INTERIM REPORT **2010**

Sino Golf Holdings Limited

順 龍 控 股 有 限 公 司

(Incorporated in Bermuda with limited liability)

(Stock Code: 00361)

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

CHAIRMAN AND EXECUTIVE DIRECTOR

Mr. CHU Chun Man, Augustine

EXECUTIVE DIRECTORS

Mr. CHU Yuk Man, Simon
Mr. CHANG Hua Jung

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHOY Tak Ho
Ms. CHIU Lai Kuen, Susanna
Mr. HSIEH Ying Min

AUDIT COMMITTEE

Ms. CHIU Lai Kuen, Susanna *(Chairman)*
Mr. CHOY Tak Ho
Mr. HSIEH Ying Min

REMUNERATION COMMITTEE

Mr. HSIEH Ying Min *(Chairman)*
Mr. CHOY Tak Ho
Ms. CHIU Lai Kuen, Susanna
Mr. CHU Chun Man, Augustine
Mr. CHU Yuk Man, Simon

COMPANY SECRETARY

Mr. CO Man Kwong

AUTHORISED REPRESENTATIVES

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

PRINCIPAL BANKERS

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

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road, Pembroke HM 08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton, HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1901, 19th Floor,
Delta House, 3 On Yiu Street
Shatin, New Territories
Hong Kong

TICKER SYMBOL

Listed on The Stock Exchange of
Hong Kong Limited
under the Share ticker number 00361

WEBSITE

http://www.sinogolf.com

FINANCIAL HIGHLIGHTS

Results	For the six months ended 30 June		
	2010	2009	Changes
	HK$'000	*HK$'000*	*Increase/*
	(unaudited)	(unaudited)	*(Decrease)*
Group turnover	**200,966**	138,017	45.6%
from golf equipment segment	**182,205**	112,292	62.3%
from golf bag segment	**18,761**	25,725	(27.1%)
Gross Profit	**45,083**	17,554	156.8%
EBITDA	**26,071**	(1,595)	1,734.5%
Profit (loss) attributable to owners of the parent	**8,747**	(15,872)	155.1%
	HK cents	*HK cents*	
Earnings (loss) per share attributable to owners of the parent			
– Basic	**2.89**	(5.25)	
– Diluted	**2.85**	N/A	
Interim dividend per ordinary share	**–**	–	

Group

- With the pick up of new first-tier customers and the resumption in the market demand, the Group has achieved a remarkable surge in revenues and successfully reverted to profitability.
- The average gross profit margin attained 22.4%, up from 12.7% of the comparative preceding period.
- EBITDA soared to HK$26.1 million from a negative amount of HK$1.6 million for the comparative preceding period, mainly due to the strong rebound in sale volume.

FINANCIAL HIGHLIGHTS *(Continued)*

Golf Equipment Segment

- The Shandong manufacturing facility in the People's Republic of China (the "PRC") made increased contribution to the Group taking advantage of greater production capacity and lower operating costs.

- The golf equipment business will grow further as certain other first-tier name brands are expected to be picked up by the Group.

Golf Bag Segment

- Total sales of the golf bag segment achieved a mild increase of 6.4% period on period. Nevertheless, the Group's turnover attributable to the golf bag segment showed a decrease by 27.1% after eliminating the inter-segmental golf bag sales of HK$11,858,000 (2009: HK$3,055,000), which were included in the sales price of golf club sets that incorporated golf bags as components and were classified as turnover of the golf equipment segment.

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 2010 which have been reviewed by the Company's audit committee, together with the comparative figures for the six months ended 30 June 2009 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2010

	Notes	Six months ended 30 June 2010 HK$'000 (Unaudited)	2009 HK$'000 (Unaudited)
Turnover	4	**200,966**	138,017
Cost of sales		**(155,883)**	(120,463)
Gross profit		**45,083**	17,554
Other operating income	6	**1,902**	2,535
Selling and distribution costs		**(3,149)**	(3,369)
Administrative expenses		**(26,979)**	(27,542)
Finance costs	7	**(7,765)**	(5,050)
Profit (loss) before taxation		**9,092**	(15,872)
Income tax expense	8	**(358)**	–
Profit (loss) for the period and total comprehensive income (expense) for the period	9	**8,734**	(15,872)
Profit (loss) for the period and total comprehensive income (expense) for the period attributable to:			
Owners of the parent		**8,747**	(15,872)
Non-controlling interests		**(13)**	–
		8,734	(15,872)
Earnings (loss) per share	11		
Basic		**HK2.89 cents**	HK(5.25) cents
Diluted		**HK2.85 cents**	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2010

