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# 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 2018

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 2018 (the "**period**") with comparative figures for the corresponding period in the previous year as follows. The condensed consolidated interim results and financial position 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 2018*

| | | **Six months ended 30 June** | |
|---|---|---|---|
| | | **2018** | 2017 |
| | *NOTES* | ***HK$'000*** | *HK$'000* |
| | | **(Unaudited)** | (Unaudited) |
| Revenue | *3* | **152,211** | 96,116 |
| Cost of sales | | **(136,643)** | (86,824) |
| Gross profit | | **15,568** | 9,292 |
| Other operating income | *5* | **1,200** | 228 |
| Selling and distribution expenses | | **(2,790)** | (1,561) |
| Administrative expenses | | **(33,069)** | (22,895) |
| Finance costs | *6* | **(3,793)** | (4,207) |
| Loss before tax | | **(22,884)** | (19,143) |
| Income tax expense | *7* | **(260)** | – |
| Loss for the period | *8* | **(23,144)** | (19,143) |

*  *for identification purpose only*

| | NOTE | Six months ended 30 June 2018 HK$'000 (Unaudited) | 2017 HK$'000 (Unaudited) |
|---|---|---|---|
| Other comprehensive income for the period: | | | |
| *Item that may be reclassified subsequently to profit or loss:* | | | |
| Exchange differences arising on translation of foreign operations | | **434** | 1,586 |
| *Item that will not be reclassified subsequently to profit or loss:* | | | |
| Deferred tax relating to leasehold land and buildings under revaluation model | | **–** | 2 |
| Other comprehensive income for the period | | **434** | 1,588 |
| Total comprehensive expense for the period | | **(22,710)** | (17,555) |
| Loss for the period attributable to: | | | |
| – Owners of the Company | | **(23,144)** | (19,143) |
| – Non-controlling interests | | **–** | – |
| | | **(23,144)** | (19,143) |
| Total comprehensive expense for the period attributable to: | | | |
| – Owners of the Company | | **(22,710)** | (17,555) |
| – Non-controlling interests | | **–** | – |
| | | **(22,710)** | (17,555) |
| | | ***HK cent*** | *HK cent* |
| Loss per share | | | |
| Basic and diluted | *10* | **(0.44)** | (0.37) |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 30 June 2018*

| | NOTES | 30.6.2018 HK$'000 (Unaudited) | 31.12.2017 HK$'000 (Audited) |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **114,407** | 114,100 |
| Prepaid lease payments | 11 | **219,303** | 222,769 |
| Goodwill | | **–** | – |
| Club debentures | | **2,897** | 2,897 |
| Pledged bank deposit | | **631** | 631 |
| Deposits and other receivables | | **73** | 135 |
| Prepayments for the acquisition of property, plant and equipment | | **466** | 1,227 |
| | | **337,777** | 341,759 |
| **Current assets** | | | |
| Inventories | | **82,849** | 89,754 |
| Trade and other receivables | 12 | **44,004** | 132,313 |
| Prepaid lease payments | 11 | **6,950** | 6,955 |
| Bank balances and cash | | **134,078** | 49,383 |
| | | **267,881** | 278,405 |
| **Current liabilities** | | | |
| Trade and other payables | 13 | **61,869** | 57,300 |
| Amount due to a related company | | **1,316** | 1,316 |
| Amounts due to directors | | **99,925** | 98,777 |
| Bank and other borrowings | | **63,095** | 63,095 |
| | | **226,205** | 220,488 |
| **Net current assets** | | **41,676** | 57,917 |
| **Total assets less current liabilities** | | **379,453** | 399,676 |

| | NOTE | 30.6.2018<br>HK$'000<br>(Unaudited) | 31.12.2017<br>HK$'000<br>(Audited) |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Convertible bond | | **53,861** | 51,370 |
| Deferred tax liabilities | | **72** | 76 |
| | | **53,933** | 51,446 |
| **Net assets** | | **325,520** | 348,230 |
| **Capital and reserves** | | | |
| Share capital | *14* | **52,013** | 52,013 |
| Reserves | | **270,777** | 293,487 |
| Equity attributable to owners of the Company | | **322,790** | 345,500 |
| Non-controlling interests | | **2,730** | 2,730 |
| **Total equity** | | **325,520** | 348,230 |

*Notes:*

## 1. BASIS OF PREPARATION

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

Except as described below, 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 2017.

