Sino Golf Holdings Limited
順龍控股有限公司

(Incorporated in Bermuda with limited liability)

Stock Code: 00361

2019
INTERIM REPORT

CONTENTS

Sino Golf Holdings Limited
INTERIM REPORT 2019

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. HUANG Bangyin *(Chairman)*
Mr. CHU Chun Man, Augustine
Mr. WANG Chuang *(Note 1)*

Non-Executive Directors

Mr. WONG Hin Shek
Mr. WEI Chung-Hsiang *(Note 2)*

Independent Non-Executive Directors

Ms. CHU Yin Yin, Georgiana *(Note 3)*
Mr. SHENG Baojun
Mr. HO Kwong Yu
Ms. LIN Lin *(Note 4)*

AUDIT COMMITTEE

Ms. CHU Yin Yin, Georgiana *(Note 3)*
Mr. HO Kwong Yu *(Chairman)*
Mr. SHENG Baojun
Ms. LIN Lin *(Note 4)*

REMUNERATION COMMITTEE

Ms. CHU Yin Yin, Georgiana *(Note 3)*
Mr. SHENG Baojun *(Chairman)*
Mr. HO Kwong Yu
Ms. LIN Lin *(Note 4)*

NOMINATION COMMITTEE

Mr. HUANG Bangyin *(Chairman)*
Ms. CHU Yin Yin, Georgiana *(Note 3)*
Mr. SHENG Baojun
Mr. HO Kwong Yu
Ms. LIN Lin *(Note 4)*

COMPANY SECRETARY

Ms. CHOI Ka Ying

AUTHORISED REPRESENTATIVES

Mr. CHU Chun Man, Augustine
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
4th floor North
Cedar House
41 Cedar Avenue
Hamilton HM 12
Bermuda *(Note 5)*

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong *(Note 6)*

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. WANG Chuang resigned as an executive director on 4 April 2019.

2. Mr. WEI Chung-Hsiang resigned as a non-executive director on 4 April 2019.

3. Ms. CHU Yin Yin, Georgiana resigned as an independent non-executive director, a member of Audit Committee, Remuneration Committee and Nomination Committee on 4 April 2019.

4. Ms. LIN Lin was appointed as an independent non-executive director, a member of Audit Committee, Remuneration Committee and Nomination Committee on 4 April 2019.

5. MUFG Fund Services (Bermuda) Limited changed the address of its Bermuda principal share registrar and transfer office from The Belvedere Building, 69 Pitts Bay Road, Pembroke HM08, Bermuda on 19 July 2019.

6. Tricor Tengis Limited changed the address of its Hong Kong branch share registrar and transfer office from Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong on 11 July 2019.

FINANCIAL HIGHLIGHTS

Results

	For the six months ended 30 June		
	2019	2018	*Changes*
	HK$'000	*HK$'000*	*Decrease*
	(Unaudited)	(Unaudited)	
Revenue	**109,202**	152,211	(28.3%)
from golf equipment segment	**86,521**	127,564	(32.2%)
from golf bags segment	**22,681**	24,647	(8.0%)
Gross profit	**12,979**	15,568	(16.6%)
Loss before interest, tax, depreciation and amortisation	**(5,801)**	(12,714)	(54.4%)
Loss for the period attributable to owners of the Company	**(16,717)**	(23,144)	(27.8%)
	HK cent	*HK cent*	
Loss per share Basic and diluted	**(0.32)**	(0.44)	
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 2019 which have been reviewed by the Company's audit committee, together with the comparative figures for the six months ended 30 June 2018 as follows.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	Notes	Six months ended 30 June 2019 HK$'000 (Unaudited)	2018 HK$'000 (Unaudited)
Revenue	5	**109,202**	152,211
Cost of sales		**(96,223)**	(136,643)
Gross profit		**12,979**	15,568
Other operating income	7	**2,356**	1,200
Selling and distribution expenses		**(1,552)**	(2,790)
Administrative expenses		**(25,781)**	(33,069)
Finance costs	8	**(4,312)**	(3,793)
Loss before tax		**(16,310)**	(22,884)
Income tax expense	9	**(407)**	(260)
Loss for the period	10	**(16,717)**	(23,144)
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
Other comprehensive income for the period		**–**	434
Total comprehensive expense for the period		**(16,717)**	(22,710)