	Notes	30.6.2010 HK$'000 (Unaudited)	31.12.2009 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment	12	247,539	254,600
Prepaid lease payments		20,143	20,451
Goodwill		20,385	20,385
Club debentures		2,135	2,135
Deposits and other receivables		294	957
Prepayments for acquisition of property, plant and equipment		1,782	807
		292,278	299,335
Current assets			
Inventories		172,749	162,127
Trade and other receivables	13	87,189	72,850
Prepaid lease payments		597	597
Bank balances and cash		29,213	39,522
		289,748	275,096
Current liabilities			
Trade and other payables	14	67,263	65,675
Amounts due to minority shareholders of a subsidiary	15	462	462
Income tax payable		661	1,248
Bank borrowings – due within one year	16	209,112	194,794
Obligations under finance leases – due within one year		105	730
		277,603	262,909
Net current assets		12,145	12,187
		304,423	311,522
Non-current liabilities			
Bank borrowings – due after one year	16	20,737	37,184
Loan from immediate holding company	17	23,020	23,678
Deferred taxation		2,603	2,641
		46,360	63,503
		258,063	248,019
Capital and reserves			
Share capital	18	30,220	30,220
Reserves		225,359	215,297
Equity attributable to owners of the parent		255,579	245,517
Non-controlling interests		2,484	2,502
Total equity		258,063	248,019

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2010

	Attributable to owners of the parent											
	Share capital	Share premium	Legal reserve	Other reserve	Contributed surplus	Assets revaluation reserve	Exchange fluctuation reserve	Share options reserve	Retained profits	Total	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000* *(Note i)*	*HK$'000* *(Note ii)*	*HK$'000* *(Note iii)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2010 (audited)	30,220	57,270	–	1,652	10,564	26,253	33,476	463	85,619	245,517	2,502	248,019
Total comprehensive income for the period, net of tax	–	–	–	–	–	–	–	–	8,747	8,747	(13)	8,734
Reserves released through deregistration of a subsidiary	–	–	–	–	–	–	–	–	–	–	(5)	(5)
Deemed contribution by immediate holding company arising from non-interest bearing loan	–	–	–	1,315	–	–	–	–	–	1,315	–	1,315
Transfer	–	–	48	–	–	–	–	–	(48)	–	–	–
At 30 June 2010 (unaudited)	30,220	57,270	48	2,967	10,564	26,253	33,476	463	94,318	255,579	2,484	258,063
At 1 January 2009 (audited)	30,220	57,270	–	–	10,564	24,360	33,360	–	98,154	253,928	2,502	256,430
Total comprehensive expense for the period, net of tax	–	–	–	–	–	–	–	–	(15,872)	(15,872)	–	(15,872)
At 30 June 2009 (unaudited)	30,220	57,270	–	–	10,564	24,360	33,360	–	82,282	238,056	2,502	240,558

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

Note ii: The other reserve represents the capital contribution from the Company's immediate holding company in the form of a non-interest bearing loan. The amounts are estimated by discounting the nominal value of the non-interest bearing loan to the Group at an effective interest rate of 5.22% per annum.

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2010

	Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Net cash from (used in) operating activities	**3,371**	(16,023)
Net cash from (used in) investing activities	**18,690**	(4,903)
Net cash (used in) from financing activities	**(9,895)**	4,345
Net increase (decrease) in cash and cash equivalents	**12,166**	(16,581)
Cash and cash equivalents at 1 January	**16,017**	30,079
Cash and cash equivalents at 30 June	**28,183**	13,498
Analysis of cash and cash equivalents, represented by,		
Bank balances and cash	**27,213**	13,498
Short-term time deposits with original maturity of less than three months	**2,000**	–
Bank overdraft	**(1,030)**	–
	28,183	13,498

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2010

1. GENERAL

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

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

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

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

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

3. PRINCIPAL ACCOUNTING POLICIES

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

The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2009.

The accounting policies used in the condensed consolidated financial statements for the six months ended 30 June 2010 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2009 except as described below.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on 1 January 2010.

Hong Kong Financial Reporting Standards ("HKFRSs") (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Revised)	First-time Adoption of HKFRSs
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC) – Interpretation ("INT") 17	Distributions of Non-cash Assets to Owners

The Group applies HKFRS 3 (Revised) Business Combinations prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The requirements in HKAS 27 (Revised) Consolidated and Separate Financial Statements in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 January 2010.

As there was no transaction during the current interim period in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the condensed consolidated financial information of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

The adoption of the other new and revised HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs 2010[1]
HKAS 24 (Revised)	Related Party Disclosures[4]
HKAS 32 (Amendment)	Classification of Rights Issues[2]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[3]
HKFRS 9	Financial Instruments[5]
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[4]
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments[3]

1 Amendments that are effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.
2 Effective for annual periods beginning on or after 1 February 2010.
3 Effective for annual periods beginning on or after 1 July 2010.
4 Effective for annual periods beginning on or after 1 January 2011.
5 Effective for annual periods beginning on or after 1 January 2013.

HKFRS 9 "Financial Instruments" introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the condensed consolidated financial statements of the Group.

4. TURNOVER

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

5. SEGMENT INFORMATION

Management has determined the operating segments based on internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the directors of the Company) for the purpose of allocating resources to segments and assessing their performance.

For management purposes, the Group is currently organised into two operating divisions – golf equipment and golf bags.

Principal activities 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 other related components and parts.

Information regarding the above segments is reported below.

