



INTERIM REPORT
2016



Sino Golf Holdings Limited

順龍控股有限公司

(Incorporated in Bermuda with limited liability)

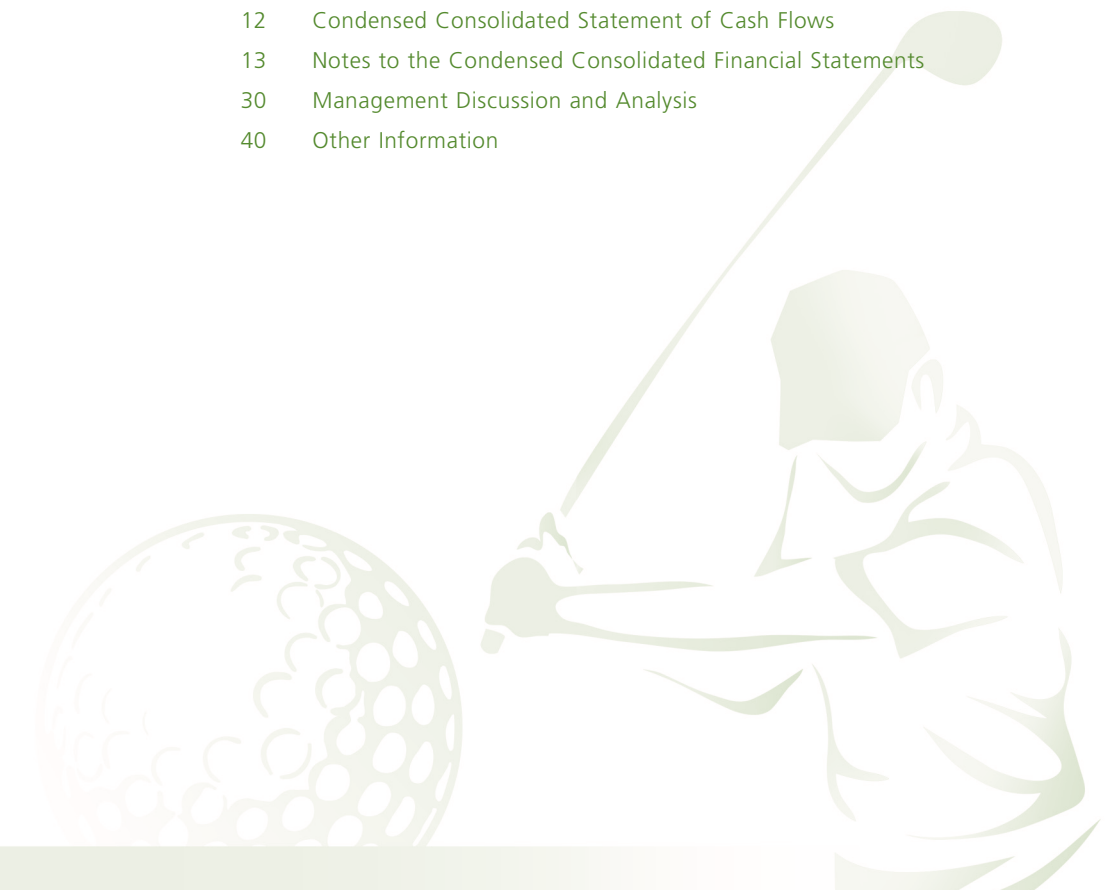
Stock Code: 00361



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CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. WONG Hin Shek (*Chairman*)
Mr. ZHANG Yi
Mr. CHU Chun Man, Augustine

Independent Non-Executive Directors

Mr. CHAN Kai Wing
Ms. CHU Yin Yin, Georgiana
Mr. YIP Tai Him

Audit Committee

Mr. CHAN Kai Wing (*Chairman*)
Ms. CHU Yin Yin, Georgiana
Mr. YIP Tai Him

Remuneration Committee

Mr. YIP Tai Him (*Chairman*)
Mr. CHAN Kai Wing
Ms. CHU Yin Yin, Georgiana

Nomination Committee

Mr. WONG Hin Shek (*Chairman*)
Mr. CHAN Kai Wing
Ms. CHU Yin Yin, Georgiana
Mr. YIP Tai Him

Company Secretary

Ms. WONG Po Ling, Pauline

Authorised Representatives

Mr. WONG Hin Shek
Ms. WONG Po Ling, Pauline

Principal Bankers

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

Bermuda Principal Share Registrar and Transfer Office

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

Hong Kong Branch Share Registrar and Transfer Office

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Registered Office

Clarendon House
2 Church Street
Hamilton, HM 11
Bermuda

Principal Place of Business in Hong Kong

21st Floor
1 Duddell Street
Central
Hong Kong

Stock Code

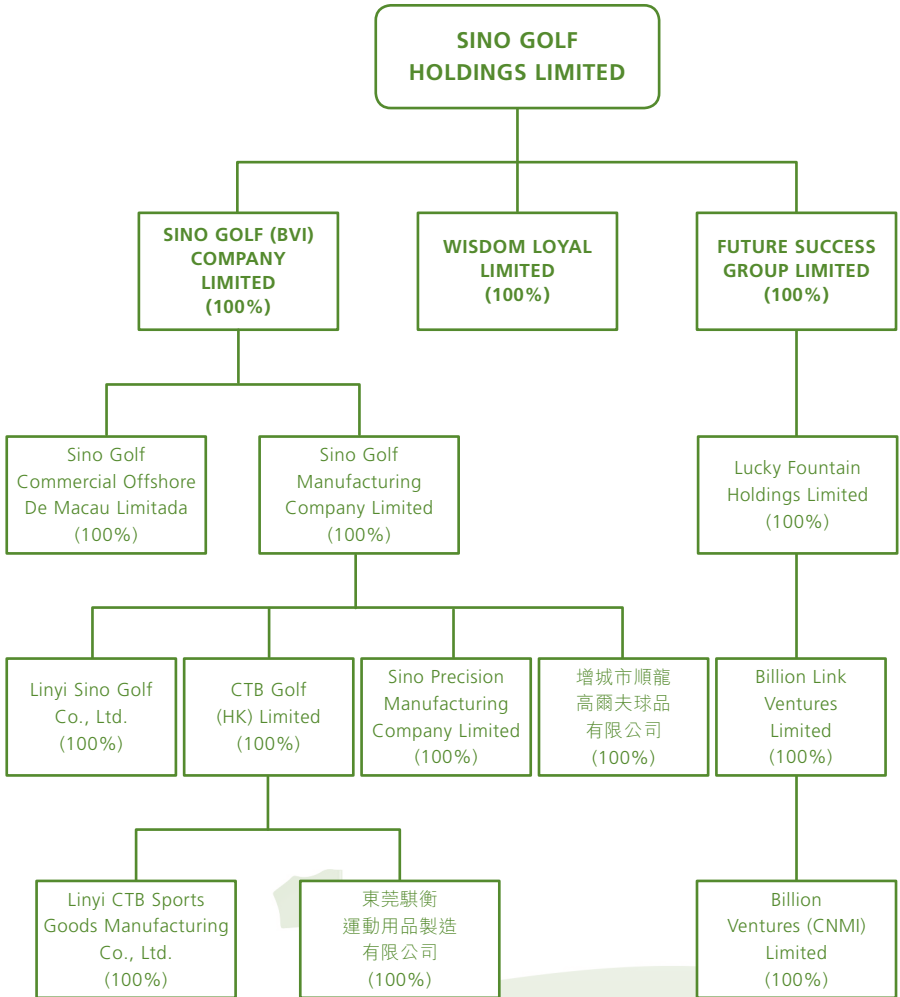
00361 (Main Board of The Stock
Exchange of Hong Kong Limited)

Website

<http://www.sinogolf.com>

CORPORATE STRUCTURE

As at 30 June 2016



FINANCIAL HIGHLIGHTS

Results

	For the six months ended 30 June		Changes Increase/ (Decrease)
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	
Group revenue	122,973	138,088	(10.9%)
from golf equipment segment	114,446	111,583	2.6%
from golf bags segment	8,527	26,505	(67.8%)
Gross profit	6,039	17,944	(66.3%)
EBITDA	(42,330)	(4,153)	(919.3%)
Loss attributable to owners of the Company	(54,290)	(13,552)	(300.6%)
	<i>HK cents</i>	<i>HK cents (Restated)</i>	
Loss per share			
Basic and diluted	(2.32)	(0.58)	
Interim dividend per ordinary share	–	–	



Group

- Due to a significant downturn in shipments to key golf bags customers, the Group's revenue dropped by approximately 10.9% during the first half of 2016 in comparison with the first half of 2015.
- Gross profit decreased by approximately 66.3% to approximately HK\$6.0 million and the average gross profit margin fell from approximately 13.0% to approximately 4.9%, mainly attributable to the initiative taken to pick up sales including products with lower margin in order to optimise and maintain the market share.
- EBITDA dropped by approximately 919.3% to a loss of approximately HK\$42.3 million as a result of the depressed sales and the effect of non-variable administrative expenses.

