year (2018: 30.86%).

The subsidiary of the Company registered in the Mainland China is subject to PRC enterprise income tax on the taxable income as reported in its PRC statutory accounts adjusted in accordance with relevant PRC income tax laws based on a statutory rate of 25% (2018: 25%).

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% for the year (2018: 12%).

The subsidiaries incorporated in Taiwan and Thailand are subject to income tax at the rates of 17% and 20% on the assessable profits (2018: 17% and 20%).

The Company's subsidiary incorporated and operating in the United States was subject to federal corporation income tax at a rate of 21% during the year (2018: 30.75%), as well as state tax at approximately 8.84% (2018: 8.28%).

The Company's subsidiary incorporated and operating in the Switzerland was subject to federal corporation income tax at a rate of 8.5% during the year (2018: 8.5%), as well as cantonal and communal tax between 2% and 5% (2018: 2% ~ 5%).

(a) Tax in the statement of profit or loss represents:

	Year ended 31 March	
	2019	2018
	JPY'000	JPY'000
Current income tax — Japan.....	872,722	140,373
Current income tax — Hong Kong.....	606,782	632,544
Current income tax — elsewhere.....	1,480	63,943
Withholding tax on dividend declared.....	156,200	193,416
Deferred tax .....	(241,802)	410,778
	<u>1,395,382</u>	<u>1,441,054</u>

A reconciliation of the tax charge applicable to profit before tax at the statutory rate for Japan to the tax charge at the effective tax rate is as follows:

	<b>Year ended 31 March</b>			
	<b>2019</b>		2018	
	<i>JPY'000</i>	%	<i>JPY'000</i>	%
Profit before tax .....	<b><u>5,604,221</u></b>		<u>5,374,265</u>	
Tax at the statutory tax rate (30.62% for the year ended 31 March 2019, and 30.86% for the year ended 31 March 2018) ....	<b>1,716,012</b>	<b>30.62</b>	1,658,498	30.86
Different tax rates or tax basis for entities outside Japan.....	<b>(554,692)</b>	<b>(9.90)</b>	(440,394)	(8.19)
Expense not deductible .....	<b>21,275</b>	<b>0.38</b>	37,178	0.69
Income not subject to tax.....	<b>(42,956)</b>	<b>(0.77)</b>	(35,665)	(0.66)
Effect of withholding tax on the distributable profits of the Group's subsidiaries in the PRC and Japan .....	<b>87,279</b>	<b>1.56</b>	154,610	2.88
Impact of unrecognised tax losses and temporary differences.....	<b><u>168,464</u></b>	<b><u>3.01</u></b>	<u>66,827</u>	<u>1.24</u>
Tax charge at the Group's effective rate.....	<b><u>1,395,382</u></b>	<b><u>24.90</u></b>	<u>1,441,054</u>	<u>26.82</u>

## 10. DIVIDENDS

	<b>Year ended 31 March</b>	
	<b>2019</b>	2018
	<i>JPY'000</i>	<i>JPY'000</i>
Interim — JPY1.75 (2018: Nil) per ordinary share.....	<b>1,065,838</b>	—
Proposed final — JPY1.70 (2018: JPY3.23) per ordinary share.....	<b>1,037,501</b>	1,967,232
Dividend declared by the Company.....	<b><u>3,055,452</u></b>	<u>1,823,983</u>

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

## 11. 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 year attributable to ordinary equity holders of the parent and weighted average number of ordinary shares in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 March 2019 and 2018 in respect of a dilution as the Group had no potentially ordinary dilutive shares in issue during the years ended 31 March 2019 and 2018.

