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 2016

The board (the "Board") of directors (the "Directors") of Sino Golf Holdings Limited (the "Company") hereby announces the unaudited condensed consolidated interim results and financial position of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2016 (the "period") with comparative figures for the corresponding period in the previous year as follows and this condensed consolidated interim financial information has not been audited, but has been reviewed by the audit committee of the Company (the "Audit Committee"):

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

		Six months ended 30 June	
		2016	2015
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	*3*	**122,973**	138,088
Cost of sales		**(116,934)**	(120,144)
Gross profit		**6,039**	17,944
Other operating income	*5*	**833**	877
Write-off of inventories		**(21,660)**	–
Selling and distribution expenses		**(1,255)**	(2,229)
Administrative expenses		**(31,795)**	(26,895)
Finance costs	*6*	**(6,452)**	(3,249)
Loss before tax		**(54,290)**	(13,552)
Income tax	*7*	**–**	–
Loss for the period	*8*	**(54,290)**	(13,552)

	Note	Six months ended 30 June **2016** *HK$'000* **(Unaudited)**	2015 *HK$'000* (Unaudited)
Other comprehensive (loss) income for the period:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(2,270)**	–
Exchange fluctuation reserve released on the deregistration of subsidiaries		**–**	(96)
Items that will not be reclassified subsequently to profit or loss:			
Deferred tax relating to leasehold land and buildings under revaluation model		**(61)**	1,133
Other comprehensive (loss) income for the period		**(2,331)**	1,037
Total comprehensive loss for the period		**(56,621)**	(12,515)
Loss for the period attributable to:			
Owners of the Company		**(54,290)**	(13,552)
Non-controlling interest		**–**	–
		(54,290)	(13,552)
Total comprehensive loss for the period attributable to:			
Owners of the Company		**(56,621)**	(12,515)
Non-controlling interest		**–**	–
		(56,621)	(12,515)
		HK cents	*HK cents* (Restated)
Loss per share			
Basic and diluted	*10*	**(2.32)**	(0.58)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

	Notes	30.6.2016 HK$'000 (Unaudited)	31.12.2015 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment		**130,038**	135,518
Prepaid lease payments	*11*	**217,013**	9,032
Club debentures		**2,897**	2,897
Pledged bank deposit		**624**	639
Deposits and other receivables		**604**	625
Prepayments for the acquisition of property, plant and equipment		**1,124**	740
		352,300	149,451
Current assets			
Inventories		**93,691**	119,841
Trade and other receivables	*12*	**30,874**	56,414
Prepaid lease payments	*11*	**6,554**	336
Short-term bank deposit		**–**	602
Bank balances and cash		**11,783**	17,063
		142,902	194,256
Current liabilities			
Trade and other payables	*13*	**27,193**	29,670
Amounts due to related companies		**50,020**	59,684
Tax payable		**160**	160
Bank and other borrowings		**80,265**	78,494
		157,638	168,008
Net current (liabilities) assets		**(14,736)**	26,248
Total assets less current liabilities		**337,564**	175,699

	Notes	**30.6.2016** *HK$'000* **(Unaudited)**	31.12.2015 *HK$'000* (Audited)
Non-current liabilities			
Promissory note	*14*	**218,426**	–
Deferred tax liabilities		**404**	343
		218,830	343
Net assets		**118,734**	175,356
Capital and reserves			
Share capital	*15*	**23,403**	46,805
Reserves		**92,601**	125,821
Equity attributable to owners of the Company		**116,004**	172,626
Non-controlling interests		**2,730**	2,730
Total equity		**118,734**	175,356

Notes:

1. BASIS OF PREPARATION

The condensed consolidated financial information of the Group for the six months ended 30 June 2016 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard ("HKAS") 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2015.

In the current period, the Group has applied, for the first time, the following new standards, amendments and interpretation ("new HKFRSs") issued by the HKICPA that are relevant for the Group's financial year beginning 1 January 2016.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle
Amendment to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations

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

3. REVENUE

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

4. SEGMENT INFORMATION

During the year ended 31 December 2015, the Group's revenue and expenses were generated solely from the manufacture and trading of golf equipment and golf bags businesses. The management of the Group made decisions about resources allocation and performance assessment of the Group based on the operating results from the business activities of golf equipment and golf bags businesses. Accordingly, the Directors are of the opinion that the abovementioned businesses were two single reportable operating segments of the Group for the year ended 31 December 2015.

