Sino Golf Holdings Limited

順龍控股有限公司

(Incorporated in Bermuda with limited liability)

Stock Code: 00361

INTERIM REPORT 2018

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Sino Golf Holdings Limited
INTERIM REPORT 2018

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. HUANG Youlong *(Chairman) (Note 1)*
Mr. HUANG Bangyin *(Chairman) (Note 2)*
Mr. ZHAO Zheng *(Note 3)*
Mr. CHU Chun Man, Augustine
Mr. WANG Chuang *(Note 4)*

Non-Executive Directors

Mr. LIU Tianmin *(Note 5)*
Mr. TUNG Sung-Yuan *(Note 6)*
Mr. WONG Hin Shek
Mr. WEI Chung-Hsiang *(Note 7)*

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
Mr. ZHAO Zheng *(Note 3)*

NOMINATION COMMITTEE

Mr. HUANG Youlong *(Chairman) (Note 1)*
Mr. HUANG Bangyin *(Chairman) (Note 2)*
Mr. CHAN Kai Wing
Ms. CHU Yin Yin, Georgiana
Mr. YIP Tai Him

COMPANY SECRETARY

Ms. CHOI Ka Ying

AUTHORISED REPRESENTATIVES

Mr. ZHAO Zheng *(Note 8)*
Mr. CHU Chun Man, Augustine *(Note 8)*
Ms. CHOI Ka Ying

AUDITOR

SHINEWING (HK) CPA Limited
43/F., Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
DBS 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

Room 4501
One Midtown
11 Hoi Shing Road
Tsuen Wan
Hong Kong

STOCK CODE

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

WEBSITE

http://www.sinogolf.com

Notes:

1. Mr. HUANG Youlong resigned as the chairman of the Board, an executive director and the chairman of the Nomination Committee of the Board on 17 April 2018.

2. Mr. HUANG Bangyin was appointed as the chairman of the Board, an executive director and the chairman of the Nomination Committee of the Board on 20 April 2018.

3. Mr. ZHAO Zheng resigned as an executive director and a member of the Remuneration Committee of the Board on 17 April 2018.

4. Mr. WANG Chuang was appointed as an executive director on 20 April 2018.

5. Mr. LIU Tianmin resigned as a non-executive director on 29 June 2018.

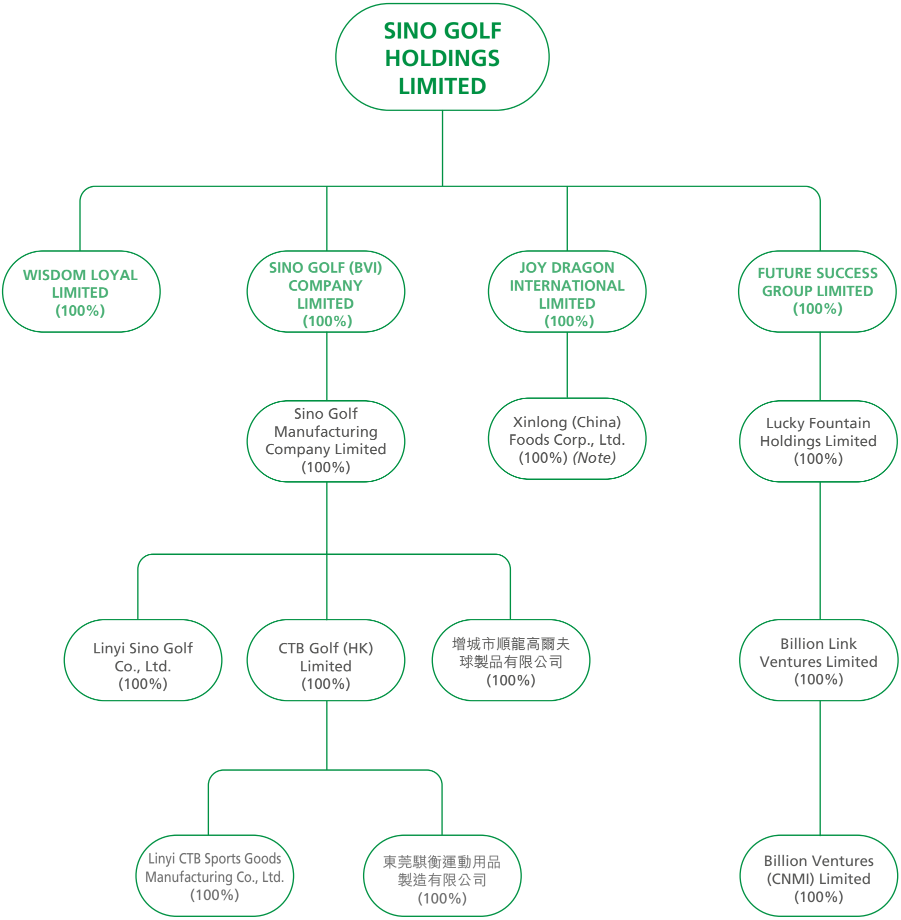
6. Mr. TUNG Sung-Yuan resigned as a non-executive director on 20 April 2018.

7. Mr. WEI Chung-Hsiang was appointed as a non-executive director on 20 April 2018.

8. Mr. ZHAO Zheng ceased to be an authorised representative on 17 April 2018 and Mr. CHU Chun Man, Augustine was appointed as an authorised representative with effect from 17 April 2018.

CORPORATE STRUCTURE

As at 30 June 2018



Note: Xinlong (China) Foods Corp., Ltd. has been established on 19 June 2018.

FINANCIAL HIGHLIGHTS

Results

	For the six months ended 30 June		
	2018	2017	*Changes*
	HK$'000	*HK$'000*	*Increase*
	(Unaudited)	(Unaudited)	
Revenue	**152,211**	96,116	58.4%
from golf equipment segment	**127,564**	83,408	52.9%
from golf bags segment	**24,647**	12,708	93.9%
Gross profit	**15,568**	9,292	67.5%
Loss before interest, tax, depreciation and amortisation	**(12,714)**	(8,179)	55.4%
Loss for the period attributable to owners of the Company	**(23,144)**	(19,143)	20.9%
	HK cent	*HK cent*	
Loss per share Basic and diluted	**(0.44)**	(0.37)	
Interim dividend per ordinary share	**–**	–	