Golf Equipment Segment

- The golf equipment segment continued to constitute the main operating segment for the period. Through diverse marketing initiatives, the golf equipment sales managed to slightly rebound approximately 2.6% to approximately HK\$114.4 million.

Golf Bags Segment

- The declining trend of golf bags sales in late 2015 continued and adversely affected the golf bags business for the first half of 2016. The Group's revenue attributable to the golf bags segment, which comprised golf bags and accessories sales to external customers, decreased by approximately 67.8% to approximately HK\$8.5 million.

INTERIM RESULTS

The board (the "Board") of directors (the "Directors") of Sino Golf Holdings Limited (the "Company") hereby announces the unaudited condensed consolidated interim results and financial position of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2016 which have been reviewed by the Company's audit committee, together with the comparative figures for the six months ended 30 June 2015 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	Notes	Six months ended 30 June	
		2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Revenue	4	122,973	138,088
Cost of sales		(116,934)	(120,144)
Gross profit		6,039	17,944
Other operating income	7	833	877
Write-off of inventories		(21,660)	–
Selling and distribution expenses		(1,255)	(2,229)
Administrative expenses		(31,795)	(26,895)
Finance costs	8	(6,452)	(3,249)
Loss before tax		(54,290)	(13,552)
Income tax	9	–	–
Loss for the period	10	(54,290)	(13,552)
Other comprehensive (loss) income for the period:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(2,271)	–
Exchange fluctuation reserve released on the deregistration of subsidiaries		–	(96)
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Deferred tax relating to leasehold land and buildings under revaluation model		(61)	1,133
Other comprehensive (loss) income for the period		(2,332)	1,037
Total comprehensive loss for the period		(56,622)	(12,515)

	Note	Six months ended 30 June	
		2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Loss for the period attributable to:			
Owners of the Company		(54,290)	(13,552)
Non-controlling interest		–	–
		(54,290)	(13,552)
Total comprehensive loss for the period attributable to:			
Owners of the Company		(56,622)	(12,515)
Non-controlling interest		–	–
		(56,622)	(12,515)
		<i>HK cents</i>	<i>HK cents</i> (Restated)
Loss per share	12		
Basic and diluted		(2.32)	(0.58)



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

	<i>Notes</i>	30.6.2016 HK\$'000 (Unaudited)	31.12.2015 <i>HK\$'000</i> <i>(Audited)</i>
Non-current assets			
Property, plant and equipment	13	130,038	135,518
Prepaid lease payments	14	217,013	9,032
Club debentures		2,897	2,897
Pledged bank deposit		624	639
Deposits and other receivables		604	625
Prepayments for the acquisition of property, plant and equipment		1,124	740
		352,300	149,451
Current assets			
Inventories		93,691	119,841
Trade and other receivables	15	30,874	56,414
Prepaid lease payments	14	6,554	336
Short-term bank deposit		–	602
Bank balances and cash		11,783	17,063
		142,902	194,256
Current liabilities			
Trade and other payables	16	27,193	29,670
Amounts due to related companies		50,020	59,684
Tax payable		160	160
Bank and other borrowings	17	80,265	78,494
		157,638	168,008



	<i>Notes</i>	30.6.2016 HK\$'000 (Unaudited)	31.12.2015 <i>HK\$'000</i> <i>(Audited)</i>
Net current (liabilities) assets		(14,736)	26,248
Total assets less current liabilities		337,564	175,699
Non-current liabilities			
Promissory note	18	218,426	–
Deferred tax liabilities		404	343
		218,830	343
Net assets		118,734	175,356
Capital and reserves			
Share capital	19	23,403	46,805
Reserves		92,601	125,821
Equity attributable to owners of the Company		116,004	172,626
Non-controlling interests		2,730	2,730
Total equity		118,734	175,356



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Attributable to owners of the Company										Non-controlling	
	Share capital	Share premium	Share options reserve	Contributed surplus	Legal reserve	Assets revaluation reserve	Statutory surplus reserve	Exchange fluctuation reserve	Retained profits	Total	interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Note i)	HK\$'000 (Note ii)	HK\$'000	HK\$'000 (Note iii)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2015 (audited)	46,005	102,385	731	10,564	48	19,237	17	37,085	94,812	310,884	2,401	313,285
Loss for the period	-	-	-	-	-	-	-	-	(13,552)	(13,552)	-	(13,552)
Other comprehensive income (loss) for the period	-	-	-	-	-	1,133	-	(96)	-	1,037	-	1,037
Total comprehensive income (loss) for the period	-	-	-	-	-	1,133	-	(96)	(13,552)	(12,515)	-	(12,515)
Deregistration of subsidiaries	-	-	-	-	-	-	-	-	-	-	329	329
Issue of shares upon exercise of share options	800	2,891	(731)	-	-	-	-	-	-	2,960	-	2,960
At 30 June 2015 (unaudited)	46,805	105,276	-	10,564	48	20,370	17	36,989	81,260	301,329	2,730	304,059
At 1 January 2016 (audited)	46,805	105,276	-	10,564	48	366	17	5,806	3,744	172,626	2,730	175,356
Loss for the period	-	-	-	-	-	-	-	-	(54,290)	(54,290)	-	(54,290)
Other comprehensive loss (income) for the period	-	-	-	-	-	(61)	-	(2,271)	-	(2,332)	-	(2,332)
Total comprehensive loss (income) for the period	-	-	-	-	-	(61)	-	(2,271)	(54,290)	(56,622)	-	(56,622)
Capital reduction	(42,124)	-	-	42,124	-	-	-	-	-	-	-	-
Issue of bonus shares	18,722	-	-	(18,722)	-	-	-	-	-	-	-	-
At 30 June 2016 (unaudited)	23,403	105,276	-	33,966	48	305	17	3,535	(50,546)	116,004	2,730	118,734

Notes:

- i 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.
- ii 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. Legal reserve is not distributable to shareholders.
- iii 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 (after offsetting prior year losses) 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 2016

	Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Cash flows from operating activities		
Net cash from (used in) operating activities	5,103	(2,755)
Cash flows from investing activities		
Purchase of property, plant and equipment	(990)	(2,531)
Prepayment for acquisition of property, plant and equipment	(823)	(343)
Proceeds from disposal of property, plant and equipment	1	101
Interest received	9	12
Net cash used in investing activities	(1,803)	(2,761)
Cash flows from financing activities		
Repayment of bank borrowings	(51,017)	(55,722)
New bank and other borrowings raised	54,088	55,128
Advance from a director	–	3,786
Repayment to related companies	(9,664)	–
Interest and factoring charges paid	(2,384)	(3,867)
Proceeds of shares issue upon exercise of share options	–	2,960
Repayments of obligations under finance leases	–	(368)
Net cash from (used in) financing activities	(8,977)	1,917
Net decrease in cash and cash equivalents	(5,677)	(3,599)
Cash and cash equivalents at 1 January	17,665	15,684
Effect of foreign exchange rate changes	(205)	–
Cash and cash equivalents at 30 June	11,783	12,085
Analysis of cash and cash equivalents:		
Bank balances and cash	11,783	12,085
	11,783	12,085

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

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 Surplus Excel Limited, which is incorporated in the British Virgin Islands (“BVI”).

