SINO GOLF HOLDINGS LIMITED
順龍控股有限公司*

(Incorporated in Bermuda with limited liability)
(Stock Code: 00361)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2013

FINANCIAL HIGHLIGHTS

Results	**For the six months ended 30 June**		
	2013	2012	Changes
	HK$'000	*HK$'000*	*Increase/*
	(Unaudited)	(Unaudited)	*(Decrease)*
Group turnover	**202,992**	157,173	29.2%
from golf equipment segment	**190,263**	142,057	33.9%
from golf bag segment	**12,729**	15,116	(15.8%)
Gross Profit	**35,388**	28,857	22.6%
EBITDA	**18,118**	16,594	9.2%
Profit attributable to owners of the Company	**6,280**	2,570	144.4%
	HK cents	*HK cents*	
Earnings per share attributable to owners of the Company			
– Basic	**1.37**	0.56	
– Diluted	**1.37**	0.56	
Interim dividend per ordinary share	**–**	–	

* *for identification purpose only*

Group

- With the improved market conditions, the Group has recorded a surge in revenues and profitability during the six months ended 30 June 2013.

- Gross profit rose 22.6% to HK$35.4 million in trend with the increased business volume whilst the average gross profit margin fell by one percent point to 17.4% as a result of the general rise in manufacturing costs.

- EBITDA improved to HK$18.1 million, up 9.2% from HK$16.6 million for the comparative preceding period.

Golf Equipment Segment

- The golf equipment sales escalated by 33.9% to HK$190.3 million as major customers generally pursued more active purchases under a recovering economy.

Golf Bag Segment

- The golf bag business stayed depressed mainly due to the continued slow-down in sales of the Japan line of products. During the period, the turnover of the golf bag segment, which comprised golf bags and accessories sales to external customers, decreased by 15.8% after eliminating inter-segmental sales of HK$7,055,000 (2012: HK$11,193,000).

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 2013 which have been reviewed by the Company's audit committee, together with the comparative figures for the six months ended 30 June 2012 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2013

	Notes	Six months ended 30 June 2013 HK$'000 (Unaudited)	2012 HK$'000 (Unaudited)
Turnover	3	**202,992**	157,173
Cost of sales		**(167,604)**	(128,316)
Gross profit		**35,388**	28,857
Other operating income		**830**	1,536
Selling and distribution costs		**(1,630)**	(1,380)
Administrative expenses		**(23,575)**	(21,637)
Finance costs		**(4,741)**	(4,710)
Profit before tax		**6,272**	2,666
Income tax expense	5	**–**	(110)
Profit for the period	6	**6,272**	2,556
Other comprehensive income			
Deferred tax relating to revaluation of leasehold land and buildings		**45**	37
Total comprehensive income for the period		**6,317**	2,593
Profit for the period attributable to:			
Owners of the Company		**6,280**	2,570
Non-controlling interests		**(8)**	(14)
		6,272	2,556
Total comprehensive income for the period attributable to:			
Owners of the Company		**6,325**	2,607
Non-controlling interests		**(8)**	(14)
		6,317	2,593
Earnings per share	8		
Basic		**HK1.37 cents**	HK0.56 cents
Diluted		**HK1.37 cents**	HK0.56 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2013

	Notes	**30.6.2013** ***HK$'000*** **(Unaudited)**	31.12.2012 *HK$'000* (Audited)
Non-current assets			
Property, plant and equipment		**198,268**	204,318
Prepaid lease payments		**10,219**	10,398
Goodwill		**14,820**	14,820
Club debentures		**3,397**	2,135
Deposits and other receivables		**650**	514
Prepayments for the acquisition of property, plant and equipment		**1,140**	332
		228,494	232,517
Current assets			
Inventories		**151,563**	161,718
Trade and other receivables	*9*	**65,286**	61,871
Prepaid lease payments		**358**	358
Bank balances and cash		**23,345**	13,958
		240,552	237,905
Assets classified as held for sale	*10*	**7,581**	7,581
		248,133	245,486
Current liabilities			
Trade and other payables	*11*	**52,825**	48,419
Amounts due to non-controlling shareholders of a subsidiary		**462**	462
Amount due to a director		**13,505**	–
Income tax payable		**170**	170
Bank borrowings		**110,412**	126,938
Obligations under finance leases		**697**	681
Loan from immediate holding company		**–**	6,162
		178,071	182,832

