SINO GOLF HOLDINGS LIMITED
順龍控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00361)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2014

FINANCIAL HIGHLIGHTS

Results	For the six months ended 30 June		
	2014	2013	Changes
	HK$'000	*HK$'000*	*Increase/*
	(Unaudited)	(Unaudited)	*(Decrease)*
Group turnover	**242,835**	202,992	19.6%
from golf equipment segment	**227,686**	190,263	19.7%
from golf bags segment	**15,149**	12,729	19.0%
Gross Profit	**40,129**	35,388	13.4%
EBITDA	**17,930**	18,118	(1.0%)
Profit attributable to owners of the Company	**6,909**	6,280	10.0%
	HK cents	*HK cents*	
Earnings per share attributable to owners of the Company			
– Basic	**1.50**	1.37	
– Diluted	**1.49**	1.37	
Interim dividend per ordinary share	**–**	–	

* *for identification purpose only*

Group

- Driven by the turnaround in 2013, the Group continued to record sales growth with profit improvement during the six months ended 30 June 2014.

- Gross profit increased 13.4% to HK$40.1 million in line with the sales trend whilst the average gross profit margin fell marginally to 16.5% mainly attributable to the rise in manufacturing costs.

- EBITDA declined slightly by 1.0% to HK$17.9 million as a result of the surge in administrative expenses including social insurance and retirement related expenditures for the PRC operations.

Golf Equipment Segment

- The golf equipment sales soared by 19.7% to HK$227.7 million due mainly to the active purchasing initiatives of customers.

Golf Bags Segment

- With the rebound in sales of the non-Japan line of products, the Group's turnover attributable to the golf bags segment, which comprised golf bags and accessories sales to external customers, increased 19.0% to HK$15.1 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 the " Group") for the six months ended 30 June 2014 which have been reviewed by the Company's audit committee, together with the comparative figures for the six months ended 30 June 2013 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2014

		Six months ended 30 June	
		2014	2013
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Turnover	*3*	**242,835**	202,992
Cost of sales		**(202,706)**	(167,604)
Gross profit		**40,129**	35,388
Other operating income	*5*	**1,670**	830
Selling and distribution expenses		**(2,180)**	(1,630)
Administrative expenses		**(27,554)**	(23,575)
Finance costs	*6*	**(4,660)**	(4,741)
Profit before tax		**7,405**	6,272
Income tax expense	*7*	**(496)**	–
Profit for the period	*8*	**6,909**	6,272
Profit for the period attributable to:			
Owners of the Company		**6,909**	6,280
Non-controlling interests		**–**	(8)
		6,909	6,272
Earnings per share	*10*		
Basic		**HK1.50 cents**	HK1.37 cents
Diluted		**HK1.49 cents**	HK1.37 cents
Profit for the period		**6,909**	6,272
Other comprehensive income, net of income tax			
Items that may not be reclassified subsequently to profit or loss:			
Deferred tax relating to leasehold land and buildings under revaluation model		**45**	45
Total comprehensive income for the period		**6,954**	6,317
Total comprehensive income (expenses) for the period attributable to:			
Owners of the Company		**6,954**	6,325
Non-controlling interests		**–**	(8)
		6,954	6,317

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014

	Notes	30.6.2014 HK$'000 (Unaudited)	31.12.2013 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment		**208,966**	205,300
Prepaid lease payments		**10,114**	10,297
Goodwill		**14,820**	14,820
Club debentures		**3,397**	3,397
Deposits and other receivables		**615**	844
Prepayments for the acquisition of property, plant and equipment		**989**	1,643
		238,901	236,301
Current assets			
Inventories		**172,689**	173,247
Trade and other receivables	*11*	**59,982**	52,071
Prepaid lease payments		**368**	368
Bank balances and cash		**26,449**	26,241
		259,488	251,927
Assets classified as held for sale	*12*	**7,776**	7,776
		267,264	259,703
Current liabilities			
Trade and other payables	*13*	**68,052**	65,936
Amounts due to non-controlling shareholders of a subsidiary		**462**	462
Income tax payable		**624**	2,518
Bank borrowings		**115,330**	108,704
Obligations under finance leases		**727**	712
Amount due to a director		**6,899**	10,142
		192,094	188,474

	30.6.2014	31.12.2013
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Net current assets	**75,170**	71,229
Total assets less current liabilities	**314,071**	307,530
Non-current liabilities		
Obligations under finance leases	**–**	368
Deferred tax liabilities	**2,264**	2,309
	2,264	2,677
Net assets	**311,807**	304,853
Capital and reserves		
Share capital	**46,005**	46,005
Reserves	**263,401**	256,447
Equity attributable to owners of the Company	**309,406**	302,452
Non-controlling interests	**2,401**	2,401
Total equity	**311,807**	304,853

Notes:

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as 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").