In the current interim period, the Group has applied, for the first time, the following new and amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA which are effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

| | |
|---|---|
| HKFRS 9 | Financial Instruments |
| HKFRS 15 | Revenue from Contracts with Customers and the related Amendments |
| HK(IFRIC) – Int 22 | Foreign Currency Transactions and Advance Consideration |
| Amendments to HKFRS 2 | Classification and Measurement of Share-based Payment Transactions |
| Amendments to HKFRS 4 | Applying HKFRS 9 "Financial Instruments" with HKFRS 4 "Insurance Contracts" |
| Amendments to HKAS 28 | As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle |
| Amendments to HKAS 40 | Transfer of Investment Property |

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures.

**Impacts of changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers"**

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 "Revenue from Contracts with Customers" superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

*Key changes in accounting policies resulting from application of HKFRS 15*

HKFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a goods and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct goods or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated.

The Directors of the Company concluded that the revenue from sale of golf bags and equipment should be recognised at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods, which is consistent with the previous accounting policy. For the customers' deposit received before sales of golf bags and equipment, the amount would be reclassified to contract liability under HKFRS 15.

The following table summarises the opening balance adjustments recognised for each line item in the condensed consolidated statement of financial position on initial application of HKFRS 15:

| | At 31 December 2017 | Effect from application of HKFRS 15 | At 1 January 2018 |
|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* |
| **Current liabilities** | | | |
| **Trade and other payables** | | | |
| Customers' deposit received | 1,292 | (1,292) | – |
| Contract liabilities | – | 1,292 | 1,292 |

**Impacts of changes in accounting policies of application on HKFRS 9 "Financial Instruments"**

In the current period, the Group has applied HKFRS 9 "Financial Instruments" and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities; 2) expected credit losses ("**ECL**") for financial assets; and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

At the date of initial application of HKFRS 9, the Directors of the Company have reviewed and assessed all financial assets held by the Group on the basis of the Group's business model for managing these financial assets and their contractual cash flow characteristics, and has classified its financial assets and liabilities into the appropriate categories of HKFRS 9.

Based on the assessment performed by the Directors of the Company, all financial assets and financial liabilities continued to be measured on the same basis as are previously measured under HKAS 39.

Impairment of financial assets

*Trade receivables*

In the current period, the Group has applied HKFRS 9 simplified approach to measure ECL using lifetime ECL for trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics. The Group measured 12-month ECL in respect of the other financial assets, including deposits and other receivables, pledged bank deposit and bank balances and cash. Based on assessment performed by the Directors of the Company, no loss allowance has been made as at 1 January 2018.

## 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

For management purposes, the Group is organised into business units based on their products and services and has three (2017: three) reportable and operating segments as follows:

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

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

Hospitality – The development of integrated resort in Saipan.

### (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 | | Hospitality | | Eliminations | | Consolidated | |
| | **2018** | 2017 | **2018** | 2017 | **2018** | 2017 | **2018** | 2017 | **2018** | 2017 |
| | ***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 | **127,564** | 83,408 | **24,647** | 12,708 | **-** | – | **-** | – | **152,211** | 96,116 |
| Inter-segment sales | **-** | – | **6,920** | 4,858 | **-** | – | **(6,920)** | (4,858) | **-** | – |
| Other operating income | **565** | 177 | **325** | 43 | **-** | – | **-** | – | **890** | 220 |
| Total | **128,129** | 83,585 | **31,892** | 17,609 | **-** | – | **(6,920)** | (4,858) | **153,101** | 96,336 |
| Segment results | **(10,659)** | (9,175) | **227** | 1,994 | **(3,364)** | (3,258) | **-** | – | **(13,796)** | (10,439) |
| Interest income | | | | | | | | | **310** | 8 |
| Unallocated corporate expenses | | | | | | | | | **(5,605)** | (4,505) |
| Finance costs | | | | | | | | | **(3,793)** | (4,207) |
| Loss before tax | | | | | | | | | **(22,884)** | (19,143) |