	30.6.2013	31.12.2012
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Net current assets	**70,062**	62,654
Total assets less current liabilities	**298,556**	295,171
Non-current liabilities		
Bank borrowings	**822**	3,356
Deferred tax liabilities	**2,354**	2,399
Obligations under finance leases	**727**	1,080
	3,903	6,835
	294,653	288,336
Capital and reserves		
Share capital	**46,005**	46,005
Reserves	**246,247**	239,922
Equity attributable to owners of the Company	**292,252**	285,927
Non-controlling interests	**2,401**	2,409
Total equity	**294,653**	288,336

Notes:

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2013 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012.

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

Amendments to HKFRSs	Annual Improvements 2009 – 2011 Cycle
Amendments to HKFRS 1	Government Loans
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosures of Interests in Other Entities: Transition Guidance
Amendments to HKAS 1	Presentation of Other Comprehensive Income
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Hong Kong (International Financial Reporting Interpretation Committee) ("HK (IFRIC)") – Interpretation ("Int") 20	Stripping Costs in the Production Phase of a Surface Mine

The application of the above new or revised HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

3. TURNOVER

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

4. SEGMENT INFORMATION

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

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

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

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

(a) Segment revenue and results

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

	For the six months ended 30 June							
	Golf equipment		Golf bags		Eliminations		Consolidated	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
	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	**190,263**	142,057	**12,729**	15,116	**–**	–	**202,992**	157,173
Inter-segment revenue	**–**	–	**7,055**	11,193	**(7,055)**	(11,193)	**–**	–
Other operating income	**520**	1,165	**198**	177	**–**	–	**718**	1,342
Total	**190,783**	143,222	**19,982**	26,486	**(7,055)**	(11,193)	**203,710**	158,515
Segment results	**13,989**	8,652	**356**	883	**–**	–	**14,345**	9,535
Interest income							**112**	194
Unallocated corporate expenses							**(3,444)**	(2,353)
Finance costs							**(4,741)**	(4,710)
Profit before tax							**6,272**	2,666

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

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

(b) Segment assets and liabilities

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

	Golf equipment		Golf bags		Consolidated	
	30.6.2013	31.12.2012	**30.6.2013**	31.12.2012	**30.6.2013**	31.12.2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)
Segment assets	**420,548**	431,706	**20,645**	21,887	**441,193**	453,593
Unallocated corporate assets						
– Assets classified as held for sale					**7,581**	7,581
– Club debentures					**3,397**	2,135
– Bank balances and cash					**23,345**	13,958
– Others					**1,111**	736
Total assets					**476,627**	478,003
Segment liabilities	**38,964**	33,118	**13,741**	15,156	**52,705**	48,274
Unallocated corporate liabilities						
– Amounts due to non-controlling shareholders of a subsidiary					**462**	462
– Amount due to a director					**13,505**	–
– Income tax payable					**170**	170
– Bank borrowings					**111,234**	130,294
– Obligations under finance leases					**1,424**	1,761
– Loan from immediate holding company					**–**	6,162
– Deferred tax liabilities					**2,354**	2,399
– Others					**120**	145
Total liabilities					**181,974**	189,667

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

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

- all liabilities are allocated to reportable segments other than amounts due to non-controlling shareholders of a subsidiary, amount due to a director, income tax payable, bank borrowings, obligations under finance leases, loan from immediate holding company, deferred tax liabilities and certain other payables. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current tax		
– Hong Kong Profits Tax	**–**	110

No tax is payable on the profit for the six months ended 30 June 2013 arising in Hong Kong and PRC since the assessable profit is wholly absorbed by tax losses brought forward.