2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2014 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2013.

In the current interim period, the Group has applied, for the first time, the following new or revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) * – Interpretation 21	Levies

* IFRIC represents the International Financial Reporting Interpretation Committee.

3. TURNOVER

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

4. SEGMENT INFORMATION

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

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	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
Segment revenue								
Sales to external customers	**227,686**	190,263	**15,149**	12,729	**–**	–	**242,835**	202,992
Inter-segment revenue	**–**	–	**5,329**	7,055	**(5,329)**	(7,055)	**–**	–
Other operating income	**1,481**	520	**175**	198	**–**	–	**1,656**	718
Total	**229,167**	190,783	**20,653**	19,982	**(5,329)**	(7,055)	**244,491**	203,710
Segment results	**14,397**	13,989	**309**	356	**–**	–	**14,706**	14,345
Interest income							**14**	112
Unallocated corporate expenses							**(2,655)**	(3,444)
Finance costs							**(4,660)**	(4,741)
Profit before tax							**7,405**	6,272

Segment results represent the results of each segment without allocation of interest income, central administration costs, directors' remuneration 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.

(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	
	30.6.2014	31.12.2013	**30.6.2014**	31.12.2013	**30.6.2014**	31.12.2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)
Segment assets	**445,287**	437,721	**22,478**	19,948	**467,765**	457,669
Unallocated corporate assets						
– Assets classified as held for sale					**7,776**	7,776
– Club debentures					**3,397**	3,397
– Bank balances and cash					**26,449**	26,241
– Others					**778**	921
Total assets					**506,165**	496,004
Segment liabilities	**49,587**	50,676	**18,379**	15,023	**67,966**	65,699
Unallocated corporate liabilities						
– Amounts due to non-controlling shareholders of a subsidiary					**462**	462
– Amount due to a director					**6,899**	10,142
– Income tax payable					**624**	2,518
– Bank borrowings					**115,330**	108,704
– Obligations under finance leases					**727**	1,080
– Deferred tax liabilities					**2,264**	2,309
– Others					**86**	237
Total liabilities					**194,358**	191,151

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

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

5. OTHER OPERATING INCOME

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest income	**14**	112
Exchange gain, net	**409**	–
Sale of scrap materials	**55**	81
Sundry income	**873**	311
Tooling income	**319**	326
	1,670	830

6. FINANCE COSTS

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Factoring charges	**1,922**	1,015
Interest expenses on:		
– Bank overdrafts	**26**	16
– Bank borrowings wholly repayable within five years	**2,959**	3,420
– Obligations under finance leases	**20**	35
– Amount due to a director	**165**	199
– Imputed interest on loan from immediate holding company	**–**	56
Total borrowing costs	**5,092**	4,741
Less: amount capitalised (Note)	**(432)**	–
	4,660	4,741

Note: The capitalisation ratio of borrowings for the six months ended 30 June 2014 is 6% (six months ended 30 June 2013: nil).

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current tax		
– Enterprises Income Tax ("EIT")	**453**	–
– Under provision in prior years	**43**	–
	496	–

No provision for Hong Kong Profits Tax has been made for the subsidiaries established in Hong Kong as the subsidiaries did not have any assessable profits subject to Hong Kong Profits Tax or the assessable profit is wholly absorbed by tax losses brought forward during both years.

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

In accordance with the tax legislations applicable to foreign investment enterprise, various subsidiaries are entitled to exemption from PRC EIT in the first two years starting from the first profit-making year of operation and thereafter, entitled to a 50% relief from the PRC EIT for the following three years. According to the EIT Law, the first year income tax exemption commenced for the year ended 31 December 2008 and the subsidiary enjoys the second year income tax exemption for the year ended 31 December 2009. The effective tax rate for the six months ended 30 June 2014 is 25% (six months ended 30 June 2013: 25%).