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 2018 which have been reviewed by the Company's audit committee, together with the comparative figures for the six months ended 30 June 2017 as follows.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Notes	Six months ended 30 June **2018** ***HK$'000*** **(Unaudited)**	 2017 *HK$'000* (Unaudited)
Revenue	*4*	**152,211**	96,116
Cost of sales		**(136,643)**	(86,824)
Gross profit		**15,568**	9,292
Other operating income	*6*	**1,200**	228
Selling and distribution expenses		**(2,790)**	(1,561)
Administrative expenses		**(33,069)**	(22,895)
Finance costs	*7*	**(3,793)**	(4,207)
Loss before tax		**(22,884)**	(19,143)
Income tax expense	*8*	**(260)**	–
Loss for the period	*9*	**(23,144)**	(19,143)
Other comprehensive income for the period:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**434**	1,586
Item that will not be reclassified subsequently to profit or loss:			
Deferred tax relating to leasehold land and buildings under revaluation model		**–**	2
Other comprehensive income for the period		**434**	1,588
Total comprehensive expense for the period		**(22,710)**	(17,555)

	Note	Six months ended 30 June 2018 HK$'000 (Unaudited)	2017 HK$'000 (Unaudited)
Loss for the period attributable to:			
– Owners of the Company		**(23,144)**	(19,143)
– Non-controlling interests		**–**	–
		(23,144)	(19,143)
Total comprehensive expense for the period attributable to:			
– Owners of the Company		**(22,710)**	(17,555)
– Non-controlling interests		**–**	–
		(22,710)	(17,555)
		HK cent	*HK cent*
Loss per share			
Basic and diluted	*11*	**(0.44)**	(0.37)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

	Notes	30.6.2018 HK$'000 (Unaudited)	31.12.2017 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment	12	114,407	114,100
Prepaid lease payments	13	219,303	222,769
Goodwill		–	–
Club debentures		2,897	2,897
Pledged bank deposit		631	631
Deposits and other receivables		73	135
Prepayments for the acquisition of property, plant and equipment		466	1,227
		337,777	341,759
Current assets			
Inventories		82,849	89,754
Trade and other receivables	14	44,004	132,313
Prepaid lease payments	13	6,950	6,955
Bank balances and cash		134,078	49,383
		267,881	278,405
Current liabilities			
Trade and other payables	15	61,869	57,300
Amount due to a related company		1,316	1,316
Amounts due to directors		99,925	98,777
Bank borrowings	16	63,095	63,095
		226,205	220,488

	Notes	30.6.2018 HK$'000 (Unaudited)	31.12.2017 HK$'000 (Audited)
Net current assets		**41,676**	57,917
Total assets less current liabilities		**379,453**	399,676
Non-current liabilities			
Convertible bond	*17*	**53,861**	51,370
Deferred tax liabilities		**72**	76
		53,933	51,446
Net assets		**325,520**	348,230
Capital and reserves			
Share capital	*18*	**52,013**	52,013
Reserves		**270,777**	293,487
Equity attributable to owners of the Company		**322,790**	345,500
Non-controlling interests		**2,730**	2,730
Total equity		**325,520**	348,230

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Attributable to owners of the Company										
	Share capital HK$'000	Share premium HK$'000	Convertible bond equity reserve HK$'000	Contributed surplus HK$'000 *(Note (i))*	Assets revaluation reserve HK$'000	Statutory surplus reserve HK$'000 *(Note (ii))*	Exchange fluctuation reserve HK$'000	Retained profits (accumulated losses) HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2017 (audited)	52,013	399,369	27,167	33,966	545	17	(308)	(140,274)	372,495	2,730	375,225
Loss for the period	–	–	–	–	–	–	–	(19,143)	(19,143)	–	(19,143)
Other comprehensive (expense) income for the period	–	–	–	–	(7)	–	1,586	9	1,588	–	1,588
Total comprehensive (expense) income for the period	–	–	–	–	(7)	–	1,586	(19,134)	(17,555)	–	(17,555)
At 30 June 2017 (unaudited)	52,013	399,369	27,167	33,966	538	17	1,278	(159,408)	354,940	2,730	357,670
At 1 January 2018 (audited)	52,013	399,369	27,167	33,966	273	17	4,941	(172,246)	345,500	2,730	348,230
Loss for the period	–	–	–	–	–	–	–	(23,144)	(23,144)	–	(23,144)
Other comprehensive income for the period	–	–	–	–	–	–	434	–	434	–	434
Total comprehensive income (expense) for the period	–	–	–	–	–	–	434	(23,144)	(22,710)	–	(22,710)
At 30 June 2018 (unaudited)	52,013	399,369	27,167	33,966	273	17	5,375	(195,390)	322,790	2,730	325,520

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) 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 2018

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Net cash used in operating activities	**(3,614)**	(4,107)
Cash flows from investing activities		
Purchase of property, plant and equipment	**(1,636)**	(763)
Prepayment for acquisition of property, plant and equipment	**(266)**	(606)
Proceeds from disposal of property, plant and equipment	**15**	152
Interest received	**310**	8
Refund from deposit paid for the construction of property, plant and equipment	**90,486**	45,070
Net cash from investing activities	**88,909**	43,861
Cash flows from financing activities		
Repayment of bank borrowings	**(51,191)**	(49,200)
New bank borrowings raised	**51,191**	49,426
Advances from directors	**1,148**	1,438
Repayment to related companies	**–**	(113)
Interest paid	**(1,748)**	(2,317)
Net cash used in financing activities	**(600)**	(766)
Net increase in cash and cash equivalents	**84,695**	38,988
Cash and cash equivalents at 1 January	**49,383**	24,424
Effect of foreign exchange rate changes	**–**	219
Cash and cash equivalents at 30 June	**134,078**	63,631
Cash and cash equivalents, represented by bank balances and cash	**134,078**	63,631
	134,078	63,631

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2018

1. GENERAL

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**").

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

The principal activity of the Company is investment holding. The principal activities of the Group are manufacturing and trading of golf equipment, golf bags and accessories and the development of integrated resort in Saipan.

The functional currency of the Company and its subsidiaries incorporated in Hong Kong is United States dollars ("**US$**") while the functional currency of the subsidiaries established in the PRC and Saipan are Renminbi ("**RMB**") and US$ respectively. The condensed consolidated financial information are presented in Hong Kong dollars ("**HK$**") for the convenience of users of the condensed consolidated financial information as the Company is a listed company in Hong Kong.

2. BASIS OF PREPARATION

The condensed consolidated financial information of the Group for the six months ended 30 June 2018 has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (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 has been prepared on the historical cost basis, except for certain leasehold land and buildings, which are measured at revalued amounts.

Except as described below, 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 2017.