Hong Kong Profits Tax was calculated at 16.5% of the estimated assessable profit for the six months ended 30 June 2012.

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

In accordance with the tax legislations applicable to foreign investment enterprise, various subsidiaries are entitled to exemption from the PRC EIT in the first two years starting from the first profit-making year of operation and thereafter, entitled to a 50% relief from the PRC EIT for the following three years.

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.

6. PROFIT FOR THE PERIOD

Profit for the period is arrived at after charging:

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Amortisation of prepaid lease payments	**179**	213
Cost of inventories sold	**167,604**	128,316
Depreciation of property, plant and equipment	**7,941**	9,697
Exchange loss, net	**922**	–
Loss on disposal of property, plant and equipment	**182**	322

7. DIVIDENDS

No dividends were paid, declared or proposed during the interim period. The directors of the Company have determined that no dividend will be paid in respect of the interim period (six months ended 30 June 2012: nil).

8. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purposes of basic and diluted earnings per share	**6,280**	2,570

	Six months ended 30 June	
	2013	2012
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**460,050**	460,050

9. TRADE AND OTHER RECEIVABLES

	30.6.2013	31.12.2012
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables	**31,522**	29,620
Less: Impairment losses recognised	**(2)**	(29)
	31,520	29,591
Prepayments	**6,694**	6,621
Deposits and other receivables	**27,072**	25,659
	33,766	32,280
	65,286	61,871

(a) The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally between 30 and 60 days. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management.

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

	30.6.2013	31.12.2012
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 to 30 days	**25,124**	24,842
31 to 90 days	**6,192**	4,721
91 to 180 days	**204**	21
181 to 365 days	**–**	7
	31,520	29,591

10. ASSETS CLASSIFIED AS HELD FOR SALE

	30.6.2013	31.12.2012
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Property, plant and equipment	**3,822**	3,822
Prepaid lease payments	**3,759**	3,759
	7,581	7,581

Note:

On 11 June 2010, the Group entered into an agreement with the local PRC government for the reclaim of certain land and buildings of the Group in the PRC. At 30 June 2013 and 31 December 2012, the transaction was still not yet completed.

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

11. TRADE AND OTHER PAYABLES

	30.6.2013	31.12.2012
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade and bills payables	**29,133**	35,478
Customers' deposits received	**2,138**	2,273
Deposits received in relation to disposal of assets of subsidiaries	**14,375**	3,750
Accrual and other payables	**7,179**	6,918
	52,825	48,419

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

	30.6.2013	31.12.2012
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 to 90 days	**23,159**	28,625
91 to 180 days	**4,379**	5,059
181 to 365 days	**275**	746
Over 365 days	**1,320**	1,048
	29,133	35,478

12. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the reporting date, the Company granted 8,000,000 share options to certain employees (the "Grantees") of the Group to subscribe for a total of 8,000,000 ordinary shares of HK$0.10 each in the share capital of the Company at an exercise price of HK$0.37 per share. All Grantees accepted the share options granted. Details of the share options granted are set out in the announcement of the Company dated 11 July 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

The market conditions have improved during the first half of 2013 to motivate business and help boost the Group's revenues and profitability. During the period, the Group realized a surge in the golf equipment sales despite a continued slow-down in the golf bag business. Overall, the Group's turnover for the period went up 29.2% with profits escalating by nearly 1.5 times compared to the corresponding period in 2012. Instigated by a recovering economy, the customers generally pursued an active procurement strategy to effectively tap the increased market demand. It is anticipated that the business sentiment would stay positive for the rest of the year.