Certain PRC subsidiaries were either in loss-making position for the current period and the previous period or had sufficient tax losses brought forward to offset the estimated assessable income. Accordingly, no provision for PRC EIT has been made for the six months ended 30 June 2013.

8. PROFIT FOR THE PERIOD

Profit for the period is arrived at after charging:

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Amortisation of prepaid lease payments	**183**	179
Cost of inventories sold	**202,706**	167,604
Depreciation of property, plant and equipment	**7,604**	7,941
Exchange loss, net	**–**	922
Loss on disposal of property, plant and equipment	**3**	182

9. 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 2013: nil).

10. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purposes of basic and diluted earnings per share	**6,909**	6,280

	Six months ended 30 June	
	2014	2013
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**460,050**	460,050
Effect of dilutive potential ordinary shares:		
Share options outstanding	**2,533**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**462,583**	460,050

11. TRADE AND OTHER RECEIVABLES

	30.6.2014	31.12.2013
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables	**25,552**	31,222
Less: Impairment losses recognised	**(2)**	(2)
	25,550	31,220
Prepayments	**447**	1,054
Deposits and other receivables	**33,985**	19,797
	34,432	20,851
	59,982	52,071

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

	30.6.2014	31.12.2013
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 to 30 days	**15,585**	23,676
31 to 90 days	**9,852**	7,543
91 to 180 days	**113**	1
	25,550	31,220

12. ASSETS CLASSIFIED AS HELD FOR SALE

	30.6.2014	31.12.2013
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Property, plant and equipment	**3,920**	3,920
Prepaid lease payments	**3,856**	3,856
	7,776	7,776

On 11 June 2010, the Group entered into an agreement with the local PRC government for the reclaim of certain land and buildings of the Group in the PRC. At 30 June 2014 and 31 December 2013, the transaction was still not yet completed.

The net proceeds of the disposal exceeded the carrying amount of the relevant assets at 30 June 2014 and 31 December 2013. Accordingly, no impairment has been recognised.

13. TRADE AND OTHER PAYABLES

	30.6.2014	31.12.2013
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade and bills payables	**28,625**	41,580
Customers' deposits received	**906**	375
Accrual and other payables	**38,521**	23,981
	68,052	65,936

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:

	30.6.2014	31.12.2013
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 to 90 days	**23,508**	34,664
91 to 180 days	**4,529**	5,995
181 to 365 days	**230**	564
Over 365 days	**358**	357
	28,625	41,580

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

Driven by the turnaround in 2013, the Group continued to operate with strong sales momentum during the first half of 2014. Despite a softer than expected market attributable to a late start to the 2014 golf season in North America, sales of the golf equipment and the golf bags segments both increased amidst challenging market conditions. The Group's turnover for the six months ended 30 June 2014 increased 19.6% to HK$242,835,000 (2013: HK$202,992,000) with profit attributable to owners of the Company up 10.0% to HK$6,909,000 (2013: HK$6,280,000). The sales momentum could however slow-down in the second half of 2014 as a result of high retail inventories accumulated industrywide due to the late golf season caused by unfavorable weather conditions. It is expected that the market conditions would remain challenging and become more volatile during the second half year.

To strengthen our competitive edge in a dynamic economy, the Group pursued its strategy to effectively implement business reengineering and cost rationalization programs to help enhance productivity and mitigate the impact of cost hikes relating to labor, social insurance and retirement costs in recent years. The broadened customer base and the upgraded manufacturing capabilities of the Group have facilitated to uphold our profile as a key market participant with strong adaptability and high competitiveness. To accomplish the mission to provide one-stop premium services to customers, the Group has persistently focused on regimes of product innovation and customers' fulfillment with a goal to increase market share and enhance enterprise recognition. The Group is committed to achieving long-term development and growth through partnering and expanding businesses with reputable customers as well as other top-tier golf name brands. In light of the anticipated market volatility, the Group has maintained a cautious view on the business outlook of the second half of 2014.

