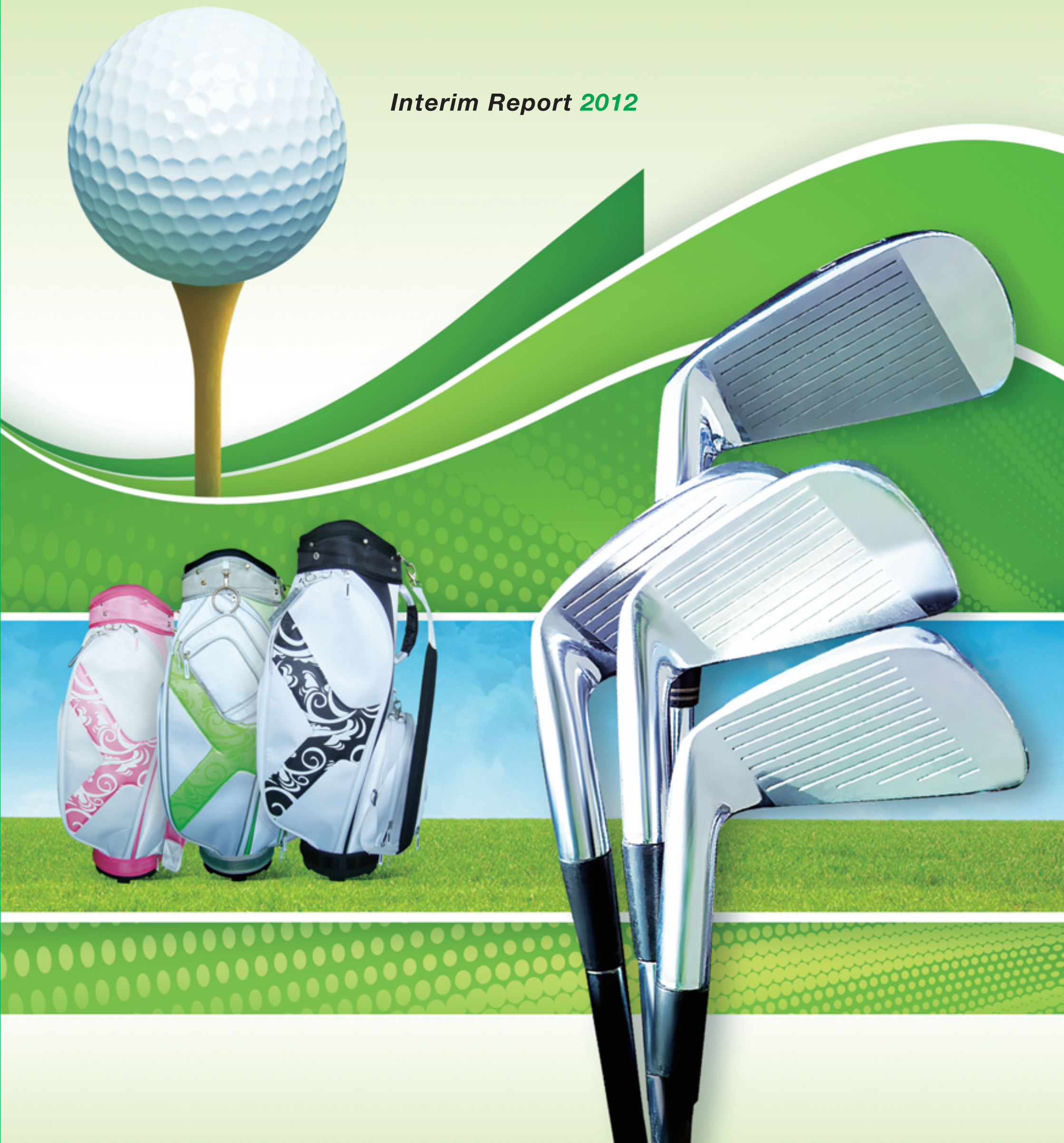
Sino Golf Holdings Limited
順龍控股有限公司

(Incorporated in Bermuda with limited liability)

Stock Code: 00361

Interim Report 2012



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CORPORATE INFORMATION

BOARD OF DIRECTORS

CHAIRMAN AND EXECUTIVE DIRECTOR

Mr. CHU Chun Man, Augustine

EXECUTIVE DIRECTORS

Mr. CHU Yuk Man, Simon
Mr. CHANG Hua Jung

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHOY Tak Ho
Ms. CHIU Lai Kuen, Susanna
Mr. HSIEH Ying Min

AUDIT COMMITTEE

Ms. CHIU Lai Kuen, Susanna
(Committee Chairman)
Mr. CHOY Tak Ho
Mr. HSIEH Ying Min

REMUNERATION COMMITTEE

Mr. HSIEH Ying Min *(Committee Chairman)*
Mr. CHOY Tak Ho
Ms. CHIU Lai Kuen, Susanna
Mr. CHU Chun Man, Augustine
Mr. CHU Yuk Man, Simon

NOMINATION COMMITTEE

Mr. CHU Chun Man, Augustine
(Committee Chairman)
Mr. CHU Yuk Man, Simon
Mr. CHOY Tak Ho
Ms. CHIU Lai Kuen, Susanna
Mr. HSIEH Ying Min

COMPANY SECRETARY

Mr. CO Man Kwong

AUTHORISED REPRESENTATIVES

Mr. CHU Chun Man, Augustine
Mr. CHU Yuk Man, Simon

PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited
Standard Chartered Bank (Hong Kong) Limited

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road, Pembroke HM 08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
26th Floor, Tesbury Centre
28 Queen's Road East, Wanchai
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton, HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1901, 19th Floor,
Delta House, 3 On Yiu Street
Shatin, New Territories
Hong Kong

TICKER SYMBOL

Listed on The Stock Exchange of
Hong Kong Limited
under the Share ticker number 00361

WEBSITE

http://www.sinogolf.com

FINANCIAL HIGHLIGHTS

Results	For the six months ended 30 June		
	2012	2011	Changes
	HK$'000	*HK$'000*	*Increase/*
	(unaudited)	(unaudited)	*(Decrease)*
Group turnover	**157,173**	140,144	12.2%
from golf equipment segment	**142,057**	113,364	25.3%
from golf bag segment	**15,116**	26,780	(43.6%)
Gross Profit	**28,857**	31,930	(9.6%)
EBITDA	**16,594**	17,490	(5.1%)
Profit attributable to owners of the Company	**2,570**	2,553	0.7%
	HK cents	*HK cents*	
Earnings per share attributable to owners of the Company			
– Basic	**0.56**	0.84	
– Diluted	**0.56**	0.83	
Interim dividend per ordinary share	**–**	–	

Group

- Despite a volatile global economy, the Group has recorded a rebound in revenues during the first half of 2012 compared to the corresponding period in 2011.
- The average gross profit margin decreased to 18.4%, down from 22.8% for the comparative preceding period as a result of the escalation in manufacturing costs and the effect of sales promotion program.
- EBITDA declined to HK$16.6 million from HK$17.5 million for the comparative preceding period, mainly due to a reduction in the average gross profit margin.