On 2 February 2016, the Group entered into a sale and purchase agreement with Top Force Ventures Limited ("Top Force"), an independent third party, for the acquisition of the entire equity interest in Lucky Fountain Holdings Limited ("Lucky Fountain") and its subsidiaries (collectively, the "Lucky Fountain Group"). The principal assets of the Lucky Fountain Group are twelve land parcels located in Saipan with a total site of approximately 79,529 square metres (the "Properties"). The acquisition was completed on 16 May 2016 and the Board is in the preliminary view to precede the development of hotel resorts, the Properties and commence the hospitality business since then.

For management purposes, the Group is organised into business units based on their products and nature and has three (2015: two) reportable and operating segments as follow:

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.

Hospitality – The development of tourism industries in Saipan.

(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		Hospitality		Eliminations		Consolidated	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
Segment revenue:										
Sales to external customers	**114,446**	111,583	**8,527**	26,505	**–**	–	**–**	–	**122,973**	138,088
Inter-segment sales	**–**	–	**1,049**	2,877	**–**	–	**(1,049)**	(2,877)	**–**	–
Other operating income	**471**	652	**353**	214	**–**	–	**–**	–	**824**	866
Total	**114,917**	112,235	**9,929**	29,596	**–**	–	**(1,049)**	(2,877)	**123,797**	138,954
Segment results	**(40,954)**	(7,943)	**(1,642)**	668	**(795)**	–	**–**	–	**(43,391)**	(7,275)
Interest income									**9**	11
Unallocated corporate expenses									**(4,456)**	(3,039)
Finance costs									**(6,452)**	(3,249)
Loss before tax									**(54,290)**	(13,552)

Segment results represent the (loss incurred) profit earned by each segment without allocation of interest income, central administration expenses, directors' emoluments and finance costs. This is the measure reported to the chief operating decision maker of the Group for the purposes of resource allocation and performance assessment.

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

(b) Segment assets and liabilities

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

	Golf equipment		Golf bags		Hospitality		Consolidated	
	30.6.2016	31.12.2015	**30.6.2016**	31.12.2015	**30.6.2016**	31.12.2015	**30.6.2016**	31.12.2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)
Segment assets	**253,820**	309,046	**10,701**	13,193	**214,576**	–	**479,097**	322,239
Unallocated corporate assets								
– Club debentures							**2,897**	2,897
– Bank balances and cash							**11,783**	17,063
– Others							**1,425**	1,508
Total assets							**495,202**	343,707
Segment liabilities	**22,462**	20,490	**4,272**	5,366	**–**	–	**26,734**	25,856
Unallocated corporate liabilities								
– Amounts due to related companies							**50,020**	59,684
– Tax payable							**160**	160
– Bank and other borrowings							**80,265**	78,494
– Promissory note							**218,426**	–
– Deferred tax liabilities							**404**	343
– Others							**459**	3,814
Total liabilities							**376,468**	168,351

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

- all assets are allocated to reportable segments other than club debentures, bank balances and cash, certain other receivables and plant and equipment for central administrative purpose. 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 related companies, tax payable, bank and other borrowings, promissory note, deferred tax liabilities and certain other payables. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

5. OTHER OPERATING INCOME

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest income	**9**	11
Gain on deregistration of subsidiaries	**–**	275
Sale of scrap materials	**8**	92
Tooling income	**157**	226
Gain on disposal of property, plant and equipment	**299**	–
Sundry income	**360**	273
	833	877

6. FINANCE COSTS

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Factoring charges	**–**	797
Interest expenses on:		
– Bank overdrafts	**–**	26
– Bank and other borrowings	**2,384**	2,844
– Promissory note	**4,555**	–
– Obligations under finance leases	**–**	4
– Amount due to a director	**–**	196
Total borrowing costs	**6,939**	3,867
Less: amount capitalised	**(487)**	(618)
	6,452	3,249

7. INCOME TAX

a) No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2016 and 2015 as there are no assessable profits generated.

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

No provision for PRC Enterprise Income Tax ("PRC EIT") for PRC subsidiaries as they did not have any assessable profits subject to PRC EIT or the assessable profit is wholly absorbed by tax losses brought forward.