The Group's turnover for the six months ended 30 June 2013 soared, period on period, by 29.2% to HK$202,992,000 (2012: HK$157,173,000). To strengthen our competitive advantage, the Group has reinforced the business reengineering and cost rationalization measures to help mitigate the impact of cost hikes caused by a trend of rising costs including labor, social insurance, energy and fuel expenditures. The broadened customer portfolio and the enhanced manufacturing capabilities of the Group have facilitated to uphold our profile as a key market participant with strong adaptability at times of economic upheavals. This enabled us to outperform other peers through the efforts to regain and grow businesses under a depressed economy. To accomplish the corporate mission to provide one-stop value-added services to customers, the Group has persistently focused on activities pertinent to product innovation and customers' fulfillment with the objectives to expand the market share and enhance enterprise recognition. Our Group is determined to pursue long-term development and growth through partnering and exploring businesses with the reputable customers and other first-tier golf name brands. In light of the rebound in business, the Group has maintained a confident view with cautious optimism on the outlook of the second half of 2013.

Financial Results

The Group's turnover for the six months ended 30 June 2013 increased, period on period, by 29.2% to HK$202,992,000 (2012: HK$157,173,000). Profit attributable to owners of the Company soared to HK$6,280,000 from HK$2,570,000 for the comparative period in 2012. Basic and diluted earnings per share were both HK1.37 cents for the period (2012: HK0.56 cents both). The directors do not recommend the payment of an interim dividend in respect of the six months ended 30 June 2013 (2012: Nil).

During the period, golf equipment sales surged, period on period, by 33.9% to HK$190,263,000 (2012: HK$142,057,000) and accounted for 93.7% of the Group's turnover (2012: 90.4%). On the contrary, turnover of the golf bag segment comprising the sales of golf bags and accessories to external customers has dropped 15.8% to HK$12,729,000 (2012: HK15,116,000), representing 6.3% of the Group's turnover for the period (2012: 9.6%). The total sales of the golf bag segment were down by a greater extent to 24.8% before elimination of the inter-segmental sales totaling HK$7,055,000 for the period (2012: HK$11,193,000). The inter-segmental sales of golf bags were incorporated as components for making up certain golf club sets, sales of which had been classified to constitute the turnover of the golf equipment segment. Gross profit for the period grew to HK$35,388,000, up notably from HK$28,857,000 for the corresponding preceding period. The average gross profit margin slipped slightly to 17.4% (2012: 18.4%) as a result of the general rise in manufacturing costs, which had been mitigated and partly offset by the Group's stringent cost control measures.

Other operating income for the period decreased to HK$830,000 from HK$1,536,000 for the comparative preceding period, mainly due to the drop in subcontracting fees and interest income.

Selling and distribution costs for the period rose moderately to HK$1,630,000 from HK$1,380,000 for the comparative preceding period, primarily due to the additional ocean freight and sample charges incurred. Administrative expenses for the period escalated to HK$23,575,000 from HK$21,637,000 for the comparative preceding period, mainly attributable to the increase in social insurance and retirement related expenses for the PRC employees. On the other hand, finance costs for the period amounted to HK$4,741,000, up mildly from HK$4,710,000 for the comparative preceding period as a result of the increase in factoring charges that were partly offset by a net decrease in the interest charges.

In trend with the rising sales volume, profit for the period attributable to owners of the Company escalated to HK$6,280,000 in comparison with HK$2,570,000 for the corresponding period in 2012.

Golf Equipment Business

The golf equipment segment continued as the main operating segment to account for 93.7% of the Group's turnover for the period (2012: 90.4%). Driven by our marketing effort under an improving economy, the golf equipment sales surged, period on period, by 33.9% to HK$190,263,000 during the first half of 2013 (2012: HK$142,057,000).

Segment turnover for the period comprised golf clubs sales of HK$170,808,000 (2012: HK$109,939,000) and components sales of HK$19,455,000 (2012: HK$32,118,000), representing 89.8% (2012: 77.4%) and 10.2% (2012: 22.6%), respectively. Included in the golf clubs sales were club sets and individual clubs in the respective proportion of 83.3% (2012: 76.9%) and 16.7% (2012: 23.1%). During the period, the components sales fell substantially mainly due to the plummet in sales of club heads from its historic hike to HK$13,154,000 (2012: HK$28,613,000). Amongst the components sales, club heads accounted for 67.6% (2012: 89.1%) whilst shafts and accessories took up the remaining 32.4% (2012: 10.9%).