(a) Segment revenue and results

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

	For the six months ended 30 June							
	Golf equipment		Golf bags		Eliminations		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
	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	**182,205**	112,292	**18,761**	25,725	**–**	–	**200,966**	138,017
Inter-segment revenue	**–**	–	**11,858**	3,055	**(11,858)**	(3,055)	**–**	–
Other operating income	**1,397**	1,623	**245**	332	**–**	–	**1,642**	1,955
Total	**183,602**	113,915	**30,864**	29,112	**(11,858)**	(3,055)	**202,608**	139,972
Segment results	**17,689**	(8,367)	**2,364**	224	**–**	–	**20,053**	(8,143)
Interest income							**260**	580
Unallocated corporate expenses							**(3,456)**	(3,258)
Finance costs							**(7,765)**	(5,051)
Profit (loss) before taxation							**9,092**	(15,872)

5. SEGMENT INFORMATION *(Continued)*

Segment results represents the results of each segment without allocation of interest income, central administration costs and directors' salaries and finance costs. This is the measure reported to the chief operating decision maker of the Group for the purposes of resource allocation and assessment of segment performance.

Inter-segment sales are charged with reference to market price.

(b) Segment assets

The following is an analysis of the Group's assets by reportable segments:

	Golf equipment		Golf bags		Consolidated	
	30.6.2010	31.12.2009	**30.6.2010**	31.12.2009	**30.6.2010**	31.12.2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(audited)	**(unaudited)**	(audited)	**(unaudited)**	(audited)
Segment assets	**508,529**	486,774	**40,589**	43,290	**549,118**	530,064
Unallocated corporate assets						
– Club debentures					**2,135**	2,135
– Bank balances and cash					**29,213**	39,522
– Others					**1,560**	2,710
Total assets					**582,026**	574,431

For the purposes of monitoring segment performance and allocating resources between segments, all assets are allocated to reportable segments other than club debentures and bank balances and cash. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments.

6. OTHER OPERATING INCOME

	Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Bank interest income	**260**	580
Gain on disposal of property, plant and equipment	**234**	–
Handing fee income	**380**	335
Rental income	**39**	191
Subcontracting charges	**296**	482
Tooling charges	**156**	157
Others	**537**	790
	1,902	2,535

7. FINANCE COSTS

	Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Factoring and bank charges	**2,400**	1,504
Interest expenses on:		
– bank overdraft	**43**	27
– bank borrowings wholly repayable within five years	**4,661**	3,506
– obligations under finance leases	**3**	13
Imputed interest on loan from immediate holding Company	**658**	–
	7,765	5,050

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current tax		
– Hong Kong	**350**	–
– PRC Enterprise Income Tax ("EIT")	**46**	–
	396	–
Deferred taxation	**(38)**	–
	358	–

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the six months ended 30 June 2010 and 2009.

Hong Kong Profits Tax has not been provided in the condensed consolidated interim financial statements as there was no estimated assessable profit derived from Hong Kong for the six months ended 30 June 2009.

Under the Law of the PRC on EIT and Implementation Regulation of the EIT Law, the tax rate of certain subsidiaries of the Company is 25% for the six months ended 30 June 2010.

In accordance with approval documents issued by various PRC tax bureaus, certain indirectly wholly-foreign owned PRC subsidiaries of the Company, including Guangzhou Sino Concept Golf Manufacturing Co., Ltd.* (廣州順興高爾夫球製品有限公司), Linyi Sino Golf Co., Ltd., Dongguan Qi Heng CTB Co., Ltd.* (東莞騏衡運動用品製造有限公司) and Xiamen Sino Talent Golf Manufacturing Co., Ltd. are entitled to exemption from PRC EIT in the first two years starting from the first profit-making year, followed by a 50% reduction in the next three years.

8. INCOME TAX EXPENSE *(Continued)*

Certain PRC subsidiaries were either in loss-making position for the current period and the previous years or had sufficient tax losses brought forward from previous years to offset the estimated assessable income for the period and accordingly did not have any assessable income.

* *The English names are for identification only.*

9. PROFIT (LOSS) FOR THE PERIOD

The Group's profit (loss) for the period is arrived at after charging:

	Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Amortisation of prepaid lease payments	**299**	309
Bad debts directly written off	**174**	–
Cost of inventories sold	**155,883**	120,463
Depreciation of property, plant and equipment	**11,315**	10,421
Impairment loss recognised in respect of trade receivables (included in administrative expenses)	**196**	–
Loss on disposal of property, plant and equipment	**–**	512
Loss on deregistration of a subsidiary	**8**	–
Research and development costs	**2,132**	–
Write-off of inventories (included in administrative expenses)	**–**	1,411

10. DIVIDENDS

No dividends were paid, declared or proposed during or subsequent to the reporting period. The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2010 (2009: Nil).

11. EARNINGS (LOSS) PER SHARE

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

	Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Earnings (loss)		
Earnings (loss) for the purposes of basic and diluted earnings (loss) per share	**8,747**	(15,872)

	Six months ended 30 June	
	2010	2009
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings (loss) per share	**302,200**	302,200
Effective of dilutive potential ordinary share of share options	**4,500**	–
Weighted average number of ordinary shares for the purposes of diluted earnings (loss) per share	**306,700**	302,200

12. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group incurred approximately HK$4,085,000 (2009: HK$5,431,000) on acquisition of property, plant and equipment.

