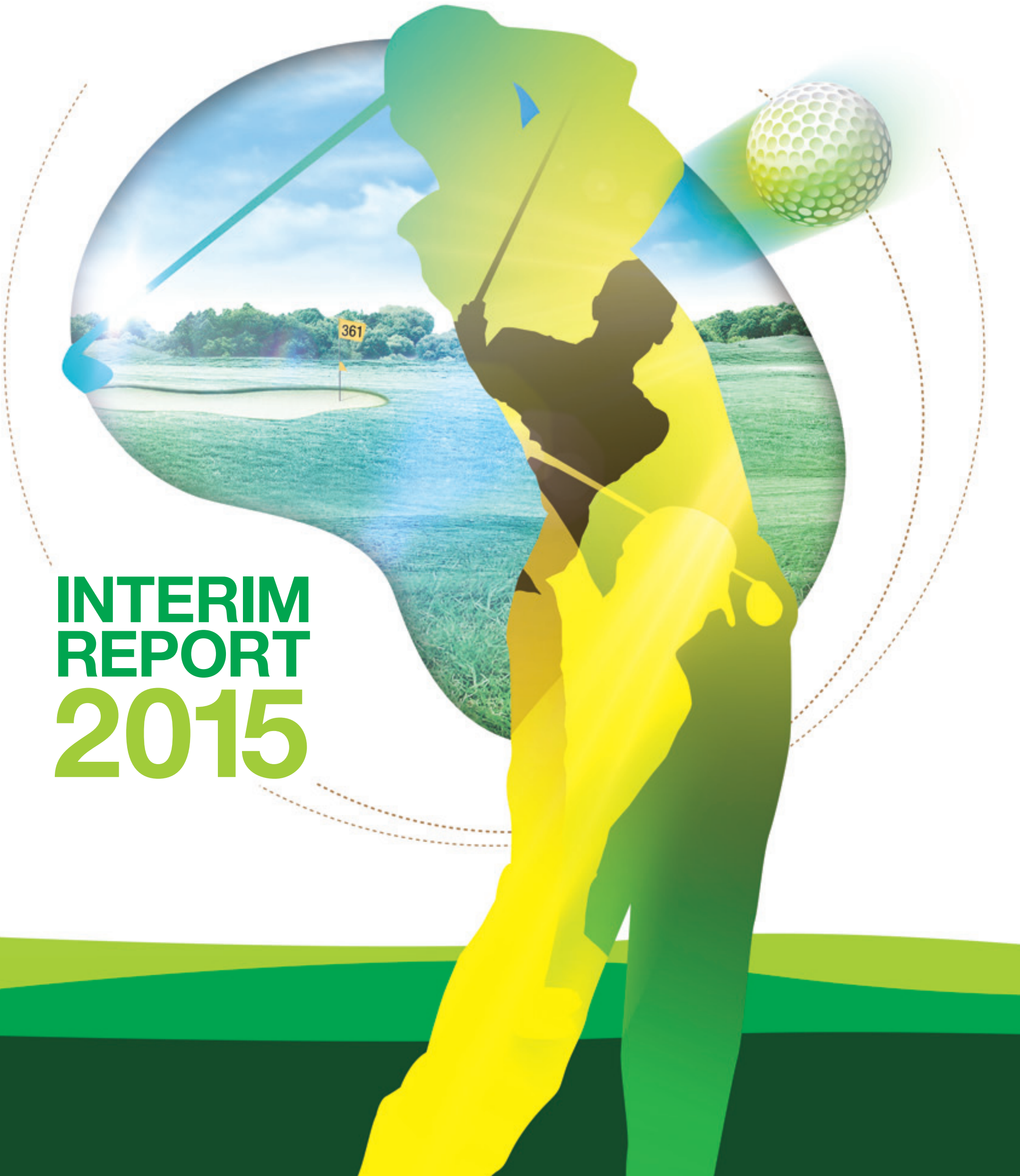
Sino Golf Holdings Limited
順龍控股有限公司

(Incorporated in Bermuda with limited liability)

Stock Code: 00361



INTERIM REPORT 2015

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CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. CHU Chun Man, Augustine *(Chairman)*
Mr. CHU Yuk Man, Simon
Mr. CHANG Hua Jung

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. CHIU Lai Kuen, Susanna
Mr. CHOY Tak Ho
Mr. ZHU Shengli

AUDIT COMMITTEE

Ms. CHIU Lai Kuen, Susanna
(Committee Chairman)
Mr. CHOY Tak Ho
Mr. ZHU Shengli

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Mr. CO Man Kwong

AUTHORISED REPRESENTATIVES

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

PRINCIPAL BANKERS

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

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton, HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1906, 19th Floor,
Delta House, 3 On Yiu Street
Shatin, New Territories
Hong Kong

STOCK CODE

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

WEBSITE

http://www.sinogolf.com

FINANCIAL HIGHLIGHTS

Results	For the six months ended 30 June		
	2015	2014	Changes
	HK$'000	*HK$'000*	*Increase/*
	(Unaudited)	(Unaudited)	*(Decrease)*
Group revenue	**138,088**	242,835	(43.1%)
from golf equipment segment	**111,583**	227,686	(51.0%)
from golf bags segment	**26,505**	15,149	75.0%
Gross profit	**17,944**	40,129	(55.3%)
EBITDA	**(4,153)**	17,930	(123.2%)
(Loss) profit attributable to owners of the Company	**(13,552)**	6,909	(296.1%)
	HK cents	*HK cents*	
(Loss) earnings per share attributable to owners of the Company			
– Basic	**(2.92)**	1.50	
– Diluted	**(2.92)**	1.49	
Interim dividend per ordinary share	**–**	–	

Group

- Due to a downturn in shipments to key golf equipment customers, the Group's revenue plummeted during the first half of 2015.

- Gross profit decreased 55.3% to HK$17.9 million in line with the sales trend whilst the average gross profit margin fell to 13.0% mainly attributable to the impact of the depressed sales.