The addresses of the registered office and principal place of business of the Company are disclosed in the section “Corporate Information” 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 PRC is Renminbi (“RMB”). The condensed consolidated financial statements are presented in Hong Kong dollars (“HK\$”) for the convenience of users of the condensed consolidated 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 financial information of Sino Golf Holdings Limited and its subsidiaries (collectively, the Group) for the six months ended 30 June 2016 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) 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 financial information have been prepared on the historical cost basis, except for certain leasehold land and buildings, which are measured at revalued amounts.

The accounting policies used in the condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2015.

In the current period, the Group has applied, for the first time, the following new standards, amendments and interpretation ("new HKFRSs") issued by the HKICPA that are relevant for the Group's financial year beginning 1 January 2016.

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

The application of the new and revised HKFRSs in the current period has no material effect on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these condensed consolidated financial statements.

4. REVENUE

Revenue represents the net amounts received and receivable for goods sold by the Group to outside customers, net of discounts, returns and sales related taxes.

5. SEGMENT INFORMATION

During the year ended 31 December 2015, the Group's revenue and expenses were generated solely from the manufacture and trading of golf equipment and golf bags businesses. The management of the Group made decisions about resources allocation and performance assessment of the Group based on the operating results from the business activities of golf equipment and golf bags businesses. Accordingly, the Directors are of the opinion that the abovementioned businesses were two single reportable operating segments of the Group for the year ended 31 December 2015.



5. SEGMENT INFORMATION – CONTINUED

On 2 February 2016, the Group entered into a sale and purchase agreement with Top Force Ventures Limited (“Top Force”), an independent third party, for the acquisition of the entire equity interest in Lucky Fountain Holdings Limited (“Lucky Fountain”) and its subsidiaries (collectively, the “Lucky Fountain Group”). The principal assets of the Lucky Fountain Group are twelve land parcels located in Saipan with a total site of approximately 79,529 square metres (the “Properties”). The acquisition was completed on 16 May 2016 and the Board is in the preliminary view to precede the development of hotel resorts, the Properties and commence the hospitality business since then.

For management purposes, the Group is organised into business units based on their products and nature and has three (2015: two) reportable and operating segments as follow:

- 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 related components and parts.
- Hospitality – The development of tourism industries in Saipan.

(a) Segment revenue and results

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

	For the six months ended 30 June									
	Golf equipment		Golf bags		Hospitality		Eliminations		Consolidated	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Segment revenue:										
Sales to external customers	114,446	111,583	8,527	26,505	-	-	-	-	122,973	138,088
Inter-segment sales	-	-	1,049	2,877	-	-	(1,049)	(2,877)	-	-
Other operating income	471	652	353	214	-	-	-	-	824	866
Total	114,917	112,235	9,929	29,596	-	-	(1,049)	(2,877)	123,797	138,954
Segment results	(40,954)	(7,943)	(1,642)	668	(795)	-	-	-	(43,391)	(7,275)
Interest income									9	11
Unallocated corporate expenses									(4,456)	(3,039)
Finance costs									(6,452)	(3,249)
Loss before tax									(54,290)	(13,552)

5. SEGMENT INFORMATION – CONTINUED

(a) Segment revenue and results – continued

Segment results represent the (loss incurred) profit earned by each segment without allocation of interest income, central administration expenses, directors' emoluments and finance costs. This is the measure reported to the chief operating decision maker of the Group for the purposes of resource allocation and performance assessment.

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

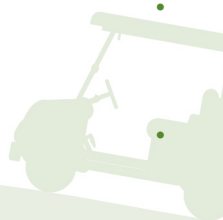
(b) Segment assets and liabilities

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

	Golf equipment		Golf bags		Hospitality		Consolidated	
	30.6.2016 HK\$'000 (Unaudited)	31.12.2015 HK\$'000 (Audited)	30.6.2016 HK\$'000 (Unaudited)	31.12.2015 HK\$'000 (Audited)	30.6.2016 HK\$'000 (Unaudited)	31.12.2015 HK\$'000 (Audited)	30.6.2016 HK\$'000 (Unaudited)	31.12.2015 HK\$'000 (Audited)
Segment assets	253,820	309,046	10,701	13,193	214,576	-	479,097	322,239
Unallocated corporate assets								
– Club debentures							2,897	2,897
– Bank balances and cash							11,783	17,063
– Others							1,425	1,508
Total assets							495,202	343,707
Segment liabilities	22,462	20,490	4,272	5,366	-	-	26,734	25,856
Unallocated corporate liabilities								
– Amounts due to related companies							50,020	59,684
– Tax payable							160	160
– Bank and other borrowings							80,265	78,494
– Promissory note							218,426	-
– Deferred tax liabilities							404	343
– Others							459	3,814
Total liabilities							376,468	168,351

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than club debentures, bank balances and cash, certain other receivables and plant and equipment for central administrative purpose. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and
- all liabilities are allocated to reportable segments other than amounts due to related companies, tax payable, bank and other borrowings, promissory note, deferred tax liabilities and certain other payables. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.



6. SEASONALITY OF OPERATIONS

There are no material seasonal events in business activities of the Group.

7. OTHER OPERATING INCOME

	Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Interest income	9	11
Gain on deregistration of subsidiaries	–	275
Sale of scrap materials	8	92
Tooling income	157	226
Gain on disposal of property, plant and equipment	299	–
Sundry income	360	273
	833	877

8. FINANCE COSTS

	Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Factoring charges	–	797
Interest expenses on		
– Bank overdrafts	–	26
– Bank and other borrowings	2,384	2,844
– Promissory note	4,555	–
– Obligations under finance leases	–	4
– Amount due to a director	–	196
Total borrowing costs	6,939	3,867
Less: amount capitalised (note)	(487)	(618)
	6,452	3,249

Note: The capitalisation ratio of borrowings for the six months ended 30 June 2016 is 5% (six months ended 30 June 2015: 6%).

9. INCOME TAX

- a) No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2016 and 2015 as there are no assessable profits generated.
- b) Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the People's Republic of China ("PRC") subsidiaries is 25% from 1 January 2008 onwards.

No provision for PRC Enterprise Income Tax ("PRC EIT") for PRC subsidiaries as they did not have any assessable profits subject to PRC EIT or the assessable profit is wholly absorbed by tax losses brought forward.

- c) Under Decree-Law no.58/99/M, Sino Golf Commercial Offshore De Macau Limitada, a Macau subsidiary incorporated under that Law, is exempted from Macau Complementary tax as it satisfies the relevant conditions as specified in the Law.
- d) The corporate income tax in the Commonwealth of the Northern Mariana Islands (the "CNMI") is calculated at 35% of the estimated profit for the six months ended 30 June 2016. No provision for corporate income tax rate for the subsidiary incorporated in the CNMI as no income has been derived from the CNMI during the six months ended 30 June 2016.
- e) The Group is not subject to taxation in other jurisdiction.

10. LOSS FOR THE PERIOD

Loss for the period is arrived at after charging:

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Amortisation of prepaid lease payments	945	183
Cost of inventories sold	116,934	120,144
Depreciation of property, plant and equipment	4,563	6,764
Exchange loss, net	570	7
Operating leases rentals in respect of land and building	2,109	1,843
Loss on disposal of property, plant and equipment	–	50



11. DIVIDENDS

No dividends were paid, declared or proposed during the interim period. The Directors have determined that no dividend will be paid in respect of the interim period (six months ended 30 June 2015: nil).

12. LOSS PER SHARE

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

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss		
Loss for the purposes of basic and diluted loss per share	(54,290)	(13,552)

	Six months ended 30 June	
	2016	2015
	'000	'000
	(Unaudited)	(Unaudited) (Restated)
Number of shares		
Weighted average number of shares for the purpose of basic and diluted loss per share	2,340,250	2,316,604

Diluted loss per share for the six months ended 30 June 2016 is the same as the basic loss per share for the six months ended 30 June 2016 as there are no dilutive potential ordinary shares outstanding during the six months ended 30 June 2016.