FINANCIAL HIGHLIGHTS *(Continued)*

Golf Equipment Segment

- The golf equipment sales rebounded by 25.3% during the period as major customers generally resumed for more active purchases as supplemented by our launch of sales promotion program.

Golf Bag Segment

- Total sales of the golf bag segment decreased, period on period, by 17.5% mainly due to the shrinkage in sales of the Japan line of products. Alternatively, the Group's turnover attributable to the golf bag segment, which represented golf bags and accessories sales to external customers, decreased by 43.6% after elimination of the inter-segmental sales of HK$11,193,000 (2011: HK$5,122,000), sales of which were included as components of the golf club sets and classified to constitute the turnover of the golf equipment segment.

INTERIM RESULTS

The board of directors (the "Board") of Sino Golf Holdings Limited (the "Company") hereby announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2012 which have been reviewed by the Company's audit committee, together with the comparative figures for the six months ended 30 June 2011 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

	Notes	Six months ended 30 June 2012 HK$'000 (Unaudited)	2011 HK$'000 (Unaudited)
Turnover	4	**157,173**	140,144
Cost of sales		**(128,316)**	(108,214)
Gross profit		**28,857**	31,930
Other operating income	6	**1,536**	1,961
Selling and distribution costs		**(1,380)**	(3,722)
Administrative expenses		**(21,637)**	(22,151)
Finance costs	7	**(4,710)**	(5,347)
Profit before taxation		**2,666**	2,671
Income tax expense	8	**(110)**	(132)
Profit for the period	9	**2,556**	2,539
Other comprehensive income			
Income tax relating to revaluation of leasehold land and buildings		**37**	–
Total comprehensive income for the period		**2,593**	2,539
Profit for the period attributable to:			
Owners of the Company		**2,570**	2,553
Non-controlling interests		**(14)**	(14)
		2,556	2,539
Total comprehensive income for the period attributable to:			
Owners of the Company		**2,607**	2,553
Non-controlling interests		**(14)**	(14)
		2,593	2,539
Earnings per share	11		
Basic		**HK0.56 cents**	HK0.84 cents
Diluted		**HK0.56 cents**	HK0.83 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2012

	Notes	**30.6.2012 HK$'000 (Unaudited)**	31.12.2011 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment	12	**206,259**	225,205
Prepaid lease payments		**10,320**	12,845
Goodwill		**14,820**	14,820
Club debentures		**2,135**	2,135
Deposits and other receivables		**976**	877
Prepayments for the acquisition of property, plant and equipment		**713**	762
		235,223	256,644
Current assets			
Inventories		**147,753**	161,906
Trade and other receivables	13	**70,337**	66,831
Prepaid lease payments		**350**	416
Bank balances and cash		**23,231**	39,074
		241,671	268,227
Assets classified as held for sale	14	**21,612**	7,396
		263,283	275,623
Current liabilities			
Trade and other payables	15	**65,990**	48,386
Amounts due to non-controlling shareholders of a subsidiary	16	**462**	462
Income tax payable		**280**	170
Bank borrowings	17	**83,711**	121,626
Obligations under finance leases		**667**	653
Loan from ultimate holding company	18	**–**	11,524
Loan from immediate holding company	18	**21,942**	–
		173,052	182,821
Net current assets		**90,231**	92,802
Total assets less current liabilities		**325,454**	349,446
Non-current liabilities			
Bank borrowings	17	**5,889**	8,422
Loan from immediate holding company	18	**–**	23,678
Deferred taxation		**2,453**	2,490
Obligations under finance leases		**1,424**	1,761
		9,766	36,351
		315,688	313,095
Capital and reserves			
Share capital	19	**46,005**	46,005
Reserves		**267,259**	264,652
Equity attributable to owners of the Company		**313,264**	310,657
Non-controlling interests		**2,424**	2,438
Total equity		**315,688**	313,095

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

	Attributable to owners of the Company												
	Share capital	Share premium	Other reserve	Contributed surplus	Legal reserve	Assets revaluation reserve	Statutory surplus reserve	Exchange fluctuation reserve	Share options reserve	Retained profits	Total	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
			(Note i)	*(Note ii)*	*(Note iii)*		*(Note iv)*						
At 1 January 2011 (audited)	30,220	57,270	2,966	10,564	48	26,329	17	35,914	463	97,142	260,933	2,467	263,400
Total comprehensive income (expenses) for the period, net of tax	–	–	–	–	–	–	–	–	–	2,553	2,553	(14)	2,539
Issue of shares upon exercise of shares options	150	559	–	–	–	–	–	–	(154)	–	555	–	555
Deemed contribution by immediate holding company arising from non-interest bearing loan	–	–	1,314	–	–	–	–		–	–	1,314	–	1,314
At 30 June 2011 (unaudited)	30,370	57,829	4,280	10,564	48	26,329	17	35,914	309	99,695	265,355	2,453	267,808
At 1 January 2012 (audited)	46,005	102,385	4,281	10,564	48	25,534	17	40,923	–	80,900	310,657	2,438	313,095
Total comprehensive income (expenses) for the period, net of tax	–	–	–	–	–	37	–	–	–	2,570	2,607	(14)	2,593
At 30 June 2012 (unaudited)	46,005	102,385	4,281	10,564	48	25,571	17	40,923	–	83,470	313,264	2,424	315,688

Note i: The other reserve represents the capital contribution from the Company's immediate holding company in the form of a non-interest bearing loan. The amounts are arrived at by discounting the nominal value of the non-interest bearing loan to the Group at an effective interest rate of 5.22% per annum.

Note ii: The Group's contributed surplus represents the difference between the nominal value of the shares and the share premium account of the subsidiaries acquired over the nominal value of the Company's shares issued in exchange therefor.

Note iii: In accordance with the Macau Commercial Code, the Company's subsidiary incorporated in Macau is required to appropriate 25% of its net profit to a legal reserve until the balance of the reserve reaches 50% of its respective company's registered capital. The legal reserve is not distributable to shareholders.

