SINO GOLF HOLDINGS LIMITED
順龍控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 361)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2008

FINANCIAL HIGHLIGHTS

Results	**For the six months ended 30 June**		
	2008	2007	Changes
	HK$'000	*HK$'000*	
	(unaudited)	(unaudited and restated)	
Group turnover	**254,957**	256,962	-0.8%
from golf equipment segment	**194,019**	176,465	9.9%
from golf bag segment	**60,938**	80,497	-24.3%
Gross profit	**60,766**	61,490	-1.2%
EBITDA	**24,609**	29,071	-15.3%
Profit attributable to equity holders of the parent	**10,645**	14,405	-26.1%
	HK cents	*HK cents*	
Earnings per share attributable to ordinary equity holders of the parent			
– Basic	**3.52**	4.77	
– Diluted	**N/A**	4.75	
Interim dividend per ordinary share	**1.50**	2.00	

FINANCIAL HIGHLIGHTS *(continued)*

Golf equipment segment

- With a strong customer base, turnover increased period on period by nearly 10% despite facing a weakened economy emerging out of the impact of the subprime mortgage crisis.

- New Shandong facility commenced trial operation during the period but there was no positive contribution yet owing to the incurring of operating overheads.

- Cost rise in raw materials and appreciation of the Renminbi currency added further cost burden and undermined the segmental profitability.

Golf bag segment

- Impacted by a worsening economy, turnover declined period on period by over 24% upon a consolidation of the Japan line of products. The non-Japan line of products maintained its momentum and did not show material fluctuation during the period.

- Cost of raw materials and accessories like metal parts and plastic components soared under the influence of high crude oil prices.

- SOE compliant operation helped strengthen our competitive advantage to broaden the customer base at times of a slowing down market.

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 2008 which have been reviewed by the Company's audit committee, together with the comparative figures for the six months ended 30 June 2007 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2008

	Notes	For the six months ended 30 June 2008 (unaudited) HK$'000	2007 (unaudited and restated) HK$'000
REVENUE	3	**254,957**	256,962
Cost of sales		**(194,191)**	(195,472)
Gross profit		**60,766**	61,490
Other income and gain	3	**2,523**	5,288
Selling and distribution costs		**(7,458)**	(10,635)
Administrative expenses		**(29,305)**	(25,924)
Other expenses		**(6,091)**	(4,207)
Finance costs	4	**(9,590)**	(11,467)
PROFIT BEFORE TAX	5	**10,845**	14,545
Tax	6	**(200)**	(300)
PROFIT FOR THE PERIOD		**10,645**	14,245
ATTRIBUTABLE TO:			
Equity holders of the parent		**10,645**	14,405
Minority interests		**–**	(160)
		10,645	14,245
DIVIDEND PER ORDINARY SHARE	7	**HK1.50 cents**	HK2.00 cents
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic		**HK3.52 cents**	HK4.77 cents
Diluted		**N/A**	HK4.75 cents

CONDENSED CONSOLIDATED BALANCE SHEET
30 June 2008

	Notes	30 June 2008 (unaudited) HK$'000	31 December 2007 (audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**233,291**	196,169
Prepaid land lease payments		**21,487**	21,725
Goodwill		**25,723**	25,723
Deposits and other receivables		**3,684**	3,539
Prepayments for acquisition of items of property, plant and equipment		**18,289**	22,359
Total non-current assets		**302,474**	269,515
CURRENT ASSETS			
Inventories		**164,615**	161,557
Trade receivables	*9*	**23,160**	47,445
Prepaid land lease payments		**550**	528
Prepayments, deposits and other receivables		**35,474**	28,435
Cash and cash equivalents		**50,338**	80,069
Total current assets		**274,137**	318,034
CURRENT LIABILITIES			
Trade and bills payables	*10*	**47,132**	84,099
Other payables and accruals		**22,811**	42,265
Due to minority shareholders of a subsidiary	*11*	**462**	462
Tax payable		**1,381**	1,715
Interest-bearing bank and other borrowings		**170,021**	106,383
Total current liabilities		**241,807**	234,924
NET CURRENT ASSETS		**32,330**	83,110
TOTAL ASSETS LESS CURRENT LIABILITIES		**334,804**	352,625
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**78,463**	108,693
Deferred tax liabilities		**2,333**	2,333
Total non-current liabilities		**80,796**	111,026
NET ASSETS		**254,008**	241,599
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	*12*	**30,220**	30,220
Reserves		**221,217**	201,253
Proposed final dividend		**–**	7,555
		251,437	239,028
Minority interests		**2,571**	2,571
TOTAL EQUITY		**254,008**	241,599