The following reflects the income and the share data used in the basic earnings per share computation:

	<u>Year ended 31 March</u>	
	<u>2019</u>	<u>2018</u>
	<i>JPY'000</i>	<i>JPY'000</i>
<u>Earnings</u>		
Profit attributable to ordinary equity holders of the parent .....	<u><b>4,209,367</b></u>	<u>3,934,291</u>
	<u>Number of shares</u>	
	<u>2019</u>	<u>2018</u>
	<i>('000)</i>	<i>('000)</i>
<u>Shares</u>		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation .....	<u><b>609,050</b></u>	<u>609,050</u>

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

## 12. PROPERTY, PLANT AND EQUIPMENT

	<u>Building</u> JPY'000	<u>Machinery</u> JPY'000	<u>Leasehold improvement</u> JPY'000	<u>Motor vehicles</u> JPY'000	<u>Equipment, furniture and fitting</u> JPY'000	<u>Construction in progress</u> JPY'000	<u>Total</u> JPY'000
<b>31 March 2019</b>							
Cost:							
At 1 April 2018	6,506,050	1,922,030	1,404,385	62,542	1,390,440	5,634	11,291,081
Additions	64,642	169,026	42,177	1,693	110,901	159,066	547,505
Transfer from construction in progress	—	18,703	—	—	—	(18,703)	—
Disposals	—	—	(247,808)	(18,286)	(86,568)	—	(352,662)
Exchange realignment	—	105	1,217	40	454	143	1,959
At 31 March 2019	<u>6,570,692</u>	<u>2,109,864</u>	<u>1,199,971</u>	<u>45,989</u>	<u>1,415,227</u>	<u>146,140</u>	<u>11,487,883</u>
Accumulated depreciation:							
At 1 April 2018	5,454,654	1,526,645	736,627	47,838	1,100,494	—	8,866,258
Depreciation provided during the year	101,514	72,566	50,349	5,191	111,030	—	340,650
Disposals	—	—	(122,460)	(17,747)	(48,747)	—	(188,954)
Exchange realignment	—	(59)	1,370	3	293	—	1,607
At 31 March 2019	<u>5,556,168</u>	<u>1,599,152</u>	<u>665,886</u>	<u>35,285</u>	<u>1,163,070</u>	<u>—</u>	<u>9,019,561</u>
Accumulated impairment:							
At 1 April 2018	86,314	1,868	315,502	198	102,168	—	506,050
Impairment provided during the year	—	—	39,333	—	1,051	—	40,384
Disposals	—	—	(79,472)	—	(32,066)	—	(111,538)
At 31 March 2019	<u>86,314</u>	<u>1,868</u>	<u>275,363</u>	<u>198</u>	<u>71,153</u>	<u>—</u>	<u>434,896</u>
Net book value:							
At 31 March 2019	<u>928,210</u>	<u>508,844</u>	<u>258,722</u>	<u>10,506</u>	<u>181,004</u>	<u>146,140</u>	<u>2,033,426</u>

	<b>Building</b> JPY'000	<b>Machinery</b> JPY'000	<b>Leasehold improvement</b> JPY'000	<b>Motor vehicles</b> JPY'000	<b>Equipment, furniture and fitting</b> JPY'000	<b>Construction in progress</b> JPY'000	<b>Total</b> JPY'000
<b>31 March 2018</b>							
Cost:							
At 1 April 2017	6,709,694	1,908,470	1,437,309	52,304	1,300,560	1,920	11,410,257
Additions	—	12,338	43,087	10,279	64,883	148,051	278,638
Transfer from construction in progress	66,893	1,617	1,165	—	47,533	(117,208)	—
Disposals	(270,537)	(234)	(75,936)	—	(21,595)	(26,990)	(395,292)
Exchange realignment	—	(161)	(1,240)	(41)	(941)	(139)	(2,522)
At 31 March 2018	<u>6,506,050</u>	<u>1,922,030</u>	<u>1,404,385</u>	<u>62,542</u>	<u>1,390,440</u>	<u>5,634</u>	<u>11,291,081</u>
Accumulated depreciation:							
At 1 April 2017	5,517,587	1,458,523	779,134	44,514	1,016,567	—	8,816,325
Depreciation provided during the year	93,828	68,283	14,504	3,327	100,931	—	280,873
Disposals	(156,761)	(127)	(54,460)	—	(16,216)	—	(227,564)
Exchange realignment	—	(34)	(2,551)	(3)	(788)	—	(3,376)
At 31 March 2018	<u>5,454,654</u>	<u>1,526,645</u>	<u>736,627</u>	<u>47,838</u>	<u>1,100,494</u>	<u>—</u>	<u>8,866,258</u>
Accumulated impairment:							
At 1 April 2017	155,157	1,868	316,717	198	104,547	—	578,487
Disposals	(68,843)	—	(1,215)	—	(2,379)	—	(72,437)
At 31 March 2018	<u>86,314</u>	<u>1,868</u>	<u>315,502</u>	<u>198</u>	<u>102,168</u>	<u>—</u>	<u>506,050</u>
Net book value:							
At 31 March 2018	<u>965,082</u>	<u>393,517</u>	<u>352,256</u>	<u>14,506</u>	<u>187,778</u>	<u>5,634</u>	<u>1,918,773</u>