	Note	Six months ended 30 June 2019 HK$'000 (Unaudited)	2018 HK$'000 (Unaudited)
Loss for the period attributable to:			
– Owners of the Company		**(16,717)**	(23,144)
– Non-controlling interests		**–**	–
		(16,717)	(23,144)
Total comprehensive expense for the period attributable to:			
– Owners of the Company		**(16,717)**	(22,710)
– Non-controlling interests		**–**	–
		(16,717)	(22,710)
		HK cent	*HK cent*
Loss per share			
Basic and diluted	*12*	**(0.32)**	(0.44)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

	Notes	30.6.2019 HK$'000 (Unaudited)	31.12.2018 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment	13	107,130	108,722
Prepaid lease payments	14	212,014	215,468
Goodwill		–	–
Club debentures		2,897	2,897
Pledged bank deposit		602	602
Deposits and other receivables		41	–
Prepayments for the acquisition of property, plant and equipment		386	370
Right-of-use asset	15	371	–
		323,441	328,059
Current assets			
Inventories		60,435	64,072
Trade and other receivables	16	22,230	37,748
Prepaid lease payments	14	6,927	6,936
Bank balances and cash		124,881	126,249
		214,473	235,005
Current liabilities			
Trade and other payables	17	42,928	46,805
Amount due to a related company		1,316	1,316
Amount due to a director		86,524	94,192
Lease liability	15	233	–
Income tax payable		151	129
Bank borrowings	18	60,227	60,227
		191,379	202,669

	Notes	30.6.2019 HK$'000 (Unaudited)	31.12.2018 HK$'000 (Audited)
Net current assets		**23,094**	32,336
Total assets less current liabilities		**346,535**	360,395
Non-current liabilities			
Convertible bond	*19*	**59,086**	56,353
Deferred tax liabilities		**239**	251
Lease liability	*15*	**136**	–
		59,461	56,604
Net assets		**287,074**	303,791
Capital and reserves			
Share capital	*20*	**52,013**	52,013
Reserves		**232,331**	249,048
Equity attributable to owners of the Company		**284,344**	301,061
Non-controlling interests		**2,730**	2,730
Total equity		**287,074**	303,791

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	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$'000*	Accumulated losses *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total *HK$'000*
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
At 1 January 2019 (audited)	52,013	399,369	27,167	33,966	822	17	455	(212,748)	301,061	2,730	303,791
Loss for the period	–	–	–	–	–	–	–	(16,717)	(16,717)	–	(16,717)
Total comprehensive expense for the period	–	–	–	–	–	–	–	(16,717)	(16,717)	–	(16,717)
At 30 June 2019 (unaudited)	52,013	399,369	27,167	33,966	822	17	455	(229,465)	284,344	2,730	287,074

Notes:

(i) The Group's contributed surplus represents (i) 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; and (ii) the credit arising from the capital reorganisation of the Company, partially offset by the bonus issue, as set out in the circular of the Company dated 14 December 2015.

(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 2019

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Net cash from (used in) operating activities	**7,737**	(3,614)
Cash flows from investing activities		
Purchase of property, plant and equipment	**(881)**	(1,636)
Prepayment for acquisition of property, plant and equipment	**(96)**	(266)
Proceeds from disposal of property, plant and equipment	**444**	15
Interest received	**816**	310
Refund from deposit paid for the construction of property, plant and equipment	**–**	90,486
Net cash from investing activities	**283**	88,909
Cash flows from financing activities		
Repayment of bank borrowings	**(48,864)**	(51,191)
New bank borrowings raised	**48,864**	51,191
(Repayment to) advances from a director	**(7,668)**	1,148
Interest paid	**(1,720)**	(1,748)
Net cash used in financing activities	**(9,388)**	(600)
Net (decrease) increase in cash and cash equivalents	**(1,368)**	84,695
Cash and cash equivalents at 1 January	**126,249**	49,383
Cash and cash equivalents at 30 June, represented by bank balances and cash	**124,881**	134,078

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

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 2019 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 2018.

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 2019 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC)-Interpretation 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle

The adoption of HKFRS 16 resulted in changes in the Group's accounting policies and adjustments to the amounts recognised in the condensed consolidated interim financial information. The new accounting policies are set out in note 4 below. The application of other new and amendments to HKFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated interim financial information.