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2008

	Attributable to equity holders of the parent										
	Issued capital	Share premium account	Contributed surplus	Asset revaluation reserve	Exchange fluctuation reserve	Share option reserve	Retained profits	Proposed final dividend	Total	Minority interests	Total equity
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2007	30,220	57,270	10,564	24,360	7,568	395	60,769	6,648	197,794	2,567	200,361
Exchange realignment and total income for the period recognised directly in equity	–	–	–	–	3,107	–	–	–	3,107	–	3,107
Profit/(loss) for the period	–	–	–	–	–	–	14,405	–	14,405	(160)	14,245
Total income and expense for the period	–	–	–	–	3,107	–	14,405	–	17,512	(160)	17,352
2006 final dividend declared	–	–	–	–	–	–	–	(6,648)	(6,648)	–	(6,648)
At 30 June 2007	30,220	57,270	10,564	24,360	10,675	395	75,174	–	208,658	2,407	211,065
At 1 January 2008	30,220	57,270	10,564	24,360	19,684	312	89,063	7,555	239,028	2,571	241,599
Exchange realignment and total income for the period recognised directly in equity	–	–	–	–	9,319	–	–	–	9,319	–	9,319
Profit for the period	–	–	–	–	–	–	10,645	–	10,645	–	10,645
Total income and expense for the period	–	–	–	–	9,319	–	10,645	–	19,964	–	19,964
2007 final dividend declared	–	–	–	–	–	–	–	(7,555)	(7,555)	–	(7,555)
At 30 June 2008	30,220	57,270*	10,564*	24,360*	29,003*	312*	99,708*	–	251,437	2,571	254,008

* These reserve accounts comprise the consolidated reserves of the Group of HK$221,217,000 (31 December 2007: HK$201,253,000) in the condensed consolidated balance sheet.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2008

	For the six months ended 30 June	
	2008	2007
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	**(2,810)**	(4,364)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	**(35,278)**	(14,752)
NET CASH INFLOW FROM FINANCING ACTIVITIES	**16,263**	21,352
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**(21,825)**	2,236
Cash and cash equivalents at beginning of period	**72,163**	73,105
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**50,338**	75,341
ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**50,338**	75,341

1. Accounting policies

The condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting". The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2007, except for the adoption of the following new and revised interpretations issued by the Hong Kong Institute of Certified Public Accountants for the first time for the current period's condensed consolidated interim financial statements.

HK(IFRIC)-Int 11	*HKFRS 2 – Group and Treasury Share Transactions*
HK(IFRIC)-Int 12	*Service Concession Arrangements*
HK(IFRIC)-Int 14	*HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

The adoption of the above interpretations has had no material impact on the accounting policies of the Group and the methods of computation in the Group's condensed consolidated interim financial statements.

2. Segment information

The following tables present revenue and results by business and geographical segments for the six months ended 30 June 2008.

A. Business segments

Group

	Golf equipment For the six months ended 30 June		Golf bag For the six months ended 30 June		Eliminations For the six months ended 30 June		Consolidated For the six months ended 30 June	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Sales to external customers	**194,019**	176,465	**60,938**	80,497	**–**	–	**254,957**	256,962
Intersegment revenue	**–**	–	**3,130**	3,522	**(3,130)**	(3,522)	**–**	–
Other revenue	**734**	2,733	**1,317**	2,074	**–**	–	**2,051**	4,807
Total	**194,753**	179,198	**65,385**	86,093	**(3,130)**	(3,522)	**257,008**	261,769
Segment results	**16,767**	19,974	**3,196**	5,557			**19,963**	25,531
Interest income							**472**	481
Finance costs							**(9,590)**	(11,467)
Profit before tax							**10,845**	14,545
Tax							**(200)**	(300)
Profit for the period							**10,645**	14,245

2. Segment information *(continued)*

B. Geographical segments

Group	**For the six months ended 30 June**	
	2008	2007
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Segment revenue: sales to external customers		
North America	**171,581**	156,806
Europe	**7,901**	10,687
Asia (excluding Japan)	**34,415**	38,244
Japan	**34,055**	49,372
Others	**7,005**	1,853
	254,957	256,962

3. Revenue, other income and gain

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold after allowances for goods returns and trade discounts received and receivable during the period.

An analysis of revenue, other income and gain is as follows:

	For the six months ended 30 June	
	2008	2007
	(unaudited)	(unaudited and restated)
	HK$'000	*HK$'000*
Revenue		
Sale of goods	**254,957**	256,962
Other income and gain		
Bank interest income	**472**	481
Rental income	**1,007**	990
Tooling charges	**238**	2,496
Others (including testing income)	**806**	1,321
	2,523	5,288

During the period, the Group considered it more appropriate to reclassify certain revenue items, including rental income, testing income and tooling charges to other income and gain in order to better reflect the underlying nature and allow a more appropriate presentation of the Group's performance of its principal activities. Accordingly, the relevant comparative amount of HK$3,488,000, in aggregate, was reclassified to conform with the current period's presentation.

4. Finance costs

	For the six months ended 30 June	
	2008	2007
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Factoring and bank charges	**5,339**	4,789
Interest on bank loans wholly repayable within five years	**4,198**	6,335
Interest on finance leases	**53**	343
	9,590	11,467

5. Profit before tax

The Group's profit before tax is arrived at after charging:

	For the six months ended 30 June	
	2008	2007
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Amortisation of prepaid land lease payments	**275**	230
Depreciation	**9,238**	7,618
Loss on disposal of items of property, plant and equipment	**278**	27

6. Tax

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2007: 17.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	For the six months ended 30 June	
	2008	2007
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Current – Hong Kong		
Provision for tax in respect of profits for the period	**200**	300

7. Dividend per ordinary share

At a meeting of the board of directors held on 27 September 2008, the directors resolved to pay an interim dividend of HK1.50 cents per ordinary share to shareholders (six months ended 30 June 2007: HK2.00 cents), absorbing a total amount of approximately HK$4,533,000 (six months ended 30 June 2007: HK$6,044,000).