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 segment:

| | Golf equipment | | Golf bags | | Hospitality | | Consolidated | |
|---|---|---|---|---|---|---|---|---|
| | **30.6.2018** | 31.12.2017 | **30.6.2018** | 31.12.2017 | **30.6.2018** | 31.12.2017 | **30.6.2018** | 31.12.2017 |
| | ***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 | **238,428** | 239,825 | **11,002** | 14,624 | **217,746** | 311,546 | **467,176** | 565,995 |
| Unallocated corporate assets | | | | | | | | |
| – Club debentures | | | | | | | **2,897** | 2,897 |
| – Bank balances and cash | | | | | | | **134,078** | 49,383 |
| – Others | | | | | | | **1,507** | 1,889 |
| Total assets | | | | | | | **605,658** | 620,164 |
| Segment liabilities | **37,271** | 36,572 | **11,698** | 11,518 | **7,456** | 7,421 | **56,425** | 55,511 |
| Unallocated corporate liabilities | | | | | | | | |
| – Amount due to a related company | | | | | | | **1,316** | 1,316 |
| – Amounts due to directors | | | | | | | **99,925** | 98,777 |
| – Bank and other borrowings | | | | | | | **63,095** | 63,095 |
| – Convertible bond | | | | | | | **53,861** | 51,370 |
| – Deferred tax liabilities | | | | | | | **72** | 76 |
| – Others | | | | | | | **5,444** | 1,789 |
| Total liabilities | | | | | | | **280,138** | 271,934 |

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

- all assets are allocated to operating 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 operating segments other than amount due to a related company, amounts due to directors, bank and other borrowings, convertible bond, 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 | |
|---|---|---|
| | **2018** | 2017 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| Interest income | **310** | 8 |
| Sale of scrap materials | **13** | – |
| Sample income | **156** | 31 |
| Tooling income | **392** | 24 |
| Gain on disposal of property, plant and equipment | **55** | 86 |
| Sundry income | **274** | 79 |
| | **1,200** | 228 |

## 6. FINANCE COSTS

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| Interest expenses on: | | |
| – Bank and other borrowings | **1,748** | 2,317 |
| – Convertible bond | **2,491** | 2,271 |
| Total borrowing costs | **4,239** | 4,588 |
| Less: amount capitalised *(note)* | **(446)** | (381) |
| | **3,793** | 4,207 |

*Note:* Borrowing costs capitalised during the period arose on the general borrowing pool and are calculated by applying a capitalisation rate of 5.40% (six months ended 30 June 2017: 5.00%) per annum to expenditure on qualifying assets.

## 7. INCOME TAX

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| PRC Enterprise Income Tax | **264** | – |
| Deferred tax | **(4)** | – |
| | **260** | – |

(a) No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2018 and 2017 as there are no assessable profits generated.

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

(c) The corporate income tax in Saipan is calculated at 35% of the estimated profit. No provision for corporate income tax for the subsidiary incorporated in Saipan as no income has been derived from Saipan during the six months ended 30 June 2018 and 2017.

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

## 8. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging:

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| Amortisation of prepaid lease payments | **3,475** | 3,395 |
| Amount of inventories recognised as an expense | **136,643** | 86,824 |
| Depreciation of property, plant and equipment | **2,902** | 3,362 |
| Exchange loss, net | **3,706** | 142 |
| Operating leases rentals in respect of land and buildings | **2,045** | 1,574 |

## 9. DIVIDENDS

No dividends were paid, declared or proposed during the period. The Directors have determined that no dividend will be paid in respect of the period (six months ended 30 June 2017: nil).

## 10. LOSS PER SHARE

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

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| **Loss** | | |
| Loss for the purposes of basic and diluted loss per share | **(23,144)** | (19,143) |

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | ***'000*** | *'000* |
| | **(Unaudited)** | (Unaudited) |
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purpose of basic and diluted loss per share | **5,201,250** | 5,201,250 |

The computation of diluted loss per share for the six months ended 30 June 2018 and 2017 does not assume the conversion of the Company's outstanding convertible bond since its exercise would result in a decrease in loss per share.

## 11. PREPAID LEASE PAYMENTS

| | **30.6.2018** | 31.12.2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Audited) |
| Carrying amount at 1 January | **229,724** | 228,785 |
| Addition | **–** | 7,301 |
| Amortisation during the period/year | **(3,475)** | (6,855) |
| Exchange realignment | **4** | 493 |
| | **226,253** | 229,724 |
| Less: current portion | **(6,950)** | (6,955) |
| Non-current portion | **219,303** | 222,769 |

As at 30 June 2018, the Group's prepaid lease payments with carrying value of approximately HK$8,519,000 (31 December 2017: HK$8,664,000) was pledged as security for the banking facilities granted to the Group.

