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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 2021**

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 2021 (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 2021

		Six months ended 30 June	
		2021	2020
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Revenue	3	184,287	87,036
Cost of sales		(163,545)	(72,118)
Gross profit		20,742	14,918
Other operating income	5	1,400	2,506
Selling and distribution expenses		(1,613)	(983)
Administrative expenses		(26,005)	(22,108)
Finance costs	6	(5,484)	(6,589)
Loss before tax	8	(10,960)	(12,256)
Income tax credit (expense)	7	22	(175)
Loss and total comprehensive expense for the period		(10,938)	(12,431)

* *for identification purpose only*

	Six months ended 30 June	
	2021	2020
<i>NOTE</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Loss and total comprehensive expense for the period attributable to:		
– Owners of the Company	(10,938)	(12,431)
– Non-controlling interests	<u>–</u>	<u>–</u>
	<u>(10,938)</u>	<u>(12,431)</u>
	<i>HK cent</i>	<i>HK cent</i>
Loss per share		
– Basic and diluted	<i>10</i> <u>(0.21)</u>	<u>(0.24)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	<i>NOTES</i>	30.6.2021 <i>HK\$'000</i> (Unaudited)	31.12.2020 <i>HK\$'000</i> (Audited)
Non-current assets			
Property, plant and equipment		98,483	101,225
Right-of-use assets		205,796	210,008
Goodwill		–	–
Club debentures		2,397	2,397
Prepayments for the acquisition of property, plant and equipment		<u>131</u>	<u>218</u>
		<u>306,807</u>	<u>313,848</u>
Current assets			
Inventories		39,205	57,112
Trade and other receivables	<i>11</i>	79,580	72,753
Amount due from a related company		1,544	1,017
Bank balances and cash		<u>114,771</u>	<u>113,786</u>
		<u>235,100</u>	<u>244,668</u>
Current liabilities			
Trade and other payables	<i>12</i>	74,598	74,372
Amount due to a director		76,203	83,238
Lease liabilities		231	1,012
Bank borrowings		<u>63,095</u>	<u>63,095</u>
		<u>214,127</u>	<u>221,717</u>
Net current assets		<u>20,973</u>	<u>22,951</u>
Total assets less current liabilities		<u>327,780</u>	<u>336,799</u>

		30.6.2021	31.12.2020
	<i>NOTE</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
Non-current liabilities			
Convertible bond		47,141	45,200
Deferred tax liabilities		<u>376</u>	<u>398</u>
		<u>47,517</u>	<u>45,598</u>
Net assets		<u>280,263</u>	<u>291,201</u>
Capital and reserves			
Share capital	<i>13</i>	52,013	52,013
Reserves		<u>225,520</u>	<u>236,458</u>
Equity attributable to owners of the Company		277,533	288,471
Non-controlling interests		<u>2,730</u>	<u>2,730</u>
Total equity		<u>280,263</u>	<u>291,201</u>

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 ownership interest in leasehold land and buildings, which are measured at revalued amount.

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 2020.

In the current interim period, the Group has applied, for the first time, following the amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA, which are effective for the Groups’s financial year beginning 1 January 2021:

Amendment to HKFRS 16	Covid-19 — Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2

The application of the amendments to HKFRSs in the current interim period has had no material impact on the Group’s financial performance and position for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial information.

3. REVENUE

Revenue represents revenue arising from sales of goods for the period.

4. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three (2020: three) reportable and operating segments as follows:

- Golf equipment – Manufacture and sales of golf equipment, and related components and parts.
- Golf bags – Manufacture and sales of golf bags, other accessories, and related components and parts.
- Hospitality – Development of integrated resort in the Commonwealth of the Northern Mariana Islands (the “CNMI”).