Financial Results

The Group's turnover for the six months ended 30 June 2014 grew 19.6%, period on period, to HK$242,835,000 (2013: HK$202,992,000). Profit attributable to owners of the Company increased to HK$6,909,000 from HK$6,280,000 for the corresponding period in 2013. Basic earnings per share was HK1.50 cents for the period (2013: HK1.37 cents) and the diluted earnings per share was HK1.49 cents (2013: HK1.37 cents). The directors do not recommend the payment of an interim dividend in respect of the six months ended 30 June 2014 (2013: Nil).

During the period, the golf equipment sales surged 19.7%, period on period, to HK$227,686,000 (2013: HK$190,263,000) and accounted for 93.8% of the Group's turnover (2013: 93.7%). On the other hand, the Group's turnover attributable to the golf bags segment, defined as comprising sales of golf bags and accessories to external customers, increased 19.0% to HK$15,149,000 (2013: HK12,729,000), representing 6.2% of the Group's turnover for the period (2013: 6.3%). The total sales of the golf bags segment, before elimination of the inter-segmental sales of HK$5,329,000 (2013: HK$7,055,000), grew a lesser extent of 3.5% to HK$20,478,000 during the period (2013: HK$19,784,000). The inter-segmental sales represented the golf bags produced for fulfilling the orders of golf club sets placed by customers with the golf equipment segment which incorporated golf bags as components of the golf club sets. Sales of the golf club sets had been classified to constitute the turnover of the golf equipment segment in accordance with the Group's policy.

Gross profit for the period amounted to HK$40,129,000, up 13.4% from HK$35,388,000 for the corresponding period in 2013. The average gross profit margin fell marginally to 16.5% (2013: 17.4%) as a result of the effect of cost hikes on labor and related expenditures which were mitigated and partly offset by savings derived from the Group's stringent cost control initiatives.

Other operating income for the period increased to HK$1,670,000 compared with HK$830,000 for the comparative preceding period, mainly due to the income contributed from the disposal of retired equipment and machinery and the exchange gains realized from foreign currency settlements.

Selling and distribution expenses for the period increased to HK$2,180,000 from HK$1,630,000 for the comparative preceding period, primarily due to the additional transportation cost incurred for higher sales volume. Administrative expenses for the period escalated to HK$27,554,000 from HK$23,575,000 for the comparative preceding period, mainly due to the rise in social insurance and retirement costs incurred for the PRC operations in compliance with the regulatory requirement and customers' social responsibility guidance. Finance costs for the period amounted to HK$4,660,000, slightly down from HK$4,741,000 for the comparative preceding period as a result of the increase in factoring charges which were more than offset by the decrease in interest charges on borrowings.

Inspired by the strong sales performance, profit for the period attributable to owners of the Company improved to HK$6,909,000 compared with HK$6,280,000 for the corresponding period in 2013.

Golf Equipment Business

The golf equipment segment remained the main operating segment and accounted for 93.8% of the Group's turnover for the period (2013: 93.7%). Benefiting from the active purchasing initiatives of customers, the golf equipment sales surged 19.7%, period on period, to HK$227,686,000 during the first half of 2014 (2013: HK$190,263,000).

The segment turnover for the period comprised golf clubs sales of HK$212,220,000 (2013: HK$170,808,000) and components sales of HK$15,466,000 (2013: HK$19,455,000), representing 93.2% (2013: 89.8%) and 6.8% (2013: 10.2%) of the segment revenues, respectively. Constituting the golf clubs sales were club sets and individual clubs in the respective proportion of 83.4% (2013: 83.3%) and 16.6% (2013: 16.7%). During the period, the components sales declined 20.5% mainly due to the drop in sales of shafts and accessories to HK$710,000 (2013: HK$6,301,000). Amongst the components sales, club heads dominated to account for 95.4% (2013: 67.6%) while shafts and accessories fell to take up the remaining 4.6% (2013: 32.4%).

During the period, sales to the largest segmental customer increased 20.8% to HK$100,638,000 (2013: HK$83,302,000), which represented 44.2% (2013: 43.8%) of the segment turnover or 41.4% (2013: 41.0%) of the Group's turnover for the period. Sales to other key customers also increased in overall to contribute additional revenues for the period and new customers were successfully added to broaden the customer base. Turnover generated from the top five segmental customers increased, period on period, by 22.1% to HK$223,406,000 (2013: HK$183,036,000), representing 98.1% (2013: 96.2%) of the segment turnover or 92.0% (2013: 90.2%) of the Group's turnover for the period. Supported by the strengthened customer base, the Group persisted in its strategy to develop the golf equipment business via long-term partnering with the existing customers as well as exploring opportunities with other credible golf name brands. We have been actively liaising with the key customers with an aim to procure new programs following their approval and recognition of the Group's manufacturing facilities as qualified suppliers recently.