The computation of diluted loss per share for the six months ended 30 June 2015 does not assume the conversion of the Company's share options since their exercise would result in a decrease in loss per share.

The weighted average number of shares for the purpose of calculating basic loss per share for the six months ended 30 June 2015 was retrospectively adjusted on the bonus issue passed by the special resolution on 6 January 2016, in which every one share held by the shareholder is entitled to four bonus shares. The bonus shares were allotted and issued on 22 January 2016.

13. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2016, the Group incurred approximately HK\$1,903,000 (six months ended 30 June 2015: approximately HK\$3,064,000) on acquisition of property, plant and equipment net of capitalised interest expenses of approximately HK\$487,000 (six months ended 30 June 2015: HK\$618,000).

Assets with a net carrying value of HK\$188,000 were disposed of by the Group during the six months ended 30 June 2016 (six months ended 30 June 2015: HK\$152,000), resulting in a net gain on disposal of HK\$299,000 (six months ended 2015: net loss on disposal of HK\$50,000).

In the opinion of the Directors, the aggregate carrying amount of the Group's leasehold land and buildings at the end of the current interim period that is carried at revalued amount does not differ significantly from their estimated fair value. Consequently, no revaluation surplus or deficit has been recognised in the current interim period.

14. PREPAID LEASE PAYMENTS

	30.6.2016 <i>HK\$'000</i> (Unaudited)	31.12.2015 <i>HK\$'000</i> (Audited)
Carrying amount at 1 January	9,368	10,297
Addition	213,864	–
Transaction cost capitalised	1,499	–
Amortisation during the period/year	(945)	(336)
Exchange realignment	(219)	(593)
	223,567	9,368
Less: current portion	(6,554)	(336)
Non-current portion	217,013	9,032

At 30 June 2016, the Group's prepaid lease payments with carrying value of approximately HK\$8,990,000 (31 December 2015: HK\$9,368,000) was pledged as security for the banking facilities granted to the Group.



15. TRADE AND OTHER RECEIVABLES

	30.6.2016 HK\$'000 (Unaudited)	31.12.2015 <i>HK\$'000</i> (Audited)
Trade receivables	11,677	29,802
Less: allowance for impairment of trade receivables	–	(1)
	11,677	29,801
Prepayments	4,082	5,043
Other receivables	11,004	17,325
Prepayments to suppliers	4,111	4,245
	19,197	26,613
	30,874	56,414

- (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 following is an aged analysis of the trade receivables (net of impairment loss) of the Group presented based on the invoice dates, which approximates the respective revenue recognition date, at the end of the reporting period:

	30.6.2016 HK\$'000 (Unaudited)	31.12.2015 <i>HK\$'000</i> (Audited)
0 to 30 days	6,871	24,516
31 to 90 days	4,740	5,023
91 to 180 days	66	262
	11,677	29,801

16. TRADE AND OTHER PAYABLES

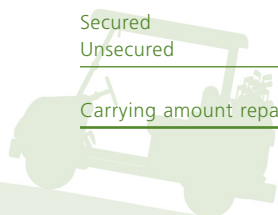
	30.6.2016 <i>HK\$'000</i> (Unaudited)	31.12.2015 <i>HK\$'000</i> (Audited)
Trade and bills payables	23,034	25,637
Customers' deposits received	314	473
Accrual and other payables	3,845	3,560
	27,193	29,670

The following is an aged analysis of trade and bills payables presented based on invoice dates at the end of the reporting period of the Group is as follows:

	30.6.2016 <i>HK\$'000</i> (Unaudited)	31.12.2015 <i>HK\$'000</i> (Audited)
0 to 90 days	16,955	19,365
91 to 180 days	4,910	5,279
181 to 365 days	490	266
Over 365 days	679	727
	23,034	25,637

17. BANK AND OTHER BORROWINGS

	30.6.2016 <i>HK\$'000</i> (Unaudited)	31.12.2015 <i>HK\$'000</i> (Audited)
Term loans	71,765	73,494
Other borrowing	8,500	5,000
	80,265	78,494
Secured	71,765	73,494
Unsecured	8,500	5,000
Carrying amount repayable within one year	80,265	78,494



17. BANK AND OTHER BORROWINGS – CONTINUED

During the current interim period, the Group renewed new bank and other borrowings of approximately HK\$54,088,000 (year ended 31 December 2015: approximately HK\$73,494,000) to finance its working capital.

At 30 June 2016, bank borrowings of approximately HK\$71,765,000 are fixed-rate borrowings and are denominated in RMB (year ended 31 December 2015: approximately HK\$73,494,000). The fixed-rate borrowings carry interest ranging from 5.00% to 5.52% per annum (year ended 31 December 2015: 5.00% to 6.15% per annum).

At 30 June 2016, other borrowing of HK\$8,500,000 (year ended 31 December 2015: HK\$5,000,000) is a fixed-rate borrowing which carries interest of 12% per annum. The loan is unsecured and repayable on demand.

18. PROMISSORY NOTE

On 16 May 2016, the Company issued a promissory note with principal amount of HK\$235,700,000 to Top Force upon the completion of the acquisition of Lucky Fountain as disclosed in note 26.

The promissory note carries interest at a rate of 12% per annum and is unsecured. The outstanding principal amount plus any accrued interest will be repayable on the maturity date falling on the second anniversary of the date of the promissory note, i.e. 15 May 2018. The carrying amount of the promissory note at period end was computed by discounting the principal amount of the note by the effective interest rate.



19. SHARE CAPITAL

Ordinary shares of HK\$0.01 (2015: HK\$0.10) each

	Number of Shares <i>'000</i>	Share capital <i>HK\$'000</i>
Authorised		
At 1 January 2015 and 31 December 2015	1,000,000	100,000
Sub-division (note (i))	9,000,000	–
At 30 June 2016	10,000,000	100,000
Issued and fully paid		
At 1 January 2014 and 31 December 2014	460,050	46,005
Exercise of share options (note (ii))	8,000	800
At 31 December 2015 and 1 January 2016	468,050	46,805
Capital reduction (note (i))	–	(42,124)
Issue of bonus shares (note (iii))	1,872,200	18,722
At 30 June 2016	2,340,250	23,403

- (i) On 30 November 2015, the Company announced (i) the proposed capital reduction to reduce the nominal value of each issued share of the Company from HK\$0.10 to HK\$0.01 by cancelling the paid-up capital to the extent of HK\$0.09 on each of its issued shares (the “Capital Reduction”); and (ii) to sub-divide the authorised shares of HK\$0.10 each into ten new shares of HK\$0.01 each (the “Sub-Division”).

The Capital Reduction and Sub-Division became effective on 6 January 2016 and the credit arising from the Capital Reduction of approximately HK\$18,722,000 were applied for the bonus issue (the “Bonus Issue”), which issuing new shares on the basis of four bonus shares for every one share held by qualified shareholders, while the remaining has been transferred to contributed surplus.

- (ii) On 17 April 2015, 8,000,000 share options with exercise price of HK\$0.37 per ordinary share were exercised to subscribe 8,000,000 ordinary shares of the Company at a consideration of HK\$2,960,000. HK\$800,000 were credited to share capital, while remaining consideration of HK\$2,160,000 and the reversal of share options reserve of HK\$731,000 upon exercise of share options, were credited to share premium.

- (iii) An ordinary resolution was passed at the special general meeting held on 6 January 2016 for the Bonus Issue. A total of 1,872,200,000 shares of HK\$0.01 each were issued on 22 January 2016.

20. SHARE OPTION SCHEME

The Company has a share option scheme for eligible employees of the Group. Details of the shares options outstanding are as follows:

	30.6.2016	31.12.2015
Number of share options outstanding	–	–

On 17 April 2015, 8,000,000 share options with exercise price of HK\$0.37 per ordinary share were exercised to subscribe 8,000,000 ordinary shares of the Company at a consideration of HK\$2,960,000. HK\$800,000 were credited to share capital, while remaining consideration of HK\$2,160,000 and the reversal of share options reserve of HK\$731,000 upon exercise of share options, were credited to share premium.