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

d) The corporate income tax in the Commonwealth of the Northern Mariana Islands (the "CNMI") is calculated at 35% of the estimated profit for the six months ended 30 June 2016. No provision for corporate income tax rate for the subsidiary incorporated in the CNMI as no income has been derived from the CNMI during the six months ended 30 June 2016.

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

8. LOSS FOR THE PERIOD

Loss for the period is arrived at after charging:

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Amortisation of prepaid lease payments	**945**	183
Cost of inventories sold	**116,934**	120,144
Depreciation of property, plant and equipment	**4,563**	6,764
Exchange loss, net	**570**	7
Operating leases rentals in respect of land and building	**2,109**	1,843
Loss on disposal of property, plant and equipment	**–**	50

9. DIVIDENDS

No dividends were paid, declared or proposed during the interim period. The Directors have determined that no dividend will be paid in respect of the interim period (six months ended 30 June 2015: nil).

10. LOSS PER SHARE

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

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss		
Loss for the purposes of basic and diluted loss per share	**(54,290)**	(13,552)

	Six months ended 30 June	
	2016	2015
	'000	*'000*
	(Unaudited)	(Unaudited)
		(Restated)
Number of shares		
Weighted average number of shares for the purpose of basic and diluted loss per share	**2,340,250**	2,316,604

Diluted loss per share for the six months ended 30 June 2016 is the same as the basic loss per share for the six months ended 30 June 2016 as there are no dilutive potential ordinary shares outstanding during the six months ended 30 June 2016.

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

The weighted average number of shares for the purpose of calculating basic loss per share for the six months ended 30 June 2015 was retrospectively adjusted on the bonus issue passed by the special resolution on 6 January 2016, in which every one share held by the shareholder is entitled to four bonus shares. The bonus shares were allotted and issued on 22 January 2016.

11. PREPAID LEASE PAYMENTS

	30.6.2016	31.12.2015
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Carrying amount at 1 January	**9,368**	10,297
Addition	**213,864**	–
Transaction cost capitalised	**1,499**	–
Amortisation during the period/year	**(945)**	(336)
Exchange realignment	**(219)**	(593)
	223,567	9,368
Less: current portion	**(6,554)**	(336)
Non-current portion	**217,013**	9,032

At 30 June 2016, the Group's prepaid lease payments with carrying value of approximately HK$8,990,000 (31 December 2015: HK$9,368,000) was pledged as security for the banking facilities granted to the Group.

12. TRADE AND OTHER RECEIVABLES

	30.6.2016	31.12.2015
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables	**11,677**	29,802
Less: allowance for impairment of trade receivables	**–**	(1)
	11,677	29,801
Prepayments	**4,082**	5,043
Other receivables	**11,004**	17,325
Prepayments to suppliers	**4,111**	4,245
	19,197	26,613
	30,874	56,414

(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 aged analysis of the trade receivables (net of impairment loss) of the Group presented based on the invoice dates, which approximates the respective revenue recognition date, at the end of the reporting period:

	30.6.2016	31.12.2015
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 to 30 days	**6,871**	24,516
31 to 90 days	**4,740**	5,023
91 to 180 days	**66**	262
	11,677	29,801

13. TRADE AND OTHER PAYABLES

	30.6.2016	31.12.2015
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade and bills payables	**23,034**	25,637
Customers' deposits received	**314**	473
Accruals and other payables	**3,845**	3,560
	27,193	29,670

The following is an aged analysis of trade and bills payables presented based on invoice dates at the end of the reporting period of the Group is as follows:

	30.6.2016	31.12.2015
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 to 90 days	**16,955**	19,365
91 to 180 days	**4,910**	5,279
181 to 365 days	**490**	266
Over 365 days	**679**	727
	23,034	25,637

14. PROMISSORY NOTE

On 16 May 2016, the Company issued a promissory note with principal amount of HK$235,700,000 to Top Force upon the completion of the acquisition of Lucky Fountain as disclosed in note 16.

The promissory note carries interest at a rate of 12% per annum and is unsecured. The outstanding principal amount plus any accrued interest will be repayable on the maturity date falling on the second anniversary of the date of the promissory note, i.e. 15 May 2018. The carrying amount of the promissory note at period end was computed by discounting the principal amount of the note by the effective interest rate.