Note iv: As stipulated by regulations in the People's Republic of China (the "PRC"), certain subsidiaries in the PRC are required to appropriate 10% of their after-tax profit to a statutory surplus reserve fund until the balance of the fund reaches 50% of its registered capital and thereafter any further appropriation is optional. The statutory surplus reserve fund can be utilised to offset prior year losses, or for conversion into registered capital on the condition that the statutory surplus reserve fund shall be maintained at a minimum of 25% of the registered capital after such utilisation.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2012

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Net cash from operating activities	**45,667**	8,498
Net cash used in investing activities	**(2,768)**	(4,067)
Net cash (used in) from financing activities	**(58,678)**	1,471
Net (decrease) increase in cash and cash equivalents	**(15,779)**	5,902
Cash and cash equivalents at 1 January	**37,954**	42,273
Cash and cash equivalents at 30 June	**22,175**	48,175
Analysis of cash and cash equivalents, represented by,		
Bank balances and cash	**23,231**	49,166
Short-term time deposits with original maturity of less than three months	**(61)**	–
Bank overdraft	**(995)**	(998)
Bank balances and cash included in assets classified as held for sale	**–**	7
	22,175	48,175

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2012

1. GENERAL

Sino Golf Holdings Limited (the "Company") was incorporated as an exempted company with limited liability in Bermuda under the Bermuda Companies Act. The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). In the opinion of the directors of the Company, the immediate holding company of the Company is CM Investment Company Limited, which is incorporated in the British Virgin Islands ("BVI") and the ultimate holding company is A & S Company Limited, which is also incorporated in the BVI.

The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to the interim report.

The functional currency of the Company and its subsidiaries (collectively referred to as the Group) is United States dollars ("US$") and for those subsidiaries established in the People's Republic of China (the "PRC") is Renminbi ("RMB"). The condensed consolidated interim financial statements are presented in Hong Kong dollars ("HK$") for the convenience of users of the condensed consolidated interim financial statements as the Company is a listed company in Hong Kong.

The principal activities of the Group are the manufacture and trading of golf equipment, golf bags and accessories.

2. BASIS OF PREPARATION

The condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial statements have been prepared on the historical cost basis, except for certain leasehold land and buildings and financial instruments, which are measured at fair values, as appropriate.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated interim financial statements for the six months ended 30 June 2012 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standard ("HKFRSs") issued by the HKICPA.

Amendments to HKFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated interim financial statements and/or disclosures set out in these condensed consolidated interim financial statements.

The Group has not early adopted any other standards, interpretations or amendments that have been issued but are not yet effective.

The following amendments to standards have been issued after the date the consolidated financial statements for the year ended 31 December 2011 were authorised for issurance and are not yet effective.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle[1]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]

[1] Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the impact of these new and revised standards, amendments or interpretations upon initial application. So far, these standards, amendments or interpretations are unlikely to have a significant impact on the Group's results of operations and financial position.

4. TURNOVER

Turnover represents the net amounts received and receivable for goods sold to outside customers, less discounts, returns and sales related taxes.

5. SEGMENT INFORMATION

Information reported to the chief operating decision maker, for the purpose of resource allocation and assessment of segment performance, focuses on types of goods delivered.

Specifically, the Group organises its operations into two reportable segments as follows:

Golf equipment	–	The manufacture and trading of golf equipment, and related components and parts.
Golf bags	–	The manufacture and trading of golf bags, other accessories, and other related components and parts.

Information regarding the above segments is reported below.

(a) Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segments.

	For the six months ended 30 June							
	Golf equipment		Golf bags		Eliminations		Consolidated	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)
Segment revenue								
Sales to external customers	**142,057**	113,364	**15,116**	26,780	**–**	–	**157,173**	140,144
Inter-segment revenue	**–**	–	**11,193**	5,122	**(11,193)**	(5,122)	**–**	–
Other operating income	**1,165**	1,543	**177**	385	**–**	–	**1,342**	1,928
Total	**143,222**	114,907	**26,486**	32,287	**(11,193)**	(5,122)	**158,515**	142,072
Segment results	**8,652**	8,118	**883**	2,935	**–**	–	**9,535**	11,053
Interest income							**194**	33
Unallocated corporate expenses							**(2,353)**	(3,068)
Finance costs							**(4,710)**	(5,347)
Profit before taxation							**2,666**	2,671

5. SEGMENT INFORMATION *(Continued)*

Segment results represents the results of each segment without allocation of interest income, central administration costs, directors' salaries and finance costs. This is the measure reported to the chief operating decision maker of the Group for the purposes of resource allocation and assessment of segment performance.

Inter-segment sales are charged with reference to market price.

(b) Segment assets

The following is an analysis of the Group's assets by reportable segments:

	Golf equipment		Golf bags		Consolidated	
	30.6.2012	31.12.2011	**30.6.2012**	31.12.2011	**30.6.2012**	31.12.2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(audited)	**(unaudited)**	(audited)	**(unaudited)**	(audited)
Segment assets	**428,687**	456,976	**21,995**	25,537	**450,682**	482,513
Unallocated corporate assets						
– Assets classified as held for sale					**21,612**	7,396
– Club debentures					**2,135**	2,135
– Bank balances and cash					**23,231**	39,074
– Others					**846**	1,149
Total assets					**498,506**	532,267

For the purposes of monitoring segment performance and allocating resources between segments, all assets are allocated to reportable segments other than assets classified as held for sale, club debentures, bank balances and cash and certain other receivables. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments.

6. OTHER OPERATING INCOME

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest income	**194**	33
Sale of scrap materials	**85**	34
Subcontracting income	**269**	703
Sundry income	**551**	994
Tooling income	**309**	197
Foreign exchange gain, net	**128**	–
	1,536	1,961

7. FINANCE COSTS

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Factoring and bank charges	**1,192**	963
Interest expenses on:		
– bank overdraft	**23**	23
– bank borrowings wholly repayable within five years	**2,789**	3,703
– obligations under finance leases	**49**	–
Imputed interest on loan from immediate holding company	**657**	658
	4,710	5,347

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current tax		
– Hong Kong Profits Tax	**110**	169
Deferred taxation	**–**	(37)
	110	132

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the six months ended 30 June 2012 and 2011.

Under the Law of the People's Republic of China ("PRC") on Enterprise Income Tax ("EIT") and Implementation Regulation of the EIT Law, the tax rate of certain subsidiaries of the Company is 25% for the six months ended 30 June 2012 and 2011.

In accordance with the tax legislations applicable to foreign investment enterprise, various subsidiaries are entitled to exemption from the PRC EIT in the first two years starting from the first profit-making year of operation and thereafter, entitled to a 50% relief from the PRC EIT for the following three years.

Certain PRC subsidiaries were either in loss-making position for the current period and the previous years or had sufficient tax losses brought forward from previous years to offset the estimated assessable income for the period and accordingly did not have any assessable income.