- EBITDA dropped 123.2% to become a loss of HK$4.2 million as a result of the depressed sales and the effect of non-variable administrative expenses.

FINANCIAL HIGHLIGHTS

Golf Equipment Segment

- The golf equipment sales decreased by 51.0% to HK$111.6 million due mainly to the curtailment of shipments to key customers under a volatile market.

Golf Bags Segment

- With the increase in sales of both the Japan line and the non-Japan line of products, the Group's revenue attributable to the golf bags segment, which comprised golf bags and accessories sales to external customers, increased 75.0% to HK$26.5 million.

INTERIM RESULTS

The board of directors (the "Board") of Sino Golf Holdings Limited (the "Company") hereby announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2015 which have been reviewed by the Company's audit committee, together with the comparative figures for the six months ended 30 June 2014 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015

	Notes	Six months ended 30 June 2015 HK$'000 (Unaudited)	2014 HK$'000 (Unaudited)
Revenue	4	**138,088**	242,835
Cost of sales		**(120,144)**	(202,706)
Gross profit		**17,944**	40,129
Other operating income	6	**877**	1,670
Selling and distribution expenses		**(2,229)**	(2,180)
Administrative expenses		**(26,895)**	(27,554)
Finance costs	7	**(3,249)**	(4,660)
(Loss) profit before tax		**(13,552)**	7,405
Income tax expense	8	**–**	(496)
(Loss) profit for the period	9	**(13,552)**	6,909
(Loss) profit for the period attributable to:			
Owners of the Company		**(13,552)**	6,909
Non-controlling interests		**–**	–
		(13,552)	6,909
(Loss) earnings per share	11		
Basic		**(HK2.92cents)**	HK1.50 cents
Diluted		**(HK2.92cents)**	HK1.49 cents

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
(Loss) profit for the period	**(13,552)**	6,909
Other comprehensive (loss) income for the period:		
Other comprehensive loss to be reclassified to profit or loss in subsequent periods (net of tax)		
Reserve released on the deregistration of subsidiaries	**(96)**	–
Other comprehensive income not to be reclassified to profit or loss in subsequent periods (net of tax)		
Deferred tax relating to leasehold land and buildings under revaluation model	**1,133**	45
Other comprehensive income for the period	**1,037**	45
Total comprehensive (loss) income for the period	**(12,515)**	6,954
Total comprehensive (loss) income for the period attributable to:		
Owners of the Company	**(12,515)**	6,954
Non-controlling interests	**–**	–
	(12,515)	6,954

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2015

	Notes	30.6.2015 HK$'000 (Unaudited)	31.12.2014 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment	12	**202,674**	205,908
Prepaid lease payments		**9,746**	9,929
Goodwill		**14,820**	14,820
Club debentures		**2,897**	2,897
Deposits and other receivables		**199**	270
Prepayments for the acquisition of property, plant and equipment		**437**	627
		230,773	234,451
Current assets			
Inventories		**167,439**	170,219
Trade and other receivables	13	**39,412**	41,935
Prepaid lease payments		**368**	368
Bank balances and cash		**12,085**	16,676
		219,304	229,198
Current liabilities			
Trade and other payables	14	**30,641**	35,224
Amounts due to non-controlling shareholders of a subsidiary	15	**–**	462
Income tax payable		**248**	248
Bank borrowings	16	**102,447**	104,033
Obligations under finance leases		**–**	368
Amount due to a director	15	**11,375**	7,589
		144,711	147,924

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2015

	Note	**30.6.2015**	31.12.2014
		HK$'000	*HK$'000*
		(Unaudited)	(Audited)
Net current assets		**74,593**	81,274
Total assets less current liabilities		**305,366**	315,725
Non-current liability			
Deferred tax liabilities		**1,307**	2,440
Net assets		**304,059**	313,285
Capital and reserves			
Share capital	*17*	**46,805**	46,005
Reserves		**254,524**	264,879
Equity attributable to owners of the Company		**301,329**	310,884
Non-controlling interests		**2,730**	2,401
Total equity		**304,059**	313,285

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	Attributable to owners of the Company											
	Share capital	Share premium	Share options reserve	Contributed surplus	Legal reserve	Assets revaluation reserve	Statutory surplus reserve	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total
	HK$'000	HK$'000	HK$'000	HK$'000 (Note i)	HK$'000 (Note ii)	HK$'000	HK$'000 (Note iii)	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2014 (audited)	46,005	102,385	731	10,564	48	19,147	17	37,038	86,517	302,452	2,401	304,853
Profit for the period	–	–	–	–	–	–	–	–	6,909	6,909	–	6,909
Other comprehensive income for the period	–	–	–	–	–	45	–	–	–	45	–	45
Total comprehensive income for the period	–	–	–	–	–	45	–	–	6,909	6,954	–	6,954
At 30 June 2014 (unaudited)	46,005	102,385	731	10,564	48	19,192	17	37,038	93,426	309,406	2,401	311,807
At 1 January 2015 (audited)	46,005	102,385	731	10,564	48	19,237	17	37,085	94,812	310,884	2,401	313,285
Loss for the period	–	–	–	–	–	–	–	–	(13,552)	(13,552)	–	(13,552)
Other comprehensive income (loss) for the period	–	–	–	–	–	1,133	–	(96)	–	1,037	–	1,037
Total comprehensive income (loss) for the period	–	–	–	–	–	1,133	–	(96)	(13,552)	(12,515)	–	(12,515)
Deregistration of subsidiaries	–	–	–	–	–	–	–	–	–	–	329	329
Issue of shares upon exercise of share options	800	2,891	(731)	–	–	–	–	–	-	2,960	-	2,960
At 30 June 2015 (unaudited)	46,805	105,276	-	10,564	48	20,370	17	36,989	81,260	301,329	2,730	304,059

Notes:

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

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

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Cash (used in) from operations	**(2,755)**	14,833
Tax paid	**–**	(2,390)
Net cash (used in) from operating activities	**(2,755)**	12,443
Cash flows from investing activities		
Purchase of property, plant and equipment	**(2,531)**	(9,575)
Prepayment for acquisition of property, plant and equipment	**(343)**	(722)
Proceeds from disposal of property, plant and equipment	**101**	110
Other investing cash flows (net)	**12**	14
Net cash used in investing activities	**(2,761)**	(10,173)
Cash flows from financing activities		
Repayment of bank borrowings	**(55,722)**	(36,005)
Proceeds from bank borrowings	**55,128**	42,308
Advance from (repayment to) a director	**3,786**	(3,243)
Interests and factoring charges paid	**(3,867)**	(5,092)
Proceeds of shares issue upon exercise of share options	**2,960**	–
Other financing cash flows (net)	**(368)**	(353)
Net cash from (used in) financing activities	**1,917**	(2,385)
Net decrease in cash and cash equivalents	**(3,599)**	(115)
Cash and cash equivalents at 1 January	**15,684**	25,241
Cash and cash equivalents at 30 June	**12,085**	25,126
Analysis of cash and cash equivalents, represented by,		
Bank balances and cash	**12,085**	26,449
Bank overdrafts	**–**	(1,323)
	12,085	25,126

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

1. GENERAL

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

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

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

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

2. BASIS OF PREPARATION

The condensed consolidated financial statements of Sino Golf Holdings Limited and its subsidiaries (collectively, the Group) for the six months ended 30 June 2015 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard ("HKAS") 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain leasehold land and buildings, which are measured at revalued amounts.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2014.

In the current year, the Group has applied, for the first time, the following new standards, amendments and interpretation ("new HKFRSs") issued by the HKICPA that are relevant for the preparation of the Group's financial year beginning 1 January 2015.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle
Amendments to HKAS19	Defined Benefit Plans: Employee Contribution

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

4. REVENUE

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

5. SEGMENT INFORMATION

Information reported to the chief operating decision maker (i.e. the board of directors), for the purposes of resource allocation and assessment of segment performance, focuses on types of goods delivered.

No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

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

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

(a) Segment revenue and results

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

	For the six months ended 30 June							
	Golf equipment		Golf bags		Eliminations		Consolidated	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
Segment revenue:								
Sale to external customers	**111,583**	227,686	**26,505**	15,149	**–**	–	**138,088**	242,835
Inter-segment revenue	**–**	–	**2,877**	5,329	**(2,877)**	(5,329)	**–**	–
Other operating income	**652**	1,481	**214**	175	**–**	–	**866**	1,656
Total	**112,235**	229,167	**29,596**	20,653	**(2,877)**	(5,329)	**138,954**	244,491
Segment results	**(7,943)**	14,397	**668**	309	**–**	–	**(7,275)**	14,706
Interest income							**11**	14
Unallocated corporate expenses							**(3,039)**	(2,655)
Finance costs							**(3,249)**	(4,660)
(Loss) profit before tax							**(13,552)**	7,405

Segment results represent the results of 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 price.

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		Consolidated	
	30.6.2015	31.12.2014	**30.6.2015**	31.12.2014	**30.6.2015**	31.12.2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)
Segment assets	**415,951**	417,863	**18,501**	25,726	**434,452**	443,589
Unallocated corporate assets						
– Club debentures					**2,897**	2,897
– Bank balances and cash					**12,085**	16,676
– Others					**643**	487
Total assets					**450,077**	463,649
Segment liabilities	**17,407**	19,454	**13,228**	15,634	**30,635**	35,088
Unallocated corporate liabilities						
– Amounts due to non-controlling shareholders of a subsidiary					**–**	462
– Amount due to a director					**11,375**	7,589
– Income tax payable					**248**	248
– Bank borrowings					**102,447**	104,033
– Obligations under finance leases					**–**	368
– Deferred tax liabilities					**1,307**	2,440
– Others					**6**	136
Total liabilities					**146,018**	150,364

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

- all assets are allocated to reportable segments other than club debentures, bank balances and cash and certain other receivables. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and

- all liabilities are allocated to reportable segments other than amounts due to non-controlling shareholders of a subsidiary, amount due to a director, income tax payable, bank borrowings, obligations under finance leases, 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	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest income	**11**	14
Gain on deregistration of subsidiaries	**275**	–
Exchange gain, net	**–**	409
Sale of scrap materials	**92**	55
Tooling income	**226**	319
Sundry income	**273**	873
	877	1,670

7. FINANCE COSTS

	Six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Factoring charges	**797**	1,922
Interest expenses on:		
– Bank overdrafts	**26**	26
– Bank borrowings	**2,844**	2,959
– Obligations under finance leases	**4**	20
– Amount due to a director	**196**	165
Total borrowing costs	**3,867**	5,092
Less: amount capitalised (note)	**(618)**	(432)
	3,249	4,660

Note: The capitalisation ratio of borrowings for the six months ended 30 June 2015 is 6% (six months ended 30 June 2014: 6%).

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current tax		
– PRC Enterprises Income Tax ("PRC EIT")	**–**	453
– Under provision in prior years	**–**	43
	–	496

a) Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for six months ended 30 June 2015 and 2014. No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2015 and 2014 as there are no assessable profits generated.

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

No provision for PRC EIT has been made for the six months ended 30 June 2015 since the assessable profits of certain PRC subsidiary are wholly absorbed by tax losses brought forward while no assessable profits have been generated from other PRC subsidiaries.

c) Under Decree-Law no.58/99/M, Sino Golf Commercial Offshore De Macau Limitada, a Macau subsidiary incorporated under that Law, is exempted from Macau Complementary tax as it satisfies the relevant conditions as specified in the Law.

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

9. (LOSS) PROFIT FOR THE PERIOD

(Loss) profit for the period is arrived at after charging:

	Six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Amortisation of prepaid lease payments	**183**	183
Cost of inventories sold	**120,144**	202,706
Depreciation of property, plant and equipment	**6,764**	7,604
Exchange loss, net	**7**	–
Operating leases rentals in respect of land and building	**1,843**	1,864
Loss on disposal of property, plant and equipment	**50**	3

10. DIVIDENDS

No dividends were paid, declared or proposed during the interim period. The directors of the Company have determined that no dividend will be paid in respect of the interim period (six months ended 30 June 2014: nil).