3. PRINCIPAL ACCOUNTING POLICIES – CONTINUED

3.1 Impacts on adoption of HKFRS 16 Leases

HKFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating lease and finance lease and requiring the recognition of right-of-use asset and a lease liability for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new accounting policies are described in note 4.

On transition to HKFRS 16, the Group elected to apply HKFRS 16 using the modified retrospective approach and applied the practical expedient to grandfather the assessment of which arrangements are, or contain, leases. It applied HKFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019. Furthermore, the Group applied the short-term lease recognition exemption to operating leases with a remaining lease term of less than 12 months as at 1 January 2019 and do not contain a purchase option.

The Directors considered that the application of HKFRS 16 above had no material impact on the condensed consolidated statement of financial position at 1 January 2019.

4 CHANGE IN ACCOUNTING POLICIES

Leases

Definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

4 CHANGE IN ACCOUNTING POLICIES – CONTINUED

Lease liability

At the commencement date, the Group measures lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The lease liability is presented as a separate line in the condensed consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Lease liability is remeasured (and with a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

4 CHANGE IN ACCOUNTING POLICIES – CONTINUED

Lease liability – Continued

- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

Right-of-use asset

The right-of-use asset comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs, less lease incentives received.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, provision is recognised and measured under HKAS 37 "Provision, Contingent Liabilities and Contingent Assets". The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use asset is subsequently measured at cost less accumulated depreciation and impairment losses. It is depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group presents right-of-use asset as a separate line item on the condensed consolidated statement of financial position.

The Group applies HKAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the "Property, plant and equipment" policy as stated in the Group's 2018 Financial Statements for the year ended 31 December 2018.

5. 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.

6. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three (2018: 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	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	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	**86,521**	127,564	**22,681**	24,647	**-**	-	**-**	-	**109,202**	152,211
Inter-segment sales	**-**	-	**6,224**	6,920	**-**	-	**(6,224)**	(6,920)	**-**	-
Other operating income	**1,346**	565	**194**	325	**-**	-	**-**	-	**1,540**	890
Total	**87,867**	128,129	**29,099**	31,892	**-**	-	**(6,224)**	(6,920)	**110,742**	153,101
Segment results	**(9,060)**	(10,659)	**3,349**	227	**(3,336)**	(3,364)	**-**	-	**(9,047)**	(13,796)
Interest income									**816**	310
Unallocated corporate expenses									**(3,767)**	(5,605)
Finance costs									**(4,312)**	(3,793)
Loss before tax									**(16,310)**	(22,884)

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.

6. 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	
	30.6.2019	31.12.2018	**30.6.2019**	31.12.2018	**30.6.2019**	31.12.2018	**30.6.2019**	31.12.2018
	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	**187,596**	207,349	**10,285**	11,448	**211,087**	214,423	**408,968**	433,220
Unallocated corporate assets								
– Club debentures							**2,897**	2,897
– Bank balances and cash							**124,881**	126,249
– Others							**1,168**	698
Total assets							**537,914**	563,064
Segment liabilities	**26,089**	30,544	**9,207**	7,486	**7,465**	7,470	**42,761**	45,500
Unallocated corporate liabilities								
– Amount due to a related company							**1,316**	1,316
– Amount due to a director							**86,524**	94,192
– Income tax payable							**151**	129
– Bank borrowings							**60,227**	60,227
– Convertible bond							**59,086**	56,353
– Deferred tax liabilities							**239**	251
– Others							**536**	1,305
Total liabilities							**250,840**	259,273

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, amount due to a director, income tax payable, 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.

7. OTHER OPERATING INCOME

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest income	**816**	310
Sale of scrap materials	**35**	13
Sample income	**73**	156
Tooling income	**546**	392
Gain on disposal of property, plant and equipment	**375**	55
Sundry income	**259**	274
Rental income	**44**	–
Exchange gain, net	**208**	–
	2,356	1,200

8. FINANCE COSTS

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest expenses on:		
– Bank borrowings	**1,720**	1,748
– Convertible bond	**2,733**	2,491
– Lease liability *(note i)*	**10**	–
Total borrowing costs	**4,463**	4,239
Less: amount capitalised *(note ii)*	**(151)**	(446)
	4,312	3,793

Notes:

(i) The Group has initially applied HKFRS 16 on 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated.

(ii) Borrowing costs capitalised during the period arose on the general borrowing pool and are calculated by applying a capitalisation rate of 5.71% (six months ended 30 June 2018: 5.40%) per annum to expenditure on qualifying assets.