### 13. FREEHOLD LAND

The carrying amount of the Group's freehold land is analysed as follows:

	<b>Year ended 31 March</b>	
	<b>2019</b>	<b>2018</b>
	<i>JPY'000</i>	<i>JPY'000</i>
Cost:		
As at 1 April.....	<b>1,940,789</b>	1,940,789
Disposal.....	<u>—</u>	<u>—</u>
As at 31 March.....	<b>1,940,789</b>	1,940,789
Impairment:		
As at 1 April.....	—	—
Disposal.....	<u>—</u>	<u>—</u>
As at 31 March.....	<u>—</u>	<u>—</u>
Net book value:		
As at 31 March.....	<u><b>1,940,789</b></u>	<u>1,940,789</u>

The freehold land is owned by Honma Japan which is located in Japan.

### 14. INVENTORIES

	<b>At 31 March</b>	
	<b>2019</b>	<b>2018</b>
	<i>JPY'000</i>	<i>JPY'000</i>
Raw materials.....	<b>2,785,076</b>	2,776,492
Work in progress.....	<b>952,581</b>	818,854
Finished goods.....	<u><b>4,419,599</b></u>	<u>3,628,450</u>
	<b>8,157,256</b>	7,223,796
Less: provision .....	<u><b>(579,255)</b></u>	<u>(416,801)</u>
	<u><b>7,578,001</b></u>	<u>6,806,995</u>

## 15. TRADE AND BILLS RECEIVABLES

	<b>At 31 March</b>	
	<b>2019</b>	2018
	<i>JPY'000</i>	<i>JPY'000</i>
Trade receivables .....	<b>9,822,174</b>	8,502,340
Bills receivable at fair value through other comprehensive income .....	<b>149,528</b>	—
Bills receivable at amortised cost.....	<u>—</u>	<u>342,212</u>
	<b>9,971,702</b>	8,844,552
Less: provision .....	<u>(184,033)</u>	<u>(54,529)</u>
	<b><u>9,787,669</u></b>	<b><u>8,790,023</u></b>

The Group's trading terms with its customers are mainly on credit. The credit period is ranging from 30 to 180 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 aging analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	<b>At 31 March</b>	
	<b>2019</b>	2018
	<i>JPY'000</i>	<i>JPY'000</i>
Within 1 month.....	<b>8,913,637</b>	6,109,132
1 to 3 months .....	<b>578,970</b>	1,334,466
3 to 12 months.....	<b>91,875</b>	939,841
Over 1 year.....	<u>53,659</u>	<u>64,372</u>
	<b><u>9,638,141</u></b>	<b><u>8,447,811</u></b>

The movements in provision for impairment of trade receivables are as follows:

	<b>At 31 March</b>	
	<b>2019</b>	<b>2018</b>
	<i>JPY'000</i>	<i>JPY'000</i>
Opening balance .....	<b>54,529</b>	620
Addition .....	<b>184,033</b>	54,529
Reversal.....	<b>(54,529)</b>	(620)
Ending balance .....	<b><u>184,033</u></b>	<b><u>54,529</u></b>

### **Impairment under IFRS 9 for the year ended 31 March 2019**

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than two years and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

#### *As at 31 March 2019*

	<b>Expected loss rate</b>	<b>Gross carrying amount</b>	<b>Impairment</b>
		<i>JPY'000</i>	<i>JPY'000</i>
General item:			
Current and within 6 month .....	0.59%	9,634,622	56,964
6 to 12 months past due.....	22.62%	78,165	17,682
Over 1 year past due.....	100.00%	<u>109,387</u>	<u>109,387</u>
		<b><u>9,822,174</u></b>	<b><u>184,033</u></b>

### **Impairment under IAS 39 for the year ended 31 March 2018**

Under IAS 39 applicable before 1 April 2018, included in the above provision for impairment of trade receivables was a provision for individually impaired trade receivables of JPY54,529,000 with carrying amounts before provision of JPY54,529,000 as at 31 March 2018.