11. (LOSS) EARNINGS PER SHARE

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

	Six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
(Loss) earnings		
(Loss) earnings for the purpose of basic and diluted (loss) earnings per share	**(13,552)**	6,909

	Six months ended 30 June	
	2015	2014
	'000	*'000*
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**463,321**	460,050
Effect of dilutive potential ordinary shares:		
Share options	**–**	2,533
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	**463,321**	462,583

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

12. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2015, the Group incurred approximately HK$3,064,000 (six months ended 30 June 2014: approximately HK$10,951,000) on acquisition of property, plant and equipment net of capitalised interest expenses of approximately HK$618,000 (six months ended 30 June 2014: HK$432,000).

Assets with a net carrying value of HK$152,000 were disposed of by the Group during the six months ended 30 June 2015 (2014: HK$113,000), resulting in a net loss on disposal of HK$50,000 (2014: HK$3,000).

In the opinion of the directors of the Company, 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. TRADE AND OTHER RECEIVABLES

	30.6.2015	31.12.2014
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables	**11,823**	16,377
Less: impairment losses recognised	**(2)**	(2)
	11,821	16,375
Prepayments	**2,582**	626
Deposits and other receivables	**25,009**	24,934
	27,591	25,560
	39,412	41,935

(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 analysis of trade receivables (net of impairment) of the Group presented based on the invoice dates at the end of the reporting period:

	30.6.2015	31.12.2014
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 to 30 days	**9,683**	10,996
31 to 90 days	**2,064**	5,369
91 to 180 days	**74**	10
	11,821	16,375

14. TRADE AND OTHER PAYABLES

	30.6.2015	31.12.2014
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade and bills payables	**24,797**	31,820
Customers' deposits received	**488**	1,065
Accrual and other payables	**5,356**	2,339
	30,641	35,224

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

	30.6.2015	31.12.2014
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 to 90 days	**18,274**	20,056
91 to 180 days	**5,685**	9,885
181 to 365 days	**377**	1,352
Over 365 days	**461**	527
	24,797	31,820

15. AMOUNTS DUE TO NON-CONTROLLING SHAREHOLDERS OF A SUBSIDIARY/A DIRECTOR

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

The amount due to a director carried interest at rates ranging from 3% to 5% (year ended 31 December 2014: 3% to 5%) per annum and is unsecured and repayable on demand.

16. BANK BORROWINGS

	30.6.2015	31.12.2014
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Bank overdraft	**–**	992
Term loans	**78,205**	78,205
Trust receipts and packing loans	**24,242**	24,836
	102,447	104,033
Secured	**78,205**	78,205
Unsecured	**24,242**	25,828
Carrying amount repayable within one year	**102,447**	104,033

During the current interim period, the Group obtained new bank borrowings of approximately HK$55,128,000 (year ended 31 December 2014: approximately of HK$78,205,000) upon repayment of the bank borrowings of approximately HK$55,722,000 (year ended 31 December 2014: approximately of HK$82,868,000). At 30 June 2015, bank borrowings of approximately HK$78,205,000 and HK$24,242,000 were fixed-rate borrowings and floating-rate borrowings, respectively (31 December 2014: HK$78,205,000 and HK$25,828,000 respectively). The fixed-rate borrowings carry interest ranging from 5.87% to 7.20% per annum (31 December 2014: 6.00% to 7.20% per annum) and the floating-rate borrowings carry interest at the effective rate ranging from 2.28% to 5.75% per annum (31 December 2014: 2.26% to 5.75% per annum).

17. SHARE CAPITAL

	Number of shares	**Share capital**
	'000	*HK$'000*
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 January 2014, 31 December 2014 and 30 June 2015	1,000,000	100,000
Issued and fully paid:		
At 1 January 2014 and 31 December 2014 (audited)	460,050	46,005
Shares issued under share option scheme (note 18)	8,000	800
At 30 June 2015 (unaudited)	468,050	46,805

18. SHARE OPTION SCHEME

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

	30.6.2015	31.12.2014
Number of share options outstanding	**–**	8,000,000

On 17 April 2015, 8,000,000 share options with an exercise price of HK$0.37 per ordinary share were exercised to subscribe 8,000,000 ordinary shares of the Company at a consideration of HK$2,960,000. All shares issued rank pari passu in all aspects with the existing shares of the Company.

No share option was granted during the six months ended 30 June 2015 (2014: nil).

There was no share options cancelled or lapsed during the six months ended 30 June 2015 (2014: nil).

19. COMMITMENT UNDER OPERATING LEASE

The Group leases certain of its office properties, production plants and staff quarters under operating lease arrangements. Leases are negotiated for a term ranging from one to eight years (31 December 2014: one to eight years). The Group does not have option to purchase the leased assets at the expiry of the lease period.

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

	30.6.2015 ***HK$'000*** **(Unaudited)**	31.12.2014 *HK$'000* (Audited)
Within one year	**1,653**	1,519
In the second to fifth years, inclusive	**77**	94
	1,730	1,613

20. CAPITAL COMMITMENTS

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

	30.6.2015	31.12.2014
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Contracted, but not provided for:		
Leasehold land and buildings	**–**	54
Plant and machinery	**1,967**	4,924
Capital injection in a wholly-owned subsidiary	**18,655**	18,655
	20,622	23,633

21. CONTINGENT LIABILITY

At 30 June 2015 and 31 December 2014, a subsidiary has been previously named as defendant in a Hong Kong High Court action since a writ was issued against it and it was claimed for an amount of approximately HK$1,546,000. The subsidiary has filed a full defence to this writ.

For the six months ended 30 June 2015, a subsidiary has been named as defendant in a local PRC court by summon for a claim of approximately RMB1,366,000, equivalent to approximately HK$1,751,000, with damages of approximately RMB55,000, equivalent to approximately HK$70,000, together with interest thereon and costs in relation to dispute involving supply of equipment by the plaintiff. The proceedings are in process.