Fully depreciated assets were disposed of by the Group during the six months ended 30 June 2010 (2009: NIL) resulting in a net gain on disposal of HK$234,000 (2009: loss of HK$512,000).

13. TRADE AND OTHER RECEIVABLES

	30.6.2010	31.12.2009
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables	**53,380**	42,002
Less: impairment losses recognised	**(13,740)**	(13,544)
	39,640	28,458
Prepayments	**583**	1,625
Deposits and other receivables	**46,966**	42,767
	47,549	44,392
	87,189	72,850

(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 90 days. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management.

(b) The aging analysis of the trade receivables (net of impairment) of the Group was as follows:

			Past due but not impaired			
	Total	**Neither past due nor impaired**	**1 to 3 months past due**	**4 to 6 months past due**	**7 to 12 months past due**	**Over 1 year past due**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
30 June 2010 (Unaudited)	**39,640**	**34,646**	**4,714**	**69**	**100**	**111**
31 December 2009 (Audited)	28,458	16,396	10,120	48	1,894	–

14. TRADE AND OTHER PAYABLES

	30.6.2010	31.12.2009
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade and bills payables	**51,824**	46,405
Customers' deposit received	**2,808**	2,973
Amount due to a director (Note ii)	**–**	1,160
Accrual and other payables	**12,631**	15,137
	67,263	65,675

Notes:

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

	30.6.2010	31.12.2009
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 3 months	**24,742**	30,028
4 to 6 months	**17,130**	8,064
7 to 12 months	**6,340**	5,104
Over 1 year	**3,612**	3,209
	51,824	46,405

(ii) The amount due to a director is unsecured, non-interest bearing and was settled during the period.

15. AMOUNTS DUE TO MINORITY SHAREHOLDERS OF A SUBSIDIARY

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

16 BANK BORROWINGS

	30.6.2010	31.12.2009
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Term loans, secured	**77,011**	45,977
Term loans, unsecured	**108,362**	153,265
Trust receipts and packing loans, unsecured	**43,446**	31,739
Bank overdraft, unsecured	**1,030**	997
	229,849	231,978
Analysed for reporting purposes as:		
Current liabilities	**209,112**	194,794
Non-current liabilities	**20,737**	37,184
	229,849	231,978

17. LOAN FROM IMMEDIATE HOLDING COMPANY

The amount is unsecured, non-interest bearing and repayable on 31 March 2012. The effective interest rate of the loan from immediate holding company is 5.22% per annum.

18. SHARE CAPITAL

	30.6.2010	31.12.2009
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Authorised:		
1,000,000,000 ordinary shares of HK$0.10 each	**100,000**	100,000
Issued and fully paid:		
302,200,000 ordinary shares of HK$0.10 each	**30,220**	30,220

19. COMMITMENT UNDER OPERATING LEASE

(a) The Group as lessor

The Group leases certain of its plant and machinery under operating lease arrangements, the general lease term for the leases are one year.

Rental income earned from leasing of certain plant and machinery during the six months ended 30 June 2009 was HK$93,000 (2010: Nil).

(b) The Group as lessee

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

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

	30.6.2010	31.12.2009
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within one year	**3,450**	3,615
In the second to fifth years, inclusive	**774**	1,063
	4,224	4,678

20. CAPITAL COMMITMENTS

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

	30.6.2010	31.12.2009
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Contracted, but not provided for:		
Leasehold land and buildings	**3,137**	1,460
Plant and machinery	**1,875**	126
	5,012	1,586

21. RELATED PARTY TRANSACTIONS

(a) In addition to the balances detailed in the Note 15 and 17 to the condensed consolidated interim financial statements, the Group entered into the following significant transactions with related parties during the period:

		Six months ended 30 June	
	Notes	**2010** ***HK$'000*** **(Unaudited)**	2009 *HK$'000* (Unaudited)
Rental expenses paid to Progolf Manufacturing Company Limited ("Progolf")	*(i)*	**420**	420
Rental income from Sino Sporting Company Limited ("Sino Sporting")	*(ii)*	–	93

Notes:

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

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

(b) At 30 June 2010, Guangzhou Li Hu Golf Club Limited* (廣州荔湖高爾夫球有限公司) ("Sino Golf and Country Club") provided a corporate guarantee to bankers of approximately RMB45,000,000 (equivalent to approximately HK$51,724,000 for banking facilities granted to the Group (31 December 2009: HK$51,724,000). Augustine Chu and Simon Chu have beneficial interests in Sino Golf and Country Club.

(c) At 30 June 2010, Augustine Chu provided personal guarantees to a bank of approximately RMB8,000,000 (equivalent to approximately HK$9,195,000) for bank facilities granted to the Group (31 December 2009: HK$9,195,000).