In the current interim period, the Group has applied, for the first time, the following new and amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA which are effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 "Financial Instruments" with HKFRS 4 "Insurance Contracts"
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle
Amendments to HKAS 40	Transfer of Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures.

Impacts of changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers"

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 "Revenue from Contracts with Customers" superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

3. PRINCIPAL ACCOUNTING POLICIES – CONTINUED

Impacts of changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers" – Continued

Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a goods and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct goods or service.

3. PRINCIPAL ACCOUNTING POLICIES – CONTINUED

Impacts of changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers" – Continued

Key changes in accounting policies resulting from application of HKFRS 15 – Continued

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated.

The Directors of the Company concluded that the revenue from sale of golf bags and equipment should be recognised at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods, which is consistent with the previous accounting policy. For the customers' deposit received before sales of golf bags and equipment, the amount would be reclassified to contract liability under HKFRS 15.

The following table summarises the opening balance adjustments recognised for each line item in the condensed consolidated statement of financial position on initial application of HKFRS 15:

	At 31 December 2017	**Effect from application of HKFRS 15**	**At 1 January 2018**
	HK$'000	*HK$'000*	*HK$'000*
Current liabilities			
Trade and other payables			
Customers' deposit received	1,292	(1,292)	–
Contract liabilities	–	1,292	1,292

3. PRINCIPAL ACCOUNTING POLICIES – CONTINUED

Impacts of changes in accounting policies of application on HKFRS 9 "Financial Instruments"

In the current period, the Group has applied HKFRS 9 "Financial Instruments" and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities; 2) expected credit losses ("**ECL**") for financial assets; and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

At the date of initial application of HKFRS 9, the Directors of the Company have reviewed and assessed all financial assets held by the Group on the basis of the Group's business model for managing these financial assets and their contractual cash flow characteristics, and has classified its financial assets and liabilities into the appropriate categories of HKFRS 9.

Based on the assessment performed by the Directors of the Company, all financial assets and financial liabilities continued to be measured on the same basis as are previously measured under HKAS 39.

Impairment of financial assets

Trade receivables

In the current period, the Group has applied HKFRS 9 simplified approach to measure ECL using lifetime ECL for trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics. The Group measured 12-month ECL in respect of the other financial assets, including deposits and other receivables, pledged bank deposit and bank balances and cash. Based on assessment performed by the Directors of the Company, no loss allowance has been made as at 1 January 2018.

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

For management purposes, the Group is organised into business units based on their products and services and has three (2017: three) reportable and operating segments as follows:

Golf equipment – The manufacturing and trading of golf equipment, and related components and parts.

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

Hospitality – The development of integrated resort in Saipan.

(a) Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segment:

	For the six months ended 30 June									
	Golf equipment		Golf bags		Hospitality		Eliminations		Consolidated	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	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	127,564	83,408	24,647	12,708	–	–	–	–	152,211	96,116
Inter-segment sales	–	–	6,920	4,858	–	–	(6,920)	(4,858)	–	–
Other operating income	565	177	325	43	–	–	–	–	890	220
Total	128,129	83,585	31,892	17,609	–	–	(6,920)	(4,858)	153,101	96,336
Segment results	(10,659)	(9,175)	227	1,994	(3,364)	(3,258)	–	–	(13,796)	(10,439)
Interest income									310	8
Unallocated corporate expenses									(5,605)	(4,505)
Finance costs									(3,793)	(4,207)
Loss before tax									(22,884)	(19,143)

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.

5. SEGMENT INFORMATION – CONTINUED

(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	
	30.6.2018	31.12.2017	**30.6.2018**	31.12.2017	**30.6.2018**	31.12.2017	**30.6.2018**	31.12.2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)
Segment assets	**238,428**	239,825	**11,002**	14,624	**217,746**	311,546	**467,176**	565,995
Unallocated corporate assets								
– Club debentures							**2,897**	2,897
– Bank balances and cash							**134,078**	49,383
– Others							**1,507**	1,889
Total assets							**605,658**	620,164
Segment liabilities	**37,271**	36,572	**11,698**	11,518	**7,456**	7,421	**56,425**	55,511
Unallocated corporate liabilities								
– Amount due to a related company							**1,316**	1,316
– Amounts due to directors							**99,925**	98,777
– Bank borrowings							**63,095**	63,095
– Convertible bond							**53,861**	51,370
– Deferred tax liabilities							**72**	76
– Others							**5,444**	1,789
Total liabilities							**280,138**	271,934

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

- all assets are allocated to operating 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 operating segments other than amount due to a related company, amounts due to directors, bank borrowings, convertible bond, deferred tax liabilities and certain other payables. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

6. OTHER OPERATING INCOME

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest income	**310**	8
Sale of scrap materials	**13**	–
Sample income	**156**	31
Tooling income	**392**	24
Gain on disposal of property, plant and equipment	**55**	86
Sundry income	**274**	79
	1,200	228

7. FINANCE COSTS

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest expenses on:		
– Bank borrowings	**1,748**	2,317
– Convertible bond	**2,491**	2,271
Total borrowing costs	**4,239**	4,588
Less: amount capitalised *(note)*	**(446)**	(381)
	3,793	4,207

Note: Borrowing costs capitalised during the period arose on the general borrowing pool and are calculated by applying a capitalisation rate of 5.40% (six months ended 30 June 2017: 5.00%) per annum to expenditure on qualifying assets.

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
PRC Enterprise Income Tax	**264**	–
Deferred tax	**(4)**	–
	260	–

(a) No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2018 and 2017 as there are no assessable profits generated.

(b) Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

(c) The corporate income tax in Saipan is calculated at 35% of the estimated profit. No provision for corporate income tax for the subsidiary incorporated in Saipan as no income has been derived from Saipan during the six months ended 30 June 2018 and 2017.

(d) The Group is not subject to taxation in other jurisdiction.

9. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging:

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Amortisation of prepaid lease payments	**3,475**	3,395
Amount of inventories recognised as an expense	**136,643**	86,824
Depreciation of property, plant and equipment	**2,902**	3,362
Exchange loss, net	**3,706**	142
Operating leases rentals in respect of land and buildings	**2,045**	1,574

10. DIVIDENDS

No dividends were paid, declared or proposed during the period. The Directors have determined that no dividend will be paid in respect of the period (six months ended 30 June 2017: nil).

11. LOSS PER SHARE

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

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss		
Loss for the purposes of basic and diluted loss per share	**(23,144)**	(19,143)

	Six months ended 30 June	
	2018	2017
	'000	*'000*
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**5,201,250**	5,201,250

The computation of diluted loss per share for the six months ended 30 June 2018 and 2017 does not assume the conversion of the Company's outstanding convertible bond since its exercise would result in a decrease in loss per share.

12. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2018, the Group incurred approximately HK$2,663,000 (six months ended 30 June 2017: approximately HK$1,212,000) on acquisition of property, plant and equipment net of capitalised interest expenses of approximately HK$446,000 (six months ended 30 June 2017: approximately HK$381,000).

Assets with zero carrying value were disposed of by the Group during the six months ended 30 June 2018 (six months ended 30 June 2017: net carrying value of approximately HK$66,000), resulting in a net gain on disposal of approximately HK$55,000 (six months ended 30 June 2017: approximately HK$86,000).

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.

13. PREPAID LEASE PAYMENTS

	30.6.2018	31.12.2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Carrying amount at 1 January	**229,724**	228,785
Addition	**–**	7,301
Amortisation during the period/year	**(3,475)**	(6,855)
Exchange realignment	**4**	493
	226,253	229,724
Less: current portion	**(6,950)**	(6,955)
Non-current portion	**219,303**	222,769

As at 30 June 2018, the Group's prepaid lease payments with carrying value of approximately HK$8,519,000 (31 December 2017: HK$8,664,000) was pledged as security for the banking facilities granted to the Group.

14. TRADE AND OTHER RECEIVABLES

	30.6.2018	31.12.2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables	**37,384**	33,481
Less: allowance for impairment of trade receivables	**(63)**	(63)
	37,321	33,418
Refundable deposit for the construction of property, plant and equipment	**–**	90,486
Deposits and other receivables	**4,058**	4,368
Prepayments	**1,990**	2,926
Prepayments to suppliers	**635**	1,115
	6,683	98,895
	44,004	132,313

(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 ageing 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:

	30.6.2018	31.12.2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 to 30 days	**26,412**	24,920
31 to 90 days	**10,909**	8,496
Over 90 days	**–**	2
	37,321	33,418

15. TRADE AND OTHER PAYABLES

	30.6.2018 HK$'000 (Unaudited)	31.12.2017 HK$'000 (Audited)
Trade and bills payables	46,682	45,063
Customers' deposits received	–	1,292
Contract liabilities	506	–
Accruals and other payables	14,681	10,945
	61,869	57,300

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

	30.6.2018 HK$'000 (Unaudited)	31.12.2017 HK$'000 (Audited)
0 to 90 days	33,905	34,923
91 to 180 days	9,893	8,504
181 to 365 days	1,874	1,030
Over 365 days	1,010	606
	46,682	45,063

16. BANK BORROWINGS

	30.6.2018 HK$'000 (Unaudited)	31.12.2017 HK$'000 (Audited)
Carrying amount of term loans, secured and repayable within one year	63,095	63,095

16. BANK BORROWINGS – CONTINUED

During the six months ended 30 June 2018, the Group repaid and raised new bank borrowings of approximately HK$51,191,000 (year ended 31 December 2017: approximately HK$60,920,000) to finance its working capital.

At 30 June 2018, bank borrowings of approximately HK$63,095,000 are fixed-rate borrowings (31 December 2017: approximately HK$63,095,000). The fixed-rate borrowings carry interest ranging from 5.22% to 5.87% per annum (31 December 2017: 5.22% per annum).

17. CONVERTIBLE BOND

On 7 November 2016, the Company issued an interest-free convertible bond (the "**CB**") with principal amount of HK$74,100,000 to Wealth Sailor Limited in which the ultimate beneficial owner is Mr. Huang Youlong, with maturity date on 7 November 2021 (the "**Maturity Date**"). The CB is interest free, unsecured and denominated in Hong Kong dollars.

The principal terms of the CB are as follows:

Conversion: The holder of the CB is entitled to convert the CB into ordinary shares of the Company at a conversion price of HK$0.114 per ordinary share.

The conversion rights are exercisable at any time during the period commencing from the date of issue of the CB up to the Maturity Date.

Redemption: No early redemption option is granted either to the Company or the holder of CB except for event of default occured. The CB will only be redeemed by the Company at the Maturity Date.

Subject to the occurrence of an event of default (as defined in the terms and conditions of the CB), the CB may be redeemed in amounts of HK$100,000 or integral multiples thereof at the option and in the absolute discretion of the Company on any business day prior to the maturity date by giving not less than seven days notice to the holder of the CB.

The CB contains two components, liability and equity elements. The equity element is presented in equity heading convertible bond equity reserve. The effective interest rate of the liability component is 9.7% per annum.

17. CONVERTIBLE BOND – CONTINUED

The movements of the liability and equity components of the CB and the reconciliation of Level 3 fair value measurement during the reporting period are set out below:

	Liability component of the CB	Equity component of the CB	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2017	46,828	27,167	73,995
Effective interest charge for the year	4,542	–	4,542
At 31 December 2017 and 1 January 2018	51,370	27,167	78,537
Effective interest charge for the period	2,491	–	2,491
At 30 June 2018	53,861	27,167	81,028

No CB was converted into ordinary shares of the Company during the six months ended 30 June 2018 (six months ended 30 June 2017: nil). No redemption, purchase or cancellation by the Company has been made in respect of the CB during the six months ended 30 June 2018 (six months ended 30 June 2017: nil). As at 30 June 2018, the principal amount of the CB that remained outstanding amounted to HK$74,100,000 (31 December 2017: HK$74,100,000) of which a maximum of 650,000,000 (31 December 2017: 650,000,000) shares may fall to be issued upon their conversions, subject to anti-dilution adjustments provided in the terms of the CB. Details of the terms of the CB are set out in the Company's circular dated 30 September 2016.

18. SHARE CAPITAL

	Number of shares	Share capital
	'000	*HK$'000*
Ordinary shares of HK$0.01 (2017: HK$0.01) each		
Authorised		
As at 1 January 2017, 31 December 2017, 1 January 2018 and 30 June 2018	10,000,000	100,000
Issued and fully paid		
As at 1 January 2017, 31 December 2017, 1 January 2018 and 30 June 2018	5,201,250	52,013

19. SHARE-BASED PAYMENT TRANSACTIONS

The Company has a share option scheme for eligible participants including the employees of the Group, which became effective on 5 June 2012 and, unless otherwise cancelled or amended, would remain in force for 10 years from that date.

There were no share options granted, cancelled, lapsed nor forfeited during the six months ended 30 June 2018 (six months ended 30 June 2017: nil).

At 30 June 2018 and at 31 December 2017, no share option remained outstanding and no share option was held by the employees and the Directors.