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

22. FAIR VALUE DISCLOSURE

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost as at 30 June 2015 and 31 December 2014 approximate to their fair values due to their short-term maturities and the discounting impact is not significant.

23. RELATED PARTY TRANSACTIONS

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

		Six months ended 30 June	
		2015	2014
		HK$'000	*HK$'000*
	Notes	**(Unaudited)**	(Unaudited)
Rental expenses paid to Progolf Manufacturing Company Limited ("Progolf")	*(i)*	**420**	420
Rental expenses paid to Yuru Holdings Limited ("Yuru Holdings")	*(ii)*	**150**	175

Notes:

(i) Mr. CHU Chun Man, Augustine has beneficial interest in Progolf. The rental expenses were determined at rates agreed between the Group and Progolf.

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

(b) *Key management compensation*

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

	Six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Short-term benefits	**3,422**	2,957
Post-employment benefits	**44**	31
	3,466	2,988

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

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

Impacted by a downturn in the golf equipment business, the Group's revenue for the first half of 2015 plummeted to record a loss despite a surge in the golf bags sales on the other hand. Shipments to the largest customer of the preceding year shrank substantially during the period mainly due to a change in its procurement practice upon a reorganization to merge its operations with the parent company. The business with other key customers of the golf equipment segment generally curtailed under a volatile economy with unfavorable market conditions whilst the golf bags sales rose remarkably during the period to alleviate the impact.

The Group's revenue for the six months ended 30 June 2015 decreased 43.1% to HK$138,088,000 (2014: HK$242,835,000). Loss attributable to owners of the Company for the period amounted to HK$13,552,000 in contrast to a profit of HK$6,909,000 for the corresponding period in 2014. It is envisaged that business challenges will continue and the golf market would remain volatile and highly competitive during the second half of 2015. To strengthen our competitiveness and facilitate the goal to provide one-stop premium services to customers, the Group pursued to focus on product innovation and customer fulfillment and reinforced the business reengineering and cost rationalization programs with an aim to enhance productivity and combat cost hikes.

Subsequent to the half-year closing date, the Company announced jointly with the offeror on 10 July 2015 that a change of control in the shareholding of the Company has taken place by which the controlling shareholders of the Company have entered into a sales and purchase agreement on 30 June 2015 to dispose of an aggregate of 287,074,657 ordinary shares in the Company to the offeror, representing approximately 61.33% of the entire issued share capital of the Company. The transaction was completed on the agreement date and the offeror is required under Rule 26.1 of the Hong Kong Code on Takeovers and Mergers to make a mandatory unconditional cash offer for all the issued shares of the Company which are not already owned by the offeror and parties acting in concert with it. We were informed that, following the close of the offer, it is the intention of the offeror to continue the existing principal business of the Group to be followed by a review to formulate long-term business plans and strategy of the Company. It will also explore other business and diversification opportunities to enhance the long-term growth potential for the benefit and interest of the Company and its shareholders as a whole.

In light of the circumstances and current development, the Company has held a confident view with prudence on the business outlook and growth potential of the Group going forward.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

Consolidated revenue for the six months ended 30 June 2015 decreased 43.1%, period on period, to HK$138,088,000 (2014: HK$242,835,000). Loss attributable to owners of the Company for the period amounted to HK$13,552,000 in contrast to a profit of HK$6,909,000 for the corresponding period in 2014. Basic and diluted loss per share were both HK2.92 cents for the period (2014: basic earnings per share of HK1.50 cents; and diluted earnings per share of HK1.49 cents). The directors do not recommend the payment of an interim dividend in respect of the six months ended 30 June 2015 (2014: Nil).

During the period, the golf equipment sales dropped 51.0%, period on period, to HK$111,583,000 (2014: HK$227,686,000) and accounted for 80.8% of the Group's revenue (2014: 93.8%). On the other hand, the Group's revenue attributable to the golf bags segment, defined as comprising sales of golf bags and accessories to external customers, surged 75.0% to HK$26,505,000 (2014: HK$15,149,000), representing 19.2% of the Group's revenue for the period (2014: 6.2%). Total sales of the golf bags segment, before elimination of the inter-segmental sales of HK$2,877,000 (2014: HK$5,329,000), grew a lesser extent of 43.5% to HK$29,382,000 during the period (2014: HK$20,478,000). The inter-segmental sales comprised golf bags produced for fulfilling the orders of golf club sets placed by customers with the golf equipment segment which included golf bags as components. Sales of the golf club sets had been classified to constitute the revenue of the golf equipment segment in compliance with the Group's accounting treatment.

Gross profit for the period amounted to HK$17,944,000, down 55.3% from HK$40,129,000 for the corresponding period in 2014. The average gross profit margin came down to 13.0% (2014: 16.5%) mainly due to the impact of the depressed sales.

Other operating income for the period decreased to HK$877,000 compared with HK$1,670,000 for the comparative preceding period, mainly due to the drop in exchange gains arising from foreign currency settlements.

Selling and distribution expenses for the period increased mildly to HK$2,229,000 from HK$2,180,000 for the comparative preceding period, mainly attributable to additional sample cost incurred for the golf bags segment. Administrative expenses for the period dropped slightly to HK$26,895,000 from HK$27,554,000 for the comparative preceding period, due mainly to a decrease in social insurance and retirement costs as partially offset by an increase in severance payments to workers for the manufacturing operations in the PRC. Finance costs for the period was reduced to HK$3,249,000 from HK$4,660,000 for the comparative preceding period, mainly as a result of the decrease in factoring charges on reduced export sales.

Hard hit by the depressed sales of the golf equipment segment, the Group had sustained a loss of HK$13,552,000 attributable to owners of the Company for the period in contrast to a profit of HK$6,909,000 for the corresponding period in 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

Golf Equipment Business

The golf equipment segment has dominated to act as the main operating segment throughout the years and accounted for 80.8% of the Group's revenue for the period (2014: 93.8%). Suffering from a shrinkage of shipments to the key segmental customers, the golf equipment sales plummeted 51.0%, period on period, to HK$111,583,000 during the first half of 2015 (2014: HK$227,686,000).