8. Earnings per share attributable to ordinary equity holders of the parent

The calculation of basic earnings per share is based on the profit for the period attributable to ordinary equity holders of the parent of HK$10,645,000 (six months ended 30 June 2007: HK$14,405,000) and the weighted average number of 302,200,000 (six months ended 30 June 2007: 302,200,000) ordinary shares in issue during the period.

Diluted earnings per share has not been disclosed for the period ended 30 June 2008, as the share options of the Company outstanding during the period have no dilutive effect on the basic earnings per share.

The calculation of diluted earnings per share for the period ended 30 June 2007 was based on the profit for the period attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation was the number of ordinary shares in issue during that period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares that would be issued for no consideration assuming all outstanding share options of the Company were exercised to subscribe for ordinary shares of the Company at the beginning of the period.

9. Trade receivables

	30 June 2008 (unaudited) *HK$'000*	31 December 2007 (audited) *HK$'000*
Trade receivables	**33,000**	57,285
Impairment	**(9,840)**	(9,840)
	23,160	47,445

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 90 days. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

The aged analysis of the trade receivables that are not considered to be impaired is as follows:

	30 June 2008 (unaudited) *HK$'000*	31 December 2007 (audited) *HK$'000*
Neither past due nor impaired	**18,099**	24,242
1 – 90 days past due	**1,612**	18,484
91 – 180 days past due	**848**	964
181 – 360 days past due	**1,255**	2,030
Over 360 days past due	**1,346**	1,725
	23,160	47,445

10. Trade and bills payables

An aged analysis of the Group's trade and bills payable as at the balance sheet date, based on the date of receipt of the goods, is as follows:

	30 June 2008 (unaudited) ***HK$'000***	31 December 2007 (audited) *HK$'000*
1 – 90 days	**37,850**	69,821
91 – 180 days	**6,762**	10,855
181 – 360 days	**2,052**	3,039
Over 360 days	**468**	384
	47,132	84,099

The trade payables are non-interest-bearing and are normally settled on 30 to 90 days terms.

11. Due to minority shareholders of a subsidiary

The amount due to minority shareholders of a subsidiary is unsecured, interest free and repayable on demand.

12. Share capital

	30 June 2008 (unaudited) ***HK$'000***	31 December 2007 (audited) *HK$'000*
Authorised:		
1,000,000,000 ordinary shares of HK$0.1 each	**100,000**	100,000
Issued and fully paid:		
302,200,000 ordinary shares of HK$0.1 each	**30,220**	30,220

13. Operating lease arrangements

(a) As lessor

The Group leases certain of its plant and machinery and subleases certain properties under operating lease arrangements, with leases negotiated for original terms ranging from one to four years. The terms of the leases generally also require the tenants and lessees to pay security deposits.

13. Operating lease arrangements ***(continued)***

(a) As lessor ***(continued)***

As at 30 June 2008, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants and lessees falling due as follows:

	30 June 2008 (unaudited) *HK$'000*	31 December 2007 (audited) *HK$'000*
Within one year	**1,057**	1,880
In the second to fifth years, inclusive	**–**	150
	1,057	2,030

(b) As lessee

The Group leases certain of its office properties, production plants and staff quarters under operating lease arrangements, with leases negotiated for original terms ranging from one to ten years.

As at 30 June 2008, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2008 (unaudited) *HK$'000*	31 December 2007 (audited) *HK$'000*
Within one year	**6,520**	6,189
In the second to fifth years, inclusive	**6,721**	8,106
	13,241	14,295

14. Commitments

In addition to the operating lease commitments detailed in note 13(b) above, the Group had the following capital commitments at the balance sheet date:

	30 June 2008 (unaudited) *HK$'000*	31 December 2007 (audited) *HK$'000*
Contracted, but not provided for:		
Leasehold land and buildings	**5,254**	15,144
Plant and machinery	**2,075**	4,176
	7,329	19,320

15. Related party transactions

(a) The Group had the following material transactions with related parties during the period:

	Notes	For six months ended 30 June **2008** **(unaudited)** ***HK$'000***	2007 (unaudited) *HK$'000*
Rental expenses paid to Progolf Manufacturing Company Limited ("Progolf")	*(i)*	**420**	420
Rental expenses paid to Oriental Leader Limited ("Oriental")	*(i)*	**–**	300
Rental income from Sino Sporting Company Limited ("Sino Sporting")	*(ii)*	**93**	93

Notes:

(i) Chu Chun Man, Augustine ("Augustine Chu"), a director of the Company, has a beneficial interest in Progolf, and Chu Yuk Man, Simon ("Simon Chu"), a director of the Company, has a beneficial interest in Oriental. The rental expenses were determined at rates agreed between the Group and the corresponding related parties.