## 12. TRADE AND OTHER RECEIVABLES

| | **30.6.2018** | 31.12.2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Audited) |
| Trade receivables | **37,384** | 33,481 |
| Less: allowance for impairment of trade receivables | **(63)** | (63) |
| | **37,321** | 33,418 |
| Refundable deposit for the construction of property, plant and equipment | **–** | 90,486 |
| Deposits and other receivables | **4,058** | 4,368 |
| Prepayments | **1,990** | 2,926 |
| Prepayments to suppliers | **635** | 1,115 |
| | **6,683** | 98,895 |
| | **44,004** | 132,313 |

(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 ageing 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:

| | **30.6.2018** | 31.12.2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Audited) |
| 0 to 30 days | **26,412** | 24,920 |
| 31 to 90 days | **10,909** | 8,496 |
| Over 90 days | **–** | 2 |
| | **37,321** | 33,418 |

## 13. TRADE AND OTHER PAYABLES

| | **30.6.2018** | 31.12.2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Audited) |
| Trade and bills payables | **46,682** | 45,063 |
| Customers' deposits received | **–** | 1,292 |
| Contract liabilities | **506** | – |
| Accruals and other payables | **14,681** | 10,945 |
| | **61,869** | 57,300 |

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

| | **30.6.2018** | 31.12.2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Audited) |
| 0 to 90 days | **33,905** | 34,923 |
| 91 to 180 days | **9,893** | 8,504 |
| 181 to 365 days | **1,874** | 1,030 |
| Over 365 days | **1,010** | 606 |
| | **46,682** | 45,063 |

## 14. SHARE CAPITAL

| | **Number of shares** | **Share capital** |
|---|---|---|
| | *'000* | *HK$'000* |
| Ordinary shares of HK$0.01 (2017: HK$0.01) each | | |
| **Authorised** | | |
| As at 1 January 2017, 31 December 2017, 1 January 2018 and 30 June 2018 | 10,000,000 | 100,000 |
| **Issued and fully paid** | | |
| As at 1 January 2017, 31 December 2017, 1 January 2018 and 30 June 2018 | 5,201,250 | 52,013 |

## 15. EVENT AFTER THE REPORTING PERIOD

No significant event has been taken place subsequent to 30 June 2018 up to the date of interim results announcement.

## MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL RESULTS AND BUSINESS REVIEW

During the first half year of 2018, the golf business of the Group has rebounded persistently with strength. Both the golf equipment and golf bags sales boosted amidst a highly competitive market environment. The Group's revenue for the current period was generated solely from the golf business which grew approximately 58.4%. Sales to the largest customer increased by more than 1.7 times during the current period. On the other hand, there was no revenue generated by the hospitality segment during the current period. Impacted by the cost hikes and increased operating expenses, the Group has incurred a loss for the current period against a remarkable revenue rise. Strategically, the Board will be exploring more potential development opportunities to expand and diversify the business of the Group.

The Group's revenue for the six months ended 30 June 2018 amounted to approximately HK$152,211,000 (2017: approximately HK$96,116,000). Loss for the period attributable to owners of the Company was approximately HK$23,144,000 compared to the loss of approximately HK$19,143,000 for the comparative period in 2017. Basic and diluted loss per share were both approximately HK0.44 cent for the current period (2017: basic and diluted loss per share were both approximately HK0.37 cent).

## GOLF EQUIPMENT BUSINESS

The golf equipment segment continued as the main operating segment and accounted for approximately 83.8% of the Group's revenue for the current period (2017: approximately 86.8%). Benefiting from the expanded business of the largest customer, the golf equipment sales grew about 52.9% during the current period to approximately HK$127,564,000 from approximately HK$83,408,000 for the comparative period in 2017.

During the current period, sales to the largest segmental customer amounted to approximately HK$72,819,000 (2017: approximately HK$37,415,000 for sales to a segmental customer which ranked the second largest in the current period), representing approximately 57.1% (2017: approximately 44.9%) of the segment revenue or approximately 47.8% (2017: approximately 38.9%) of the Group's revenue for the current period, respectively. Revenue generated from the top five segmental customers increased by about 56.6% to approximately HK$125,228,000 (2017: approximately HK$79,949,000), representing approximately 98.2% (2017: approximately 95.9%) of the segment revenue or approximately 82.3% (2017: approximately 83.2%) of the Group's revenue for the current period, respectively. Augmented by the active marketing initiatives, the Group has pursued to continually develop the golf equipment business through strengthening the customer relationship as well as exploring more business opportunities with other key market participants.