To cope with the target on anticipated production volume, the Group started last year to construct a new production workshop at the Shandong manufacturing facility to provide an additional monthly capacity of over 100,000 units. The construction of the production workshop had been completed during the period to be followed by the installation of equipment and machinery in the second half year including workers' training. Currently, the Shandong manufacturing facility has assumed a principal role to generate over 70% of the Group's production output of golf clubs including shafts and certain volume of golf bags serving as components for orders of golf club sets placed by customers. To take greater advantage of the cost effective environment and the more stable and abundant labor supply in the northern part of the PRC, the Group has pursued its plan to relocate more production volume to the Shandong manufacturing facility whilst scaling down the output of the Guangdong manufacturing facility in response to the persistent cost hikes and volatile labor market prevailing in the southern part of the PRC in recent years. The Shandong manufacturing facility represents a vital establishment to help integrate and streamline the various manufacturing functions to enhance efficiency and rationalize costs. It has significantly upgraded our corporate profile to facilitate the Group to effectively negotiate and procure new businesses from other credible golf name brands that are seeking high quality alternative supplies in a competitive market.

As regards the move to realize the Group's redundant capacity in Guangdong Province, the PRC, the transaction to dispose of the Yong He facility has been progressing on schedule in accordance with the agreement. The Group obtained the approval of the local PRC government in January 2014 authorizing the split of the subsidiary holding the Yong He facility, which resulted in the subsequent incorporation of the Target Company in April 2014 for the purpose of taking over the Yong He facility pursuant to the agreement. Barring unforeseen circumstances, the transfer of the equity interest of the Target Company to the purchaser is expected to complete within the year of 2015 in accordance with the PRC laws, following which the Group will be running its manufacturing operations in Guangdong Province, the PRC at a reduced scale occupying a lesser rented area. At the reporting date on 30 June 2014, the Group has received deposit payments totaling RMB20,000,000 from the purchaser which had been appropriated to repay bank debts and provide working capital for the Group.

Through stringent credit control and sound corporate governance practices, the Group has been able to maintain a high performance customer portfolio with minimal impairment on receivables of HK$2,000 at 30 June 2014 (31 December 2013: HK$2,000). It is the Group's strategy to diversify to broaden the customer base so as to lower the concentration risk and strike a reasonable balance of reliance on individual customers. To safeguard due collectability of trade debts, the Group continued the policy to factor and insure its major trade receivables against the bad debt risk. In addition, the Group strictly adhered to limit the customer credit terms to not exceeding 60 days whilst requiring deposits and cash payments for shipments to new customers. The management feels satisfied with the customer performance by reference to the aging status and shall keep watching out for exceptions and irregularities for proper monitoring and treatment.

During the period, raw materials and components cost for golf equipment manufacturing remained relatively stable and fluctuated within limited ranges. The Group has been working closely with the suppliers with an objective to enhance quality and rationalize the purchase prices. On the other hand, there was observed a rising trend in the manufacturing costs including labor, social insurance and retirement expenditures which operated to undermine the profit margins against the savings derivable from the Group's cost control initiatives.

Backed up by a satisfactory sales performance, the golf equipment segment recorded a segmental profit of HK$14,397,000 for the first half of 2014, up 2.9% from HK$13,989,000 for the corresponding preceding period. In consideration of the prevailing market conditions and the current order book status, the management adopts a cautious view that the golf equipment business will be operating under a challenging market and the sales momentum may somewhat slow down to reflect the market situation during the second half of 2014.