During the period, sales to the largest segmental customer amounted to HK$83,302,000 (2012: HK$55,870,000 for sales to a customer ranked the second largest in the current period), which represents 43.8% (2012: 39.3%) of the segment turnover or 41.0% (2012: 35.5%) of the Group's turnover for the period. Sales to other key customers also increased notably to contribute additional revenue for the period. Turnover generated from the top five segmental customers increased, period on period, by 43.7% to HK$183,036,000 (2012: HK$127,330,000), representing 96.2% (2012: 89.6%) of the segment turnover or 90.2% (2012: 81.0%) of the Group's turnover for the period. Augmented by the strengthened customer base, the Group pursued its strategy to persistently expand the golf equipment business through long-term partnering with the existing customers as well as exploring business opportunities with other reputable golf name brands. There are currently some programs in the pipeline planned to commence mass production and deliveries within the second half of the year.

To effectively accommodate the anticipated increase in business volume, the Group has commissioned to construct a new production workshop of about 10,000 square metres at the Shandong manufacturing facility to provide an additional monthly output capacity of up to 150,000 units. The expansion project will be financed by internal resources and it was scheduled that the new workshop would be completed to commence operations during the first quarter of 2014. Currently, the Shandong manufacturing facility has played a dominant role to account for over two-third of the Group's production of golf clubs including the shafts and a limited volume of golf bags serving as components for some golf club sets. To take further advantage of the lower operating cost environment and the more abundant labor supply in the northern part of the PRC, the Group has continued to relocate more production volume to the Shandong manufacturing facility while scaling down the output of the Guangdong manufacturing facility to an optimal volume. The Shandong manufacturing facility was proven a successful establishment to integrate and streamline various production functions to enhance efficiency and optimize costs. It has materially upgraded our industry profile to facilitate the Group to negotiate and procure new businesses from those credible golf name brands that are seeking high quality alternative supplies in a competitive economy.

Following the disposal of the Sino Concept facility in 2012 to partly realize the redundant capacities in the southern part of the PRC, the Group has been actively seeking opportunities to deal with the redundant capacity at the Yong He facility in Guangdong Province, the PRC. On 13 May, 2013, the Company announced that the Group had entered into an agreement with an independent third party to effectively dispose of the Yong He facility for a cash consideration of RMB28,000,000 through the acquisition by the purchaser of the entire equity interest of a company (the "Target Company"), which will be established after a reorganization whereby the subsidiary that owns the Yong He Facility will be split into two companies in accordance with the PRC laws, one of which being the Target Company that is formed for the purpose of taking over, inter alia, the Yong He facility pursuant to the said agreement. Details of the transaction and related arrangements were set out in the announcement of the Company dated 13 May 2013. The transaction was expected to complete between late 2014 to early 2015 and it represents a move to accomplish the realization of the remaining redundant capacities for the benefit of the Group and its shareholders. As at the reporting date, the Group has received deposit payments totaling RMB8,000,000 from the purchaser which had been applied to reduce bank debts and provide working capital for the Group.

Given the stringent credit control as supplemented by our practice of factoring the trade debts, the Group has maintained a healthy customer portfolio without recoverability issues throughout the years. Credit terms on open account shipments are generally confined to not exceeding 60 days and cash deposits will be required for new business orders. Besides, it is the Group's strategy to achieve a balance of reliance on individual customers so as to minimize the concentration risk and avoid excessive exposures. At 30 June 2013, there was only a minimal impairment of HK$2,000 for outstanding trade receivables (31 December 2012: HK$29,000). The management felt satisfied with the customer performance as evidenced by the aging status of the trade debts.

During the period, raw materials and component prices had not fluctuated materially but managed to stay relatively stable against a strong Renminbi currency that tended to render domestic purchases more costly. On the other hand, there was seen an upward trend in the manufacturing costs including labor, social insurance, energy and fuel expenditures that operated to undermine the profit margins by the extent not compensated or offset through the savings derivable from the Group's cost control measures.