20. 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 five years (year ended 31 December 2017: one to five years). The Group does not have an 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 future minimum lease payments under non-cancellable operating leases which are payable as follows:

	30.6.2018 ***HK$'000*** **(Unaudited)**	31.12.2017 *HK$'000* (Audited)
Within one year	**966**	1,770
In the second to fifth years, inclusive	**11**	38
	977	1,808

21. CAPITAL COMMITMENTS

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

	30.6.2018 ***HK$'000*** **(Unaudited)**	31.12.2017 *HK$'000* (Audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial information in respect of plant and machinery	**468**	1,120

22. LITIGATIONS

At 30 June 2018, an indirect wholly-owned subsidiary of the Company had been named as defendant in a Hong Kong High Court action as a writ of summon was issued against it in April 2011 claiming for an amount of approximately HK$1,546,000 together with interest thereon and costs. The subsidiary has filed a full defense to this writ. 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 defense.

Another subsidiary had been named as defendant as a writ of summons from a local PRC court was served against the subsidiary in April 2015 pursuant to which a PRC company as plaintiff claimed against the subsidiary for a sum of approximately RMB1,366,000, equivalent to approximately HK$1,570,000 with damages of approximately RMB55,000, equivalent to approximately HK$63,000, together with interest thereon and costs. On 25 November 2016, the PRC court gave judgment and ordered that (i) the plaintiff should be responsible for repairing, replacement and/or rework within 30 days of the court order so as to rectify to make those machinery and equipment sold to the defendant to be in compliance with the terms and standards set out in the sales and purchase contract and (ii) upon fulfillment of the court order by the plaintiff, the defendant shall pay within 10 days a sum of approximately RMB1,036,000 to the plaintiff as full and final settlement of its claim for the balance of purchase consideration. The PRC court further ruled on 16 August 2017 that the Group did not have further obligation to pay since the plaintiff had not fulfilled its obligation for repairing, replacement and/or rework. As such, the Directors considered that no provision was required to be made in the condensed consolidated financial information.

23. FAIR VALUE DISCLOSURE

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost as at 30 June 2018 and 31 December 2017 approximate to their fair values due to their short-term maturities and the discounting impact is not significant.

24. 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:

		Six months ended 30 June	
		2018	2017
		HK$'000	*HK$'000*
	Notes	**(Unaudited)**	(Unaudited)
Rental expenses paid to Sino Orange (China) Company Limited	*(i)*	**480**	480
Company secretarial compliance services fee paid to Veda Corporate Services Limited ("**Veda**")	*(ii)*	**–**	185
Professional fee paid to Veda	*(iii)*	**–**	219

Notes:

(i) The rental expenses paid to a related company, which Mr. Chu Chun Man, Augustine, the director of the Company, has beneficial interest in, were determined at rates agreed between the Group and the related company.

(ii) The company secretarial compliance services fee paid to a related company, which Mr. Wong Hin Shek, the director of the Company, has beneficial interest in, were determined at rates agreed between the Group and the related company.

(iii) The professional fee paid to a related company, which Mr. Wong Hin Shek, the director of the Company, has beneficial interest in, were determined at rates agreed between the Group and the related company.

24. RELATED PARTY TRANSACTIONS – CONTINUED

(b) Key management compensation

The remuneration of Directors of the Company and other members of key management during both periods was as follows:

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Short-term benefits	**3,367**	3,160
Post-employment benefits	**36**	47
	3,403	3,207

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

25. MAJOR NON-CASH TRANSACTION

During the six months ended 30 June 2017, an amount due to a related company of approximately HK$51,944,000 was assigned and transferred to the amount due to a director. There was no major non-cash transaction during the six months ended 30 June 2018.

26. EVENT AFTER THE REPORTING PERIOD

No significant event has taken place subsequent to 30 June 2018 and up to the date of this interim report.

27. APPROVAL OF THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

This unaudited condensed consolidated financial information were approved and authorised for issue by the Board on 31 August 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS AND BUSINESS REVIEW

During the first half year of 2018, the golf business of the Group has rebounded persistently with strength. Both the golf equipment and golf bags sales boosted amidst a highly competitive market environment. The Group's revenue for the current period was generated solely from the golf business which grew approximately 58.4%. Sales to the largest customer increased by more than 1.7 times during the current period. On the other hand, there was no revenue generated by the hospitality segment during the current period. Impacted by the cost hikes and increased operating expenses, the Group has incurred a loss for the current period against a remarkable revenue rise. Strategically, the Board will be exploring more potential development opportunities to expand and diversify the business of the Group.

The Group's revenue for the six months ended 30 June 2018 amounted to approximately HK$152,211,000 (2017: approximately HK$96,116,000). Loss for the period attributable to owners of the Company was approximately HK$23,144,000 compared to the loss of approximately HK$19,143,000 for the comparative period in 2017. Basic and diluted loss per share were both approximately HK0.44 cent for the current period (2017: basic and diluted loss per share were both approximately HK0.37 cent).

GOLF EQUIPMENT BUSINESS

The golf equipment segment continued as the main operating segment and accounted for approximately 83.8% of the Group's revenue for the current period (2017: approximately 86.8%). Benefiting from the expanded business of the largest customer, the golf equipment sales grew about 52.9% during the current period to approximately HK$127,564,000 from approximately HK$83,408,000 for the comparative period in 2017.

During the current period, sales to the largest segmental customer amounted to approximately HK$72,819,000 (2017: approximately HK$37,415,000 for sales to a segmental customer which ranked the second largest in the current period), representing approximately 57.1% (2017: approximately 44.9%) of the segment revenue or approximately 47.8% (2017: approximately 38.9%) of the Group's revenue for the current period, respectively. Revenue generated from the top five segmental customers increased by about 56.6% to approximately HK$125,228,000 (2017: approximately HK$79,949,000), representing approximately 98.2% (2017: approximately 95.9%) of the segment revenue or approximately 82.3% (2017: approximately 83.2%) of the Group's revenue for the current period, respectively. Augmented by the active marketing initiatives, the Group has pursued to continually develop the golf equipment business through strengthening the customer relationship as well as exploring more business opportunities with other key market participants.