Golf Bags Business

The golf bags business rebounded during the first half of 2014 to rebut the declining sales trend of the corresponding period in 2013. During the period, sales of the non-Japan line of products grew more than compensating the drop in sales of the Japan line of products to achieve a turnaround in the segment revenue. The Group's turnover attributable to the golf bags segment, defined as comprising sales of golf bags and accessories to external customers, went up 19.0%, period on period, to HK$15,149,000 during the first half of 2014 (2013: HK$12,729,000), representing 6.2% of the Group's turnover for the period (2013: 6.3%). The total sales of the golf bags segment, before elimination of the inter-segmental sales of HK$5,329,000 (2013: HK$7,055,000), increased a lesser extent of 3.5% to HK$20,478,000 during the period (2013: HK$19,784,000). The inter-segmental sales represented the golf bags produced for fulfilling the orders of golf club sets placed by customers with the golf equipment segment and formed as components of the golf club sets. Sales of the golf club sets had been classified to constitute the turnover of the golf equipment segment accordingly.

The segment turnover for the period comprised golf bags sales of HK$11,234,000 (2013: HK$8,746,000) and accessories sales mainly boston bags of HK$3,915,000 (2013: HK$3,983,000), representing 74.2% (2013: 68.7%) and 25.8% (2013: 31.3%) of the segment turnover, respectively. The product categories had not shown significant fluctuation throughout the years. During the period, sales to the largest golf bags customer amounted to HK$4,997,000 (2013: HK$2,834,000 for sales to a golf bags customer that ranked the second largest in the current period). The largest segmental customer was ranked the third largest in the comparative preceding period, sales to which had increased nearly 1.8 times to HK$4,997,000 (2013: HK$1,800,000) during the first half of 2014 representing 33.0% (2013: 22.3% by the then largest segmental customer) of the segment turnover or 2.1% (2013: 1.4% by the then largest segmental customer) of the Group's turnover for the period. Motivated by our initiatives, sales to other key segmental customers grew moderately during the period to help contribute additional revenue. Turnover from the top five golf bags customers surged, period on period, by 33.9% to HK$12,505,000 (2013: HK$9,341,000), representing 82.5% (2013: 73.4%) of the segment turnover or 5.1% (2013: 4.6%) of the Group's turnover for the period.

To view alternatively from the product design perspective, the segment turnover for the period constituted sales of the Japan line of products and the non-Japan line of products in the proportion of 20.0% (2013: 29.1%) and 80.0% (2013: 70.9%), respectively. The sales of the Japan line of products decreased 18.3%, period on period, to HK$3,023,000 (2013: HK$3,699,000), whereas sales of the non-Japan line of products comprising mostly golf bags of American design rebounded 34.3% during the period to HK$12,125,000 (2013: HK$9,030,000) to achieve a net increase to the segment turnover. The Group pursued the strategy to persistently develop and explore both the Japan line and the non-Japan line of products with an objective to gain market share and broaden the customer base. We shall continue to allocate adequate resources to take part in activities that would bring business volume and profit margins to the golf bags segment.

During the period, the prices of major raw materials for golf bags production including PVC, PU and nylon varied within limited ranges whilst the prices of the accessories like metal parts and plastic components remained relatively stable. On the other hand, the expenditures on labor, social insurance, samples and transportation increased during the period to undermine the profit margin against a higher sales volume. To uphold our competitiveness, the golf bags segment took initiatives to reinforce the measures that are effective for streamlining the operations with an aim to enhance efficiency and rationalize costs. The Group is dedicated to continually develop the golf bags business by focusing on high-end golf bags that generally offer more attractive margins to facilitate the substantiation of long-term growth.

Affected by the increased expenditures, the golf bags segment recorded a segmental profit of HK$309,000 for the first half of 2014, down 13.2% from HK$356,000 for the comparative preceding period. Taking into account the prevailing market sentiment and the current order book status, the management anticipates the golf bags segment to perform reasonably to maintain a growing trend in the second half year notwithstanding the market challenges.

Prospects

Driven by the turnaround in 2013, the Group continued to prosper in business during the first half of 2014. Both the golf equipment and the golf bags segments recorded sales growth notwithstanding a softer than expected market during the period. The late start of the 2014 golf season in North America has led to high retail inventories compiled industrywide and there is anticipated more promotional activities in the market place in reaction to the late start of the 2014 golf season caused by unfavorable weather conditions. It is envisaged that the market conditions would remain challenging and become more volatile during the second half of 2014. Taking into account the prevailing market sentiment and the current order book status, the management maintains a cautious view that the golf equipment business will be operating under challenging market conditions and the sales momentum may somewhat slow down to reflect the market circumstances in the second half year. On the other hand, the golf bags business is expected to perform reasonably and maintain a growing trend during the second half year in light of the anticipated strong performance of the non-Japan line of products.