(ii) Augustine Chu and Simon Chu, directors of the Company, have beneficial interests in Sino Sporting. The rental rates were based on the terms of the agreement entered into among the parties.

(b) Compensation of key management personnel of the Group:

	For six months ended 30 June **2008** **(unaudited)** ***HK$'000***	2007 (unaudited) *HK$'000*
Short term employee benefits	**3,699**	4,267
Post-employment benefits	**23**	18
Total compensation paid to key management personnel	**3,722**	4,285

16. Approval of the interim financial report

These condensed consolidated interim financial statements were approved and authorized for issue by the board of directors on 27 September 2008.

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board declares an interim dividend of HK1.50 cents per ordinary share for the six months ended 30 June 2008 payable to the shareholders whose names appear on the Register of Members of the Company at the close of business on Friday, 17 October 2008. The Register of Members will be closed from Thursday, 16 October 2008 to Friday, 17 October 2008, both days inclusive, during which period no transfer of shares will be registered. To qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on Wednesday, 15 October 2008. The dividend will be paid on or around 31 October 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

The economic turmoil caused by the subprime mortgage crisis in the United States has intensified to curb the global economy during the first half of 2008. Contrary to most people's hopes, there is no apparent sign of an economic recovery in the current year or indeed the foreseeable future. The manufacturing industry has been experiencing a tough time endeavoring to combat cost rise on the one hand and to exploit and maintain revenues on the other.

Whilst our Group has managed to achieve growth in golf equipment revenue, the golf bag business has undergone a consolidation after a period of rapid growth in the past couple of years. Overall, the consolidated turnover of the Group for the first half of 2008 decreased marginally by less than 1% compared with the corresponding period in 2007. As the Group exports the majority of its products to the United States, it is premature to be able to accurately project the business volume for the second half of 2008 in view of the uncertainties in the United States economy.

With a strong customer base and our focus on product innovation, the Group has managed to gain additional new programs from its customers though the aggregated sales realizable for the period were hindered by a slow-down in global markets. Facing a weakened economy with intense competition, the golf bag business underwent a consolidation as a result of which some lower end products with unsatisfactory contribution were abandoned or run at curtailed order volume. Supported by its SOE compliant operation, the Group has endeavored to specialize in producing high-end golf bags so as to sustain growth and optimize its long-term interest. Despite a challenging environment, the Group continued to pursue its mission to provide one-stop premium services with value added options and to strive to strengthen its competitive advantage as one of the leading manufacturers in the golf industry.

During the period, cost rises in raw materials, labor and overheads as well as the appreciation of the Renminbi increased the cost burden of most manufacturers operating in Mainland China. In addition to recouping increased costs from sales price revisions where possible, our Group has adopted stringent cost control measures and undertook appropriate reengineering programs to rationalize efficiency and enhance quality. Notwithstanding this, profitability for the period was undermined owing to a decrease in overall revenues and income, as well as the impact of cost rises ranging from raw materials to labor and overheads.

Financial results

Consolidated turnover for the six months ended 30 June 2008 decreased period on period by less than 1% to approximately HK$254,957,000. Profit attributable to equity holders of the Company fell by 26% to approximately HK$10,645,000 compared with the corresponding period in 2007. Basic earnings per ordinary share for the period was HK3.52 cents (2007: HK4.77 cents).

During the first half of 2008, turnover of the golf equipment segment grew period on period by 10% to approximately HK$194,019,000 and accounted for about 76% of the Group's turnover. On the other hand, turnover of the golf bag segment consolidated from its peak and fell by 24% period on period to approximately HK$60,938,000, representing about 24% of the Group's turnover. Overall, consolidated turnover for the period decreased marginally by less than 1% period on period. Commensurate with the reduced turnover level, gross profit for the period decreased to approximately HK$60,766,000 from HK$61,490,000 (as restated) for the corresponding period in 2007. Despite operating under a trend of rising costs, average gross profit margin for the period was able to be kept at about 23.8% mainly attributable to a proportionate increase in golf equipment revenue that compensated to some extent for the lower profit margin carried by golf bags in general.

Other income and gain for the period decreased to approximately HK$2,523,000 from HK$5,288,000 (as restated) for the comparative preceding period, mainly owing to the drop in tooling charge income as less tooling work was required in a slowing down market.

Selling and distribution costs for the period were reduced to approximately HK$7,458,000 from HK$10,635,000 for the comparative preceding period, mainly attributable to the decrease in sample charges, commission expenses and transportation costs. Administrative expenses however soared to approximately HK$29,305,000 from HK$25,924,000 for the comparative preceding period, mainly owing to the increase in payroll, social insurance costs and Shandong facility expenses. Other expenses for the period increased to approximately HK$6,091,000 from HK$4,207,000 for the comparative preceding period, mainly because of the increase in research and development expenditures. On the other hand, finance costs for the period came down to approximately HK$9,590,000 from HK$11,467,000 for the last comparative period, primarily owing to lower interest rates.