9. INCOME TAX EXPENSE

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
PRC Enterprise Income Tax	**419**	264
Deferred tax	**(12)**	(4)
	407	260

(i) No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2019 and 2018 as there are no assessable profits generated.

(ii) 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.

(iii) 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 has been made as no income has been derived from Saipan during the six months ended 30 June 2019 and 2018.

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

10. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging:

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Amortisation of prepaid lease payments	**3,463**	3,475
Amount of inventories recognised as an expense	**96,223**	136,643
Depreciation of property, plant and equipment	**2,636**	2,902
Depreciation of right-of-use asset *(note)*	**98**	–
Exchange loss, net	**–**	3,706
Operating leases rentals in respect of land and buildings	**–**	2,045
Expenses relating to short term leases *(note)*	**1,624**	–

Note: The Group has initially applied HKFRS 16 on 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated.

11. 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 2018: nil).

12. 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	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss		
Loss for the purposes of basic and diluted loss per share	**(16,717)**	(23,144)

	Six months ended 30 June	
	2019	2018
	'000	*'000*
	(Unaudited)	(Unaudited)
Number of shares		
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 2019 and 2018 does not assume the conversion of the Company's outstanding convertible bond since its exercise would result in a decrease in loss per share.

13. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2019, the Group incurred approximately HK$960,000 (six months ended 30 June 2018: approximately HK$2,663,000) on acquisition of property, plant and equipment net of capitalised interest expenses of approximately HK$151,000 (six months ended 30 June 2018: approximately HK$446,000).

Assets with a net carrying value of approximately HK$69,000 were disposed of by the Group during the six months ended 30 June 2019 (six months ended 30 June 2018: zero net carrying value), resulting in a net gain on disposal of approximately HK$375,000 (six months ended 30 June 2018: approximately HK$55,000).

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

	30.6.2019 ***HK$'000*** **(Unaudited)**	31.12.2018 *HK$'000* (Audited)
Carrying amount at 1 January	**222,404**	229,724
Amortisation during the period/year	**(3,463)**	(6,936)
Exchange realignment	**–**	(384)
	218,941	222,404
Less: current portion	**(6,927)**	(6,936)
Non-current portion	**212,014**	215,468

As at 30 June 2019, the Group's prepaid lease payments with carrying value of approximately HK$7,856,000 (31 December 2018: HK$7,994,000) was pledged as security for the banking facilities granted to the Group.

15. RIGHT-OF-USE ASSET AND LEASE LIABILITY

Upon adoption of HKFRS 16 using the modified retrospective method, on 1 January 2019, no right-of-use asset and lease liability were recognised as the remaining lease term of the existing lease was less than one year.

(i) Right-of-use asset

During the six months ended 30 June 2019, a lease of property was signed, the Group recognised approximately HK$469,000 right-of-use asset at initial recognition. As at 30 June 2019, the carrying amount of right-of-use asset was approximately HK$371,000 in respect of the leased property.

(ii) Lease liability

During the six months ended 30 June 2019, a lease of property was signed, the Group recognised approximately HK$469,000 lease liability at initial recognition. As at 30 June 2019, the carrying amount of lease liability was approximately HK$369,000. The liability was measured at the present value of the remaining lease payments, discounted using the weighted average lessee's incremental borrowing rate, 5.125%.

(iii) Amounts recognised in profit or loss

	Six months ended 30 June 2019 *HK$'000* **(Unaudited)**
Depreciation expense on right-of-use asset	**98**
Interest expense on lease liability	**10**

(iv) Others

At 30 June 2019, the Group is committed to approximately HK$769,000 for short-term leases.

During the six months ended 30 June 2019, total cash outflow for leases amounted to approximately HK$1,732,000.

16. TRADE AND OTHER RECEIVABLES

	30.6.2019	31.12.2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables	**17,196**	32,304
Less: allowance for impairment of trade receivables	**(63)**	(63)
	17,133	32,241
Deposits and other receivables	**2,910**	2,988
Prepayments	**1,913**	2,289
Prepayments to suppliers	**274**	230
	22,230	37,748

(i) 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 (2018: 30 and 60 days). The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management.