(d) During the period, the emoluments of directors and others members of key management were HK$4,070,000 (2009: HK$3,548,000 for the six months ended 30 June 2009)

* English name is for identification only.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

The global economy has shown a general recovery from the recession caused by the financial tsunami. During the period, the golf industry rebounded moderately with major golf name brands pursuing a more aggressive strategy on bulk orderings in view of the improved market conditions. Despite the various uncertainties yet to be overcome, it is hopeful that the economic recovery could be sustained and last long enough to generate extra momentum to boost businesses.

With the successful pick up of new first-tier customers and a partial resumption in the market demand, our Group's business achieved a remarkable surge in the sales of golf equipment while realizing a mild increase in the golf bags volume. Though the market conditions have apparently improved, the economy remains fragile and susceptible to fluctuations. In the strive for continued growth and development, golf equipment manufacturers were endeavoring to exploit revenues while streamlining operations to rationalize costs. Notwithstanding a more favorable market sentiment prevailing, there is no assurance that the economy would continue to prosper without material fluctuations.

The Group's turnover for the period soared significantly, period on period, by over 45% to HK$201 million. Gross profit grew to HK$45.1 million from HK$17.6 million for the comparative preceding period. Attributed to the increase in revenues, the Group has successfully reverted to profitability from the economic depression sustained since late 2008. With the strengthened customer base and enhanced manufacturing capability, our Group is better equipped to pursue its corporate goals to gain market share and enhance industry recognition. It is anticipated that the Group will procure business from other first-tier golf name brands in the short term to contribute extra revenues. Overall, we are seeing an encouraging progress towards our mission to provide one-stop premium services to the customers and uphold our role as a key market participant.

Financial Results

Consolidated turnover for the six months ended 30 June 2010 increased, period on period, by 45.6% to HK$200,966,000. Profit attributable to owners of the parent amounted to HK$8,747,000 in contrast to a loss of HK$15,872,000 for the corresponding period in 2009. Basic earnings per share was HK2.89 cents for the period (2009: loss per share of HK5.25 cents). Diluted earnings per share was HK2.85 cents (2009: N/A). No diluted loss per share was presented in respect of the comparative preceding period, as no diluting events existed during that period. The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2010 (2009: nil).

During the first half of 2010, turnover of the golf equipment segment surged, period on period, by 62.3% to HK$182,205,000 and accounted for 90.7% of the Group's turnover. Due to the effect of eliminating inter-segmental sales of HK$11,858,000 (2009: HK$3,055,000), the Group's turnover attributable to the golf bag segment decreased, period on period, by 27.1% to HK$18,761,000, representing 9.3% of the consolidated turnover for the period. There was significant increase in the inter-segmental sales of golf bags mainly attributable to the sale of golf club sets comprising golf bags as components to certain customers. Revenues from the sale of golf club sets were classified to form part of the turnover of the golf equipment segment. In terms of total sales, the golf bag segment has realized, period on period, a moderate increase of 6.4% indeed. With the strong rebound in sales volume, gross profit for the period climbed to HK$45,083,000 from HK$17,554,000 for the comparative preceding period. On the other hand, average gross profit margin also improved to 22.4% (2009: 12.7%) mainly attributable to the increased sales volume.

Other operating income for the period decreased to HK$1,902,000 from HK$2,535,000 for the comparative preceding period, mainly due to the drop in interest income and subcontracting fee income.

Selling and distribution costs for the period decreased slightly to HK$3,149,000 from HK$3,369,000 for the comparative preceding period, mainly attributable to less commission expenses incurred. Administrative expenses for the period amounted to HK$26,979,000 and did not show material fluctuation compared to HK$27,542,000 for the comparative preceding period. On the other hand, finance costs for the period went up to HK$7,765,000 from HK$5,050,000 for the comparative preceding period, primarily owing to the increase in term loan interest and factoring charges on export shipments.

Benefited from the significant rebound in turnover, the Group has rebutted the loss situation to make a profit of HK$8,747,000 for the first half of 2010 in contrast to the loss of HK$15,872,000 sustained for the comparative preceding period.

Golf Equipment Business

As the main operating segment of the Group, revenues from the golf equipment business accounted for 90.7% of the Group's turnover for the period (2009: 81.4%). With the increased contribution from business with the new first tier customers, golf equipment sales for the period soared to HK$182,205,000, showing an increase of 62.3% period on period. The segment turnover comprised golf clubs sales of HK$162,600,000 and components sales of HK$19,605,000, representing 89.2% and 10.8% respectively. For the golf clubs sales, the proportion of club sets versus individual clubs was 83.6% and 16.4% respectively. As regards components sales, club heads accounted for 69.2% leaving shafts and accessories taking up the balance.

Since shipments commenced in late 2009, sales to the new first-tier customer, which carries the world's most prominent golf brand, grew significantly to make it one of the Group's top two customers in the current period. During the first half of 2010, sales to the top two customers amounted to HK$140,692,000 to account for 77.2% of the segment turnover or 70.0% of the Group's turnover, of which sales to the Group's then largest customer increased 21% period on period. Golf equipment sales to other customers showed moderate rebound taking advantage of a general resumption in the market demand during the period. With the strengthened customer portfolio, our Group maintains a confident view on the continued development of the golf equipment business notwithstanding a relatively volatile economic environment. Turnover generated from the top five golf equipment customers aggregated to HK$162,321,000, representing 89.1% of the segment turnover or 80.8% of the Group's turnover for the period.