Impacted by (i) the decrease in revenues and other income; (ii) the cost rise including the incurring of Shandong facility expenses, and (iii) the appreciation of Renminbi, net profit of the Group for the period declined by 26% to approximately HK$10,645,000 in contrast to that for the preceding comparative period.

Golf equipment business

The golf equipment segment continued to constitute the major source of revenue for the Group, accounting for 76% of the consolidated turnover for the first six months of 2008. Despite a weakened economy under the influence of the subprime mortgage crisis, the golf equipment segment has been able to achieve growth with the support of a strong customer base. Sale of golf equipment for the period amounted to approximately HK$194,019,000, representing a 10% increase over that of the preceding comparative period. Of the golf equipment sales, golf clubs accounted for 71% or HK$138,449,000, while component sales comprising club heads, shafts and accessories constituted the remaining 29% or HK$55,570,000. Among the golf clubs sales, the split between club sets and individual clubs was approximately 45% and 55%, respectively. There was an apparent pick up in sales of individual clubs versus club sets. For the component sales, club heads took up over 85% with the remainder representing shafts and accessories sales.

During the period, sales comprising mainly hybrid iron sets to the Group's largest customer remained strong and amounted to approximately HK$75,398,000, representing 39% of the segment sales or 30% of the Group's turnover. The hybrid iron sets continued to receive good market perceptions and have been the top selling brand of irons in off course retail sales. In addition, sales of golf equipment to other major customers grew satisfactorily at a double-digit percentage when compared period on period. Turnover from the top five golf equipment customers aggregated to approximately HK$140,237,000, representing 72% of the segment sales or 55% of the Group's turnover for the period.

The new golf club manufacturing facility in Shandong Province, the P.R.C., has commenced trial operation in April 2008 initially to produce club heads with a work force of about 500, which will be increased to around 800 when shaft production and assembly operations are implemented as the next phase by end of this year or early next year. There was no positive contribution yet from the Shandong facility since operating overheads were incurred during this build-up period. During the first half of 2008, operating expenditures amounting to approximately HK$2.5 million were incurred for the Shandong facility, which affected profitability in the short term. Concurrently, the Group has been working closely with the personnel from targeted first tier namebrand to develop samples, which is expected to result in our Group procuring some trial orders in due course. The new facility in Shandong Province proved to be an important milestone for the Group through which we possess an enhanced platform designed specifically to serve and meet the sophisticated criteria of the major first tier namebrands. It is our goal to shift the bulk production of golf equipment by stages to the new facility in Shandong Province so as to take full advantage of the lower labor and operating costs in the northern part of China.

Golf equipment business *(continued)*

In compliance with sound corporate governance practices, the Group continued to factor and insure against its major receivables for shipments to key customers. It is the Group's policy to procure hedging to the extent available to secure the recoverability of major debts. Shipments to other customers with terms are closely monitored to ensure timely settlement. To minimize bad debt risk, the Group only grants credit terms to customers with sound credit status and cash payments are generally required for new customers. Any exceptions on payment are reported to management for immediate action including a decision to engage collection agents or to withhold shipments if appropriate. During the period, the Group received further distribution of approximately HK$174,000 from the trustee of the Huffy Unsecured Claims Trust in accordance with the reorganization plan of Huffy Corporation effected in 2005. The amount so received has been applied as appropriate to reduce the remaining debt owed by Huffy Corporation that was brought forward prior to its reorganization in 2005. The Group did not sell goods to Huffy Corporation during the period because the latter had already disposed of its golf business in 2007. Taking into account all relevant factors including the consistent receipt of distributions from the trustee pursuant to Huffy's reorganization plan, the management concurred that no further provision for impairment in value of the remaining debt owed by Huffy Corporation is considered necessary for the period.

During the period, raw materials and component cost showed various degree of escalation. In addition, production costs such as labor and energy expenses also surged owing to inflationary pressure and high crude oil prices. The extent to which our Group could adjust sales price to reflect the cost increase has become more limited in view of a weakened economy with fierce competition. In addition, the appreciation of the Renminbi by more than 4% during the first half of 2008 or over 9% if compared with the preceding interim period further increased the Group's operating costs as more foreign currency revenue had to be exchanged to discharge those expenses and costs that were denominated in Renminbi currency. To mitigate the impact of raw materials price hikes, the Group has strategically compiled inventory of susceptible items to help stabilize costs and to ensure materials availability for uninterrupted production.

Affected by various factors including (i) the cost rise in raw materials and overheads; (ii) the Renminbi appreciation; and (iii) the incurring of Shandong facility expenses, the golf equipment segment managed to achieve a segmental profit of approximately HK$16,767,000 for the period, representing a decrease of 16% from that for the comparative preceding period. Given the uncertainties in the global economy and having regard to the prevailing market conditions and current order book status, the management has taken a cautious view that the golf equipment segment will be facing new challenges when the subprime mortgage crisis further deteriorates to hamper the consumer market in general. Meanwhile, our Group will do its best to control costs and bring in new first tier customers following the operation of the Shandong golf club manufacturing facility.