Motivated by the recovering economy, the golf equipment segment made a leap to achieve a segmental profit of HK$13,989,000 for the first half of 2013, up 61.7% from HK$8,652,000 for the corresponding preceding period. Taking into account the anticipated market conditions and the current order book status, the management maintains a positive view with cautious optimism that the golf equipment business would continually improve during the second half year to enhance revenues and profitability.

Golf Bag Business

The golf bag segment remained depressed as a result of the prolonged slow-down in business of the Japan line of products. Turnover of the golf bag segment comprising the sales of golf bags and accessories to external customers fell 15.8% to HK$12,729,000 during the first half of 2013 (2012: HK$15,116,000), representing 6.3% of the Group's turnover for the period (2012: 9.6%). The total sales of the golf bag segment were down, period on period, by 24.8% prior to elimination of the inter-segmental sales of HK$7,055,000 for the period (2012: HK$11,193,000). The inter-segmental sales of golf bags were incorporated as components for making up some golf club sets, sales of which had been classified to constitute the turnover of the golf equipment segment.

Of the segment turnover for the period, golf bag sales amounted to HK$8,746,000 (2012: HK$9,913,000) to account for 68.7% (2012: 65.6%) whilst accessories sales comprising mainly shoe bags aggregated to HK$3,983,000 (2012: HK$5,203,000) to take up the remaining 31.3% (2012: 34.4%). There has not been material fluctuation in the percentages of the product mix throughout the years. During the period, sales to the largest golf bag customer fell 39.2% to HK$2,834,000 (2012: HK$4,663,000) to account for 22.3% (2012: 30.8%) of the segment turnover or 1.4% (2012: 3.0%) of the Group's turnover. The substantial drop in sales to the largest segmental customer had been due to the shift by this customer of a significant portion of the orders to its affiliated factory in the South East Asia. However, there was a possibility that we may gain some business back from the largest golf bag customer for the mainland market as a substitute. Through our effort, sales to other key segmental customers increased moderately during the period to partly offset the impact caused by the orders relocation of the largest segmental customer. Turnover from the top five golf bag customers declined, period on period, by 16.8% to HK$9,341,000 (2012: HK$11,224,000), representing 73.4% (2012: 74.3%) of the segment turnover or 4.6% (2012: 7.1%) of the Group's turnover for the period.

To comprehend alternatively from a product design perspective, the segment turnover for the period constituted sales of the Japan line of products and sales of the non-Japan line of products in the respective percentages of 29.1% (2012: 32.4%) and 70.9% (2012: 67.6%). The sales of the Japan line of products fell, period on period, by 24.4% to HK$3,699,000 (2012: HK$4,895,000), whereas sales of the non-Japan line of products comprising mostly golf bags of American design declined, period on period, by 11.7% to HK$9,030,000 (2012: HK$10,221,000). The Group is determined to put on efforts to persistently develop and exploit both the Japan line and the non-Japan line of products with the objectives to gain market share and broaden the customer base. We will continue to allocate necessary and sufficient resources to participate in projects and activities that could bring both the business volume and profit margins to the golf bag segment.

During the period, the prices of major raw materials for the golf bag production such as PVC, PU and nylon fluctuated within a narrow range whilst the prices of the accessories like metal parts and plastic components managed to remain fairly stable. On the other hand, the manufacturing costs including labor, social insurance and energy expenditures moved up generally mainly due to inflationary pressure and regulatory requirements. To strengthen our competitive edge, the golf bag segment has continued to reinforce those measures implemented to streamline the operations and improve efficiency. Our Group is committed to continually developing the golf bag business with focus on the high-end golf bags that could offer higher margins to substantiate the long-term growth.