To combat the cost hikes which undermined profitability, the Group has reformed its manufacturing operations in Guangdong Province, the PRC whereby subcontracting arrangements with independent third parties possessing expertise in golf equipment manufacturing were set up to carry out the production function for the Group at higher efficiency and enhanced quality. On the other hand, the Shandong manufacturing facility of the Group has rationalized its workforce to an optimal size to commensurate with the business volume and the anticipated market trend. The Shandong manufacturing facility has been operating effectively under a relatively lower cost environment available in the northern part of China. Notwithstanding the measures adopted to monitor and optimize manufacturing costs, the operating expenses for the current period nevertheless went up mainly due to the surge in staff costs; retirement benefit and social insurance expenses; and foreign currency exchange differences.

The surge of operating expenses had largely offset the contribution derived from the revenue rise. Impacted by the cost hikes, the golf equipment segment recorded a segment loss of approximately HK$10,659,000 for the six months ended 30 June 2018 compared to the segment loss of approximately HK$9,175,000 for the comparative period in 2017. Taking into account the order book status and the prevailing market conditions, it is anticipated that the golf equipment business will operate under more challenges in the second half year of 2018 particularly in view of the potential impact of the threatened trade war between China and the United States. To achieve long-term development, the golf equipment segment is determined to continually strengthen customer relationship as augmented by diverse marketing initiatives aiming to explore new business opportunities. The management has maintained a cautious view with prudence on the prospect of the golf equipment business for the current financial year.

## GOLF BAGS BUSINESS

Driven by the increased orders of the largest customer, the golf bags segment had achieved significant growth in sales for the six months ended 30 June 2018. The Group's revenue attributable to the golf bags segment, defined as comprising the sales of golf bags and accessories to external customers, soured about 93.9% to approximately HK$24,647,000 (2017: approximately HK$12,708,000), representing approximately 16.2% of the Group's revenue for the current period (2017: approximately 13.2%). Total sales of the golf bags segment, before elimination of the inter-segmental sales of approximately HK$6,920,000 (2017: approximately HK$4,858,000), rose about 79.7% to approximately HK$31,567,000 during the current period (2017: approximately HK$17,566,000). The inter-segmental sales represented the golf bags produced as components for fulfilling the orders of golf club sets placed by customers with the golf equipment segment. The sales of the golf club sets have been classified as the revenue of the golf equipment segment as appropriate.

The segment revenue for the current period comprised golf bags sales of approximately HK$19,550,000 (2017: approximately HK$10,509,000) and accessories sales mainly boston bags of approximately HK$5,097,000 (2017: approximately HK$2,199,000), representing approximately 79.3% (2017: approximately 82.7%) and approximately 20.7% (2017: approximately 17.3%) of the segment revenue, respectively. The golf bags sales increased drastically during the current period mainly due to mass orders from the largest customer which has, in addition to customarily purchasing golf clubs from the golf equipment segment, also started to place separate golf bags orders with the Group since last year. During the current period, sales to the largest segmental customer more than tripled to approximately HK$18,476,000 (2017: approximately HK$5,598,000), representing approximately 75.0% (2017: approximately 44.1%) of the segment revenue or approximately 12.1% (2017: approximately 5.8%) of the Group's revenue for the current period, respectively. The aggregate revenue generated from the top five segmental customers escalated during the current period to approximately HK$22,771,000 (2017: approximately HK$10,102,000), representing approximately 92.4% (2017: approximately 79.5%) of the segment revenue or approximately 15.0% (2017: approximately 10.5%) of the Group's revenue for the current period, respectively.

The golf bags segment managed to accomplish the mass customer orders through its own workforce as supplemented by subcontracting arrangements to process surplus order quantities beyond the segment's labor capability. This led to a substantial increase in subcontracting charges for the current period. Besides, the selling and distribution cost including transportation and freight charges surged significantly during the current period to cope with the onerous delivery requirements. The average gross margin of the golf bags for the current period fell remarkably mainly due to the cost hikes on materials and components as well as the manufacturing overheads such as subcontracting charges and labor expenses.

Adversely affected by the cost hikes which eroded contributions of the increased sales, the golf bags segment had recorded a segment profit of approximately HK$227,000 for the six months ended 30 June 2018 (2017: approximately HK$1,994,000). Taking into consideration the sales orders status and the anticipated market conditions, the management has maintained a positive view with prudence on the outlook of the golf bags business for the current financial year.