9. PROFIT FOR THE PERIOD

Profit for the period is arrived at after charging:

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Amortisation of prepaid lease payments	**213**	316
Bad debts directly written off	**–**	59
Cost of inventories sold	**128,316**	108,214
Depreciation of property, plant and equipment	**9,697**	10,118
Impairment loss recognised in respect of trade receivables	**–**	30
Loss on disposal of property, plant and equipment	**322**	370
Research and development costs	**–**	220

10. DIVIDENDS

No dividends were paid, declared or proposed during or subsequent to the six months ended 30 June 2012 (six months ended 30 June 2011: nil).

11. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purposes of basic and diluted earnings per share	**2,570**	2,553

	Six months ended 30 June	
	2012	2011
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**460,050**	303,533
Effect of dilutive potential on ordinary share from share options	**–**	3,000
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**460,050**	306,533

The weighted average number of ordinary shares for the period from 1 January 2011 to 30 June 2011 has been adjusted for the rights issue on 21 November 2011.

12. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2012, the Group incurred approximately HK$2,648,000 (2011: HK$5,096,000) on the acquisition of property, plant and equipment.

Assets with a net carrying value of HK$430,000 were disposed of by the Group during the six months ended 30 June 2012 (2011: HK$635,000), resulting in a net loss on disposal of HK$322,000 (2011: loss of HK$370,000).

13. TRADE AND OTHER RECEIVABLES

	30.6.2012 HK$'000 (Unaudited)	31.12.2011 HK$'000 (Audited)
Trade receivables	**24,620**	18,685
Less: impairment losses recognised	**(60)**	(65)
	24,560	18,620
Prepayments	**2,497**	3,644
Deposits and other receivables	**43,280**	44,567
	45,777	48,211
	70,337	66,831

(a) The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally between 30 and 60 days. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management.

(b) The aging analysis of the trade receivables (net of impairment) presented based on the invoice dates at the end of the reporting period of the Group was as follows:

	30.6.2012 HK$'000 (Unaudited)	31.12.2011 HK$'000 (Audited)
0 to 30 days	**15,368**	13,407
31 to 90 days	**8,853**	4,823
91 to 180 days	**295**	380
181 to 365 days	**44**	10
	24,560	18,620

14. ASSETS CLASSIFIED AS HELD FOR SALE

	Disposal of assets	
	30.6.2012	31.12.2011
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Assets classified as held for sale		
Property, plant and equipment	**15,195**	3,729
Prepaid lease payments	**6,417**	3,667
	21,612	7,396

Notes:

(a) On 11 June 2010, the Group entered into an agreement with the local PRC government for reclaim of certain land and buildings in the PRC of a subsidiary, Linyi CTB Sports Goods Manufacturing Co., Ltd. At 30 June 2012, the transaction was still not yet completed. The transaction is expected to be completed in 2012. The carrying values of property, plant and equipment and prepaid lease payments are approximately HK$3,729,000 and HK$3,667,000 respectively.

The net proceeds of the disposal exceeded the carrying amount of the relevant assets at 30 June 2012 and accordingly, no impairment loss has been recognised.

(b) On 9 March 2012, the Group entered into an agreement with an independent third party to dispose of the land and factories located in PRC of a subsidiary, Guangzhou Sino Concept Golf Manufacturing Co., Ltd. At 30 June 2012, the transaction was still not yet completed. The transaction is expected to be completed by the third quarter of 2012. The carrying values of property, plant and equipment and prepaid lease payments are approximately HK$11,466,000 and HK$2,750,000 respectively.

The net proceeds of the disposal exceeded the carrying amount of the relevant assets at 30 June 2012 and accordingly, no impairment loss has been recognised.

15. TRADE AND OTHER PAYABLES

	30.6.2012	31.12.2011
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade and bills payables	**31,872**	36,772
Accrual, deposits and other payables	**34,118**	11,614
	65,990	48,386

The aging analysis of trade and bills payables presented based on invoice dates at the end of the reporting period of the Group was as follows:

	30.6.2012	31.12.2011
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 to 90 days	**23,338**	26,372
91 to 180 days	**5,948**	6,143
181 to 365 days	**1,386**	523
over 365 days	**1,200**	3,734
	31,872	36,772

16. AMOUNTS DUE TO NON-CONTROLLING SHAREHOLDERS OF A SUBSIDIARY

The amounts due to non-controlling shareholders of a subsidiary are unsecured, non-interest bearing and repayable on demand.

17. BANK BORROWINGS

	30.6.2012	31.12.2011
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
Term loans, secured	**48,841**	81,768
Term loans, unsecured	**15,956**	18,489
Trust receipts and packing loans, unsecured	**23,808**	28,732
Bank overdraft, unsecured	**995**	1,059
	89,600	130,048
Analysed for reporting purposes as:		
Current liabilities	**83,711**	121,626
Non-current liabilities	**5,889**	8,422
	89,600	130,048

18. LOAN FROM ULTIMATE/IMMEDIATE HOLDING COMPANY

The loan from ultimate holding company is unsecured, non-interest bearing and repayable on demand.

The loan from immediate holding company is unsecured, non-interest bearing and repayable on or before 31 March 2013. During the six months ended 30 June 2011, the Group and the immediate holding company entered into a supplementary agreement in which the loan was extended to 31 March 2013. The effective interest rate of the loan from immediate holding company is 5.22% per annum.

19. SHARE CAPITAL

	30.6.2012		31.12.2011	
	No. of shares		*No. of shares*	
	'000	***HK$'000***	*'000*	*HK$'000*
		(Unaudited)		(Audited)
Authorised:				
1,000,000,000 ordinary shares of HK$0.10 each	**1,000,000**	**100,000**	1,000,000	100,000
Issued and fully paid:				
At 1 January 2012/1 January 2011	**460,050**	**46,005**	302,200	30,220
Exercise of share options	**–**	**–**	4,500	450
Issue of shares upon right issue	**–**	**–**	153,350	15,335
At 30 June 2012/31 December 2011	**460,050**	**46,005**	460,050	46,005

20. COMMITMENT UNDER OPERATING LEASE

The Group leases certain of its office properties, production plants and staff quarters under operating lease arrangements. Leases are negotiated for a term ranging from one to ten years. The Group does not have option to purchase the leased asset at the expiry of the lease period.

At the end of the reporting period, the Group had commitments for minimum future lease payments under non-cancellable operating leases which are payable as follows:

	30.6.2012 ***HK$'000*** **(Unaudited)**	31.12.2011 *HK$'000* (Audited)
Within one year	**3,804**	3,226
In the second to fifth years, inclusive	**468**	1,079
	4,272	4,305

21. CAPITAL COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	30.6.2012 ***HK$'000*** **(Unaudited)**	31.12.2011 *HK$'000* (Audited)
Contracted, but not provided for:		
Leasehold land and buildings	**1,479**	1,763
Plant and machinery	**75**	835
	1,554	2,598

22. CONTINGENT LIABILITY

At 30 June 2012, a subsidiary has been named as defendant in a High Court action since a writ was issued against it in April 2011 and it was claimed for an amount of approximately HK$1,546,000. The subsidiary has filed a full defence to this writ. In the opinion of the directors of the Company, no provision for any potential liability has been made in the condensed consolidated interim financial statements as the Group has pleaded reasonable chance of success in the defence.