(ii) 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:

	30.6.2019	31.12.2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 to 30 days	**12,665**	23,788
31 to 90 days	**4,468**	8,453
	17,133	32,241

17. TRADE AND OTHER PAYABLES

	30.6.2019	31.12.2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade and bills payables	**32,426**	34,816
Contract liabilities	**693**	2,169
Accruals and other payables	**9,809**	9,820
	42,928	46,805

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:

	30.6.2019	31.12.2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 to 90 days	**27,253**	25,346
91 to 180 days	**3,827**	8,000
181 to 365 days	**248**	389
Over 365 days	**1,098**	1,081
	32,426	34,816

18. BANK BORROWINGS

	30.6.2019	31.12.2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Carrying amount of term loans, secured and repayable within one year	**60,227**	60,227

18. BANK BORROWINGS – CONTINUED

During the six months ended 30 June 2019, the Group raised new bank borrowings of approximately HK$49,987,000 (year ended 31 December 2018: approximately HK$64,959,000) to finance its working capital.

At 30 June 2019, bank borrowings of approximately HK$60,227,000 are fixed-rate borrowings (31 December 2018: approximately HK$60,227,000). The fixed-rate borrowings carry interest ranging from 5.66% to 5.87% per annum (31 December 2018: 5.87% per annum).

19. 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 (as defined in the terms and conditions of the convertible notes disclosed in the circular of the Company dated 30 September 2016) occurred. The CB will only be redeemed by the Company at the Maturity Date.

Subject to the occurrence of an event of default, the CB shall become due and payable on the giving of notice in writing by the bondholder to the Company.

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.

19. 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 2018	51,370	27,167	78,537
Effective interest charge for the year	4,983	–	4,983
At 31 December 2018 and 1 January 2019	56,353	27,167	83,520
Effective interest charge for the period	2,733	–	2,733
At 30 June 2019	59,086	27,167	86,253

No CB was converted into ordinary shares of the Company during the six months ended 30 June 2019 (six months ended 30 June 2018: nil). No redemption, purchase or cancellation by the Company has been made in respect of the CB during the six months ended 30 June 2019 (six months ended 30 June 2018: nil). As at 30 June 2019, the principal amount of the CB that remained outstanding amounted to HK$74,100,000 (31 December 2018: HK$74,100,000) of which a maximum of 650,000,000 (31 December 2018: 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.

20. SHARE CAPITAL

	Number of shares	Share capital
	'000	*HK$'000*
Ordinary shares of HK$0.01 (2018: HK$0.01) each		
Authorised		
As at 1 January 2018, 31 December 2018, 1 January 2019 and 30 June 2019	10,000,000	100,000
Issued and fully paid		
As at 1 January 2018, 31 December 2018, 1 January 2019 and 30 June 2019	5,201,250	52,013

21. 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 2019 (six months ended 30 June 2018: nil).

At 30 June 2019 and at 31 December 2018, no share option remained outstanding and no share option was held by the employees and the Directors.

22. CAPITAL COMMITMENTS

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

	30.6.2019	31.12.2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial information in respect of plant and machinery	**319**	319

23. LITIGATIONS

At 30 June 2019, an indirect wholly-owned subsidiary of the Company has been named as defendant in a Hong Kong High Court action since a writ was issued against it in April 2011 and it was claimed for an amount of approximately HK$1,546,000. The subsidiary has filed a full defence to this writ. In the opinion of the directors of the Company, based on the legal opinion obtained and the available information, no provision is considered necessary for the claim arising from the legal proceeding at the end of the reporting period.

As such, the directors of the Company considered that no provision was required to be made in these consolidated financial statements.

Other than as disclosed, the Group had no significant contingent liabilities as at 30 June 2019.

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 2019 and 31 December 2018 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:

		Six months ended 30 June	
		2019	2018
		HK$'000	*HK$'000*
	Note	**(Unaudited)**	(Unaudited)
Rental expenses paid to Sino Orange (China) Company Limited	*(i)*	**540**	480

Note:

(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.

25. RELATED PARTY TRANSACTIONS – CONTINUED

(b) Compensation of key management personnel

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

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Short-term benefits	**2,607**	3,367
Post-employment benefits	**30**	36
	2,637	3,403

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

26. MAJOR NON-CASH TRANSACTION

There was no major non-cash transaction for the six months ended 30 June 2019 and 2018.

27. EVENT AFTER THE REPORTING PERIOD

No significant event has taken place subsequent to 30 June 2019 and up to the date of this interim report.