15. SHARE CAPITAL

Ordinary shares of HK$0.01 (2015: HK$0.10) each	**Number of Shares** *'000*	**Share capital** *HK$'000*
Authorised		
At 1 January 2015 and 31 December 2015	1,000,000	100,000
Sub-division *(note (i))*	9,000,000	–
At 30 June 2016	10,000,000	100,000
Issued and fully paid		
At 1 January 2014 and 31 December 2014	460,050	46,005
Exercise of share options *(note (ii))*	8,000	800
At 31 December 2015 and 1 January 2016	468,050	46,805
Capital reduction *(note (i))*	–	(42,124)
Issue of bonus shares *(note (iii))*	1,872,200	18,722
At 30 June 2016	2,340,250	23,403

(i) On 30 November 2015, the Company announced (i) the proposed capital reduction to reduce the nominal value of each issued share of the Company from HK$0.10 to HK$0.01 by cancelling the paid-up capital to the extent of HK$0.09 on each of its issued shares (the "Capital Reduction"); and (ii) to sub-divide the authorised shares of HK$0.10 each into ten new shares of HK$0.01 each (the "Sub-Division").

The Capital Reduction and Sub-Division became effective on 6 January 2016 and the credit arising from the Capital Reduction of approximately HK$18,722,000 were applied for the bonus issue (the "Bonus Issue"), which issuing new shares on the basis of four bonus shares for every one share held by qualified shareholders, while the remaining has been transferred to contributed surplus.

(ii) On 17 April 2015, 8,000,000 share options with exercise price of HK$0.37 per ordinary share were exercised to subscribe 8,000,000 ordinary shares of the Company at a consideration of HK$2,960,000. HK$800,000 were credited to share capital, while remaining consideration of HK$2,160,000 and the reversal of share options reserve of HK$731,000 upon exercise of share options, were credited to share premium.

(iii) An ordinary resolution was passed at the special general meeting held on 6 January 2016 for the Bonus Issue. A total of 1,872,200,000 shares of HK$0.01 each were issued on 22 January 2016.

16. ACQUISITION OF SUBSIDIARIES ACCOUNTED FOR AS ASSETS ACQUISITION

On 16 May 2016, Future Success Holdings Limited ("Future Success"), a wholly-owned subsidiary of the Company, completed the acquisition of entire equity interest in Lucky Fountain, from Top Force, at a consideration of HK$235,700,000 settling through issue of promissory note (note 14). The directors of the Company are of the opinion that the acquisition of Lucky Fountain is in substance an asset acquisition instead of a business combination, as the net assets of Lucky Fountain Group were mainly prepaid lease payments and Lucky Fountain Group was investment holdings prior to the acquisition of the Group.

The net assets of the Lucky Fountain Group acquired are as follows:

	16 May 2016
	HK$'000
Net assets acquired	
Prepaid lease payments	213,864
Bank balances and cash	7
	213,871
Satisfied by:	
Promissory note	213,871
Cash inflows arising from acquisition, representing bank balances and cash	7

17. EVENTS AFTER THE REPORTING PERIOD

On 8 July 2016, the Company entered into a subscription agreement with (i) Wealth Sailor Limited (the "Subscriber"), a company incorporated in the British Virgin Islands ("BVI") with limited liability; (ii) Surplus Excel Limited ("Surplus Excel"), a company incorporated in BVI with limited liability; and (iii) Mr. Jiang Jianhui, who beneficially owns as to 80% of Surplus Excel in relation to the subscription of subscription shares and convertible bonds. Pursuant to the subscription agreement, the Company has conditionally agreed to allot and issue to the Subscriber, and the Subscriber has conditionally agreed to subscribe for (i) an aggregate of 2,861,000,000 new shares (the "Subscription Shares") at subscription price of HK$0.114 per Subscription Share; and (ii) a zero coupon convertible bonds due 2021 with aggregate principal amount of HK$74,100,000 to be issued by the Company to the Subscriber, which entitle the Subscriber to subscribe for 650,000,000 conversion shares at the initial conversion price of HK$0.114 per conversion share.

The subscription was not yet completed as of the date of this announcement. Further details of the proposed subscription are set out in the Company's announcements dated 13 July 2016, 19 July 2016 and 1 August 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

For the six months ended 30 June 2016, the Group remained principally engaged in the business of golf equipment and golf bags manufacturing, which had diversified and extended to include hotel development business following the acquisition of twelve land parcels in Saipan for hotel construction, details of which are set out in the Company's announcements dated 2 February 2016, 5 April 2016 and 16 May 2016; and the circular of the Company dated 21 April 2016.