23. RELATED PARTY TRANSACTIONS

(a) In addition to the balances detailed in the condensed consolidated interim financial statements and Notes 16 and 18, respectively, the Group entered into the following significant transactions with related parties during the period:

		Six months ended 30 June	
		2012	2011
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Rental expenses paid to Progolf Manufacturing Company Limited ("Progolf")	*(i)*	**420**	420
Rental expenses paid to Yuru Holdings Limited ("Yuru Holdings")	*(ii)*	**300**	300

Notes:

(i) Mr. Chu Chun Man, Augustine, a director of the Company, has beneficial interests in Progolf. The rental expenses were determined at rates agreed between the Group and Progolf.

(ii) Mr. Chu Yuk Man, Simon, a director of the Company, has beneficial interests in Yuru Holdings. The rental expenses were determined at rates agreed between the Group and Yuru Holdings.

(b) Key management compensation

During the period, the emoluments of directors and other members of key management were HK$3,113,000 (HK$3,397,000 for the six months ended 30 June 2011).

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

The economic environment remained volatile during the first half of 2012 to make business more competitive with uncertainties. During the period, the Group managed to achieve some recovery in the golf equipment sales but sustained a downturn in the sales volume for the golf bag segment nevertheless. Overall, the Group's turnover for the period increased by 12.2% compared with the corresponding period in 2011. Given the persistent economic uncertainties, the majority of the market participants continued to pursue prudent business practices so as to mitigate potential risks in a fluctuating global economy. It is anticipated that the business sentiment would not change materially during the second half of the year.

The Group's turnover for the six months ended 30 June 2012 rebounded, period on period, by 12.2% to HK$157,173,000 (2011: HK$140,144,000). To uphold our competitive edge, the Group strengthened and reinforced the cost rationalization measures to help lessen the impact of cost hikes on margin erosion. The strong customer base and the enhanced manufacturing capability have supported our Group to combat various challenges and perform reasonably at times of economic depression. Driven by our mission to provide one-stop premium services to customers, the Group has persisted in product innovation and customers' fulfillment to assure we are moving consistently towards the corporate goal irrespective of the economic upheavals in recent years. It is beyond doubt that the Group will endeavor to procure additional business from the first-tier golf name brands to contribute extra revenues and gain market share. Augmented by our effort, we maintain a cautious but confident view on the outlook of the second half of 2012.

Financial results

Consolidated turnover for the six months ended 30 June 2012 increased, period on period, by 12.2% to HK$157,173,000 (2011: HK$140,144,000). Profit attributable to owners of the Company amounted to HK$2,570,000 compared to HK$2,553,000 for the corresponding period in 2011. Both the basic and diluted earnings per share were HK0.56 cents for the period (2011: HK0.84 cents and HK0.83 cents, respectively). The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2012 (2011: nil).

During the period, golf equipment sales rebounded, period on period, by 25.3% to HK$142,057,000 (2011: HK$113,364,000) and accounted for 90.4% of the Group's turnover (2011: 80.9%). In contrast, turnover of the golf bag segment comprising the sales of golf bags and accessories to external customers had plummeted, period on period, by 43.6% to HK$15,116,000 (2011: HK$26,780,000), representing 9.6% of the Group's turnover for the period (2011: 19.1%). The total sales of the golf bag segment however just dropped 17.5% prior to elimination of the inter-segmental sales of HK$11,193,000 for the period (2011: HK$5,122,000). The inter-segmental sales of golf bags had been incorporated as components of the customers' orders of golf club sets, sales of which were classified to constitute the turnover of the golf equipment segment. Gross profit for the period amounted to HK$28,857,000 compared to HK$31,930,000 for the corresponding preceding period. The average gross profit margin was reduced to 18.4% (2011: 22.8%) as a result of the escalation in manufacturing costs and the effect of launch of sales promotion program.

Other operating income for the period decreased to HK$1,536,000 from HK$1,961,000 for the comparative preceding period, mainly due to the drop in subcontracting fees income.

Selling and distribution costs for the period were remarkably reduced to HK$1,380,000 from HK$3,722,000 for the comparative preceding period, principally owing to the absence of non-recurring freight charges which were incurred in respect of certain delayed shipments during the corresponding period last year. Administrative expenses for the period came down to HK$21,637,000 from HK$22,151,000 for the comparative preceding period, mainly attributable to the savings in payroll costs and entertainment expenses. On the other hand, finance costs for the period further declined to HK$4,710,000 from HK$5,347,000 for the comparative preceding period, primarily owing to the reduction in term loan interest due to further pay-down of bank loans.

Profit for the period attributable to owners of the Company amounted to HK$2,570,000, which was at similar level compared to HK$2,553,000 for the corresponding period in 2011.

Golf Equipment Business

Benefited from the rebound, the golf equipment segment upheld its role as the main operating segment to account for 90.4% of the Group's turnover for the period (2011: 80.9%). Notwithstanding a persistently volatile global economy, the Group has pursued active marketing strategies aiming to promote sales and restore growth momentum to strengthen our competitiveness. The golf equipment sales surged, period on period, by 25.3% to HK$142,057,000 during the first half of 2012 (2011: HK$113,364,000).

The segment turnover for the period comprised golf clubs sales of HK$109,939,000 (2011: HK$103,156,000) and components sales of HK$32,118,000 (2011: HK$10,208,000), representing 77.4% (2011: 91.0%) and 22.6% (2011: 9.0%), respectively. Of the golf clubs sales, the percentages of club sets versus individual clubs were 76.9% (2011: 80.7%) and 23.1% (2011: 19.3%), respectively. During the period, the components sales increased significantly mainly because the sales of club heads nearly quadrupled to approximately HK$28,613,000 (2011: HK$7,579,000). For the components sales, club heads accounted for 89.1% (2011: 74.2%) with shafts and accessories taking up the remaining 10.9% (2011: 25.8%).