During the period, the Shandong manufacturing facility has been producing golf clubs principally for the new first-tier customer that carries the world's most prominent golf brand. To cater for the anticipated order volume and coupled with the Group's medium-term plan to relocate a majority of its production to the northern part of the PRC, the capacity of the Shandong manufacturing facility will further be expanded from the existing output of about 160,000 units per month to 250,000 units per month by early next year. Attributed to the lower labor and operating cost structure, the Shandong manufacturing facility is endowed to bring additional contribution to the Group's profitability through enhanced output. Besides, several golf bags production lines have been set up at the Shandong manufacturing facility to fulfill orders for golf club sets that include golf bags as components. This serves to streamline overall production efficiency and help reduce costs associated with transporting completed golf bags over long distances. The Shandong manufacturing facility signifies a milestone in our Group's development and provides an advanced platform to upgrade our Group's profile to effectively serve those top tier golf name brands that are seeking competitive high quality supply sources.

Pursuant to sound corporate practices, the Group continued with its policy to hedge receivables through factoring and credit insurance arrangements. Besides, the Group has effectively monitored the performance of individual customers and tightened the credit terms granted to customers generally. During the period, the Group received further distribution of HK$486,000 from the trustee of the Huffy Unsecured Claims Trust in respect of the debt owed by the reorganized Huffy. Our management will review the circumstances again at the year end to assess the recoverability of the outstanding balance.

During the first quarter of 2010, the Group experienced a labor shortage pressure for its operations in the Guangdong province, the PRC. In order to better fulfill customers' orders, the Group has engaged additional subcontracting work to facilitate the delivery requirements from customers. The labor issue has improved during the second quarter when the statutory minimum wage rates were revised up to help normalize the labor supply in the market. However, the incurrence of more subcontracting work has somewhat increased the production cost which has affected our profit margins. During the period, raw materials and component costs did not fluctuate materially and this helped stabilize the profit margins against rising labor cost.

Supported by a growing business with the new first-tier customer, the golf equipment segment strongly rebounded to make a segmental profit of HK$17,689,000 for the period in contrast to the segmental loss of HK$8,367,000 for the comparative preceding period. Taking into account the prevailing market conditions and the current order book status, the management keeps a confident view that the golf equipment segment will continue to grow in the second half year as business with certain other first-tier golf brands are already in the pipeline.

Golf Bag Business

With the improved market conditions, total sales of the golf bag segment for the first half of 2010 showed a moderate increase of 6.4% compared to the corresponding period in 2009. However, due to the effect of eliminating inter-segmental sales of HK$11,858,000 (2009: HK$3,055,000) in arriving at the segment turnover, the Group's turnover attributable to the golf bag segment decreased, period on period, by 27.1% to HK$18,761,000 and represented 9.3% of the consolidated turnover for the period (2009: 18.6%). The revenue attributable to the inter-segmental sales of golf bags had been included in the sales price of the related golf club sets that incorporated golf bags as components and was classified as the turnover of the golf equipment segment.

Of the segment turnover, golf bag sales accounted for 73.4% or amounted to HK$13,771,000, while accessories sales comprising mainly shoe bags aggregated to HK$4,990,000 or 26.6%. There has not been significant fluctuation in the product mix throughout these years. During the period, sales to the largest golf bag customer increased mildly by about 5.9% to HK$13,841,000, accounting for 73.8% of the segment turnover or 6.9% of the Group's turnover. Turnover from the top five golf bag customers aggregated to HK$16,572,000, representing 88.3% of the segment sales or 8.2% of the Group's turnover for the period.

During the period, sales of the Japan line of products increased mildly, period on period, by 2.4% to HK$14,209,000 while sales of the non-Japan line of products, comprising mostly golf bags of American design, decreased 61.6%, period on period, to HK$4,552,000. This has been mainly due to the significant increase in the inter-segmental sales of golf bags, comprising mostly non-Japan line of products, which revenue had been included in the sales price of the related golf club sets and was classified as turnover of the golf equipment segment. Of the segment turnover, the proportion of the Japan line and the non-Japan line of products was 75.7% and 24.3% respectively with the Japan line of products dominating the sales mix. The Group has pursued a strategy to actively developing and exploring both the Japan line and the non-Japan line of golf bags with an aim to gain market share and broaden the customer base. We are determined to allocate adequate resources to tape market opportunities that bring us both the volume and margins.

Major raw materials cost for golf bag production such as PVC, PU and nylon demonstrated a moderate upward trend during the period while the accessories price like those of metal parts and plastic components fluctuated within mild ranges. On the other hand, the labor cost did increase to reflect the revisions made to the statutory minimum wage rates in easing the labor shortage problem. To strengthen its competitive advantage, the golf bag segment has reinforced the measures implemented to streamline operations and rationalize costs. Our Group is devoted to continually developing the high-end golf bags to uphold our significant influence in the golf bag sector.