The aging analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	<b>At 31 March 2018</b>
	<i>JPY'000</i>
Neither past due nor impaired.....	5,077,318
Less than 3 months past due.....	2,977,025
Over 3 months but within 1 year past due.....	329,096
Over 1 year past due.....	<u>64,372</u>
	<u><u>8,447,811</u></u>

Trade receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Group are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

## 16. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	<b>At 31 March</b>	
	<b>2019</b>	2018
	<i>JPY'000</i>	<i>JPY'000</i>
Cash and bank balances .....	<u><b>14,674,123</b></u>	<u>14,147,319</u>
Denominated in JPY .....	<b>3,398,834</b>	2,853,881
Denominated in USD .....	<b>9,160,115</b>	9,949,248
Denominated in HKD.....	<b>638,132</b>	367,710
Denominated in TWD .....	<b>134,366</b>	157,251
Denominated in RMB .....	<b>654,095</b>	448,809
Denominated in other currencies .....	<u><b>688,581</b></u>	<u>370,420</u>
	<u><u><b>14,674,123</b></u></u>	<u><u>14,147,319</u></u>

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between one day and six months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

## 17. TRADE PAYABLES

	<u>At 31 March</u>	
	<u>2019</u>	<u>2018</u>
	<i>JPY'000</i>	<i>JPY'000</i>
Trade payables .....	<u>1,523,086</u>	<u>997,546</u>

The aging of trade payables as at 31 March 2019 and 2018 is as follows:

	<u>At 31 March</u>	
	<u>2019</u>	<u>2018</u>
	<i>JPY'000</i>	<i>JPY'000</i>
Within 3 months .....	1,518,620	988,212
Over 3 months .....	<u>4,466</u>	<u>9,334</u>
	<u>1,523,086</u>	<u>997,546</u>

The trade payables are non-interest-bearing and normally settled on terms of two to four months.

## 18. INTEREST-BEARING BANK BORROWINGS

	<u>At 31 March</u>	
	<u>2019</u>	<u>2018</u>
	<i>JPY'000</i>	<i>JPY'000</i>
Current Bank loans — unsecured .....	<u>3,800,000</u>	<u>2,500,000</u>
Analysed into:		
Bank loans repayable:		
Within one year .....	<u>3,800,000</u>	<u>2,500,000</u>

The Group's bank borrowings bore effective interest rates as follows:

	<b>At 31 March</b>	
	<b>2019</b>	<b>2018</b>
Effective interest rates .....	<u><b>0.33%-0.51%</b></u>	<u><b>0.33%-0.50%</b></u>

At 31 March 2019 and 2018, there were no properties pledged to secure bank borrowings granted to the Group.

## 19. EMPLOYEE DEFINED BENEFIT PLANS

Net employee defined benefit liabilities:

	<b>At 31 March</b>	
	<b>2019</b>	<b>2018</b>
	<i>JPY'000</i>	<i>JPY'000</i>
Retirement benefit plans .....	<u><b>1,297,203</b></u>	<u><b>1,275,525</b></u>

The Group operates funded defined benefit plans for all its qualified employees in Japan and Taiwan. Under the plans, the employees are entitled to retirement benefits on attainment of a retirement age of 60.

The Group's defined benefit plans are post-employment benefit plans, which requires contributions to be made to a separately administered fund. The plans have 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 contributions based on the results of the annual review.

The plans are exposed to interest rate risk, the risk of changes in the life expectancy for pensioners and equity market risk.

Honma Japan partly shifted from defined benefit corporate pension plans to defined contribution pension plans in January 2017.