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 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS AND BUSINESS REVIEW

Hindered by the volatile economy, the golf business of the Group shrunk notably during the first half year of 2019. The market conditions worsened during the period due to severe trade conflicts between China and the United States. Despite prolonged negotiations, no trade deals or concessions were reached by the two governments but tariff had been progressively levied on goods exported from China to the United States. The golf business of the Group was inevitably affected to suffer a decline in customer orders. Notwithstanding the depressed sales, the Group continued to implement cost monitoring and control measures which helped improve the gross profit margin to mitigate losses sustained. During the period, there was no revenue generated by the hospitality segment as the development of the hospitality business had been postponed until a better timing in future due to external restricting factors existing in Saipan. The Group's revenue for the period was generated solely from the golf business which decreased by approximately 28.3% with sales to the largest customer down approximately 30.0%. Strategically, the Board is determined to exploring more and different potential development opportunities to expand and diversify the business of the Group.

The Group's revenue for the six months ended 30 June 2019 amounted to approximately HK$109,202,000 (2018: approximately HK$152,211,000). Loss for the period attributable to owners of the Company was approximately HK$16,717,000 (2018: loss of approximately HK$23,144,000). Basic and diluted loss per share were both approximately HK0.32 cent for the reporting period (2018: basic and diluted loss per share were both approximately HK0.44 cent).

GOLF EQUIPMENT BUSINESS

The golf equipment segment remained the main operating segment and accounted for approximately 79.2% of the Group's revenue for the period (2018: approximately 83.8%). Hard hit by the deteriorating economic environment, the golf equipment sales plummeted about 32.2% to approximately HK$86,521,000 for the current period (2018: approximately HK$127,564,000).

During the period, sales to the largest segmental customer, before taking into account the golf bags sales to this customer, amounted to approximately HK$49,300,000 (2018: approximately HK$72,819,000), representing approximately 57.0% (2018: approximately 57.1%) of the segment revenue or approximately 45.1% (2018: approximately 47.8%) of the Group's revenue for the period, respectively. Sales to other key segmental customers dropped by various extent given the economic uncertainties. Revenue generated from the top five segmental customers fell about 35.7% to approximately HK$80,562,000 (2018: approximately HK$125,228,000), representing approximately 93.1% (2018: approximately 98.2%) of the segment revenue or approximately 73.8% (2018: approximately 82.3%) of the Group's revenue for the period, respectively. Despite the economic turmoil, the Group has persistently pursued to work closely and cooperate with the customers for long-term development and mutual interest while continually exploring new business opportunities with other credible golf name brands.

To rationalise costs in an era of cost hikes and unstable economy, the Group has transformed the self-run production operations at its Guangdong manufacturing facility into subcontracting arrangements with experienced independent subcontractors. This facilitated the lowering of manufacturing costs with assured product quality. Furthermore, the Group has implemented incentive programs to enable the production personnel at the Shandong manufacturing facility to participate in sharing cost savings achieved against various preset cost targets. On the other hand, the Shandong manufacturing facility has kept watching out ways to optimise its workforce to commensurate with the business volume and market conditions. With the effort and measures adopted to rationalise costs, the gross profit margin was improved to mitigate segment loss sustained under the depressed sales for the current period.

Notwithstanding a decline of about 32.2% in segment revenue, the golf equipment segment managed to record a segment loss of approximately HK$9,060,000 for the six months ended 30 June 2019 which was about 15.0% lower than the segment loss of approximately HK$10,659,000 incurred for the comparative period in 2018. Taking into account the order book status and the prevailing market conditions, it is envisaged that the golf equipment business will operate under greater difficulties with more challenges in the second half of 2019 particularly in light of the increased tariff to be levied on goods exported from China to the United States starting from the third quarter of 2019. To substantiate the long-term development, the golf equipment segment is devoted to continually strengthen and cultivate customer relationship with diverse marketing initiatives. The management has maintained a cautious view with prudence on the prospect of the golf equipment business for the second half of 2019.

GOLF BAGS BUSINESS

Affected by the slow-down in economy, the golf bags sales rebutted the growing trend to fall notably during the six months ended 30 June 2019. The Group's revenue attributable to the golf bags segment, defined as comprising the sales of golf bags and accessories to external customers, decreased about 8.0% to approximately HK$22,681,000 (2018: approximately HK$24,647,000), representing approximately 20.8% of the Group's revenue for the period (2018: approximately 16.2%). Total sales of the golf bags segment, before elimination of the inter-segmental sales of approximately HK$6,224,000 (2018: approximately HK$6,920,000), dropped about 8.4% to approximately HK$28,905,000 during the period (2018: approximately HK$31,567,000). The inter-segmental sales represented the golf bags produced as components for 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 in accordance with the Group's policy.