There were no share options granted, cancelled or lapsed during the six months ended 30 June 2016 (six months ended 2015: nil).

At 30 June 2016 and at 31 December 2015, no outstanding share option was held by the Directors.

21. OPERATING LEASE COMMITMENT

THE GROUP AS LESSEE

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 six years (year ended 31 December 2015: one to six years). The Group does not have option to purchase the leased assets 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:

	30.6.2016 HK\$'000 (Unaudited)	31.12.2015 <i>HK\$'000</i> (Audited)
Within one year	2,150	3,813
In the second to fifth years, inclusive	1,205	3,764
	3,355	7,577

22. CAPITAL COMMITMENTS

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

	30.6.2016 <i>HK\$'000</i> (Unaudited)	31.12.2015 <i>HK\$'000</i> (Audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of:		
Leasehold land and buildings	–	84
Plant and machinery	1,645	1,468
	1,645	1,552

23. LITIGATIONS

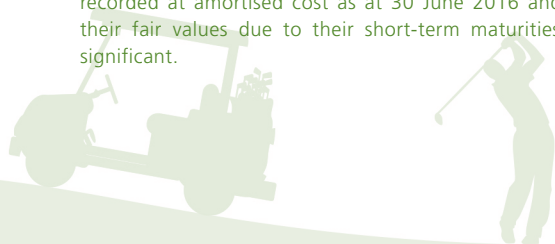
A writ of summon was issued against CTB Golf (HK) Ltd., a subsidiary of the Company in April 2011 with a claim against the subsidiary for the sum of approximately HK\$1,546,000 together with interest thereon and costs. A full defence has been filed by the subsidiary in the action in May 2011.

A summon from a local PRC court was served against Linyi Sino Golf Co., Ltd., a subsidiary of the Company in 2015 pursuant to which a PRC company as plaintiff claimed against Linyi Sino Golf Co., Ltd. for a sum of approximately RMB1,366,000, with damages of approximately RMB55,000, together with interest thereon and costs in relation to dispute involving supply of equipment by the plaintiff. As at the reporting period ended 30 June 2016, the proceedings are in process.

Up to the date of these condensed consolidated financial information, in the opinion of the Directors, no provision for any potential liability has been made in the condensed consolidated financial information as the Group has pleaded reasonable chance of success in the defence.

24. FAIR VALUE DISCLOSURE

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost as at 30 June 2016 and 31 December 2015 approximate to their fair values due to their short-term maturities and the discounting impact is not significant.



25. RELATED PARTY TRANSACTIONS

- (a) Save as disclosed in elsewhere of the condensed consolidated financial information, the Group entered into the following significant transactions with related parties during the period:

	Notes	Six months ended 30 June	
		2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Rental expenses	(i)	420	420
Rental expenses	(ii)	–	150
Company secretarial compliance services fee	(iii)	367	–
Professional fee	(iv)	375	–

Notes:

- (i) The rental expenses paid to a related company, in which a Director has beneficial interest, were determined at rates agreed between the Group and the related company.
- (ii) The rental expenses paid to a related company, in which a Director who resigned on 14 September 2015 has beneficial interest, were determined at rates agreed between the Group and the related company.
- (iii) The company secretarial compliance services fee paid to a related company, in which a Director has beneficial interest, were determined at rates agreed between the Group and the related company.
- (iv) The professional fee paid to a related company, in which a Director has beneficial interest, were determined at rates agreed between the Group and the related company.



25. RELATED PARTY TRANSACTIONS – CONTINUED

(b) Key management compensation

The remuneration of directors and other members of key management during both periods was as follows:

	Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Short-term benefits	3,414	3,422
Post-employment benefits	29	44
	3,443	3,466

The remuneration of directors and key executives is determined with regards to the performance of individuals.

26. ACQUISITION OF SUBSIDIARIES ACCOUNTED FOR AS ASSETS ACQUISITION

On 16 May 2016, Future Success Holdings Limited ("Future Success"), a wholly-owned subsidiary of the Company, completed the acquisition of entire equity interest in Lucky Fountain, from Top Force, at a consideration of HK\$235,700,000 settling through issue of promissory note (note 18). The Directors are of the opinion that the acquisition of Lucky Fountain is in substance an asset acquisition instead of a business combination, as the net assets of Lucky Fountain Group were mainly prepaid lease payments and Lucky Fountain Group was investment holdings prior to the acquisition of the Group.

The net assets of the Lucky Fountain Group acquired are as follows:

	16 May 2016 HK\$'000
Net assets acquired	
Prepaid lease payments	213,864
Bank balances and cash	7
	213,871
Satisfied by:	
Promissory note	213,871
Cash inflows arising from acquisition, representing bank balances and cash	7

27. EVENTS AFTER THE REPORTING PERIOD

On 8 July 2016, the Company entered into a subscription agreement with (i) Wealth Sailor Limited (the "Subscriber"), a company incorporated in the British Virgin Islands ("BVI") with limited liability; (ii) Surplus Excel Limited ("Surplus Excel"), a company incorporated in BVI with limited liability; and (iii) Mr. Jiang Jianhui, who beneficially owns as to 80% of Surplus Excel in relation to the subscription of subscription shares and convertible bonds. Pursuant to the subscription agreement, the Company has conditionally agreed to allot and issue to the Subscriber, and the Subscriber has conditionally agreed to subscribe for (i) an aggregate of 2,861,000,000 new shares (the "Subscription Shares") at subscription price of HK\$0.114 per Subscription Share; and (ii) a zero coupon convertible bonds due 2021 with aggregate principal amount of HK\$74,100,000 to be issued by the Company to the Subscriber, which entitle the Subscriber to subscribe for 650,000,000 conversion shares at the initial conversion price of HK\$0.114 per conversion share.

The subscription was not yet completed as of the date of this report. Further details of the proposed subscription are set out in the Company's announcements dated 13 July 2016, 19 July 2016 and 1 August 2016.

28. APPROVAL OF THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

This unaudited condensed consolidated financial information were approved and authorised for issue by the Board on 30 August 2016.



MANAGEMENT DISCUSSION AND ANALYSIS

Overview

For the six months ended 30 June 2016, the Group remained principally engaged in the business of golf equipment and golf bags manufacturing, which had diversified and extended to include hotel development business following the acquisition of twelve land parcels in Saipan for hotel construction, details of which are set out in the Company's announcements dated 2 February 2016, 5 April 2016 and 16 May 2016; and the circular of the Company dated 21 April 2016.

Impacted by the continued depression in the golf market, the Group's revenue for the first half of 2016 further shrank, recording a loss greater than that incurred for the corresponding period in 2015. During the period, the golf bags sales plummeted by approximately 67.8% whilst the golf equipment sales managed to slightly rebound approximately 2.6% from the depressed level of the corresponding period in 2015.

The Group's revenue for the six months ended 30 June 2016, which wholly originated from the golf business, dropped by approximately 10.9% to approximately HK\$122,973,000 (2015: approximately HK\$138,088,000). Loss attributable to owners of the Company for the period amounted to approximately HK\$54,290,000 compared to a loss of approximately HK\$13,552,000 sustained in the corresponding period in 2015. It is anticipated that the golf market would stay depressed and highly competitive during the second half of 2016 while the hotel development project in Saipan is expected to proceed according to plans with respect to site planning, development and construction. To uphold our competitive edge in a volatile economy, the Group pursues to reinforce the business reengineering and cost rationalisation measures with a goal to enhance efficiency and optimise costs. Besides, the Group is also committed to exploring other business and diversification opportunities to expand the revenue sources and enhance the long-term growth potential for the benefit and interest of the Company and its shareholders as a whole.