Golf bag business

Facing a weakened economy with intense competition, the golf bag segment has undergone a consolidation after enjoying a period of substantial expansion culminating in record sales with unprecedented growth in the preceding year. The slow down in the global economy attributable to the subprime mortgage crisis and the credit crunch of the financial market has adversely affected and curbed the development of the golf bag business.

For the first half of 2008, turnover of the golf bag segment diminished to represent 24% of the consolidated turnover in contrast to 31% in the preceding comparative period. Sales of golf bags and accessories for the six months ended 30 June 2008 amounted to approximately HK$60,938,000, representing a drop of 24% from those for the preceding comparative period. Of the total segment sales, golf bags amounted to approximately HK$51,706,000 or 85%, while sales of accessories comprising mainly shoe bags aggregated to approximately HK$9,232,000 or 15%. There has been no material fluctuation in the product mix in recent years. During the period, sales to the largest golf bag customer decreased by over 37% to approximately HK$29,572,000, accounting for 49% of the segment sales or 12% of the Group's turnover for the period. However, sales of the non-Japan line of golf bags to the second largest customer increased by 16% period on period to approximately HK$26,735,000. Turnover from the top five golf bag clients aggregated to approximately HK$58,010,000, representing 95% of the segment sales or 23% of the Group's turnover for the period.

During the period, sales of the Japan line of products fell period on period by 38% while sales of the non-Japan line of products remained at a similar level as those for the preceding comparative period. Some lower end items of the Japan line of golf bags with unsatisfactory margin were abandoned or reduced in order volume upon our decision to make price revisions to recoup cost increases, which led to a sizeable decrease in the segmental revenues. Notwithstanding this, the Japan line of products continued to dominate and accounted for 51% of the segment sales. On the other hand, the non-Japan line of products, comprising mainly golf bags of American style, has maintained its momentum and did not show material adverse fluctuation during the period. The innovative characteristic of our Group's products helps reaffirm our uniqueness and uphold the demand for the non-Japan line of products. It is the strategy of the Group to actively develop and explore both the Japan line and the non-Japan line of golf bags so as to optimize revenues and add contributions.

The SOE compliant status of the golf bag operation has helped distinguish our products for having greater assurance on quality and value for money. The Group has successfully established itself as a leading manufacturer in the golf bag sector and we are now producing for substantially all the major brand names in the golf bag market. We are devoted to strengthening our competitive advantage so as to expand our market share in the long run through continued product innovation and satisfactory service fulfillment.

Golf bag business *(continued)*

During the period, major materials costs such as PVC, PU and nylon fluctuated under the influence of high crude oil prices. Our Group effectively regulated the cost through diversifying to purchase from various suppliers or changing suppliers to those offering lower quotes. On the other hand, accessories prices like metal parts and plastic components rose significantly during the period. Labor cost including social insurance expense continued to surge owing to tight labor supply and enforcement of new labor regulations in China. To mitigate the impact of price hikes on profitability, the Group has adopted stringent cost control measures and is devoted to developing and expanding the high-end golf bags that offer adequate contributions to help improve profitability..

Affected by the consolidation leading to a revenue drop, the golf bag segment achieved a segmental profit of approximately HK$3,196,000 during the first half of 2008, representing a decrease of 42% compared with that for the corresponding preceding period. In view of the economic uncertainties and having regard to the prevailing market conditions and current order book status, the management holds a cautious view that the golf bag segment will continue to face challenges and operate under pressure in our effort to explore and restore sales during the second half of 2008 and going forward.

Geographical segments

There has been no fundamental change in the geographical distribution of the Group's business throughout the years. While the North American market takes up the majority of the Group's products, sales to the Japanese market has shown an increasing trend in the past few years as a result of the rapid growth in golf bags sales to Japan. However, the consolidation of the golf bag segment had reversed the rising trend as sales of the Japan line of golf bags fell substantially during the period. For the first half of 2008, North America continued to dominate as the largest geographical segment generating 67.3% of the Group's turnover. Other geographical segments, including Japan, Europe, Asia (excluding Japan) and others, accounted for 13.4%, 3.1% and 16.2% of the Group's turnover for the period respectively.

Driven by the momentum of a strong customer portfolio, sales to the North American market have increased, as a percentage of the Group's turnover, from 61% for the preceding comparative period to 67.3% for the current period. Facing a weakened economy and suffering from a drop in sales of the Japan line of golf bags, sales to the Japanese market slipped from 19.2% for the last comparative period to 13.4% of the Group's turnover for the current period. On the other hand, sales to the geographical segments covering Europe, Asia (excluding Japan) and others slightly decreased, in terms of percentage of the Group's turnover, from 19.8% for the last comparative period to 19.3% for the current period.

Geographical segments *(continued)*

In monetary terms, sales for the first half of 2008 to the North American market increased by 9% period on period to approximately HK$171,581,000, over 87% of which were golf equipment with the remainder representing golf bags sales. Hard hit by a consolidation in sales of the Japan line of golf bags, sales to the Japanese market comprising mainly golf bags amounted to approximately HK$34,055,000, representing a decrease of over 31% compared period on period. On the other hand, aggregate sales to Europe, Asia (excluding Japan) and others declined moderately by 3% to approximately HK$49,321,000 for the period.