The most recent actuarial valuations of the plan assets and the present value of the defined benefit obligation were carried out by Mizuho Trust & Banking Co., Ltd. and 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 recognised in the consolidated statement of profit or loss in respect of the plans are as follows:

	<b>At 31 March</b>	
	<b>2019</b>	<b>2018</b>
	<i>JPY'000</i>	<i>JPY'000</i>
Current service cost .....	<b>81,117</b>	92,851
Interest cost .....	<u><b>4,428</b></u>	<u>6,332</u>
Net benefit expenses .....	<u><b>85,545</b></u>	<u>99,183</u>
Recognised in cost of sales .....	<b>29,684</b>	52,245
Recognised in selling and distribution expenses .....	<b>37,821</b>	31,780
Recognised in administrative expenses .....	<u><b>18,040</b></u>	<u>15,158</u>
	<u><b>85,545</b></u>	<u>99,183</u>

The following tables summarise the components of net benefit expenses recognised in the statement of profit or loss and the funded status and amounts recognised in the statement of financial position for the plans:

Changes for the year ended 31 March 2019 in the defined benefit obligation and fair value of plan assets:

	1 April 2018		Sub-total included in profit or loss		Benefits paid		Actuarial changes arising from changes in financial assumptions		Experience adjustments		Sub-total included in other comprehensive income	
	JPY'000	JPY'000	JPY'000	(note 8)	JPY'000	JPY'000	JPY'000	JPY'000	JPY'000	JPY'000	JPY'000	JPY'000
Defined benefit obligation	3,454,031	81,117	12,040	93,157	(101,286)	—	(5,846)	(2,668)	—	(8,514)	—	3,437,388
Fair value of plan assets	(2,178,506)	—	(7,612)	(7,612)	52,514	(5,490)	—	—	—	(5,490)	(1,091)	(2,140,185)
Benefit liability	<u>1,275,525</u>	<u>81,117</u>	<u>4,428</u>	<u>85,545</u>	<u>(48,772)</u>	<u>(5,490)</u>	<u>(5,846)</u>	<u>(2,668)</u>	<u>(14,004)</u>	<u>(1,091)</u>	<u>1,297,203</u>	

Changes for the year ended 31 March 2018 in the defined benefit obligation and fair value of plan assets:

	1 April 2017		Sub-total included in profit or loss		Benefits paid		Actuarial changes arising from changes in financial assumptions		Experience adjustments		Sub-total included in other comprehensive income	
	JPY'000	JPY'000	JPY'000	(note 8)	JPY'000	JPY'000	JPY'000	JPY'000	JPY'000	JPY'000	JPY'000	JPY'000
Defined benefit obligation	4,007,717	92,851	15,528	108,379	(680,059)	—	11,589	6,405	—	17,994	—	3,454,031
Fair value of plan assets	(2,351,177)	—	(9,196)	(9,196)	330,246	(147,208)	—	—	—	(147,208)	(1,171)	(2,178,506)
Benefit liability	<u>1,656,540</u>	<u>92,851</u>	<u>6,332</u>	<u>99,183</u>	<u>(349,813)</u>	<u>(147,208)</u>	<u>11,589</u>	<u>6,405</u>	<u>(129,214)</u>	<u>(1,171)</u>	<u>1,275,525</u>	

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

	<b>At 31 March</b>	
	<b>2019</b>	<b>2018</b>
	<i>JPY'000</i>	<i>JPY'000</i>
Stocks.....	<b>1,099,170</b>	1,102,106
Bonds .....	<b>849,572</b>	884,460
General account of life insurance companies.....	<b>141,439</b>	131,550
Others.....	<b>50,004</b>	60,390
<b>Total .....</b>	<b><u>2,140,185</u></b>	<b><u>2,178,506</u></b>

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

	<b>At 31 March</b>	
	<b>2019</b>	<b>2018</b>
	<i>JPY'000</i>	<i>JPY'000</i>
	<b>Projected Unit</b>	Projected unit
	<b>Credit Method</b>	credit method
Method of allocating projected retirement benefits.....		
Discount rate .....	<b>0.17%</b>	0.34%
Salary increase rate (aged based, on average) .....	<b>1.90%</b>	1.80%
Turnover rate (aged based, on average).....	<b>4.90%</b>	2.20%
Mortality (Mortality Table published by Ministry of Health, Labour and Welfare dated on).....	<b>26 March 2015</b>	26 March 2015

A quantitative sensitivity analysis for the significant assumption is as shown below:

<b>Assumption</b>	<i>Change in assumption</i>	<b>(Increase)/decrease in defined benefit obligations</b>	
		<b>At 31 March</b>	
		<b>2019</b>	<b>2018</b>
		<i>JPY'000</i>	<i>JPY'000</i>
Discount rate .....	Increase by 0.5%	<b>(125,561)</b>	(153,567)
	Decrease by 0.5%	<b>125,561</b>	153,577

The sensitivity analysis above has been determined based on a method that extrapolates the impact on the defined benefit obligations 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 assumptions 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 average durations of the defined benefit plan obligations as at 31 March 2019 and 2018 were 7.4 years and 8.6 years, respectively.