The segment revenue for the period comprised golf clubs sales of HK$107,828,000 (2014: HK$212,220,000) and components sales of HK$3,755,000 (2014: HK$15,466,000), representing 96.6% (2014: 93.2%) and 3.4% (2014: 6.8%) of the segment revenues, respectively. Included in the golf clubs sales were club sets and individual clubs in the respective proportion of 89.6% (2014: 83.4%) and 10.4% (2014: 16.6%). During the period, the components sales fell 75.7% mainly due to the drop in sales of club heads to HK$2,118,000 (2014: HK$14,756,000). Amongst the components sales, club heads accounted for 56.4% (2014: 95.4%) while shafts and accessories took up the remaining 43.6% (2014: 4.6%).

During the period, sales to the largest segmental customer amounted to HK$49,753,000 (2014: HK$100,638,000, sales to a customer that ranked the third largest in the current period), representing 44.6% (2014: 44.2%) of the segment revenue or 36.0% (2014: 41.4%) of the Group's revenue for the period. Shipments to the largest segmental customer of the preceding year shrank substantially during the period to HK$16,404,000 (2014: HK$100,638,000), mainly due to a change in its procurement practice upon a reorganization to merge its operations with the parent company whereby it increased cooperation with and relocated more orders to the suppliers of its parent company. This lowered its ranking to become the third largest segmental customer in the current period. Sales to other key segmental customers generally curtailed during the period under a volatile economy with unfavorable market conditions. Revenue generated from the top five segmental customers fell, period on period, 53.6% to HK$103,683,000 (2014: HK$223,406,000), representing 92.9% (2014: 98.1%) of the segment revenue or 75.1% (2014: 92.0%) of the Group's revenue for the period. The aggregate of sales to the top five segmental customers had dropped remarkably in terms of percentage to the Group's revenue against a surge in the golf bags sales during the period which facilitated to enhance the latter's dominance. Nevertheless, the Group is devoted to continually developing the golf equipment business through long-term cooperation with the existing customers and exploring business opportunities with other reputable golf name brands. We have been working closely with the key customers to liaise for our participation in new programs following their recognition of the Group's Shandong manufacturing facility as a qualified supplier.

The Shandong manufacturing facility has become the Group's main production set up responsible for producing the majority of the golf equipment products including some golf bags as components of the golf club set orders. The Guangdong manufacturing facility was scaled down to produce less than one third of the Group's golf equipment for the period and more production volume will be relocated to the Shandong manufacturing facility to further streamline the production process and rationalize the manufacturing costs through lower operating cost environment at the Shandong manufacturing facility. The Group is well equipped with a competitive edge through the Shandong manufacturing facility to solicit and take on new golf clients with good reputation and growth potential.

As regards the status of transfer of the equity of the subsidiary holding the Guangdong manufacturing facility (i.e. Yong He facility) to the purchaser, it has been progressing on schedule in accordance with the relevant PRC laws and regulations. It is estimated that the transaction should be completed within the ensuing year barring unforeseen circumstances. The move facilitates to accomplish the realization of the Group's redundant manufacturing capacity in Guangdong Province, the PRC after which the Group will be running the remaining manufacturing operations in Guangdong Province, the PRC at a reduced scale occupying a smaller rented area.

The stringent credit control and sound corporate governance practices have enabled the Group to maintain a healthy customer portfolio with outstanding payment performance and negligible impairment exposure. It has been the Group's strategy to diversify to broaden the customer base to lower the concentration risk and strike a reasonable balance of reliance on individual customers. Besides, the Group has adhered to the policy to procure factoring with insurance to hedge its major trade receivables against possible bad debt risks. In addition, the Group strictly applies to limit the customer credit terms to not exceeding 60 days whilst requiring deposits and cash payments for shipments to new customers. The Company is satisfied with the receivables aging status and will keep constant alert of exceptions and irregularities on receivables for appropriate monitoring and follow up.

During the period, the raw materials and components cost for golf equipment manufacturing showed no material fluctuations to stay within narrow price ranges. To continually monitor and rationalize materials cost, the Group has persisted to work closely with the suppliers to seek ways to improve product quality while not inflating purchase cost. Notwithstanding the effort to keep materials cost constantly regulated, there was noted a rising trend in the manufacturing costs brought about by the increase in official wage rates; retirement payment obligations; fuel and energy expenditures which operated to erode the profit margins against the savings derivable from the Group's cost control initiatives.

Suffering from the depressed sales performance, the golf equipment segment recorded a segment loss of HK$7,943,000 for the first half of 2015 in contrast to a segment profit of HK$14,397,000 for the corresponding preceding period. In consideration of the volatile market and the current order book status, the management holds a prudent view with caution that the golf equipment business will continue to operate under unfavorable market conditions with great challenge during the second half of 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

Golf Bags Business

The golf bags business prospered during the first half of 2015 to boost revenue and improve segment contribution. Sales of all categories of segment products including golf bags; boston bags and accessories encompassing both the Japan line and non-Japan line of products grew significantly during the period. The Group's revenue attributable to the golf bags segment, defined as comprising sales of golf bags and accessories to external customers, surged 75.0%, period on period, to HK$26,505,000 during the first half of 2015 (2014: HK$15,149,000), representing 19.2% of the Group's revenue for the period (2014: 6.2%).

The segment revenue for the period comprised golf bags sales of HK$19,322,000 (2014: HK$11,234,000) and accessories sales mainly boston bags of HK$7,183,000 (2014: HK$3,915,000), representing 72.9% (2014: 74.2%) and 27.1% (2014: 25.8%) of the segment revenue, respectively. The product categories have demonstrated a relatively stable trend throughout the years. During the period, sales to the largest golf bags customer increased nearly 1.3 times to HK$11,478,000 (2014: HK$4,997,000), representing 43.3% (2014: 33.0%) of the segment revenue or 8.3% (2014: 2.1%) of the Group's revenue for the period. Besides, sales to the second largest segmental customer increased by about 1.9 times over that of the corresponding preceding period whilst shipments to other key segmental customers remained fairly stable in aggregate. Revenue from the top five golf bags customers escalated, period on period, by 90.0% to HK$23,763,000 (2014: HK$12,505,000), representing 89.7% (2014: 82.5%) of the segment revenue or 17.2% (2014: 5.1%) of the Group's revenue for the period.