Impacted by the continued depression in the golf market, the Group's revenue for the first half of 2016 further shrank, recording a loss greater than that incurred for the corresponding period in 2015. During the period, the golf bags sales plummeted by approximately 67.8% whilst the golf equipment sales managed to slightly rebound approximately 2.6% from the depressed level of the corresponding period in 2015.

The Group's revenue for the six months ended 30 June 2016, which wholly originated from the golf business, dropped by approximately 10.9% to approximately HK$122,973,000 (2015: approximately HK$138,088,000). Loss attributable to owners of the Company for the period amounted to approximately HK$54,290,000 compared to a loss of approximately HK$13,552,000 sustained in the corresponding period in 2015. It is anticipated that the golf market would stay depressed and highly competitive during the second half of 2016 while the hotel development project in Saipan is expected to proceed according to plans with respect to site planning, development and construction. To uphold our competitive edge in a volatile economy, the Group pursues to reinforce the business reengineering and cost rationalisation measures with a goal to enhance efficiency and optimise costs. Besides, the Group is also committed to exploring other business and diversification opportunities to expand the revenue sources and enhance the long-term growth potential for the benefit and interest of the Company and its shareholders as a whole.

Financial Results

The consolidated revenue for the six months ended 30 June 2016 decreased by approximately 10.9%, period on period, to approximately HK$122,973,000 (2015: approximately HK$138,088,000). Loss attributable to owners of the Company for the period amounted to approximately HK$54,290,000 compared to a loss of approximately HK$13,552,000 for the corresponding period in 2015. Basic and diluted loss per share were both HK2.32 cents for the period (2015: Basic and diluted loss per share of HK0.58 cent, as restated). The Directors did not recommend the payment of an interim dividend in respect of the six months ended 30 June 2016 (2015: Nil).

During the period, the revenue of the golf equipment segment slightly rebounded approximately 2.6%, period on period, to approximately HK$114,446,000 (2015: approximately HK$111,583,000) and accounted for approximately 93.1% of the Group's revenue (2015: approximately 80.8%). On the contrary, the Group's revenue attributable to the golf bags segment, defined as comprising sales of golf bags and accessories to external customers, plummeted by approximately 67.8% to approximately HK$8,527,000 (2015: approximately HK$26,505,000), representing approximately 6.9% of the Group's revenue for the period (2015: approximately 19.2%). Total gross revenue of the golf bags segment, before elimination of the inter-segmental sales of approximately HK$1,049,000 (2015: approximately HK$2,877,000), decreased by a similar extent of approximately 67.4% to approximately HK$9,576,000 for the period (2015: approximately HK$29,382,000). The inter-segmental sales represented golf bags produced for fulfilling the orders of golf club sets placed by customers of the golf equipment segment which included golf bags as components. The sales of the golf club sets had been classified as the revenue of the golf equipment segment in accordance with the Group's accounting practice.

Notwithstanding the depression in the golf market, the Group has taken initiative to pick up sales including products with lower margin in order to optimise and maintain the market share, that led to the average gross profit margin for the period lowered to approximately 4.9% (2015: approximately 13.0%). Gross profit for the period amounted to approximately HK$6,039,000 representing a drop of approximately 66.3% from approximately HK$17,944,000 for the corresponding period in 2015.

Other operating income for the period decreased to approximately HK$833,000 compared with approximately HK$877,000 for the comparative preceding period, mainly due to the drop in the tooling charge income.

Selling and distribution expenses for the period was reduced to approximately HK$1,255,000 from approximately HK$2,229,000 for the comparative preceding period, mainly attributable to the decrease in samples, transportation and ocean freight expenses. Administrative expenses for the period escalated to approximately HK$31,795,000 from approximately HK$26,895,000 for the comparative preceding period, mainly due to the increase in amortisation of prepaid lease payments, and impairment of other assets as partially offset by the decrease in salaries, social insurance and retirement contribution expenses. On the other hand, exceptional charge comprising write-off of inventories amounted to approximately HK$21,660,000 for the period (2015: Nil). Finance costs for the period soared to approximately HK$6,452,000 from approximately HK$3,249,000 for the comparative preceding period, mainly as a net effect of the interest charged on the promissory note issued by the Company, which was partially offset by the cessation of factoring charges on the Group's export sales.