The actuarial valuation showed that the market value of plan assets was JPY2,140,185,000 and JPY2,178,506,000 as at 31 March 2019 and 2018 and represented 63% and 63% of the defined benefit obligations that had accrued to qualified employees. The deficiency of JPY1,297,203,000 and JPY1,275,525,000 as at 31 March 2019 and 2018, are expected to be cleared over the remaining service period.

## 20. SHARE CAPITAL

	<u>At 31 March</u>	
	<u>2019</u>	<u>2018</u>
Issued capital: (As of 31 March 2019: 20,000,000,000 authorised shares of USD0.0000025 each, 609,050,000 ordinary shares in issue; As of 31 March 2018: 20,000,000,000 authorised shares of USD0.0000025 each, 609,050,000 ordinary shares in issue) USD .....	<u>1,523</u>	<u>1,523</u>
Equivalent to JPY .....	<u>154,000</u>	<u>154,000</u>

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 capitalisation 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 an listing expense of JPY678,234,439.

## 21. SHARE-BASED PAYMENT

By a resolution of the board of directors on 20 October 2015 and 31 May 2016, the Group granted 17,554,550 shares represented by RSUs and 952,250 shares represented by 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, 30% after 12 months from the Listing Date and 30% after 24 months from the Listing Date.

During the year ended 31 March 2018, agreed by employees who accepted the grant of the above RSUs, 286,042 shares represented by RSUs were cancelled and the vesting schedule of above RSUs was modified to 40% on the date on which the shares of the Company are listed on The Stock Exchange of Hong Kong Limited, 30% on 30 April 2018 or the date on which the Company publishes its annual result for the fiscal year ending 31 March 2018 (whichever is earlier) and 30% on 30 April 2019 or the date on which the Company publishes its annual result for the fiscal year ending 31 March 2019 (whichever is earlier), which accounted as cancellation and modification of share-based payment.

During the year ended 31 March 2018, the Group granted 318,396 shares represented by RSUs, which has been approved by the board of directors, 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 50% on 30 April 2018 or the date on which the Company publishes its annual result for the fiscal year ending 31 March 2018 (whichever is earlier) and 50% on 30 April 2019 or the date on which the Company publishes its annual result for the fiscal year ending 31 March 2019 (whichever is earlier).

During the year ended 31 March 2019, agreed by employees who accepted the grant of the above RSUs, 381,030 shares represented by RSUs were cancelled.

The following RSUs were outstanding during the year:

	<b>At 31 March</b>	
	<b>2019</b>	2018
	<i>Shares represented by RSUs</i>	<i>Shares represented by RSUs</i>
At the beginning of the year.....	<b>9,347,488</b>	10,303,410
Granted during the year.....	—	318,396
Forfeited during the year.....	<b>(373,542)</b>	(988,276)
Cancelled during the year.....	<b>(381,030)</b>	(286,042)
Exercised during the year.....	<b>(4,380,308)</b>	—
At the end of the year.....	<b><u>4,212,608</u></b>	<u>9,347,488</u>

The Group recognised RSU expenses of JPY30,574,000 during the year ended 31 March 2019 (2018: JPY80,261,000).