To combat the cost hikes which undermined profitability, the Group has reformed its manufacturing operations in Guangdong Province, the PRC whereby subcontracting arrangements with independent third parties possessing expertise in golf equipment manufacturing were set up to carry out the production function for the Group at higher efficiency and enhanced quality. On the other hand, the Shandong manufacturing facility of the Group has rationalized its workforce to an optimal size to commensurate with the business volume and the anticipated market trend. The Shandong manufacturing facility has been operating effectively under a relatively lower cost environment available in the northern part of China. Notwithstanding the measures adopted to monitor and optimize manufacturing costs, the operating expenses for the current period nevertheless went up mainly due to the surge in staff costs; retirement benefit and social insurance expenses; and foreign currency exchange differences.

The surge of operating expenses had largely offset the contribution derived from the revenue rise. Impacted by the cost hikes, the golf equipment segment recorded a segment loss of approximately HK$10,659,000 for the six months ended 30 June 2018 compared to the segment loss of approximately HK$9,175,000 for the comparative period in 2017. Taking into account the order book status and the prevailing market conditions, it is anticipated that the golf equipment business will operate under more challenges in the second half year of 2018 particularly in view of the potential impact of the threatened trade war between China and the United States. To achieve long-term development, the golf equipment segment is determined to continually strengthen customer relationship as augmented by diverse marketing initiatives aiming to explore new business opportunities. The management has maintained a cautious view with prudence on the prospect of the golf equipment business for the current financial year.

GOLF BAGS BUSINESS

Driven by the increased orders of the largest customer, the golf bags segment had achieved significant growth in sales for the six months ended 30 June 2018. The Group's revenue attributable to the golf bags segment, defined as comprising the sales of golf bags and accessories to external customers, soured about 93.9% to approximately HK$24,647,000 (2017: approximately HK$12,708,000), representing approximately 16.2% of the Group's revenue for the current period (2017: approximately 13.2%). Total sales of the golf bags segment, before elimination of the inter-segmental sales of approximately HK$6,920,000 (2017: approximately HK$4,858,000), rose about 79.7% to approximately HK$31,567,000 during the current period (2017: approximately HK$17,566,000). The inter-segmental sales represented the golf bags produced as components for fulfilling the orders of golf club sets placed by customers with the golf equipment segment. The sales of the golf club sets have been classified as the revenue of the golf equipment segment as appropriate.

The segment revenue for the current period comprised golf bags sales of approximately HK$19,550,000 (2017: approximately HK$10,509,000) and accessories sales mainly boston bags of approximately HK$5,097,000 (2017: approximately HK$2,199,000), representing approximately 79.3% (2017: approximately 82.7%) and approximately 20.7% (2017: approximately 17.3%) of the segment revenue, respectively. The golf bags sales increased drastically during the current period mainly due to mass orders from the largest customer which has, in addition to customarily purchasing golf clubs from the golf equipment segment, also started to place separate golf bags orders with the Group since last year. During the current period, sales to the largest segmental customer more than tripled to approximately HK$18,476,000 (2017: approximately HK$5,598,000), representing approximately 75.0% (2017: approximately 44.1%) of the segment revenue or approximately 12.1% (2017: approximately 5.8%) of the Group's revenue for the current period, respectively. The aggregate revenue generated from the top five segmental customers escalated during the current period to approximately HK$22,771,000 (2017: approximately HK$10,102,000), representing approximately 92.4% (2017: approximately 79.5%) of the segment revenue or approximately 15.0% (2017: approximately 10.5%) of the Group's revenue for the current period, respectively.

The golf bags segment managed to accomplish the mass customer orders through its own workforce as supplemented by subcontracting arrangements to process surplus order quantities beyond the segment's labor capability. This led to a substantial increase in subcontracting charges for the current period. Besides, the selling and distribution cost including transportation and freight charges surged significantly during the current period to cope with the onerous delivery requirements. The average gross margin of the golf bags for the current period fell remarkably mainly due to the cost hikes on materials and components as well as the manufacturing overheads such as subcontracting charges and labor expenses.

Adversely affected by the cost hikes which eroded contributions of the increased sales, the golf bags segment had recorded a segment profit of approximately HK$227,000 for the six months ended 30 June 2018 (2017: approximately HK$1,994,000). Taking into consideration the sales orders status and the anticipated market conditions, the management has maintained a positive view with prudence on the outlook of the golf bags business for the current financial year.

HOSPITALITY BUSINESS

The Board has been exploring appropriate diversification business opportunities and/or investments to expand the revenue sources and enhance the long-term growth potential of the Group. With the optimistic view of the tourism and golf related industries in Saipan, the Group acquired Lucky Fountain Holdings Limited and its subsidiaries (the "**Lucky Fountain Group**") in 2016. 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 acquisition of the Lucky Fountain Group provides the Group with opportunities to dip into the hospitality segment of Saipan and savor in the development of the tourism and golf related industries in Saipan.

Subsequent to the acquisition of the Lucky Fountain Group, due to the shortage of local construction workers and uncertainty of overseas working visa quota in Saipan since 2017, the development of hospitality business has been postponed. The development will be postponed until all external factors have been solved.

During the current period ended, no revenue (six months ended 30 June 2017: Nil) was generated from the hospitality business.

PROSPECTS

The golf business prospered during the six months ended 30 June 2018 to boost sales amidst the cost hikes burden. During the current period, both the golf equipment and golf bags sales grew significantly mainly due to the business expansion with the largest customer which is a top tier brand name. With the streamlined operations and stringent cost monitoring measures, the Group had managed to effectively mitigate the impact of cost hikes to optimize operating results. The Company considers that the Group's financial position has remained solid and healthy with adequate funds available to finance its operations. Taking into account the anticipated market conditions and the order book status, the management has maintained a cautious view with prudence that the golf equipment and the golf bags business will continue to operate reasonably in the foreseeable future amidst many challenges and difficulties which may arise in consequence of the threatened trade war between China and the United States.

On the other hand, the acquisition of the Lucky Fountain Group in 2016 provides the Group with the opportunity to diversify its business and the potential to enhance its revenue sources. Although the development plan in Saipan has been postponed at the current stage, the Group will continue to observe the hospitality industry trend in Saipan from time to time and start the development plan in best entry time.

Looking ahead, the Group will continue to pursue a cautious business approach to closely monitor the golf equipment and golf bags business and seize other growth opportunities to enhance competitiveness to strive for the best return to the shareholders.