The segment revenue for the period comprised golf bags sales of approximately HK$20,006,000 (2018: approximately HK$19,550,000) and accessories sales mainly sports bags of approximately HK$2,675,000 (2018: approximately HK$5,097,000), representing approximately 88.2% (2018: approximately 79.3%) and approximately 11.8% (2018: approximately 20.7%) of the segment revenue, respectively. The golf bags sales stayed solid during the period but the accessories sales mainly sports bags sales plummeted about 47.5% to bring down overall segment revenue. During the period, sales to the largest segmental customer decreased about 21.1% to approximately HK$14,577,000 (2018: approximately HK$18,476,000), representing approximately 64.3% (2018: approximately 75.0%) of the segment revenue or approximately 13.3% (2018: approximately 12.1%) of the Group's revenue for the period, respectively. Through active marketing effort, the golf bags segment managed to generate revenue from new customers to partially compensate the reduced sales to existing key customers. The aggregate revenue generated from the top five segmental customers fell about 6.6% to approximately HK$21,270,000 (2018: approximately HK$22,771,000) representing approximately 93.8% (2018: approximately 92.4%) of the segment revenue or approximately 19.5% (2018: approximately 15.0%) of the Group's revenue for the period, respectively. The golf bags segment continued to streamline the operations to enhance efficiency and implement effective measures to rationalise costs to improve the contribution margin of the golf bags.

Benefiting from the cost rationalisation measures with improved contribution margin, the golf bags segment achieved a better result despite a mild drop in revenue and recorded a segment profit of approximately HK$3,349,000 for the six months ended 30 June 2019 (2018: approximately HK$227,000). Taking into consideration the sales orders status and the prevailing market conditions, the management has maintained a cautious view on the outlook of the golf bags business for the second half of 2019.

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 at Lot 007 A 02, Lot 007 A 03, Lot 007 A 04, Lot 022 A 02, Lot 022 A 03, Lot 007 A 05, Lot 007 A 06, Lot 007 A 07, Lot 036 D 01, Lot 010 A 02, Lot 010 A 17 and Lot 032 A 01 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 2018: Nil) was generated from the hospitality business.

PROSPECTS

The golf business of the Group suffered a retardation in the first half of 2019 mainly due to economic uncertainties and the threats of the unresolved trade conflicts between China and the United States. The market conditions are worsening and will continue in the second half of 2019 to intensify economic uncertainties and adversely affect businesses. The increased tariff on goods exported from China to the United States will commence from the third quarter of 2019 which inevitably adds pressure to the Group's operations. The Group has pursued to cooperate with the customers for long-term development and will work closely with them to deal with the impact of the increased tariff. The Group is devoted to further streamline the operations and implement necessary measures to rationalise costs. The Company considers that the Group's financial position has remained solid and healthy with sufficient funds 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 operate reasonably in the foreseeable future amidst a dynamic economy with great challenges.

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 the best entry time.

Going forward, 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 2019 (six months ended 30 June 2018: 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 2019, bank balances and cash, which were mostly denominated in United States dollars ("**US$**"), Hong Kong dollars ("**HK$**") and Renminbi ("**RMB**"), amounted to approximately HK$124,881,000 (31 December 2018: approximately HK$126,249,000). As at 30 June 2019, interest-bearing borrowings of the Group comprising bank borrowings aggregated to RMB53,000,000 which was equivalent to approximately HK$60,227,000 (31 December 2018: RMB53,000,000 which was equivalent to approximately HK$60,227,000), of which all were repayable within one year and carried interest at approximately 5.66% to 5.87% (31 December 2018: 5.87%) per annum. Bank borrowings were fixed rate borrowings denominated in Renminbi as at 30 June 2019 and 30 December 2018. Amount due to a related company of approximately HK$1,316,000 as at 30 June 2019 (31 December 2018: HK$1,316,000) and amount due to a director of approximately HK$86,524,000 as at 30 June 2019 (31 December 2018: HK$94,192,000) were both unsecured, non-interest bearing and repayable on demand.