Financial Results

The consolidated revenue for the six months ended 30 June 2016 decreased by approximately 10.9%, period on period, to approximately HK\$122,973,000 (2015: approximately HK\$138,088,000). Loss attributable to owners of the Company for the period amounted to approximately HK\$54,290,000 compared to a loss of approximately HK\$13,552,000 for the corresponding period in 2015. Basic and diluted loss per share were both HK2.32 cents for the period (2015: Basic and diluted loss per share of HK0.58 cent, as restated). The Directors did not recommend the payment of an interim dividend in respect of the six months ended 30 June 2016 (2015: Nil).

During the period, the revenue of the golf equipment segment slightly rebounded approximately 2.6%, period on period, to approximately HK\$114,446,000 (2015: approximately HK\$111,583,000) and accounted for approximately 93.1% of the Group's revenue (2015: approximately 80.8%). On the contrary, the Group's revenue attributable to the golf bags segment, defined as comprising sales of golf bags and accessories to external customers, plummeted by approximately 67.8% to approximately HK\$8,527,000 (2015: approximately HK\$26,505,000), representing approximately 6.9% of the Group's revenue for the period (2015: approximately 19.2%). Total gross revenue of the golf bags segment, before elimination of the inter-segmental sales of approximately HK\$1,049,000 (2015: approximately HK\$2,877,000), decreased by a similar extent of approximately 67.4% to approximately HK\$9,576,000 for the period (2015: approximately HK\$29,382,000). The inter-segmental sales represented golf bags produced for fulfilling the orders of golf club sets placed by customers of the golf equipment segment which included golf bags as components. The sales of the golf club sets had been classified as the revenue of the golf equipment segment in accordance with the Group's accounting practice.

Notwithstanding the depression in the golf market, the Group has taken initiative to pick up sales including products with lower margin in order to optimise and maintain the market share, that led to the average gross profit margin for the period lowered to approximately 4.9% (2015: approximately 13.0%). Gross profit for the period amounted to approximately HK\$6,039,000 representing a drop of approximately 66.3% from approximately HK\$17,944,000 for the corresponding period in 2015.

Other operating income for the period decreased to approximately HK\$833,000 compared with approximately HK\$877,000 for the comparative preceding period, mainly due to the drop in the tooling charge income.

Selling and distribution expenses for the period was reduced to approximately HK\$1,255,000 from approximately HK\$2,229,000 for the comparative preceding period, mainly attributable to the decrease in samples, transportation and ocean freight expenses. Administrative expenses for the period escalated to approximately HK\$31,795,000 from approximately HK\$26,895,000 for the comparative preceding period, mainly due to the increase in amortisation of prepaid lease payments, and impairment of other assets as partially offset by the decrease in salaries, social insurance and retirement contribution expenses. On the other hand, exceptional charge comprising write-off of inventories amounted to approximately HK\$21,660,000 for the period (2015: Nil). Finance costs for the period soared to approximately HK\$6,452,000 from approximately HK\$3,249,000 for the comparative preceding period, mainly as a net effect of the interest charged on the promissory note issued by the Company, which was partially offset by the cessation of factoring charges on the Group's export sales.

Impacted by the continued depression in sales and the incurrence of exceptional charge, the Group had sustained a loss attributable to owners of the Company of approximately HK\$54,290,000 for the period versus a loss of approximately HK\$13,552,000 for the corresponding period in 2015.

Golf Equipment Business

The golf equipment segment continued to constitute the main operating segment and accounted for approximately 93.1% of the Group's revenue for the period (2015: approximately 80.8%). Through diverse marketing initiatives, the golf equipment sales managed to slightly rebound approximately 2.6%, period on period, to approximately HK\$114,446,000 during the first half of 2016 (2015: approximately HK\$111,583,000).

The segment revenue for the period comprised golf clubs sales of approximately HK\$110,396,000 (2015: approximately HK\$107,828,000) and components sales of approximately HK\$4,050,000 (2015: approximately HK\$3,755,000), representing approximately 96.5% (2015: approximately 96.6%) and approximately 3.5% (2015: approximately 3.4%) of the segment revenues, respectively. Comprising the golf clubs sales were club sets and individual clubs in the respective proportion of approximately 89.3% (2015: approximately 89.6%) and approximately 10.7% (2015: approximately 10.4%). Amongst the components sales, club heads accounted for approximately 93.2% (2015: approximately 56.4%) while shafts and accessories took up the remaining approximately 6.8% (2015: approximately 43.6%).

During the period, sales to the largest segmental customer increased by approximately 11.8% to approximately HK\$55,622,000 (2015: approximately HK\$49,753,000), representing approximately 48.6% (2015: approximately 44.6%) of the segment revenue or approximately 45.2% (2015: approximately 36.0%) of the Group's revenue for the period. The aggregate revenue generated from the top five segmental customers grew approximately 6.2% to approximately HK\$110,069,000 (2015: approximately HK\$103,683,000), representing approximately 96.2% (2015: approximately 92.9%) of the segment revenue or approximately 89.5% (2015: approximately 75.1%) of the Group's revenue for the period albeit a depressed market sentiment. Sales to other non-key customers lacked fresh momentum and managed to stay relatively stable during the period. The Group is devoted to persistently developing the golf equipment business through diverse marketing initiatives and long-term cooperation with the customers for exploring new business opportunities.

With the orderly scale-down of the Guangdong manufacturing facility, the Shandong manufacturing facility has become the Group's prime production set up being responsible for substantially the bulk of the golf equipment production of the Group. During the period, the Group continued to review and monitor the inventories to identify potential impairments taking into account the depressed business conditions and the prudent procurement approach of key customers and an impairment of inventories of approximately HK\$21,660,000 was incurred. The Shandong manufacturing facility facilitated to streamline the production process with an aim to optimise the manufacturing costs benefiting from a lower operating cost environment and more stable labour supply in the Northern part of the PRC. The Group is well supported by the capability of the Shandong manufacturing facility to solicit and procure new business from those golf name brands with good reputation and growth potential.

Affected by the depressed golf market and a surge in operating costs, the golf equipment segment recorded a segment loss of approximately HK\$40,954,000 for the first half of 2016 compared against a segment loss of approximately HK\$7,943,000 for the corresponding period in 2015. Taking into account the unfavorable market conditions and the current order book status, the management has adopted a prudent view with caution that the golf equipment business will continue to operate under a volatile market with great pressure and challenges during the second half of 2016.

Golf Bags Business

The declining trend of the golf bags sales in late 2015 still continued, and adversely affected the golf bags business for the first half of 2016. The Group's revenue attributable to the golf bags segment, defined as comprising sales of golf bags and accessories to external customers, plummeted approximately 67.8% to approximately HK\$8,527,000 (2015: approximately HK\$26,505,000), representing approximately 6.9% of the Group's revenue for the period (2015: approximately 19.2%).

The segment revenue for the period comprised golf bags sales of approximately HK\$3,202,000 (2015: approximately HK\$19,322,000) and accessories sales mainly boston bags of approximately HK\$5,325,000 (2015: approximately HK\$7,183,000), representing approximately 37.6% (2015: approximately 72.9%) and approximately 62.4% (2015: approximately 27.1%) of the segment revenue, respectively. During the period, sales to the largest golf bags customer amounted to approximately HK\$3,360,000 (2015: approximately HK\$11,478,000 comprising sales to a customer with which no sales was made in the current period), representing approximately 39.4% (2015: approximately 43.3%) of the segment revenue or approximately 2.7% (2015: approximately 8.3%) of the Group's revenue for the period. The aggregate revenue generated from the top five golf bags customers fell by approximately 70.9% to approximately HK\$6,905,000 (2015: approximately HK\$23,763,000), representing approximately 81.0% (2015: approximately 89.7%) of the segment revenue or approximately 5.6% (2015: approximately 17.2%) of the Group's revenue for the period.

Suffering from the significant drop in sales, the golf bags segment recorded a segment loss of approximately HK\$1,642,000 for the first half of 2016 in contrast to a segment profit of approximately HK\$668,000 for the corresponding period in 2015. In consideration of the stagnant market conditions and the current order book status, the management maintains a cautious view and anticipates the golf bags business to stay depressed in the second half year of 2016 amidst intense competition.