Impacted by the continued depression in sales and the incurrence of exceptional charge, the Group had sustained a loss attributable to owners of the Company of approximately HK$54,290,000 for the period versus a loss of approximately HK$13,552,000 for the corresponding period in 2015.

Golf Equipment Business

The golf equipment segment continued to constitute the main operating segment and accounted for approximately 93.1% of the Group's revenue for the period (2015: approximately 80.8%). Through diverse marketing initiatives, the golf equipment sales managed to slightly rebound approximately 2.6%, period on period, to approximately HK$114,446,000 during the first half of 2016 (2015: approximately HK$111,583,000).

The segment revenue for the period comprised golf clubs sales of approximately HK$110,396,000 (2015: approximately HK$107,828,000) and components sales of approximately HK$4,050,000 (2015: approximately HK$3,755,000), representing approximately 96.5% (2015: approximately 96.6%) and approximately 3.5% (2015: approximately 3.4%) of the segment revenues, respectively. Comprising the golf clubs sales were club sets and individual clubs in the respective proportion of approximately 89.3% (2015: approximately 89.6%) and approximately 10.7% (2015: approximately 10.4%). Amongst the components sales, club heads accounted for approximately 93.2% (2015: approximately 56.4%) while shafts and accessories took up the remaining approximately 6.8% (2015: approximately 43.6%).

During the period, sales to the largest segmental customer increased by approximately 11.8% to approximately HK$55,622,000 (2015: approximately HK$49,753,000), representing approximately 48.6% (2015: approximately 44.6%) of the segment revenue or approximately 45.2% (2015: approximately 36.0%) of the Group's revenue for the period. The aggregate revenue generated from the top five segmental customers grew approximately 6.2% to approximately HK$110,069,000 (2015: approximately HK$103,683,000), representing approximately 96.2% (2015: approximately

92.9%) of the segment revenue or approximately 89.5% (2015: approximately 75.1%) of the Group's revenue for the period albeit a depressed market sentiment. Sales to other non-key customers lacked fresh momentum and managed to stay relatively stable during the period. The Group is devoted to persistently developing the golf equipment business through diverse marketing initiatives and long-term cooperation with the customers for exploring new business opportunities.

With the orderly scale-down of the Guangdong manufacturing facility, the Shandong manufacturing facility has become the Group's prime production set up being responsible for substantially the bulk of the golf equipment production of the Group. During the period, the Group continued to review and monitor the inventories to identify potential impairments taking into account the depressed business conditions and the prudent procurement approach of key customers and an impairment of inventories of approximately HK$21,660,000 was incurred. The Shandong manufacturing facility facilitated to streamline the production process with an aim to optimise the manufacturing costs benefiting from a lower operating cost environment and more stable labour supply in the Northern part of the PRC. The Group is well supported by the capability of the Shandong manufacturing facility to solicit and procure new business from those golf name brands with good reputation and growth potential.

Affected by the depressed golf market and a surge in operating costs, the golf equipment segment recorded a segment loss of approximately HK$40,954,000 for the first half of 2016 compared against a segment loss of approximately HK$7,943,000 for the corresponding period in 2015. Taking into account the unfavorable market conditions and the current order book status, the management has adopted a prudent view with caution that the golf equipment business will continue to operate under a volatile market with great pressure and challenges during the second half of 2016.

Golf Bags Business

The declining trend of the golf bags sales in late 2015 still continued, and adversely affected the golf bags business for the first half of 2016. The Group's revenue attributable to the golf bags segment, defined as comprising sales of golf bags and accessories to external customers, plummeted approximately 67.8% to approximately HK$8,527,000 (2015: approximately HK$26,505,000), representing approximately 6.9% of the Group's revenue for the period (2015: approximately 19.2%).

The segment revenue for the period comprised golf bags sales of approximately HK$3,202,000 (2015: approximately HK$19,322,000) and accessories sales mainly boston bags of approximately HK$5,325,000 (2015: approximately HK$7,183,000), representing approximately 37.6% (2015: approximately 72.9%) and approximately 62.4% (2015: approximately 27.1%) of the segment revenue, respectively. During the period, sales to the largest golf bags customer amounted to approximately HK$3,360,000 (2015: approximately HK$11,478,000 comprising sales to a customer with which no sales was made in the current period), representing approximately 39.4% (2015: approximately 43.3%) of the segment revenue or approximately 2.7% (2015: approximately 8.3%) of the Group's revenue for the period. The aggregate revenue generated from the top five golf bags customers fell by approximately 70.9% to approximately HK$6,905,000 (2015: approximately HK$23,763,000), representing approximately 81.0% (2015: approximately 89.7%) of the segment revenue or approximately 5.6% (2015: approximately 17.2%) of the Group's revenue for the period.