To sustain long-term development, the Group is committed to putting forth enough effort to restore and strengthen its business in the Japanese market while upholding its dominance and competitive advantage in the North American market where over two third of the Group's products are delivered. Adequate resources will be applied to further develop the North American market to tap its huge opportunities to expand sales for both golf equipment and golf bags. Furthermore, management is devoted to embarking on programs to develop the geographical regions of Europe, Asia (excluding Japan) and others to help increase the Group's market share, particularly in the Asian countries other than Japan where golf activities have become increasingly more popular in recent years.

Prospects

The economic turmoil brought about by the subprime mortgage crisis in the United States has intensified to jeopardize the global economy. The adverse impact has widened to cause significant upheavals in the world's major financial markets, leading to the subsequent collapse of certain financial giants and investment banks during 2008. Suffering from the impact of high crude oil prices and an inflationary surge in raw materials costs and operating overheads, the manufacturing industry has been facing great challenges in overcoming these difficulties going forward.

Notwithstanding the adverse change in the economic sentiment, our Group is determined to pursue its mission of providing customers with one-stop premium services plus value added options. Our persistent focus on product innovation and customer service helped strengthen our competitive advantage, which enabled us to stand firm in developing and growing our business at a time of economic turbulence. During the period, materials price hikes and an inflationary surge in operating costs have aggravated to further erode profit margins from enterprises. This posed severe threats to the overall competitiveness and stability of all manufacturers in the golf industry. To mitigate the impacts emerging out of a weakened economy, our Group continued to reinforce its cost control measures to rationalize and optimize the incurring of expenses and costs. We also endeavored to procure additional discounts from suppliers through offering them shorter payment terms, and to change to competitive suppliers who could offer lower quotes. In addition, the Group has embarked on reengineering programs to streamline production cycles in order to enhance efficiency and uplift output accordingly.

Prospects ***(continued)***

In anticipation of a worsening economy in the foreseeable future, the Group remains highly alert to the challenges and possible abrupt changes in the market that may adversely affect our businesses. We have been maintaining close communications with our customers so as to keep ourselves updated with the market conditions and be responsive to our customers' reactions to the challenges they face. There is consensus with the customers that we will exchange and share ad hoc market information, including the latest developments in the consumer sector, to allow us to effectively plan and formulate business strategies in advance for mutual benefit.

Supported by a strong customer base, the golf equipment business has maintained its momentum to achieve moderate growth during the first half of 2008. The commencement of operation of the new golf club manufacturing facility in Shandong Province, the P.R.C., has provided distinct opportunities for our Group to engage in business with targeted first tier name brands. The Group has been actively working with personnel from targeted name brands to develop and finalize product samples, which is expected to result in some trial orders to be placed with our Group in due course. The broadening of customer base to successfully take on new first tier clients at a time of economic fluctuation is crucial to help generate extra momentum to support the Group to develop and enhance its competitive advantage. Currently, the Group is coordinating necessary resources to expedite the procurement of golf clubs business from the targeted name brands in the shortest possible time. On the other hand, in order to achieve long-term cost savings by taking advantage of the lower labor and operating costs in the northern part of China, the Group has embarked on a plan to shift by stages over the next couple of years the bulk production of golf equipment to the new manufacturing facility in Shandong Province, the P.R.C., leaving its research and development activities and a limited volume of production at the existing manufacturing facilities. This is a vital move to sustain the Group's long-term growth and development.

Impacted by a slow-down in the global economy, the golf bag business has undergone a consolidation following a period of rapid growth in the past couple of years. During the period, the Japan line of products recorded a decline in sales while the non-Japan line of products has managed to maintain its sales level without significant adverse fluctuation. Supported by our SOE compliant operations, the golf bag business has established a solid customer base and possesses competitive advantage in servicing existing and new high-end clients that require SOE compliant productions. Besides, our distinct innovative and design capability reaffirms our leading role in the golf bag sector and helps broaden our customer base to generate additional revenues. Notwithstanding a slowing down economy with anticipated challenges, the Group is devoted to putting in extra effort to restore the volume of the Japan line of golf bags and continuing to actively develop the non-Japan line of products to capture extra revenues. The Group will also persevere with its stringent cost control measures to reduce and optimize expenses and costs to help improve profitability.

Prospects ***(continued)***

In view of the economic uncertainties and the challenges ahead, the Group is adequately prepared to overcome difficulties that may arise during a time of market turbulence. With a strong customer network and our innovative capability, the Group is well positioned to capture new business particularly the first tier name brands that are looking for competitive alternative suppliers. The Group has been working hard towards bringing in targeted name brands to broaden our customer base in the short term. Sustained efforts are also devoted to cooperating with existing customers to further develop business in our long-term mutual interest. Given the vigorous economic turbulence since the second half of 2008, it is anticipated that the global economy will be facing many uncertainties and challenges going forward. Accordingly, both the golf equipment and golf bag segments are likely to develop and progress subject to possible market changes that may adversely affect the golf industry or ultimately our business. Nevertheless, our Group remains confident in our long-term development and success and our growth aspirations will continue to lead the way forward.