Prospects

Impacted by the continued depression in the golf market, the Group's revenue for the first half of 2016 further shrank, recording a loss greater than that incurred for the corresponding period in 2015. During the current period, golf bags sales plummeted by approximately 67.8% whilst golf equipment sales managed to rebound slightly by approximately 2.6%. The Company nevertheless holds the view that the Group's financial position remains solid with adequate funds available to finance its operations. Taking into account the existing market conditions and the current order book status, the management maintains a prudent view with caution that the golf equipment and golf bags business will continue to operate under great challenges amidst intense competition in the second half of 2016.

On the other hand, the Board has been exploring appropriate diversification business opportunities and/or investment to expand the revenue sources and enhance the long-term growth potential of the Group.

On 16 May 2016, Future Success, a wholly-owned subsidiary of the Company, completed the acquisition of entire equity interest in Lucky Fountain. Lucky Fountain is a company established in BVI with limited liability, with its principal activity being investment holdings. The principal assets of the Lucky Fountain Group are the twelve land parcels located in Saipan with a total site area of approximately 79,529 square metres (the "Properties"). Saipan is an attractive market for golf related tourism and is home to a host of golf courses. The Properties are located in close proximity to those golf courses in Saipan and the management is in the preliminary view to proceed the development of hotel resorts and/or timeshare condominiums on the Properties in several phases and corresponding rezoning work has already been started by the Group. It is believed by the Board that the acquisition provides a unique opportunity to the Group to be positioned in the Saipan resort industry.

Looking ahead, the Group will continue to be cautious in its business approach, closely monitoring the golf equipment and golf bags businesses and seizing other growth opportunities to enhance its competitiveness to strive for the best return to the shareholders.

Financial Resources, Liquidity and Gearing

As at 30 June 2016, bank balances and cash, which were mostly denominated in United States dollars, Hong Kong dollars and Renminbi, amounted to approximately HK\$11,783,000 (31 December 2015: approximately HK\$17,063,000). As at 30 June 2016, interest-bearing bank borrowings of the Group aggregated to approximately HK\$71,765,000 (31 December 2015: approximately HK\$73,494,000), of which all were repayable within one year. For expansion of business activities, the Group drew down loans from an independent third party amounting to HK\$8,500,000 (31 December 2015: HK\$5,000,000) with 12% annual interest. All of them are repayable within one year. Amounts due to related companies of approximately HK\$50,020,000 (31 December 2015: approximately HK\$59,684,000) were unsecured, non-interest bearing and repayable on demand.

Given that the acquisition of Lucky Fountain, the Company issued a promissory note at principal amount of HK\$235,700,000 as the consideration. The promissory note is unsecured, interest-bearing of 12% per annum and repayable on 15 May 2018 and its carrying amount was approximately HK\$218,426,000.

Gearing ratio is calculated based on the amount of interest-bearing bank and other borrowings, amounts due to related companies and liability component of promissory note net of cash and cash equivalent divided by the total equity. As at 30 June 2016, the Group's gearing ratio was therefore approximately 283.2% (31 December 2015: approximately 68.4%).

As at 30 June 2016, total assets and net asset value of the Group amounted to approximately HK\$495,202,000 (31 December 2015: approximately HK\$343,707,000) and approximately HK\$118,734,000 (31 December 2015: approximately HK\$175,356,000), respectively. Current and quick ratios as at 30 June 2016 were approximately 0.91 (31 December 2015: approximately 1.16) and approximately 0.27 (31 December 2015: approximately 0.44), respectively. Both the current ratio and quick ratio were considered reasonable and the Group is devoted to continuing exploring possible means to further rationalise the financial position from time to time.



INTERIM DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2016 (Six months ended 30 June 2015: Nil).

PLEDGE OF ASSETS

As at 30 June 2016, bank borrowings from certain PRC banks of approximately HK\$71,765,000 (31 December 2015: approximately HK\$73,494,000) were secured by property, plant and equipment and the prepaid lease payments of the Group with a carrying value of approximately HK\$114,231,000 (31 December 2015: approximately HK\$119,635,000). As at 30 June 2016, the Group had pledged bank deposit of RMB530,000 (31 December 2015: RMB530,000) for a bank guarantee of RMB500,000 (31 December 2015: RMB500,000) issued to the landlord of the Group's golf bags facilities.

MAJOR ACQUISITION

On 2 February 2016, Future Success, a wholly-owned subsidiary of the Company incorporated after 31 December 2015, entered into a sale and purchase agreement with Top Force, an independent third party, for the acquisition of the entire equity interest in Lucky Fountain, which is wholly owned by Top Force, at a cash consideration of HK\$235,700,000. On 5 April 2016 after trading hours, Future Success and Top Force entered into a supplemental agreement (the "Supplemental S&P Agreement") to make certain amendments to the sale and purchase agreement. Further details of the acquisition are set out in the Company's announcements dated 2 February 2016, 5 April 2016 and 16 May 2016; and the circular of the Company dated 21 April 2016.

All of the conditions precedent set out in the sale and purchase agreement (as amended and supplemented by the Supplemental S&P Agreement) have been fulfilled and the acquisition was completed on 16 May 2016.

Accordingly, the Lucky Fountain Group have become subsidiaries of the Company and financial results of the Lucky Fountain Group have been consolidated into the Company's consolidated financial statements thereafter.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

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 is primarily Renminbi ("RMB"). The Group is exposed to foreign currency risk due to the exchange rate fluctuation of RMB against Hong Kong dollars. The Group had not entered into any derivative contracts to hedge against the risk in the period of 2016. The Group will review and monitor its currency exposure from time to time and when appropriate hedge its currency risk.

CONTINGENT LIABILITIES AND LITIGATIONS

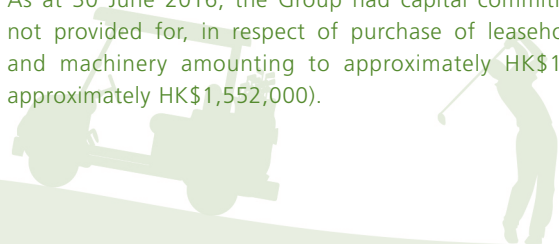
At 30 June 2016, (i) an indirect wholly-owned subsidiary of the Company has been named as defendant in a High Court action since a writ was issued against it in April 2011 and it was claimed for an amount of approximately HK\$1,546,000. The subsidiary has filed a full defence to this writ; (ii) an indirect wholly-owned subsidiary of the Company has been named as defendant in a local PRC court by summon for a claim of approximately RMB1,366,000, equivalent to approximately HK\$1,607,000, with damages of approximately RMB55,000, equivalent to approximately HK\$65,000, together with interest thereon and costs in relation to dispute involving supply of equipment by the plaintiff. The proceedings are in process.

Up to the date of this report, in the opinion of the Directors, no provision for any potential liability has been made in the consolidated financial statements as the Group has pleaded reasonable chance of success in the defence.

Save as the above disclosed, the Group has no significant contingent liabilities as at 30 June 2016.

CAPITAL COMMITMENTS

As at 30 June 2016, the Group had capital commitments, which are contracted but not provided for, in respect of purchase of leasehold land and building and plant and machinery amounting to approximately HK\$1,645,000 (31 December 2015: approximately HK\$1,552,000).



RELATED PARTY TRANSACTIONS

Further details are set out in note 25 to the condensed consolidated financial information.

EVENTS AFTER THE REPORTING PERIOD

On 8 July 2016, the Company entered into a subscription agreement with the Subscriber, Surplus Excel and Mr. Jiang Jianhui, who beneficially owns as to 80% of Surplus Excel in relation to the subscription of subscription shares and convertible bonds. Pursuant to the subscription agreement, the Company has conditionally agreed to allot and issue to the Subscriber, and the Subscriber has conditionally agreed to subscribe for (i) an aggregate of 2,861,000,000 new shares at subscription price of HK\$0.114 per Subscription Share; and (ii) a zero coupon convertible bonds due 2021 with aggregate principal amount of HK\$74,100,000 to be issued by the Company to the Subscriber, which entitle the Subscriber to subscribe for 650,000,000 conversion shares at the initial conversion price of HK\$0.114 per conversion share.