The new production workshop at the Shandong manufacturing facility is going to equip the Group with a necessary platform for taking up additional businesses from customers as well as other top tier golf name brands that are seeking qualified alternative supply sources. It also facilitates the Group to further scale down its manufacturing operations in Guangdong Province, the PRC with an objective to enhance productivity and rationalize costs through the more stable labor market and the cost effective environment in the northern part of the PRC.

To substantiate long-term development, the Group has been devoting effort to explore opportunities with reputable golf name brands to broaden the customer base as well as strengthening the cooperation with the existing customers for mutual growth and success. Our management will also maintain continuous awareness of the market changes and development to ensure timely and swift response to best safeguard the Group's interests.

Liquidity and Financial Resources

The Group has customarily relied on and will continue to procure funds from internally generated cash flows, banking facilities and, when needed, financial support agreed and extended by the controlling shareholder to finance its operations and discharge the liabilities and obligations in the normal course of business. It is the Group's policy to manage the financial risks with due care and prudence in support of a financial position desired of its long-term growth and development.

At 30 June 2014, bank balances and cash, which were mostly denominated in currencies of United States dollars, Hong Kong dollars and Renminbi, amounted to HK$26,449,000 (31 December 2013: HK$26,241,000). The bank balances and cash increased moderately and stayed at reasonable level to provide the funds required of the Group's 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 interest rate promulgated by the People's Bank of China from time to time. At 30 June 2014, interest-bearing borrowings comprising bank borrowings and obligations under finance leases amounted to HK$116,057,000 (31 December 2013: HK$109,784,000), of which HK$116,057,000 (31 December 2013: HK$109,416,000) was repayable within one year. The advance from a director, who is the controlling shareholder, of HK$6,899,000 at 30 June 2014 was unsecured; repayable on demand and carried interest at rates ranging from 4% to 6% per annum (31 December 2013: HK$10,142,000). On the other hand, bank loans from certain PRC banks of HK$80,731,000 at 30 June 2014 (31 December 2013: HK$80,756,000) were secured by the land and buildings of the Group with a carrying value of HK$168,488,000 (31 December 2013: HK$170,760,000). The gearing ratio, defined as bank borrowings and obligations under finance leases less bank balances and cash of HK$89,608,000 (31 December 2013: HK$83,543,000) divided by the shareholders' equity of HK$311,807,000 (31 December 2013: HK$304,853,000), was 28.7% as at 30 June 2014 (31 December 2013: 27.4%). The gearing ratio would have been restated as 31.0% at 30 June 2014 (31 December 2013: 30.7%) if the advance from a director was included in the computation of the ratio.

It is the Group's objective to strive to maintain a financial position to substantiate its long-term development and growth. At 30 June 2014, the total assets and the net asset value of the Group amounted to HK$506,165,000 (31 December 2013: HK$496,004,000) and HK$311,807,000 (31 December 2013: HK$304,853,000) respectively. Current and quick ratios as at 30 June 2014 were 1.39 (31 December 2013: 1.38) and 0.49 (31 December 2013: 0.46) respectively. Both ratios have improved and were maintained at reasonable levels. The Group will nevertheless continue to work through possible ways 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 2014, a subsidiary has been named as defendant in a High Court action since a writ was issued against it in April 2011 and it was claimed for an amount of approximately HK$1,546,000. The subsidiary has filed a full defence to this writ. In the opinion of the directors of the Company, no provision for any potential liability has been made in the condensed consolidated financial statements as the Group has pleaded reasonable chance of success in the defence.

EMPLOYEE AND REMUNERATION POLICIES

At 30 June 2014, the Group employed a total of about 1,890 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.

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 2014.

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 2014, 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.

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 2014.

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 polices 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 2014.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This results announcement is published on the website of the Stock Exchange at http://www.hkexnews.hk and on the website of the Company at http://www.sinogolf.com. The interim report will be dispatched to the shareholders and published on both the websites of the Stock Exchange and the Company in due course.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to extend my sincere thanks 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, 29 August 2014

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.