To analyze alternatively from a product design perspective, the segment revenue for the period comprised sales of the Japan line of products and the non-Japan line of products in the proportion of 30.1% (2014: 20.0%) and 69.9% (2014: 80.0%), respectively. The sales of the Japan line of products increased over 1.6 times, period on period, to HK$7,975,000 (2014: HK$3,023,000), whereas the sales of the non-Japan line of products comprising mostly golf bags of American design increased 52.8% during the period to HK$18,530,000 (2014: HK$12,125,000). The Group has pursued the strategy to continually develop and explore the golf bags business, both in the Japan line and the non-Japan line of products, with a goal to enhance the market share and strengthen the customer base. To accomplish that, necessary resources, both human and financial, are being allocated to direct the Group to participate in activities that are likely to bring in additional business volume with justifiable margins for the golf bags segment.

During the period, the prices of major raw materials for golf bags production including PVC, PU and nylon fluctuated moderately within narrow ranges whilst the prices of the accessories such as metal parts and plastic components stayed fairly stable. Although the manufacturing expenditures on labor, social insurance, samples and transportation soared during the period in line with the increased sales volume, the contribution margin of the golf bags segment had improved upon our control initiatives to persistently streamline the operations and rationalize costs. The Group is committed to persistently developing the golf bags business for growth by focusing on high-end golf bags which generally offer relatively higher margins.

Benefiting from the sales boom, the golf bags segment recorded a segmental profit of HK$668,000 for the first half of 2015, up almost 1.2 times from HK$309,000 for the comparative preceding period. Taking into account the prevailing market conditions and the current order book status, the management anticipates the golf bags business to perform reasonably in the second half year of 2015 amidst the market challenge.

Prospects

Following the slowdown since the second half of the preceding year, the golf equipment business further retarded in the first half of 2015 under unfavorable market conditions with depressed customer demand. Shipments to the key customers shrank significantly during the period to record a loss notwithstanding a surge in the golf bags sales which helped alleviate the impact. It is envisaged that the golf market would stay volatile and highly competitive during the second half of 2015. The Company nevertheless holds the view that the Group's financial position remains solid with adequate funds available to finance its operations. Taking into account the existing market conditions and the current order book status, the management maintains a prudent view with caution that the golf equipment business will continue to operate under great challenges amidst intense competition whilst the golf bags business is expected to perform reasonably for the Japan line and the non-Japan line of products during the second half of 2015.

The Shandong manufacturing facility facilitates to strengthen the Group's competitive edge through persistently enhancing the quality and productivity. It also enables the Group to constantly monitor and rationalize the manufacturing costs given a lower operating cost environment and more stable labor supply in the northern part of the PRC. The Group has endeavored to explore business opportunities with other reputable golf name brands and increase cooperation to expand business with the existing customers to better serve and satisfy their needs. The management is determined to keeping continuous awareness of the market changes and development to ensure timely address of issues to protect and safeguard the Group's interests.

On the other hand, the change of control in the shareholding of the Company after the close of business on 30 June 2015 presents a distinct opportunity and development potential for the Group's business through contributions and plans of the new controlling shareholder to introduce business ideas and explore diversification options for the benefit and interests of the Company and its shareholders in the long-term.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and Financial Resources

Throughout the years, the Group has been customarily relying on and shall continue to obtain funds from internally generated cash flows, banking facilities and, when needed, financial support agreed and extended by the controlling shareholder from time to time to finance its operations and discharge the liabilities and obligations in the ordinary course of business. Following the change of control in the shareholding of the Company after the close of business on 30 June 2015, it could be possible that the Company may pursue to procure or raise funds in future through other means offered or directed by the new controlling shareholder. Nevertheless, it remains the Group's policy to manage the financial risks with due care and prudence in support of a financial position appropriate and desirous of the long-term development or growth.

At 30 June 2015, bank balances and cash, which were mostly denominated in currencies of United States dollars, Hong Kong dollars and Renminbi, amounted to HK$12,085,000 (31 December 2014: HK$16,676,000). The bank balances and cash decreased mainly due to the effect of reduced sales and cash outflows applied for payment to the suppliers. At 30 June 2015, the trade receivables lowered to HK$11,821,000 (31 December 2014: HK$16,375,000), which had substantially been settled subsequent to the half year closing date to provide funds for the Group's operations. It has been the Group's policy to maintain a level of funds sufficient for its operations and the discharge of liabilities as and when they fall due.

Borrowings of the Group, other than the advance from a director who is the controlling shareholder of the Company, are mostly denominated in currencies of Hong Kong dollars, United States dollars and Renminbi that carry interest on HIBOR/LIBOR plus basis or at the interest rate promulgated by the People's Bank of China from time to time. At 30 June 2015, interest-bearing borrowings comprising bank borrowings and obligations under finance leases amounted to HK$102,447,000 (31 December 2014: HK$104,401,000), all of which was repayable within one year. The advance from a director, who is the controlling shareholder, of HK$11,375,000 at 30 June 2015 (31 December 2014: HK$7,589,000) was unsecured, repayable on demand and carried interest at rates ranging from 3% to 5% per annum. On the other hand, bank loans from certain PRC banks of HK$78,205,000 at 30 June 2015 (31 December 2014: HK$78,205,000) were secured by property, plant and equipment and the prepaid lease payments of the Group with a carrying value of HK$129,451,000 (31 December 2014: HK$132,555,000). The gearing ratio, defined as bank borrowings and obligations under finance leases less bank balances and cash of HK$90,362,000 (31 December 2014: HK$87,725,000) divided by the shareholders' equity of HK$304,059,000 (31 December 2014: HK$313,285,000), was 29.7% as at 30 June 2015 (31 December 2014: 28.0%). The gearing ratio would have been restated as 33.5% at 30 June 2015 (31 December 2014: 30.4%) if the advance from a director was included in the computation of the ratio.