Motivated by a more favorable market sentiment, the performance of the golf bag segment improved and achieved a segmental profit of HK$2,364,000 during the first half of 2010, up from HK$224,000 for the comparative preceding period. Given the prevailing market conditions and the current order book status, our management expects that the golf bag segment will develop steadily subject to a challenging environment going forward.

Prospects

The Group's business recovered steadily after the financial tsunami. Sales have surged and continued to rebound beyond the first half of 2010. With the increased orders from customers following a general pick up in the global economy, the Group has successfully reverted to profitability from losses sustained in 2009. Since shipments commenced in late 2009, business with the world's most prominent golf brand has grown significantly to provide the impetus needed of reinforcing the Group's recovery and development. Besides, the establishment of the Shandong manufacturing facility proved to be a crucial move to enhance our competitive advantage through elevating the Group's productivity and technological capability.

Though the world economy has shown a general recovery in 2010, it is uncertain how long this may last to boost the economies under a highly volatile business environment. The threat of further economic or financial fluctuations cannot be ruled out as there still lies ahead many challenges and uncertainties the fragile economies have to overcome. Our Group has maintained a strong customer network through which we are regularly furnished with ad hoc market information and trends. We are highly adaptive to effectively coup with the market changes and customers' needs, which enable us to outperform other industry peers and progress towards our corporate goal to provide customers with competitive one-stop premium services. The growth potential with new top-tier customers looks promising and it is expected that additional first-tier name brands will be added to broaden our customer base during the second half year.

Currently, the Group has procured customer orders approximating to HK$210 million for the second half of 2010, of which about HK$175 million relates to golf equipment with the balance for golf bags. Taking into account the orders yet to be received for the rest of the year, it is anticipated that sales for 2010 would increase substantially over that of 2009. In addition, business with new customers has been growing consistently to help strengthen our customer portfolio. The Group is making every effort to ensure timely fulfillment of customer orders so as to take greatest benefit from the recovery cycle. Based on the current ordering trend and the prevailing economic conditions, management maintains a cautious but confident view about the business outlook for the year of 2010. It is anticipated that the golf equipment business will continue to grow during the second half of 2010 whilst the golf bag business develops at a reasonable pace as market conditions further improve. The Group has established a strong relationship with its customers and we remain aggressive to continually exploit business opportunities to broaden and diversify our client portfolio. We will also keep ourselves alert of market developments to ensure an efficient response in capturing opportunities as well as managing challenges.

The Chairman's Statement in the Company's 2009 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 circumstances and noted no material change in the risk factors that warrants separate disclosure.

Liquidity and Financial Resources

The Group remained generally relying on internally generated cash flows and banking facilities to finance its operations. To effectively manage and restrict its exposure to financial risks, the Group has adopted appropriate policies and guidelines to help detect the existence of the financial risks for prompt follow up and rectifications.

At 30 June 2010, bank balances and cash, which were mostly denominated in United States dollars, Hong Kong dollars and Renminbi, amounted to HK$29.2 million (31 December 2009: HK$39.5 million). The decrease in bank balances and cash was mainly attributable to funds utilized in operating activities as business volume rebounded. Notwithstanding that, the Group followed the practice of maintaining sufficient funds to run its operations and discharge the liabilities as they fall due.

Borrowings of the Group other than the loan from immediate holding company are mostly denominated in Hong Kong dollars, United States dollars and Renminbi that carry interest at a certain spread over HIBOR/LIBOR or the interest rate promulgated by the Peoples' Bank of China from time to time. At 30 June 2010, interest-bearing borrowings of the Group comprising bank loans and finance lease payable aggregated to HK$230.0 million (31 December 2009: HK$232.7 million), of which HK$209.2 million (31 December 2009: HK$195.5 million) was repayable within one year. The loan from immediate holding company of HK$23.0 million (31 December 2009: HK$23.7 million) is unsecured, interest-free and has been extended to mature in March 2012. Besides, certain bank loans from the PRC banks of HK$77 million (31 December 2009: HK$46.0 million) are secured by the land and buildings of the Group with a carrying value of HK$152.6 million (31 December 2009: HK$157.3 million). The gearing ratio, defined as bank loans and finance lease payable less bank balances and cash of HK$200.8 million divided by the owners' equity of HK$258.1 million, was 77.8% as at 30 June 2010 (31 December 2009: 77.9%). The gearing ratio at 30 June 2010 would be restated as 86.7% (31 December 2009: 87.5%) if the loan from immediate holding company was included in computing the ratio.

It is our corporate objective to maintain a financial position that is supportive of the Group's long-term development and growth. At 30 June 2010, the total assets and net asset value of the Group amounted to HK$582.0 million (31 December 2009: HK$574.4 million) and HK$258.1 million (31 December 2009: HK$248.0 million) respectively. Current and quick ratios as at 30 June 2010 were 1.04 (31 December 2009: 1.05) and 0.42 (31 December 2009: 0.43) respectively. Both the current ratio and quick ratio remain relatively stable and showed no material fluctuation. The Group continues to explore feasible means to rationalize and improve its financial position.