As at 30 June 2019, the gearing ratio, defined as bank borrowings, amount due to a director, amount due to a related company and convertible bond less bank balances and cash and pledged bank deposit of approximately HK$81,670,000 (31 December 2018: HK$85,237,000) divided by the total equity of approximately HK$287,074,000 (31 December 2018: HK$303,791,000) slightly increased to approximately 28.4% (31 December 2018: approximately 28.1%).

As at 30 June 2019, the total assets and the net asset value of the Group amounted to approximately HK$537,914,000 (31 December 2018: approximately HK$563,064,000) and approximately HK$287,074,000 (31 December 2018: approximately HK$303,791,000), respectively. Current and quick ratios as at 30 June 2019 were approximately 1.12 (31 December 2018: approximately 1.16) and approximately 0.77 (31 December 2018: approximately 0.81), 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 2019, bank borrowings from a PRC bank of RMB53,000,000 which was equivalent to approximately HK$60,227,000 (31 December 2018: RMB53,000,000 which was equivalent to approximately HK$60,227,000) were secured by property, plant and equipment and the prepaid lease payments of the Group with a carrying value of approximately HK$103,000,000 (31 December 2018: approximately HK$104,585,000). As at 30 June 2019, the Group had pledged bank deposit of RMB530,000 which was equivalent to approximately HK$602,000 (31 December 2018: RMB530,000 which was equivalent to approximately HK$602,000) for a bank guarantee of RMB500,000 (31 December 2018: 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 2019. 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 2019, an indirect wholly-owned subsidiary of the Company had been named as defendant in a Hong Kong High Court action as a writ of summons 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 defense to this writ. In the opinion of the Directors of the Company, based on the legal opinion obtained and the available information, 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 defense.

Other than as disclosed, the Group had no significant contingent liabilities as at 30 June 2019.

EVENT AFTER THE REPORTING PERIOD

No significant event has taken place subsequent to 30 June 2019 up to the date of this interim report.

CAPITAL COMMITMENTS

As at 30 June 2019, 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$319,000 (31 December 2018: approximately HK$319,000).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2019, the Group had approximately 820 (31 December 2018: approximately 980) employees located mainly in Hong Kong and the PRC. For the six months ended 30 June 2019, the total staff costs of the Group (including salaries, allowances and other benefit in kind and retirement benefits schemes contributions) amounted to approximately HK$29,930,000 (for the six months ended 30 June 2018: approximately HK$46,084,000). 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 2019, 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 to 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 2019, 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 2019, 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 2019, 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 2019, 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 2019, 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 2019.

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 2019.

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 2019, 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 division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. The roles of the chairman and chief executive officer have not been separated for the Company. 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 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 non-executive Directors and 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to 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 2019.

AUDIT COMMITTEE

The audit committee of the Company comprises three independent non-executive Directors of Mr. Ho Kwong Yu (chairman), Mr. Sheng Baojun, Ms. Chu Yin Yin, Georgiana (resigned on 4 April 2019) and Ms. Lin Lin (appointed on 4 April 2019) during the six months ended 30 June 2019 (during the six months ended 30 June 2018: 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 2019.

REMUNERATION COMMITTEE

The remuneration committee of the Company comprises three independent non-executive Directors of Mr. Sheng Baojun (chairman), Mr. Ho Kwong Yu, Ms. Chu Yin Yin, Georgiana (resigned on 4 April 2019) and Ms. Lin Lin (appointed on 4 April 2019) during the six months ended 30 June 2019 (during the six months ended 30 June 2018: three independent non-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 one executive Director of Mr. Huang Bangyin (chairman) and three independent non-executive Directors of Mr. Sheng Baojun, Ms. Chu Yin Yin, Georgiana (resigned on 4 April 2019), Mr. Ho Kwong Yu and Ms. Lin Lin (appointed on 4 April 2019) during the six months ended 30 June 2019 (during the six months ended 30 June 2018: 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 consider the appointment of a new independent non-executive director; 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, 30 August 2019

As at the date of this interim report, the Board comprises (i) Mr. Huang Bangyin and Mr. Chu Chun Man, Augustine as executive Directors; (ii) Mr. Wong Hin Shek as non-executive Director; and (iii) Mr. Sheng Baojun, Mr. Ho Kwong Yu and Ms. Lin Lin as independent non-executive Directors.