Suffering from the significant drop in sales, the golf bags segment recorded a segment loss of approximately HK$1,642,000 for the first half of 2016 in contrast to a segment profit of approximately HK$668,000 for the corresponding period in 2015. In consideration of the stagnant market conditions and the current order book status, the management maintains a cautious view and anticipates the golf bags business to stay depressed in the second half year of 2016 amidst intense competition.

Prospects

Impacted by the continued depression in the golf market, the Group's revenue for the first half of 2016 further shrank, recording a loss greater than that incurred for the corresponding period in 2015. During the current period, golf bags sales plummeted by approximately 67.8% whilst golf equipment sales managed to rebound slightly by approximately 2.6%. The Company nevertheless holds the view that the Group's financial position remains solid with adequate funds available to finance its operations. Taking into account the existing market conditions and the current order book status, the management maintains a prudent view with caution that the golf equipment and golf bags business will continue to operate under great challenges amidst intense competition in the second half of 2016.

On the other hand, the Board has been exploring appropriate diversification business opportunities and/or investment to expand the revenue sources and enhance the long-term growth potential of the Group.

On 16 May 2016, Lucky Fountain is a company established in BVI with limited liability, with its principal activity being investment holdings. The principal assets of the Lucky Fountain Group are the twelve land parcels located in Saipan with a total site area of approximately 79,529 square metres (the "Properties"). Saipan is an attractive market for golf related tourism and is home to a host of golf courses. The Properties are located in close proximity to those golf courses in Saipan and the management is in the preliminary view to proceed the development of hotel resorts and/or timeshare condominiums on the Properties in several phases and corresponding rezoning work has already been started by the Group. It is believed by the Board that the acquisition provides a unique opportunity to the Group to be positioned in the Saipan resort industry.

Looking ahead, the Group will continue to be cautious in its business approach, closely monitoring the golf equipment and golf bags businesses and seizing other growth opportunities to enhance its competitiveness to strive for the best return to the shareholders.

Financial Resources, Liquidity and Gearing

As at 30 June 2016, bank balances and cash, which were mostly denominated in United States dollars, Hong Kong dollars and Renminbi, amounted to approximately HK$11,783,000 (31 December 2015: approximately HK$17,063,000). As at 30 June 2016, interest-bearing bank borrowings of the Group aggregated to approximately HK$71,765,000 (31 December 2015: approximately HK$73,494,000), of which all were repayable within one year. For expansion of business activities, the Group drew down loans from an independent third party amounting to HK$8,500,000 (31 December 2015: HK$5,000,000) with 12% annual interest. All of them are repayable within one year. Amounts due to related companies of approximately HK$50,020,000 (31 December 2015: approximately HK$59,684,000) were unsecured, non-interest bearing and repayable on demand.

Given that the acquisition of Lucky Fountain, the Company issued a promissory note at principal amount of HK$235,700,000 as the consideration. The promissory note is unsecured, interest-bearing of 12% per annum and repayable on 15 May 2018 and its carrying amount was approximately HK$218,426,000.

Gearing ratio is calculated based on the amount of interest-bearing bank and other borrowings, amounts due to related companies and liability component of promissory note net of cash and cash equivalent divided by the total equity. As at 30 June 2016, the Group's gearing ratio was therefore approximately 283.2% (31 December 2015: approximately 68.4%).

As at 30 June 2016, total assets and net asset value of the Group amounted to approximately HK$495,202,000 (31 December 2015: approximately HK$343,707,000) and approximately HK$118,734,000 (31 December 2015: approximately HK$175,356,000), respectively. Current and quick ratios as at 30 June 2016 were approximately 0.91 (31 December 2015: approximately 1.16) and approximately 0.27 (31 December 2015: approximately 0.44), respectively. Both the current ratio and quick ratio were considered reasonable and the Group is devoted to continuing exploring possible means to further rationalise the financial position from time to time.