During the period, sales to the largest segmental customer that carries one of the world's most prominent golf brands rebounded, period on period, by 11.2% to HK$55,870,000 (2011: HK$50,262,000), which represents 39.3% (2011: 44.3%) of the segment turnover or 35.5% (2011: 35.9%) of the Group's turnover for the period. Sales to other customers generally increased or remained relatively stable without significant fluctuations. Besides, the Group has satisfactorily launched sales program to realize some off-season products. Turnover generated from the top five golf equipment customers increased, period on period, by 23.7% to HK$127,330,000 (2011: HK$102,957,000), representing 89.6% (2011: 90.8%) of the segment turnover or 81.0% (2011: 73.5%) of the Group's turnover for the period. Supported by the strong customer base, our Group is committed to persistently developing the golf equipment business to continue to take on and service new reputable customers with long-term growth potential.

The successful relocation of the majority of the Group's production to its Shandong manufacturing facility was proven a crucial move to enhance our competitive advantage at times of economic instability given the benefit of a lower operating cost structure and more stable labor supply in the northern part of China. The Shandong manufacturing facility has played an increasingly significant role to account for two-third of the Group's production of golf clubs other than shafts for the period. To further improve production efficiency and optimize costs, the Group has set up several golf bags production lines at the Shandong manufacturing facility to cater for customers' orders of golf club sets that include golf bags as accessories. This arrangement aims to lower the cost and risks associated with transporting bulk quantities of golf bags produced at the Group's Guangdong manufacturing facility all along to the Shandong manufacturing facility for packaging into golf club sets for export to customers. Besides, it has been scheduled to commence the shaft production at the Shandong manufacturing facility during the second half of 2012. This facilitates to centralize the overall production of golf clubs and the related components at one integrated facility to enhance efficiency and save costs. The Shandong manufacturing facility has helped elevate our industry profile and provides an effective platform to enable the Group to procure new business from those first tier golf name brands that are looking for alternative high quality supply sources.

In March 2012, the Group has entered into separate agreements with independent third parties to dispose of the two Guangdong manufacturing facilities, namely, the Yong He facility and the Sino Concept facility for a cash consideration of RMB25,500,000 and RMB12,000,000, respectively. Details about the transactions were set out in an announcement of the Company dated 9 March 2012. The completion of the disposal of the Sino Concept facility is expected to take place during the third quarter of the year and we are keeping track of the progress and disposal status of the Yong He facility. Since there has been less demand for the output of the Group's manufacturing facilities in the southern part of China, the management grasped the opportunity to realize the redundant capacities at fair values for the benefit of the Group and its shareholders. At the reporting date, the Group has received deposit payments totaling RMB19,850,000. As planned, proceeds from the disposal of the properties were applied to reduce bank debts and provide working capital for the Group.

Our Group pursued the sound practice to procure factoring and insurance to the extent available for hedging the due recoverability of the trade debts. Concurrently, the Group maintained a strict credit control on individual customers and closely monitored their fulfillments to mitigate the financial risk. At 30 June 2012, there was an impairment loss balance of HK$60,000 representing 0.24% of the outstanding trade receivables. The management considered the overall quality of the Group's trade receivables satisfactory.

During the period, raw materials and component costs fluctuated upwards under a strong Renminbi currency that made domestic purchases more costly. Besides, there was a rising trend in the manufacturing costs covering labor, social insurances, energy and fuel expenses that partially eroded profitability.

Irrespective of the volatile market sentiment, the golf equipment segment achieved a segmental profit of HK$8,652,000 for the period compared to HK$8,118,000 for the corresponding preceding period. Having regard to the prevailing market conditions and the current order book status, the management maintains a cautious but positive view that the golf equipment segment shall continue to perform reasonably during the second half year assuming no material unexpected adverse fluctuations.

Golf Bag Business

Due to the substantial drop in sales of the Japan line of golf bags, the turnover of the golf bag segment comprising the sales to external customers plummeted 43.6% to HK$15,116,000 during the first half of 2012 (2011: HK$26,780,000), representing 9.6% of the Group's turnover for the period (2011: 19.1%). The total sales of the golf bag segment just decreased, period on period, by 17.5% prior to elimination of the inter-segmental sales of HK$11,193,000 for the period (2011: HK$5,122,000). The inter-segmental sales of golf bags had been incorporated as components of the customers' orders of golf club sets, sales of which were classified to constitute the turnover of the golf equipment segment.

Of the segment turnover for the period, golf bag sales amounted to HK$9,913,000 (2011: HK$18,848,000) to account for 65.6% (2011: 70.4%) whilst accessories sales comprising mainly shoe bags aggregated to HK$5,203,000 (2011: HK$7,932,000) to take up the remaining 34.4% (2011: 29.6%). There has not been significant change in the percentages of the product mix throughout the years. During the period, sales to the largest golf bag customer fell by 73.2% to HK$4,663,000 (2011: HK$17,405,000) to account for 30.8% (2011: 65.0%) of the segment turnover or 3.0% (2011: 12.4%) of the Group's turnover. The drastic drop in sales had been due to the shift by this customer of a significant portion of business to its own factory in the South East Asia. Turnover from the top five golf bag customers declined, period on period, by 53.2% to HK$11,224,000 (2011: HK$23,996,000), representing 74.3% (2011: 89.6%) of the segment turnover or 7.1% (2011: 17.1%) of the Group's turnover for the period.

Analyzed alternatively from a product design perspective, sales of the Japan line of products fell, period on period, by 72.1% to HK$4,895,000 (2011: HK$17,551,000) to represent 32.4% (2011: 65.5%) of the segment turnover, whereas sales of the non-Japan line of products comprising mostly golf bags of American design increased, period on period, by 10.7% to HK$10,221,000 (2011: HK$9,229,000) to take up the remaining 67.6% (2011: 34.5%) of the segment turnover. The Group is devoted to grasping opportunities to persistently develop and explore both the Japan line and the non-Japan line of products with an objective to regain market share and broaden the customer base. We will continue to allocate necessary and appropriate resources to back up projects and activities that bring us both the business volume and profit margins.

During the period, the prices of the major raw materials for golf bag production such as PVC, PU and nylon fluctuated upwards whilst the prices of the accessories like metal parts and plastic components stayed fairly stable. On the other hand, the manufacturing costs including labor, social insurances, energy and fuel expenditures did move up moderately to further erode the profit margins. To strengthen our competitive edge, the golf bag segment has continued to reinforce those measures implemented to streamline the operations and rationalize expenditures. Effective January 2012, the Group has successfully amended the lease to reduce the annual rentals of the Dongguan golf bag facility by about HK$1,185,000. Our Group is committed to continually developing the golf bag business with emphasis on the high-end golf bags to uphold our industry status in the golf bag sector.

Suffering from the plummet in the sales of the Japan line of products, the golf bag segment sustained a drop in contribution to achieve a segmental profit of HK$883,000 during the first half of 2012, down 69.9% from HK$2,935,000 for the comparative preceding period. Given the prevailing market conditions and the current ordering trend, the management anticipates that the golf bag segment shall manage to perform relatively stable in the second half year despite an uncertain economy with various challenges.