DIVIDEND

The Board resolved not to recommend the payment of any dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

FINANCIAL RESOURCES, LIQUIDITY AND GEARING

The Group meets its working capital and other capital requirements principally with cash generated from its operations, borrowings and advances from directors. As at 30 June 2018, bank balances and cash, which were mostly denominated in United States dollars ("**US$**"), Hong Kong dollars ("**HK$**") and Renminbi ("**RMB**"), amounted to approximately HK$134,078,000 (31 December 2017: approximately HK$49,383,000). As at 30 June 2018, interest-bearing borrowings of the Group comprising bank borrowings aggregated to RMB53,000,000 which was equivalent to approximately HK$63,095,000 (31 December 2017: RMB53,000,000 which was equivalent to approximately HK$63,095,000), of which all were repayable within one year and carry interest ranging from 5.22% to 5.87% per annum (31 December 2017: 5.22% per annum). Bank borrowings were denominated in Renminbi as at 31 December 2017 and 30 June 2018. As at 30 June 2018, bank borrowings of approximately HK$63,095,000 are fixed-rate borrowings (31 December 2017: approximately HK$63,095,000). Amount due to a related company of approximately HK$1,316,000 as at 30 June 2018 (31 December 2017: HK$1,316,000) and amounts due to directors of approximately HK$99,925,000 as at 30 June 2018 (31 December 2017: HK$98,777,000) were both unsecured, non-interest bearing and repayable on demand.

As at 30 June 2018, the gearing ratio, defined as bank borrowings, amounts due to directors, amount due to a related company and convertible bond less bank balances and cash and pledged bank deposit of approximately HK$83,488,000 (31 December 2017: HK$164,544,000) divided by the total equity of approximately HK$325,520,000 (31 December 2017: HK$348,230,000) was lowered to approximately 25.6% (31 December 2017: approximately 47.3%).

As at 30 June 2018, the total assets and the net asset value of the Group amounted to approximately HK$605,658,000 (31 December 2017: approximately HK$620,164,000) and approximately HK$325,520,000 (31 December 2017: approximately HK$348,230,000), respectively. Current and quick ratios as at 30 June 2018 were approximately 1.18 (31 December 2017: approximately 1.26) and approximately 0.79 (31 December 2017: approximately 0.82), respectively. The Group is devoted to continually explore possible means to further rationalize and improve its financial position from time to time.

PLEDGE OF ASSETS

As at 30 June 2018, bank borrowings from a PRC bank of RMB53,000,000 which was equivalent to approximately HK$63,095,000 (31 December 2017: RMB53,000,000 which was equivalent to approximately HK$63,095,000) were secured by property, plant and equipment and the prepaid lease payments of the Group with a carrying value of approximately HK$97,172,000 (31 December 2017: approximately HK$98,664,000). As at 30 June 2018, the Group had pledged bank deposit of RMB530,000 which was equivalent to approximately HK$631,000 (31 December 2017: RMB530,000 which was equivalent to approximately HK$631,000) for a bank guarantee of RMB500,000 (31 December 2017: RMB500,000) issued to the landlord of the Group's golf bags manufacturing facility.

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 RMB. The Group is exposed to foreign currency risk due to the exchange rate fluctuation of RMB against HK$ and US$. The Group had not entered into any derivative contracts to hedge against the risk for the six months ended 30 June 2018. The Group will review and monitor its currency exposure from time to time and when appropriate hedge its currency risk.

CONTINGENT LIABILITIES

At 30 June 2018, an indirect wholly-owned subsidiary of the Company had been named as defendant in a Hong Kong High Court action as a writ of summon was issued against it in April 2011 claiming for an amount of approximately HK$1,546,000 together with interest thereon and costs. The subsidiary has filed a full defense to this writ. 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 defense.

Another subsidiary had been named as defendant as a writ of summons from a local PRC court was served against the subsidiary in April 2015 pursuant to which a PRC company as plaintiff claimed against the subsidiary for a sum of approximately RMB1,366,000, equivalent to approximately HK$1,570,000 with damages of approximately RMB55,000, equivalent to approximately HK$63,000, together with interest thereon and costs. On 25 November 2016, the PRC court gave judgment and ordered that (i) the plaintiff should be responsible for repairing, replacement and/or rework within 30 days of the court order so as to rectify to make those machinery and equipment sold to the defendant to be in compliance with the terms and standards set out in the sales and purchase contract and (ii) upon fulfillment of the court order by the plaintiff, the defendant shall pay within 10 days a sum of approximately RMB1,036,000 to the plaintiff as full and final settlement of its claim for the balance of purchase consideration. The PRC court further ruled on 16 August 2017 that the Group did not have further obligation to pay since the plaintiff had not fulfilled its obligation for repairing, replacement and/or rework. As such, the Directors considered that no provision was required to be made in the condensed consolidated financial information.

Other than as disclosed, the Group had no significant contingent liabilities as at 30 June 2018.

EVENT AFTER THE REPORTING PERIOD

No significant event has taken place subsequent to 30 June 2018 up to the date of interim results announcement.

CAPITAL COMMITMENTS

As at 30 June 2018, the Group had capital commitments, which are contracted but not provided for in the condensed consolidated financial information, in respect of purchase of leasehold land and building and plant and machinery amounting to approximately HK$468,000 (31 December 2017: approximately HK$1,120,000).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2018, the Group had approximately 1,130 (31 December 2017: approximately 1,060) employees located mainly in Hong Kong and the PRC. For the six months ended 30 June 2018, the total staff costs of the Group (including salaries, allowances and other benefit in kind and retirement benefits schemes contributions) amounted to approximately HK$46,084,000 (for the six months ended 30 June 2017: approximately HK$31,406,000). It is the Group's strategy to maintain a harmonious relationship with its employees through provision of competitive remuneration packages and career development opportunities. The employees are remunerated based on their duties, experience and performance as well as market 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' INTERESTS IN SHARES AND UNDERLYING SHARES

At 30 June 2018, the interests and short positions of the Directors and chief executives of the Company in the share, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong) (the "**SFO**")), which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were 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**") set out in Appendix 10 of the Listing Rules, were set out as follows:

(I) LONG POSITIONS IN ORDINARY SHARES AND UNDERLYING SHARES OF THE COMPANY:

	Number of shares held and interests in underlying shares, capacity and nature of interest				
Name of Director	Directly beneficially owned	Through spouse	Through controlled corporations	Total	Percentage of the Company's issued share capital
Mr. CHU Chun Man, Augustine	46,460,520	750,000	–	47,210,520	0.91%

(II) LONG POSITIONS IN SHARES AND UNDERLYING SHARES OF ASSOCIATED CORPORATION:

Name of Director	Name of associated corporation	Relationship with the Company	Shares	Number 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%

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 2018, none of the Directors had registered an interest or short position in the shares, underlying shares or debentures 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.