MANAGEMENT DISCUSSION AND ANALYSIS

It has been the Group's objective to pursue and maintain a financial position desirous of supporting its long-term development and growth. At 30 June 2015, the total assets and the net asset value of the Group amounted to HK$450,077,000 (31 December 2014: HK$463,649,000) and HK$304,059,000 (31 December 2014: HK$313,285,000) respectively. Current and quick ratios as at 30 June 2015 were 1.52 (31 December 2014: 1.55) and 0.36 (31 December 2014: 0.40) respectively. Both ratios were considered reasonable and the Group is committed to constantly exploring feasible means to further rationalize and strengthen its financial position from time to time.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND CONTINGENT LIABILITIES

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

At 30 June 2015 and 31 December 2014, a subsidiary has been previously named as defendant in a Hong Kong High Court action since a writ was issued against it and it was claimed for an amount of approximately HK$1,546,000. The subsidiary has filed a full defence to this writ.

For the six months ended 30 June 2015, a subsidiary has been named as defendant in a local PRC court by summon for a claim of approximately RMB1,366,000, equivalent to approximately HK$1,751,000, with damages of approximately RMB55,000, equivalent to approximately HK$70,000, together with interest thereon and costs in relation to dispute involving supply of equipment by the plaintiff. The proceedings are in process.

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

EMPLOYEE AND REMUNERATION POLICIES

At 30 June 2015, the Group employed a total of about 1,330 employees in Hong Kong, Macau and the PRC. It is the Group's policy to maintain a harmonious relation with its employees through provision of competitive remuneration packages and career development opportunities. The employees were remunerated based on their duties, experience and performance as well as industrial practices. The remuneration packages are reviewed annually to assure fairness and appropriateness and discretionary bonuses may be awarded to employees based on individual performance.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 June 2015, the interests and short positions of the directors in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

(i) Long positions in ordinary shares of the Company

	Number of shares held, capacity and nature of interest				
Name of director	**Directly beneficially owned**	**Through spouse**	**Through controlled corporations#**	**Total**	**Percentage of the Company's issued share capital**
Executive directors					
Mr. CHU Chun Man, Augustine	9,292,104	150,000	–	9,442,104	2.02%
Mr. CHU Yuk Man, Simon	954,355	–	–	954,355	0.20%
	10,246,459	150,000	–	10,396,459	2.22%

\# On 30 June 2015, the controlled corporations namely CM Investment Company Limited and Fortune Belt Limited entered into the sale and purchase agreement (the "S&P") with Surplus Excel Limited to dispose of 287,074,657 shares and the transaction was completed on the same date.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

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

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

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

Save as disclosed above, as at 30 June 2015, none of the directors had registered an interest or short position in the shares or underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

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

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

The New Share Option Scheme has taken effect since the Stock Exchange granted an approval on 6 June 2012 for the listing of shares which may be issued by the Company upon the exercise of options granted thereunder and, unless otherwise terminated or amended, will remain in force for 10 years from its adoption date on 5 June 2012.

At 31 December 2014, the number of shares remained outstanding under the New Share Option Scheme was 8,000,000, representing approximately 1.74% of the shares of the Company in issue at that date.

Movements of the Company's share options during the reporting period are as follows:

	Number of share options					
	At 1 January 2015	**Exercised during the period**	**Outstanding at 30 June 2015**	**Date of grant**	**Exercise period**	**Exercise price**
Employees in aggregate	8,000,000	(8,000,000)	–	11 July 2013	11 July 2013 to 10 July 2015	HK$0.37

Note: No share options were granted, cancelled, lapsed or forfeited during the six months ended 30 June 2015 (2014: nil).

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

At 30 June 2015 and immediately after the completion of the S&P, the following interests of 5% or more of the issued share capital and share options of the Company 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	Percentage of the Company's issued share capital
Surplus Excel Limited	*(a)*	Directly beneficially owned	287,074,657	61.33%
Mr. Jiang Jianhui	*(b)*	Through a controlled corporation	287,074,657	61.33%

Notes:

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

(b) 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 2015 and immediately after the completion of the S&P, no person had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2015.

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

The remuneration committee comprises three independent non-executive directors and two executive directors with written terms of reference. The remuneration committee is principally responsible for formulating and making recommendation to the Board on the Group's policy and structure for all remuneration of the directors of the Company and senior management of the Group.

NOMINATION COMMITTEE

The nomination committee comprises three independent non-executive directors and two executive directors with written terms of reference. The nomination committee has met once during the current interim period to review, inter alia, the structure, size and composition (including the skills, knowledge and experience of directors) of the Board; to assess the independence of independent non-executive directors; and to review the effectiveness of the Board Diversity Policy.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as the Company's code of conduct for dealings in securities of the Company by the directors. Upon specific enquiry, all directors of the Company have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2015.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions of the Corporate Governance Code (the "CG Code") set out under Appendix 14 to the Listing Rules throughout the six months ended 30 June 2015, 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 roles of the chairman and chief executive officer have not been separated for the Company. The deviation is deemed appropriate as the Board believes that vesting the roles of both chairman and chief executive officer in the same person provides the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies. 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 ("NED"s) should be appointed for a specific term, subject to re-election. Although the independent non-executive directors ("INED"s) of the Company have not been appointed for any specific terms, the requirement of the code provision is effectively met as those INEDs 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 INEDs and other NEDs should attend the general meetings. Due to health reason, Mr. ZHU Shengli, an INED of the Company, could not attend the Company's annual general meeting (the "AGM") held on 5 June 2015 but he had delegated to the company secretary of the Company to attend and act for his behalf at the AGM for sake of good corporate governance practice.

ACKNOWLEDGEMENT

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

By order of the Board
Chu Chun Man Augustine
Chairman

Hong Kong, 17 August 2015

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