## 22. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities are as follows:

	<b>Interest-bearing bank borrowings</b>	<b>Dividend payable included in other payables</b>
	<i>JPY'000</i>	<i>JPY'000</i>
At 1 April 2017 .....	291,287	—
Changes from financing cash flows .....	2,208,713	(1,823,983)
Final dividend payable .....	<u>—</u>	<u>1,823,983</u>
At 31 March 2018 .....	2,500,000	—
Changes from financing cash flows .....	1,300,000	(3,055,452)
Final dividend payable .....	<u>—</u>	<u>3,055,452</u>
At 31 March 2019 .....	<u><u>3,800,000</u></u>	<u><u>—</u></u>

## **OTHER INFORMATION**

### **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

During the year ended 31 March 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

### **FINAL DIVIDEND**

The Board recommends the payment of the 2018/2019 Final Dividend of JPY1.70 per share for the year ended 31 March 2019, amounting to approximately a total of JPY1,037.5 million, representing approximately 24.6% of the Group's distributable profit for the year ended 31 March 2019, which is subject to the approval of the Company's shareholders at the forthcoming AGM. Together with the interim dividend of JPY1.75 per share paid on 12 December 2018, total dividends for the year ended 31 March 2019 will amount to JPY3.45 per share and the total dividend payout will amount to JPY2,103.3 million, representing approximately 50% of the Group's distributable profit for the year ended 31 March 2019.

The 2018/2019 Final Dividend will be declared in Japanese Yen and paid in Hong Kong dollars, the exchange rate of which will be calculated based on the rate of exchange as quoted to the Company by The Hongkong and Shanghai Banking Corporation Limited at its middle rate of exchange as at the record date for determining such dividend entitlement.

The 2018/2019 Final Dividend, if approved by the Company's shareholders at the forthcoming AGM, will be paid on Friday, 4 October 2019 to the shareholders of the Company whose names appear on the register of members of the Company as at Wednesday, 18 September 2019.

The distribution of the 2018/2019 Final Dividend will not be subject to withholding tax under the Cayman Islands laws.

### **CLOSURE OF REGISTER OF MEMBERS**

For determining entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 9 September 2019 to Thursday, 12 September 2019, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, investors are required to lodge all transfer documents accompanied by the relevant share certificates with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Friday, 6 September 2019 (Hong Kong time).

Subject to the approval of the declaration of 2018/2019 Final Dividend at the forthcoming AGM, the register of members of the Company will also be closed on Wednesday, 18 September 2019 during which day no transfer of shares will be registered. In order to be qualified for the proposed final dividend, investors are required to lodge all transfer documents accompanied by the relevant share certificates with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 17 September 2019 (Hong Kong time).

## **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**").

Throughout the year ended 31 March 2019, the Company has complied with all code provisions as set out in the CG Code save for the deviations from code provisions A.1.1 and A.2.1.

Code provision A.1.1 requires the holding of regular Board meetings for at least four times a year. During the year, the Board held two regular meetings to approve the annual results for the year ended 31 March 2018 and the interim results for the six months ended 30 September 2018. The Company has not held regular quarterly board meetings as the Company does not announce its results quarterly.

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 for Securities Transactions by Directors of Listed Issuers (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 of the Company (the “**Directors**”), all of them have confirmed that they had complied with the Model Code and the Company’s own code regarding directors’ securities transactions throughout the year ended 31 March 2019.

### **AUDIT COMMITTEE**

The Company has established the Audit Committee with written terms of reference in compliance with the CG Code. As at the date of this announcement, 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 annual results of the Group for the year ended 31 March 2019. The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes for the year ended 31 March 2019 as set out in this announcement have been agreed by the Group’s auditor, Ernst & Young, to the amounts set out in the Group’s consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Ernst & Young on this announcement.

## **PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT**

This annual results announcement is published on the website of Hong Kong Exchanges and Clearing Limited (“**HKEX**”) (www.hkexnews.hk) and that of the Company (www.honma.hk). The annual report will be dispatched to the shareholders of the Company and will be available on the website of HKEX and that of the Company in due course.

For and on behalf of the Board  
**Honma Golf Limited**  
本間高爾夫有限公司  
**Liu Jianguo**  
*Chairman*

27 May 2019

*As at the date of this announcement, the Board comprises Mr. Liu Jianguo, Mr. Ito Yasuki, Mr. Murai Yuji and Mr. Zuo Jun as executive Directors; Mr. Yang Xiaoping and Mr. Ho Ping-hsien, Robert as non-executive Directors; and Mr. Lu Pochin Christopher, Mr. Wang Jianguo and Mr. Xu Hui as independent non-executive Directors.*