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

At 30 June 2018, the following persons (not being a Director or the chief executive of the Company) have interests or short positions of 5% or more of the issued share capital and underlying shares of the Company which have been disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO or as otherwise notified to the Company:

LONG POSITIONS:

Name	*Notes*	Capacity and nature of interest	Number of ordinary shares held and interest in underlying shares	Percentage of the Company's issued share capital
China Huarong Asset Management Co., Ltd.	*(a)*	Security interest held by controlled corporation	3,511,000,000	67.50%
China Huarong International Holdings Limited	*(a)*	Security interest held by controlled corporation	3,511,000,000	67.50%
Right Select International Limited	*(a)*	Security interest held by controlled corporation	3,511,000,000	67.50%
Plenty Choice Investments Limited	*(a)/(b)*	Security interest	3,511,000,000	67.50%
Wealth Sailor Limited	*(c)*	Beneficial owner	3,511,000,000	67.50%
Prominent Victory Limited	*(b)/(d)*	Beneficial interest held by controlled corporation	3,511,000,000	67.50%
Mr. Huang Youlong	*(e)*	Beneficial interest held by controlled corporation	3,511,000,000	67.50%
Ms. Zhao Wei	*(f)*	Interest of spouse	3,511,000,000	67.50%
Surplus Excel Limited	*(g)*	Beneficial owner	984,754,355	18.93%
Mr. Jiang Jianhui	*(h)*	Beneficial interest held by controlled corporation	984,754,355	18.93%

Notes:

(a) Plenty Choice Investments Limited is a company wholly and beneficially owned by Right Select International Limited. Right Select International Limited is a company wholly and beneficially owned by China Huarong International Holdings Limited. China Huarong Asset Management Co., Ltd. is the ultimate beneficial owner of Plenty Choice Investments Limited. Each of Right Select International Limited, China Huarong International Holdings Limited and China Huarong Asset Management Co., Ltd. is deemed to be interested in the Shares which Plenty Choice Investments Limited has security interest by virtue of the SFO.

(b) As at 30 June 2018, Wealth Sailor Limited has provided a first fixed share charge in respect of the 2,861,000,000 shares held by it and a first fixed charge in respect of the convertible bonds held by it convertible into 650,000,000 shares in favour of Plenty Choice Investments Limited to secure the payment obligations under the secured notes issued by Prominent Victory Limited to Plenty Choice Investments Limited.

(c) Wealth Sailor Limited is a company incorporated in the British Virgin Islands ("BVI") with limited liability.

(d) The interest disclosed are the Shares directly beneficially owned by Wealth Sailor Limited, the issued share capital of which is wholly held by Prominent Victory Limited. Accordingly, Prominent Victory Limited is deemed to be interested in the shares owned by Wealth Sailor Limited.

(e) This represents the 2,861,000,000 shares and the convertible bonds (convertible into 650,000,000 shares) held by Wealth Sailor Limited. Mr. Huang is the sole ultimate beneficial shareholder and sole director of Wealth Sailor Limited, indirectly holding 100% of the issued share capital of Wealth Sailor Limited through his wholly-owned company, Prominent Victory Limited.

(f) Ms. Zhao Wei is the spouse of Mr. Huang Youlong. Accordingly, Ms. Zhao Wei is deemed to be interested in the shares Mr. Huang Youlong is interested in.

(g) Surplus Excel Limited is a company incorporated in the BVI with limited liability.

(h) Mr. Jiang Jianhui directly holds 80% of the equity interest in Surplus Excel Limited and is deemed to be interested in the Shares held by Surplus Excel Limited.

Save as disclosed above, as at 30 June 2018, 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.

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.

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 2018, no share option remained outstanding and no share option was held by the Directors and the employees. There were no share options granted, exercised, cancelled, lapsed nor forfeited during the six months ended 30 June 2018.

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 2018.

CORPORATE GOVERNANCE

The Company has complied with the code provisions of the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") set out under Appendix 14 to the Listing Rules throughout the six months ended 30 June 2018, 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. The Company did not have any officer with the title of chief executive officer. The deviation is deemed appropriate as the Board believes that vesting the roles of both chairman and chief executive officer in the same duty. The chairman provides the Company with strong and consistent leadership and allows 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 non-executive Directors and independent non-executive Directors of the Company have not been appointed for any specific terms, the requirement of the code provision is effectively met as those 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 and other non-executive Directors should attend the general meetings. Mr. Liu Tianmin, a non-executive Director, was unable to attend the Company's annual general meeting held on 15 June 2018 due to a business trip at the relevant time. Nevertheless, the Board believes that the presence of other non-executive Directors at such general meeting still allowed the Board to develop a balanced understanding of the views of shareholders.

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 have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2018.

AUDIT COMMITTEE

The audit committee of the Company comprises three independent non-executive Directors of Mr. Chan Kai Wing (chairman), Ms. Chu Yin Yin, Georgiana and Mr. Yip Tai Him during the six months ended 30 June 2018 (during the six months ended 30 June 2017: three independent non-executive Directors) with written terms of reference. The audit committee has reviewed with management the accounting polices and practice adopted by the Group and discussed auditing, internal controls, and financial reporting matters including review of the unaudited condensed consolidated financial information of the Group for the six months ended 30 June 2018.

REMUNERATION COMMITTEE

The remuneration committee of the Company comprises three independent non-executive Directors of Mr. Yip Tai Him (chairman), Mr. Chan Kai Wing and Ms. Chu Yin Yin, Georgiana during the six months ended 30 June 2018 (during the six months ended 30 June 2017: three independent non-executive Directors and one executive Director) 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 one executive Director of Mr. Huang Bangyin (chairman) and three independent non-executive Directors of Mr. Chan Kai Wing, Ms. Chu Yin Yin, Georgiana and Mr. Yip Tai Him during the six months ended 30 June 2018 (during the six months ended 30 June 2017: three independent non-executive Directors and one executive Director) 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.

APPRECIATION

On behalf of the Board, I would like to thank all our employees for their contribution and commitments. I also wish to extend my sincere gratitude to our shareholders, customers, suppliers and business partners for their long-term supports and dedication.

By order of the Board
Sino Golf Holdings Limited
Huang Bangyin
Chairman

Hong Kong, 31 August 2018

As at the date of this interim report, the Board comprises (i) Mr. Huang Bangyin, Mr. Chu Chun Man, Augustine and Mr. Wang Chuang as executive Directors; (ii) Mr. Wong Hin Shek and Mr. Wei Chung-Hsiang as non-executive Directors; and (iii) Ms. Chu Yin Yin, Georgiana, Mr. Yip Tai Him, and Mr. Chan Kai Wing as independent non-executive Directors.