Prospects

With our effort, the Group has managed to achieve a rebound in the golf equipment sales and the total sales for the first half of 2012. Sales of the golf bag segment however declined substantially during the period mainly because a major customer shifted the export orders to its own manufacturing facility in the South East Asia. Notwithstanding the move, it was likely that we may gain from this customer some business for the domestic market in China to partly compensate for the loss in revenues attributable to its shift of the export orders away from us. To effectively overcome the challenges, the Group has reinforced the implementation of the reengineering programs aiming to enhance productivity and efficiency. In addition, the Group has determined to relocate the shaft production to the Shandong manufacturing facility to take greater advantage of cost savings that are realizable from operations in the northern part of China. This would help mitigate the impact of cost rise taking place for operations in the southern part of China.

Given the strong customer network and the enhanced manufacturing capabilities, the Group maintains a confident though cautious view that the golf equipment segment shall perform reasonably in the second half of 2012 assuming no material adverse change in the market conditions whereas the golf bag segment shall strive for a stable performance despite various challenges in a volatile economy. The Group is devoted to grasping every opportunity to develop new business whilst strengthening the business with existing customers. It is anticipated that additional first-tier name brands will be targeted to broaden our customer base given the Group's competitive advantage and determination for success.

To facilitate the long-term development, the Group has started a small-scale production of some tools products employing the same casting technology as that being used for our golf heads production. This represents a diversification opportunity to expand our business to make better utilization of the Group's production resources to generate revenues. The Group is keeping alert of the market changes and developments to ensure a prompt response in capturing opportunities as well as addressing challenges.

Liquidity and Financial Resources

To facilitate long-term development, the Group generally relied on and will continue to obtain funds from internally generated cash flows, banking facilities and, when deemed necessary, financial support available and extended by the controlling shareholder to finance its operations and discharge the liabilities and obligations in normal course of business. It is the Group's objective to effectively manage the financial risk to pursue a healthy financial position for its long-term growth and success.

At 30 June 2012, bank balances and cash, which were mostly denominated in currencies of United States dollars, Hong Kong dollars and Renminbi, amounted to HK$23,231,000 (31 December 2011: HK$39,074,000). The decrease in bank balances and cash was mainly attributable to the application of funds to further pay-down bank loans to reduce interest. It is the Group's policy to maintain an optimal amount of funds adequate for its operations and discharging the liabilities as and when they fall due.

Borrowings of the Group other than the loans from the controlling shareholder are mostly denominated in currencies of Hong Kong dollars, United States dollars and Renminbi that carry interest on HIBOR/ LIBOR plus basis or at the interest rate promulgated by the People's Bank of China from time to time. At 30 June 2012, interest-bearing borrowings comprising bank borrowings and obligations under finance leases amounted to HK$91,691,000 (31 December 2011: HK$132,462,000), of which HK$84,378,000 (31 December 2011: HK$122,279,000) was repayable within one year. The loan from the immediate holding company of HK$21,942,000 at 30 June 2012 was unsecured, interest free and repayable on or before 31 March 2013 (31 December 2011: HK$23,678,000) whereas the loan from the ultimate holding company was unsecured, interest free and had been repaid during the period (31 December 2011: HK$11,524,000). On the other hand, loan facilities from certain PRC banks with outstanding balance of HK$48,841,000 at 30 June 2012 (31 December 2011: HK$81,768,000) were secured by the land and buildings of the Group with a carrying value of HK$186,059,000 (31 December 2011: HK$187,686,000). The gearing ratio, defined as bank borrowings and obligations under finance leases less bank balances and cash of HK$68,460,000 (31 December 2011: HK$93,388,000) divided by the shareholders' equity of HK$315,688,000 (31 December 2011: HK$313,095,000), was 21.7% as at 30 June 2012 (31 December 2011: 29.8%). The gearing ratio would have been restated as 28.6% at 30 June 2012 (31 December 2011: 41.1%) if the loans from the immediate holding company and the ultimate company were both included in the computation of the ratio.

It is the Group's objective to maintain a financial position that is supportive of our long-term development and healthy growth. At 30 June 2012, the total assets and net asset value of the Group amounted to HK$498,506,000 (31 December 2011: HK$532,267,000) and HK$315,688,000 (31 December 2011: HK$313,095,000) respectively. Current and quick ratios as at 30 June 2012 were 1.52 (31 December 2011: 1.51) and 0.67 (31 December 2011: 0.62) respectively. Both ratios have improved slightly and continued to stay at healthy level. Our Group is determined to continue to explore effective means to further rationalize and strengthen its financial position to the extent feasible.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND CONTINGENT LIABILITIES

The Group is exposed to foreign currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of operations to which they relate. The currency giving rise to this risk are primarily Renminbi.

At 30 June 2012, a subsidiary has been named as defendant in a High Court action since a writ was issued against it in April 2011 and it was claimed for an amount of approximately HK$1,546,000. The subsidiary has filed a full defence to this writ. In the opinion of the directors of the Company, no provision for any potential liability has been made in the condensed consolidated interim financial statements as the Group has pleaded reasonable chance of success in the defence.

EMPLOYEE AND REMUNERATION POLICIES

At 30 June 2012, the Group employed a total of about 1,600 employees in Hong Kong and the PRC. It is the Group's policy to maintain a harmonious relation with its employees through provision of competitive remuneration packages and career development opportunities. The employees were remunerated based on their duties, experience and performance as well as industrial practices. The remuneration packages are reviewed annually to assure fairness and appropriateness and discretionary bonuses may be awarded to employees based on individual performance.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 June 2012, the interests and short positions of the directors in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

(i) Long positions in ordinary shares of the Company

	Number of shares held, capacity and nature of interest				
Name of directors	**Directly beneficially owned**	**Through spouse**	**Through controlled corporations#**	**Total**	**Percentage of the Company's issued share capital**
Executive directors					
Mr. CHU Chun Man, Augustine	8,292,104	150,000	287,074,657	295,516,761	64.23%
Mr. CHU Yuk Man, Simon	954,355	–	–	954,355	0.21%
	9,246,459	150,000	287,074,657	296,471,116	64.44%

\# (i) Of which, 257,315,662 shares of the Company are held by CM Investment Company Limited, a company incorporated in the British Virgin Islands, of which, approximately 67.46% of its issued share capital are owned by A & S Company Limited, approximately 4.18% of issued share capital are owned by Mr. Chu Chun Man, Augustine and approximately 1.21% of its issued share capital are owned by Mr. Chu Yuk Man, Simon. A & S Company Limited is a company incorporated in the British Virgin Islands with limited liability and is owned as to approximately 64% by Mr. Chu Chun Man, Augustine, approximately 21.71% by Mr. Chu Yuk Man, Simon and 14.29% by another family member. The deemed interest of Mr. Chu Chun Man, Augustine in the 257,315,662 shares of the Company therefore duplicates with those of CM Investment Company Limited and A & S Company Limited.