The Chairman's Statement in the Company's 2007 annual report included a description of certain risks and uncertainties that could have an effect on the Group's business, future performance or financial condition. We have evaluated the current risk factors and noted no material changes worthy of separate disclosure.

Liquidity and financial resources

In accordance with its traditional practice, the Group continued to generally rely on internally generated cash flows and banking facilities to finance its operations and provide for working capital and long-term funds. To manage and limit its exposure to various financial risks, the Group has adopted effective policies and guidelines that help detect and confine those risks within restricted scope to facilitate prompt treatment and rectifications.

As at 30 June 2008, the Group's balance of cash and cash equivalents, which were mostly denominated in United States dollars and Hong Kong dollars, decreased to approximately HK$50.3 million (31 December 2007: HK$80.1 million). The apparent drop in cash balance was mainly attributable to the appropriation of funds during the period for the new golf club manufacturing facility in Shandong Province, the P.R.C., and the purchase of machinery and equipment. At 30 June 2008, total investment in the new golf club manufacturing facility aggregated approximately HK$96.2 million, which comprised land premium net of amortization of approximately HK$15.4 million and construction and project payments of approximately HK$80.8 million. To optimize the return on capital, the Group follows a practice of maintaining adequate but not excessive funds to run its operations and discharge liabilities when they fall due.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Liquidity and financial resources *(continued)*

Borrowings of the Group are mostly denominated in Hong Kong dollars and United States dollars and carry interest at a certain spread over HIBOR or LIBOR as appropriate. At 30 June 2008, borrowings of the Group aggregated to approximately HK$248.5 million (31 December 2007: HK$215.1 million), of which approximately HK$170.0 million (31 December 2007: HK$106.4 million) was repayable within one year. The increase in borrowings was mainly the result of a higher utilization of import facilities to finance the purchases through which the Group achieved net savings from the price discounts offered by suppliers for a shorter payment period. The level of term loans, however, has not fluctuated materially during the period. The gearing ratio as at 30 June 2008, derived by dividing the total interest-bearing borrowings less cash and cash equivalents of approximately HK$198.2 million by the shareholders' equity of approximately HK$254.0 million, was 78% (31 December 2007: 55.9%). The gearing ratio increased as a result of the increase in net bank borrowings.

It is the Group's objective to maintain a financial position that is supportive of its long-term development and growth. At 30 June 2008, the total assets and net asset value of the Group amounted to approximately HK$576.6 million (31 December 2007: HK$587.5 million) and HK$254 million (31 December 2007: HK$241.6 million) respectively. Current and quick ratios as at 30 June 2008 were 1.13 (31 December 2007: 1.35) and 0.45 (31 December 2007: 0.67) respectively. Both the current ratio and quick ratio decreased as substantial amount of funds had been appropriated during the period to finance the new golf club manufacturing facility in Shandong Province, the P.R.C..

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 currencies giving rise to this risk are primarily United States dollars and Renminbi.

As at 30 June 2008, the Group had no significant contingent liabilities.

EMPLOYEE AND REMUNERATION POLICIES

At 30 June 2008, the Group employed a total of over 3,900 employees in Hong Kong, Macau, the P.R.C. and the United States. It is the Group's policy to maintain a harmonious relation with its employees through provision of competitive remuneration packages and training programs. The employees were remunerated based on their performance, experience and expertise 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.

AUDIT COMMITTEE

The audit committee comprises three independent non-executive directors of the Company. It 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 2008.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period.

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 2008.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions set out in Appendix 14 Code on Corporate Governance Practices (the "CG Code") of the Listing Rules throughout the six months ended 30 June 2008, except for certain deviations, which are explained below:

a) The roles of the chairman and chief executive officer have not been separated. 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. It also considers that the current structure does not impair the balance of power and authority between the Board and the management of the Company.

b) The independent non-executive directors have not been appointed for any specific terms as they are subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Company's Bye Laws.

COMPLIANCE WITH CHAPTER 13 OF THE LISTING RULES

As at 30 June 2008, the Group had loan facilities, which were subject to, inter alias, a specific performance obligation on the controlling shareholders of the Company during the tenure of such loan facilities. The specific performance obligation relates to a minimum holding by the controlling shareholders in the issued share capital of the Company throughout the tenure of the loan facilities granted to the Group. A breach of the obligation will constitute an event of default. As a result of such breach, the loan facilities may become due and repayable on demand by the relevant lenders according to the respective terms and conditions thereof. The details of the loan facilities and specific performance obligations are as follows:

Amount outstanding as at 30 June 2008	Minimum holding in the issued share capital of the Company	Final maturity of the loan facilities
HK$30 million	51%	May 2010
HK$40 million	over 50%	May 2010
HK$23 million	40%	October 2010

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This results announcement is published on the website of Hong Kong Exchanges and Clearing Limited ("HKEx") 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 HKEx and the Company in due course.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to express my sincere thanks to all the Group's employees for their continuous support and dedicated services.

By order of the Board
Chu Chun Man, Augustine
Chairman

Hong Kong, 27 September 2008

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. HSIEH Ying Min.