Suffering from the prolonged depression in business of the Japan line of products, the golf bag segment has managed to achieve a segmental profit of HK$356,000 during the first half of 2013, down 60.0% from HK$883,000 for the comparative preceding period. In light of the prevailing market conditions and the current ordering trend, the management anticipates that the golf bag segment will continue to operate under different challenges and shall manage to perform reasonably in the second half year given the current business sentiment.

Prospects

The Group has actively pursued business under a recovering economy to materialize a significant rebound in the golf equipment sales and the total revenues for the first half of 2013 notwithstanding a continued depression in the golf bag business. It was anticipated that the market sentiment would remain positive during the rest of the year to motivate business. With the strengthened customer base and taking into account the current ordering trend, the management expected that the golf equipment business should improve further in the second half-year as some programs in the pipelines would materialize as planned to contribute revenues. Besides, the Group has been putting persistent effort to develop the golf bag business and it is possible that we are going to gain back some business for the mainland market from the largest golf bag customer to partly compensate for the revenues forgone following its relocation of the overseas orders to an affiliated factory in the South East Asia.

To effectively cope with the anticipated business volume for the ensuing periods, the Group has commissioned to construct a new production workshop to further expand the output capacity of the Shandong manufacturing facility with an aim to take greater advantage of the favorable operating environment and labor supply in the northern part of the PRC. To preserve our competitive edge, the Group has pursued to reinforce the business reengineering programs to continually enhance productivity and improve efficiency.

For long-term development, the Group will grasp every opportunity to establish new business with credible golf name brands that are seeking high quality alternative supplies while strengthening the cooperation with the existing customers for mutual success and growth. It is anticipated that some reputable golf name brands will be added to broaden our customer portfolio in due course. The management also keeps constant alert of the market changes and incidents to assure an efficient and timely response for the best interest of the Group.

Liquidity and Financial Resources

The Group has been generally relying on and will continue to obtain funds from internally generated cash flows, banking facilities and, when needed, financial support extended by the controlling shareholder to finance its operations and discharge the liabilities and obligations in the normal course of business. It is the Group's objective to prudently manage the financial risks with due care to maintain a healthy financial position to facilitate its long-term growth and development.

At 30 June 2013, bank balances and cash, which were mostly denominated in currencies of United States dollars, Hong Kong dollars and Renminbi, amounted to HK$23,345,000 (31 December 2012: HK$13,958,000). The bank balances and cash increased mainly attributable to the funds contributed from operations and realization of certain capital assets of the Group. It has been the Group's policy to maintain an optimal amount of funds adequate for its operations and the discharge of the liabilities as and when they fall due.

Borrowings of the Group, other than the advance from a director who is the controlling shareholder of the Company, are mostly denominated in currencies of Hong Kong dollars, United States dollars and Renminbi that carry interest on HIBOR/LIBOR plus basis or at the interest rate promulgated by the People's Bank of China from time to time. At 30 June 2013, interest-bearing borrowings comprising bank borrowings and obligations under finance leases amounted to HK$112,658,000 (31 December 2012: HK$132,055,000), of which HK$111,109,000 (31 December 2012: HK$127,619,000) was repayable within one year. The loan from the immediate holding company had been repaid during the period (31 December 2012: HK$6,162,000) whereas the advance from a director, who is the controlling shareholder, of HK$13,505,000 was unsecured; repayable on demand and carried interest at rates ranging from 4% to 6% per annum (31 December 2012: Nil). On the other hand, bank loans from certain PRC banks of HK$78,725,000 at 30 June 2013 (31 December 2012: HK$84,988,000) were secured by the land and buildings of the Group with a carrying value of HK$169,428,000 (31 December 2012: HK$171,631,000). The gearing ratio, defined as bank borrowings and obligations under finance leases less bank balances and cash of HK$89,313,000 (31 December 2012: HK$118,097,000) divided by the shareholders' equity of HK$294,653,000 (31 December 2012: HK$288,336,000), was 30.3% as at 30 June 2013 (31 December 2012: 41.0%). The gearing ratio would have been restated as 34.9% at 30 June 2013 (31 December 2012: 43.1%) if the advance from a director and the loan from the immediate holding company were also included in the computation of the ratio.