## HOSPITALITY BUSINESS

The Board has been exploring appropriate diversification business opportunities and/or investments to expand the revenue sources and enhance the long-term growth potential of the Group. With the optimistic view of the tourism and golf related industries in Saipan, the Group acquired Lucky Fountain Holdings Limited and its subsidiaries (the "**Lucky Fountain Group**") in 2016. 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 acquisition of the Lucky Fountain Group provides the Group with opportunities to dip into the hospitality segment of Saipan and savor in the development of the tourism and golf related industries in Saipan.

Subsequent to the acquisition of the Lucky Fountain Group, due to the shortage of local construction workers and uncertainty of overseas working visa quota in Saipan since 2017, the development of hospitality business has been postponed. The development will be postponed until all external factors have been solved.

During the current period ended, no revenue (six months ended 30 June 2017: Nil) was generated from the hospitality business.

## PROSPECTS

The golf business prospered during the six months ended 30 June 2018 to boost sales amidst the cost hikes burden. During the current period, both the golf equipment and golf bags sales grew significantly mainly due to the business expansion with the largest customer which is a top tier brand name. With the streamlined operations and stringent cost monitoring measures, the Group had managed to effectively mitigate the impact of cost hikes to optimize operating results. The Company considers that the Group's financial position has remained solid and healthy with adequate funds available to finance its operations. Taking into account the anticipated market conditions and the order book status, the management has maintained a cautious view with prudence that the golf equipment and the golf bags business will continue to operate reasonably in the foreseeable future amidst many challenges and difficulties which may arise in consequence of the threatened trade war between China and the United States.

On the other hand, the acquisition of the Lucky Fountain Group in 2016 provides the Group with the opportunity to diversify its business and the potential to enhance its revenue sources. Although the development plan in Saipan has been postponed at the current stage, the Group will continue to observe the hospitality industry trend in Saipan from time to time and start the development plan in best entry time.

Looking ahead, the Group will continue to pursue a cautious business approach to closely monitor the golf equipment and golf bags business and seize other growth opportunities to enhance competitiveness to strive for the best return to the shareholders.

## DIVIDEND

The Board resolved not to recommend the payment of any dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

## FINANCIAL RESOURCES, LIQUIDITY AND GEARING

As at 30 June 2018, bank balances and cash, which were mostly denominated in United States dollars ("**US$**"), Hong Kong dollars ("**HK$**") and Renminbi ("**RMB**"), amounted to approximately HK$134,078,000 (31 December 2017: approximately HK$49,383,000). As at 30 June 2018, interest-bearing borrowings of the Group comprising bank borrowings aggregated to RMB53,000,000 which was equivalent to approximately HK$63,095,000 (31 December 2017: RMB53,000,000 which was equivalent to approximately HK$63,095,000), of which all were repayable within one year. Amount due to a related company of approximately HK$1,316,000 as at 30 June 2018 (31 December 2017: HK$1,316,000) and amounts due to directors of approximately HK$99,925,000 as at 30 June 2018 (31 December 2017: HK$98,777,000) were both unsecured, non-interest bearing and repayable on demand.

As at 30 June 2018, the gearing ratio, defined as bank and other borrowings, amounts due to directors, amount due to a related company and convertible bond less bank balances and cash and pledged bank deposit of approximately HK$83,488,000 (31 December 2017: HK$164,544,000) divided by the total equity of approximately HK$325,520,000 (31 December 2017: HK$348,230,000) was lowered to approximately 25.6% (31 December 2017: approximately 47.3%).

As at 30 June 2018, the total assets and the net asset value of the Group amounted to approximately HK$605,658,000 (31 December 2017: approximately HK$620,164,000) and approximately HK$325,520,000 (31 December 2017: approximately HK$348,230,000), respectively. Current and quick ratios as at 30 June 2018 were approximately 1.18 (31 December 2017: approximately 1.26) and approximately 0.79 (31 December 2017: approximately 0.82), respectively. The Group is devoted to continually explore possible means to further rationalize and improve its financial position from time to time.