(ii) The remaining 29,758,995 shares of the Company are held by Fortune Belt Limited, a company incorporated in the British Virgin Islands with limited liability, which is beneficially owned as to 62.5% by Mr. Chu Chun Man, Augustine, as to 22.5% by Mr. Chu Yuk Man, Simon and as to 15% by Ms. Chu Irene Ching Yee, the sister of Mr. Chu Chun Man, Augustine and Mr. Chu Yuk Man, Simon. The deemed interest of Mr. Chu Chun Man, Augustine in the 29,758,995 shares of the Company therefore duplicates with that of Fortune Belt Limited.

(ii) Long positions in shares and underlying shares of associated corporations

Name of directors	Name of associated corporation	Relationship with the Company	Shares	Numbers of shares held	Capacity and nature of interest	Percentage of the associated corporation's issued non-voting deferred share capital
Mr. CHU Chun Man, Augustine	Sino Golf Manufacturing Company Limited	Company's subsidiary	Non-voting deferred shares	1,190,607	Directly beneficially owned	30.98%
Mr. CHU Yuk Man, Simon	Sino Golf Manufacturing Company Limited	Company's subsidiary	Non-voting deferred shares	414,297	Directly beneficially owned	10.78%
Mr. CHANG Hua Jung	Sino Golf Manufacturing Company Limited	Company's subsidiary	Non-voting deferred shares	3,600	Directly beneficially owned	0.09%

In addition to the above, a director has non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Group solely for the purpose of complying with the then minimum company membership requirements.

Save as disclosed above, as at 30 June 2012, none of the directors had registered an interest or short position in the shares or underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

By an ordinary resolution passed at the annual general meeting held on 5 June 2012, the Company had terminated the existing share option scheme (the "Existing Share Option Scheme") and adopted a new share option scheme (the "New Share Option Scheme") for replacement. The Existing Share Option Scheme was adopted since 7 August 2002 which would otherwise be expiring on 6 August 2012 if not terminated. There were no options outstanding under the Existing Share Option Scheme during and at end of the reporting period.

The purpose of the New Share Option Scheme is to enable the Company to continue to grant options to eligible participants which have been extended to include the employees (including any director, whether executive or non-executive and whether independent or not) in full-time or part-time employment with the Group or any entity in which the Group holds an equity interest (the "Invested Entity") as well as contracted celebrity, advisor, consultant, service provider, agent, customer, partner or joint-venture partner of the Group or any Invested Entity, or any persons who, in the sole discretion of the Board, have contributed or may contribute to the Group or any Invested Entity. The New Share Option Scheme aims to provide incentives and help the Group in retaining its employees and recruiting additional employees and to provide them with a direct economic interest in attaining the long-term business objectives of the Group.

The New Share Option Scheme has taken effect after the Stock Exchange granted an approval on 6 June 2012 for the listing of shares which may be issued by the Company upon the exercise of options granted thereunder and, unless otherwise terminated or amended, will remain in force for 10 years from its adoption date on 5 June 2012. There were no options outstanding under the New Share Option Scheme during and at the end of the reporting period.

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

At 30 June 2012, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name	*Notes*	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
CM Investment Company Limited		Directly beneficially owned	257,315,662	55.93%
A & S Company Limited	*(a)*	Through a controlled corporation	257,315,662	55.93%
Fortune Belt Limited		Directly beneficially owned	29,758,995	6.47%
Ms. Hung Tze Nga, Cathy	*(b)*	Through spouse	295,366,761	64.20%
		Directly beneficially owned	150,000	0.03%
			295,516,761	64.23%

Notes:

(a) The interest disclosed are the shares beneficially owned by CM Investment Company Limited. CM Investment Company Limited is held directly as to 67.46% by A & S Company Limited. Accordingly, A & S Company Limited is deemed to be interested in the shares owned by CM Investment Company Limited.

(b) Ms. Hung Tze Nga, Cathy, is the spouse of Mr. CHU Chun Man, Augustine. Accordingly, Ms. Hung Tze Nga, Cathy is deemed to be interested in the shares owned by Mr. CHU Chun Man, Augustine.

Save as disclosed above, as at 30 June 2012, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2012.

AUDIT COMMITTEE

The audit committee comprises three independent non-executive directors of the Company. The audit committee has reviewed with management the accounting polices and practice adopted by the Group and discussed internal controls and financial reporting matters including review of the financial statements for the six months ended 30 June 2012.

REMUNERATION COMMITTEE

The Company established a remuneration committee with written terms of reference pursuant to the provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules. The committee comprises three independent non-executive directors and two executive directors. The remuneration committee is principally responsible for formulating and making recommendation to the Board on the Group's policy and structure for all remuneration of the directors of the Company and senior management of the Group.

NOMINATION COMMITTEE

The Company established a nomination committee in February 2012 with written terms of reference pursuant to the provisions set out in the Corporate Governance Code as contained in Appendix 14 of the Listing Rules. The committee comprises three independent non-executive directors and two executive directors. The nomination committee is principally responsible for reviewing the structure, size and composition of the Board and for making recommendations on any proposed changes to the Board.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as the Company's code of conduct for dealings in securities of the Company by the directors. Upon specific enquiry, all directors of the Company have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2012.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices (effective until 31 March 2012) and the Corporate Governance Code (the "New Code") which has been effective from 1 April 2012 as set out in Appendix 14 to the Listing Rules, except for certain deviations, which are explained below:

a) The roles of the chairman and chief executive officer have not been separated. The deviation is deemed appropriate as the Board believes that vesting the roles of both chairman and chief executive officer in the same person provides the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies. It also considers that the current structure does not impair the balance of power and authority between the Board and the management of the Company.

b) The independent non-executive directors have not been appointed for any specific terms as they are subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Company's Bye Laws.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to extend my gratitude to the Group's management and employees for their loyalty, continuous support and dedicated services.

By order of the Board
Chu Chun Man Augustine
Chairman

Hong Kong, 29 August 2012

As at the date hereof, the board of directors of the Company comprises 6 directors, of which 3 are Executive Directors, namely Mr. CHU Chun Man Augustine, Mr. CHU Yuk Man Simon and Mr. CHANG Hua Jung, and the rest of 3 are Independent Non-Executive Directors, namely Mr. CHOY Tak Ho, Ms. CHIU Lai Kuen Susanna and Mr. HSIEH Ying Min.