It is the Group's objective to pursue and maintain a financial position supportive of its long-term development and growth. At 30 June 2013, the total assets and net asset value of the Group amounted to HK$476,627,000 (31 December 2012: HK$478,003,000) and HK$294,653,000 (31 December 2012: HK$288,336,000) respectively. Current and quick ratios as at 30 June 2013 were 1.39 (31 December 2012: 1.34) and 0.54 (31 December 2012: 0.46) respectively. Both ratios have improved and were maintained at reasonable levels. Subsequent to the reporting date, the merge of the two PRC subsidiaries, namely, Zengcheng Sino Golf Manufacturing Co., Ltd. and Guangzhou Sino Concept Golf Manufacturing Co., Ltd. has been completed in August 2013 according to the PRC laws to streamline the Group's structure and operating efficiency. The Group will nevertheless continue to explore feasible means to further rationalize and strengthen its financial position from time to time.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND CONTINGENT LIABILITIES

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

At 30 June 2013, a subsidiary has been named as defendant in a High Court action since a writ was issued against it in April 2011 and it was claimed for an amount of approximately HK$1,546,000. The subsidiary has filed a full defence to this writ. In the opinion of the directors of the Company, no provision for any potential liability has been made in the condensed consolidated financial statements as the Group has pleaded reasonable chance of success in the defence.

EMPLOYEE AND REMUNERATION POLICIES

At 30 June 2013, the Group employed a total of about 1,980 employees in Hong Kong, Macau and the PRC. It is the Group's policy to maintain a harmonious relation with its employees through provision of competitive remuneration packages and career development opportunities. The employees were remunerated based on their duties, experience and performance as well as industrial practices. The remuneration packages are reviewed annually to assure fairness and appropriateness and discretionary bonuses may be awarded to employees based on individual performance.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2013.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions of the Corporate Governance Code (the "CG Code") set out under Appendix 14 to the Listing Rules throughout the six months ended 30 June 2013, except for certain deviations which are explained below;

a) Under code provision A.2.1 of the CG Code, the roles of the chairman and chief executive officer should be separate and should not be performed by the same individual. The roles of the chairman and chief executive officer have not been separated for the Company. The deviation is deemed appropriate as the Board believes that vesting the roles of both chairman and chief executive officer in the same person provides the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies. The Board further considers that the current structure does not impair the balance of power and authority between the Board and the management of the Company.

b) Code provision A.4.1 of the CG Code requires that non-executive directors ("NED"s) should be appointed for a specific term, subject to re-election. Although the independent non-executive directors ("INED"s) of the Company have not been appointed for any specific terms, the requirement of the code provision is effectively met as those INEDs are required to retire by rotation once every three years and subject to re-election at the Company's annual general meeting in accordance with the Company's Bye-laws.

c) Code provision A.6.7 of the CG Code requires that INEDs and other NEDs should attend the general meetings. Due to prior business engagement. Mr. HSIEH Ying Min, an INED of the Company, could not attend the Company's annual general meeting (the "AGM") held on 10 June 2013 but he had delegated to the company secretary of the Company to attend and act for his behalf at the AGM for sake of good corporate governance practice. Mr. HSIEH Ying Min was required to retire from his office at the said AGM in accordance with the Company's Bye-laws. He did not offer himself for re-appointment due to personal career planning. Mr. ZHU Shengli was nominated and elected as an INED at the said AGM to fill the vacancy left by Mr. HSIEH Ying Min.

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 2013.

AUDIT COMMITTEE

The audit committee comprises three independent non-executive directors of the Company with written terms of reference. The audit committee has reviewed with management the accounting polices and practice adopted by the Group and discussed auditing, internal controls, and financial reporting matters including review of the financial statements for the six months ended 30 June 2013.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

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

ACKNOWLEDGEMENT

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

By order of the Board
Chu Chun Man Augustine
Chairman

Hong Kong, 29 August 2013

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