The subscription was not yet completed as of the date of this report. Further details of the proposed subscription are set out in the Company's announcements dated 13 July 2016, 19 July 2016 and 1 August 2016.

MATERIAL CHANGE

On 11 August 2016, the Company published a voluntary announcement which stated that one of the four major customers of the Company ("Customer A"), who contributed an annual revenue of approximately USD8 million to the Company's golf business segment for the year ended 31 December 2015, has recently decided to egress the golf gear manufacturing industry (the "Customer A's Exit"). The Customer A's Exit may have a negative impact to the sales volume of the Company's golf business segment for the next financial year ending 31 December 2017.

Save as disclosed above and save as disclosed in "MANAGEMENT DISCUSSION AND ANALYSIS", "MAJOR ACQUISITION" and "EVENTS AFTER THE REPORTING PERIOD" in this report, there had been no material change in the Group's financial position or business since the publication of the latest annual report of the Company for the year ended 31 December 2015 and up to the date of this report.

EMPLOYEE AND REMUNERATION POLICIES

At 30 June 2016, the Group employed a total of about 1,230 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.

OTHER INFORMATION

Directors' Interest and Short Positions in Shares and Underlying Shares

At 30 June 2016, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of the Part XV of the Securities and Futures Ordinance (the "SFO")) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code"), were as follows:

(i) Long positions in ordinary shares of the Company

Name of Director	Number of shares held, capacity and nature of interest			Approximate percentage of the Company's issued share capital
	Directly beneficially owned	Through spouse	Total	

Executive Director

Mr. CHU Chun Man,
Augustine

46,460,520

750,000

47,210,520

2.02%



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

Name of Director	Name of associated corporation	Relationship with the Company	Shares	Number of shares held	Capacity and nature of interest	Approximate 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 (Note)	1,190,607	Directly beneficially owned	30.98%

Note:

The non-voting deferred shares carry no rights to dividends and no rights to receive notice of or attend or vote at any general meeting of Sino Golf Manufacturing Company Limited. The holders of the non-voting deferred shares shall be entitled to any surplus in return of capital in respect of one half of the balance of assets after the first HK\$100,000,000,000,000 has been distributed to the holders of ordinary shares, in a winding up or otherwise the assets of Sino Golf Manufacturing Company Limited to be returned.

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 2016, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were otherwise required to notify the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' and Other Persons' Interests in Shares and Underlying Shares

As at 30 June 2016, so far as any Directors are aware, the interests or short positions owned by the following parties (other than the Directors or chief executive of the Company) in the Shares or underlying shares of the Company which were required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO were as follows:

Long positions:

Name	Notes	Capacity and nature of interest	Number of ordinary shares held	Approximate percentage of the Company's issued share capital
Surplus Excel Limited	(a)	Directly beneficially owned	984,754,355	42.08%
Mr. Jiang Jianhui	(b)	Through a controlled corporation	984,754,355	42.08%

Notes:

- (a) Surplus Excel Limited is a company incorporated in the British Virgin Islands with limited liability.
- (b) Mr. Jiang Jianhui directly holds 80% of the equity interest in Surplus Excel Limited. Thus, he is deemed to be interested in the 984,754,355 Shares held by Surplus Excel Limited pursuant to the SFO.

Save as disclosed above and as at 30 June 2016, the Directors are not aware of any interests or short positions owned by any persons (other than the Directors or chief executive of the Company) in the Shares or underlying shares of the Company which were required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO.

Share Option Scheme

By an ordinary resolution passed at the annual general meeting held on 5 June 2012, the Company had terminated the original share option scheme (the “Original Share Option Scheme”) and adopted a new share option scheme (the “New Share Option Scheme”) for replacement. The Original Share Option Scheme was adopted since 7 August 2002 which would otherwise have expired on 6 August 2012 if not terminated. There were no options outstanding under the Original Share Option Scheme as at the date of its termination.

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 since 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.

As at 30 June 2016, no outstanding share option was held by the Directors. There were no share options granted, exercised, cancelled, lapsed nor forfeited during the six months ended 30 June 2016.



Disclosure of Change in Information of Directors

Pursuant to rule 13.51B(1) of the Listing Rules, the change of information on Directors is as follows:

Name of Director	Details of change
Mr. Yip Tai Him (Independent Non-executive Director)	With effect from 1 August 2016, he has resigned as an independent non-executive director of Vinco Financial Group Limited (stock code: 8340), the shares of which are listed on the Growth Enterprise Market of the Stock Exchange.

Purchase, Sale or Redemption of Listed Securities of the Company

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 June 2016 (during the year ended 31 December 2015: nil).

Audit Committee

The audit committee of the Company comprises three independent non-executive Directors during the six months ended 30 June 2016 (during the six months ended 30 June 2015: three independent non-executive Directors) with written terms of reference. The audit committee has reviewed with management the accounting policies and practice adopted by the Group and discussed auditing, internal controls, and financial reporting matters including review of the financial statements for the six months ended 30 June 2016.

Remuneration Committee

The remuneration committee of the Company comprises three independent non-executive Directors during the six months ended 30 June 2016 (during the six months ended 30 June 2015: three independent non-executive Directors and two executive Directors) with written terms of reference. 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 nomination committee of the Company comprises three independent non-executive Directors and one executive Director during the six months ended 30 June 2016 (during the six months ended 30 June 2015: three independent non-executive Directors and two executive Directors) with written terms of reference. The nomination committee has met once during the current interim period to review, inter alia, the structure, size and composition (including the skills, knowledge and experience of directors) of the Board; to assess the independence of independent non-executive Directors; and to review the effectiveness of the board diversity policy adopted by the Company.

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 2016.

Corporate Governance

The Company has complied with all the code provisions of the Corporate Governance Code (the "CG Code") set out under Appendix 14 to the Listing Rules throughout the six months ended 30 June 2016, except for certain deviations which are explained below:

- a) Under code provision A.2.1 of the CG Code, the roles of the chairman and chief executive officer should be separate and should not be performed by the same individual. Since 14 September 2015, the Company did not have any officer with the title of Chief Executive Officer. The overall responsibility of supervising and ensuring that the Group functions in line with the order of the Board in terms of day-to-day operations and execution is vested in the Board itself.

The deviation is deemed appropriate and the Board believes that even vesting the roles of both chairman and chief executive officer in the same person could still provide the Company with strong and consistent leadership and allow for effective and efficient planning and implementation of business decisions and strategies. The Board further considers that the current structure does not impair the balance of power and authority between the Board and the management of the Company.

- b) Code provision A.4.1 of the CG Code requires that non-executive directors should be appointed for a specific term, subject to re-election. Although the independent non-executive Directors have not been appointed for any specific terms, the requirement of the code provision is effectively met as those independent non-executive Directors are required to retire by rotation once every three years and subject to re-election at the Company's annual general meeting in accordance with the Company's Bye-laws.
- (c) Code provision A.6.7 of the CG Code requires that independent non-executive directors should attend the general meetings. Mr. Chan Kai Wing, an independent non-executive Director, was unable to attend the Company's special general meeting held on 6 January 2016 due to his other important engagements at the relevant time. However, the Board believes that the presence of other independent non-executive Directors at such general meeting still allowed the Board to develop a balanced understanding of the views of shareholders.

ACKNOWLEDGEMENT

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

By order of the Board
Sino Golf Holdings Limited
Wong Hin Shek
Chairman

Hong Kong, 30 August 2016

As at the date hereof, the Board comprises Mr. Wong Hin Shek, Mr. Zhang Yi and Mr. Chu Chun Man, Augustine, all being executive Directors; and Ms. Chu Yin Yin, Georgiana, Mr. Yip Tai Him and Mr. Chan Kai Wing, all being independent non-executive Directors.