## PLEDGE OF ASSETS

As at 30 June 2018, bank borrowings from a PRC bank of RMB53,000,000 which was equivalent to approximately HK$63,095,000 (31 December 2017: RMB53,000,000 which was equivalent to approximately HK$63,095,000) were secured by property, plant and equipment and the prepaid lease payments of the Group with a carrying value of approximately HK$97,172,000 (31 December 2017: approximately HK$98,664,000). As at 30 June 2018, the Group had pledged bank deposit of RMB530,000 which was equivalent to approximately HK$631,000 (31 December 2017: RMB530,000 which was equivalent to approximately HK$631,000) for a bank guarantee of RMB500,000 (31 December 2017: RMB500,000) issued to the landlord of the Group's golf bags manufacturing facility.

## EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

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 RMB. The Group is exposed to foreign currency risk due to the exchange rate fluctuation of RMB against HK$ and US$. The Group had not entered into any derivative contracts to hedge against the risk for the six months ended 30 June 2018. The Group will review and monitor its currency exposure from time to time and when appropriate hedge its currency risk.

## CONTINGENT LIABILITIES

At 30 June 2018, an indirect wholly-owned subsidiary of the Company had been named as defendant in a Hong Kong High Court action as a writ of summon was issued against it in April 2011 claiming for an amount of approximately HK$1,546,000 together with interest thereon and costs. The subsidiary has filed a full defense to this writ. In the opinion of the Directors, no provision for any potential liability has been made in the condensed consolidated financial information as the Group has pleaded reasonable chance of success in the defense.

Another subsidiary had been named as defendant as a writ of summons from a local PRC court was served against the subsidiary in April 2015 pursuant to which a PRC company as plaintiff claimed against the subsidiary for a sum of approximately RMB1,366,000, equivalent to approximately HK$1,570,000 with damages of approximately RMB55,000, equivalent to approximately HK$63,000, together with interest thereon and costs. On 25 November 2016, the PRC court gave judgment and ordered that (i) the plaintiff should be responsible for repairing, replacement and/or rework within 30 days of the court order so as to rectify to make those machinery and equipment sold to the defendant to be in compliance with the terms and standards set out in the sales and purchase contract and (ii) upon fulfillment of the court order by the plaintiff, the defendant shall pay within 10 days a sum of approximately RMB1,036,000 to the plaintiff as full and final settlement of its claim for the balance of purchase consideration. The PRC court further ruled on 16 August 2017 that the Group did not have further obligation to pay since the plaintiff had not fulfilled its obligation for repairing, replacement and/or rework. As such, the Directors considered that no provision was required to be made in the consolidated financial statements.

Other than as disclosed, the Group had no significant contingent liabilities as at 30 June 2018.

## EVENT AFTER THE REPORTING PERIOD

No significant event has taken place subsequent to 30 June 2018 up to the date of interim results announcement.

## CAPITAL COMMITMENTS

As at 30 June 2018, the Group had capital commitments, which are contracted but not provided for in the condensed consolidated financial information, in respect of purchase of leasehold land and building and plant and machinery amounting to approximately HK$468,000 (31 December 2017: approximately HK$1,120,000).

## EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2018, the Group had approximately 1,130 employees located mainly in Hong Kong and the PRC. It is the Group's strategy to maintain a harmonious relationship with its employees through provision of competitive remuneration packages and career development opportunities. The employees are remunerated based on their duties, experience and performance as well as market 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 2018.

## CORPORATE GOVERNANCE

The Company has complied with 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 2018, 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 non-executive Directors and independent non-executive Directors of the Company have not been appointed for any specific terms, the requirement of the code provision is effectively met as those 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 and other non-executive Directors should attend the general meetings. Mr. Liu Tianmin, a non-executive Director, was unable to attend the Company's annual general meeting held on 15 June 2018 due to a business trip at the relevant time. Nevertheless, the Board believes that the presence of other 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 to 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 2018.

## 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 condensed consolidated financial information for the six months ended 30 June 2018.

## 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.

## APPRECIATION

On behalf of the Board, I would like to thank all our employees for their contribution and commitments. I also wish to extend my sincere gratitude to our shareholders, customers, suppliers and business partners for their long-term supports and dedication.

By order of the Board
**Sino Golf Holdings Limited**
**Huang Bangyin**
*Chairman*

Hong Kong, 31 August 2018

*As at the date of this announcement, the Board comprises (i) Mr. Huang Bangyin, Mr. Chu Chun Man, Augustine and Mr. Wang Chuang as executive Directors; (ii) Mr. Wong Hin Shek and Wei Chung-Hsiang as non-executive Directors; and (iii) Ms. Chu Yin Yin, Georgiana, Mr. Yip Tai Him, and Mr. Chan Kai Wing as independent non-executive Directors.*