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 2010, the Group had no significant contingent liabilities.

EMPLOYEE AND REMUNERATION POLICIES

At 30 June 2010, the Group employed a total of around 2,500 employees in Hong Kong and the PRC. It is the Group's policy to maintain a harmonious relation with its employees through provision of competitive remuneration packages and career development opportunities. The employees were remunerated based on their duties, experience and performance as well as industrial practices. The remuneration packages are reviewed annually to assure fairness and appropriateness and discretionary bonuses may be awarded to employees based on individual performance.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 June 2010, the interests and short positions of the directors in the share capital and underlying shares options of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

(i) Long positions in ordinary shares of the Company

	Number of shares held, capacity and nature of interact				
Name of directors	**Directly beneficially owned**	**Through spouse or minor children**	**Through controlled corporation#**	**Total**	**Percentage of the Company's issued share capital**
Executive directors					
CHU Chun Man, Augustine	2,326,263	–	171,543,775	173,870,038	57.53%
CHU Yuk Man, Simon	636,237	–	–	636,237	0.21%
	2,962,500	–	171,543,775	174,506,275	57.74%

\# These shares of the Company are held by CM Investment Company Limited, a company incorporated in the British Virgin Islands, of which, approximately 67.46% of its issued share capital are owned by A & S Company Limited, approximately 4.18% of its issued share capital are owned by Chu Chun Man, Augustine and approximately 1.21% of its issued share capital are owned by Chu Yuk Man, Simon. A & S Company Limited is a company incorporated in the British Virgin Islands and owned as to approximately 64.00% by Chu Chun Man, Augustine, approximately 21.71% by Chu Yuk Man, Simon and 14.29% by another family member. The interest of Chu Chun Man, Augustine, in the 171,543,775 shares of the Company therefore duplicates with those of CM Investment Company Limited and A & S Company Limited.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(continued)*

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

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

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

Save as disclosed above, as at 30 June 2010, none of the directors had registered an interest or short position in the shares or underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

On 7 August 2002, a Share Option Scheme (the "Share Option Scheme") was adopted by the Company to comply with the requirements of the Listing Rules regarding share option schemes of a company.

The purpose of the Share Option Scheme is to provide incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Share Option Scheme include any employee (whether full time or part time), executive or officer of the Company or any of its subsidiaries (including executive and non-executive directors of the Company or any of its subsidiaries) and any business consultants, agents and legal or financial advisers, who, in the sole discretion of the board of directors of the Company, will contribute or have contributed to the Company and/or any of its subsidiaries. The Share Option Scheme became effective on 7 August 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The following table discloses movements in the Company's share options outstanding during the period.

Name or category of participant	Number of share options at 1 January and 30 June 2010	Date of grant	Exercise period	Exercise price per share
				HK$
Other employes				
In aggregate	1,500,000	2 November 2009	2 November 2009 to 1 November 2011	0.37
Business associates				
In aggregate	3,000,000	2 November 2009	2 November 2009 to 1 November 2011	0.37
	4,500,000			

* The vesting period of the share options is from the date of grant until the commencement of the exercise period.

** The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

At the balance sheet date, the company had 4,500,000 share options outstanding under the Share Option Scheme, which represented approximately 1.49% of the Company's shares in issue as at that date. The exercise in full of the outstanding share options would under the present capital structure of the Company, result in the issue of 4,500,000 additional ordinary shares of the Company and additional share capital of HK$450,000 and share premium of HK$1,215,000 (before issue expenses).

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

At 30 June 2010, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name	*Notes*	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
CM Investment Company Limited		Directly beneficially owned	171,543,775	56.76%
A & S Company Limited	*(a)*	Through a controlled corporation	171,543,775	56.76%
Hung Tze Nga, Cathy	*(b)*	Through spouse	173,870,038	57.53%

Notes:

(a) The interest disclosed are the shares beneficially owned by CM Investment Company Limited. CM Investment Company Limited is held directly as to 67.46% by A & S Company Limited. Accordingly, A & S Company Limited is deemed to be interested in shares owned by CM Investment Company Limited.

(b) Hung Tze Nga, Cathy is the spouse of CHU Chun Man, Augustine. Accordingly, Hung Tze Nga, Cathy is deemed to be interested in shares owned by CHU Chun Man, Augustine.

Save as disclosed above, as at 30 June 2010, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

AUDIT COMMITTEE

The audit committee comprises three independent non-executive directors of the Company. 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 2010.

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 2010.

REMUNERATION COMMITTEE

The Company established a remuneration committee with written terms of reference pursuant to the provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules. The committee comprises three independent non-executive directors and two executive directors. The remuneration committee is principally responsible for formulating and making recommendation to the Board on the Group's policy and structure for all remuneration of the directors of the Company and senior management of the Group.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions set out in Appendix 14 Code on Corporate Governance Practices of the Listing Rules throughout the six months ended 30 June 2010, 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.

ACKNOWLEDGEMENT

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

By order of the Board
Chu Chun Man, Augustine
Chairman

Hong Kong, 30 August 2010

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.