Pledge of Assets

As at 30 June 2016, bank borrowings from certain PRC banks of approximately HK$71,765,000 (31 December 2015: approximately HK$73,494,000) were secured by property, plant and equipment and the prepaid lease payments of the Group with a carrying value of approximately HK$114,231,000 (31 December 2015: approximately HK$119,635,000). As at 30 June 2016, the Group had pledged bank deposit of RMB530,000 (31 December 2015: RMB530,000) for a bank guarantee of RMB500,000 (31 December 2015: RMB500,000) issued to the landlord of the Group's golf bags facilities.

Major Acquisition

On 2 February 2016, Future Success, a wholly-owned subsidiary of the Company incorporated after 31 December 2015, entered into a sale and purchase agreement with Top Force, an independent third party, for the acquisition of the entire equity interest in Lucky Fountain, which is wholly owned by Top Force, at a cash consideration of HK$235,700,000. On 5 April 2016 after trading hours, Future Success and Top Force entered into a supplemental agreement (the "Supplemental S&P Agreement") to make certain amendments to the sale and purchase agreement. Further details of the acquisition are set out in the Company's announcements dated 2 February 2016, 5 April 2016 and 16 May 2016; and the circular of the Company dated 21 April 2016.

All of the conditions precedent set out in the sale and purchase agreement (as amended and supplemented by the Supplemental S&P Agreement) have been fulfilled and the acquisition was completed on 16 May 2016.

Accordingly, the Lucky Fountain Group have become subsidiaries of the Company and financial results of the Lucky Fountain Group have been consolidated into the Company's consolidated financial statements thereafter.

EVENTS AFTER THE REPORTING PERIOD

On 8 July 2016, the Company entered into a subscription agreement with the Subscriber, Surplus Excel and Mr. Jiang Jianhui, who beneficially owns as to 80% of Surplus Excel in relation to the subscription of subscription shares and convertible bonds. Pursuant to the subscription agreement, the Company has conditionally agreed to allot and issue to the Subscriber, and the Subscriber has conditionally agreed to subscribe for (i) an aggregate of 2,861,000,000 new shares at subscription price of HK$0.114 per Subscription Share; and (ii) a zero coupon convertible bonds due 2021 with aggregate principal amount of HK$74,100,000 to be issued by the Company to the Subscriber, which entitle the Subscriber to subscribe for 650,000,000 conversion shares at the initial conversion price of HK$0.114 per conversion share.

The subscription was not yet completed as of the date of this announcement. Further details of the proposed subscription are set out in the Company's announcements dated 13 July 2016, 19 July 2016 and 1 August 2016.

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 is primarily Renminbi.

At 30 June 2016 and 31 December 2015, (i) a subsidiary had been previously named as defendant in a Hong Kong High Court action since a writ was issued against it and it was claimed for an amount of approximately HK$1,546,000. The subsidiary had filed a full defence to this writ; and (ii) another subsidiary had been previously named as defendant in a local PRC court by summon for a claim of approximately RMB1,366,000, with damages of approximately RMB55,000, together with interest thereon and costs in relation to dispute involving supply of equipment by the plaintiff. The proceedings are in process.

Up to the date of this announcement, in the opinion of the Directors, 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 2016, the Group employed a total of about 1,230 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.

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 2016.

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 2016, 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 should be appointed for a specific term, subject to re-election. Although the independent non-executive Directors have not been appointed for any specific terms, the requirement of the code provision is effectively met as those independent non-executive Directors 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 independent non-executive directors should attend the general meetings. Mr. Chan Kai Wing, an independent non-executive Director, was unable to attend the Company's special general meeting held on 6 January 2016 due to his other important engagements at the relevant time. However, the Board believes that the presence of other independent non-executive Directors at such general meeting still allowed the Board to develop a balanced understanding of the views of shareholders.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (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 have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2016.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors 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 2016.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This results announcement is published on the website of The Stock Exchange of Hong Kong Limited (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 and appreciation to the Board members, the management and our employees for their loyalty, continuous support and dedicated services.

By order of the Board
Sino Golf Holdings Limited
Wong Hin Shek
Chairman

Hong Kong, 30 August 2016

As at the date of this announcement, the Board comprises Mr. Wong Hin Shek, Mr. Zhang Yi and Mr. Chu Chun Man, Augustine, all being executive Directors; and Ms. Chu Yin Yin, Georgiana, Mr. Yip Tai Him and Mr. Chan Kai Wing, all being independent non-executive Directors.

* *For identification purposes only*