(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	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Segment revenue:										
Sales to external customers	165,210	72,883	19,077	14,153	-	-	-	-	184,287	87,036
Inter-segment sales	-	-	8,546	2,066	-	-	(8,546)	(2,066)	-	-
Other operating income	1,221	1,577	166	176	-	-	-	-	1,387	1,753
Total	<u>166,431</u>	<u>74,460</u>	<u>27,789</u>	<u>16,395</u>	<u>-</u>	<u>-</u>	<u>(8,546)</u>	<u>(2,066)</u>	<u>185,674</u>	<u>88,789</u>
Segment results	<u>(806)</u>	<u>(1,761)</u>	<u>2,663</u>	<u>2,507</u>	<u>(3,342)</u>	<u>(3,361)</u>	<u>-</u>	<u>-</u>	<u>(1,485)</u>	<u>(2,615)</u>
Interest income									13	753
Unallocated corporate expenses									(4,004)	(3,805)
Finance costs									(5,484)	(6,589)
Loss before tax									<u>(10,960)</u>	<u>(12,256)</u>

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	
	30.6.2021 HK\$'000 (Unaudited)	31.12.2020 HK\$'000 (Audited)	30.6.2021 HK\$'000 (Unaudited)	31.12.2020 HK\$'000 (Audited)	30.6.2021 HK\$'000 (Unaudited)	31.12.2020 HK\$'000 (Audited)	30.6.2021 HK\$'000 (Unaudited)	31.12.2020 HK\$'000 (Audited)
Segment assets	<u>209,445</u>	<u>224,694</u>	<u>13,577</u>	<u>12,353</u>	<u>197,866</u>	<u>201,198</u>	<u>420,888</u>	<u>438,245</u>
Unallocated corporate assets								
– Club debentures							<u>2,397</u>	<u>2,397</u>
– Bank balances and cash							<u>114,771</u>	<u>113,786</u>
– Others							<u>3,851</u>	<u>4,088</u>
Total assets							<u><u>541,907</u></u>	<u><u>558,516</u></u>
Segment liabilities	<u>55,100</u>	<u>53,597</u>	<u>10,651</u>	<u>11,682</u>	<u>7,492</u>	<u>7,492</u>	<u>73,243</u>	<u>72,771</u>
Unallocated corporate liabilities								
– Amount due to a director							<u>76,203</u>	<u>83,238</u>
– Bank borrowings							<u>63,095</u>	<u>63,095</u>
– Convertible bond							<u>47,141</u>	<u>45,200</u>
– Deferred tax liabilities							<u>376</u>	<u>398</u>
– Others							<u>1,586</u>	<u>2,613</u>
Total liabilities							<u><u>261,644</u></u>	<u><u>267,315</u></u>

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

- all assets are allocated to operating segments other than certain right-of-use assets, club debentures, bank balances and cash, certain other receivables, certain inventories and plant and equipment for central administrative purpose; and
- all liabilities are allocated to operating segments other than amount due to a director, certain lease liabilities, bank borrowings, convertible bond, deferred tax liabilities and certain other payables.

5. OTHER OPERATING INCOME

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest income	13	753
Sale of scrap materials	20	4
Sample income	100	110
Tooling income	124	9
Gain on disposal of property, plant and equipment	45	–
Rental income	46	146
Government grants	457	1,279
Sundry income	595	205
	<u>1,400</u>	<u>2,506</u>

6. FINANCE COSTS

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest expenses on:		
– Bank borrowings	1,716	1,638
– Convertible bond	1,941	2,998
– Amount due to a director (<i>note</i>)	1,808	1,890
– Lease liabilities	19	63
	<u>5,484</u>	<u>6,589</u>

Note: Interest at 5% (2020: 5%) per annum was charged on the amount due to a director for the six months ended 30 June 2021.

7. INCOME TAX (CREDIT) EXPENSE

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
The People's Republic of China (the "PRC")		
Enterprise Income Tax	–	188
Deferred tax	<u>(22)</u>	<u>(13)</u>
	<u>(22)</u>	<u>175</u>

- (i) No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2021 and 2020 as there are no assessable profits generated or the estimated assessable profit has been offset by tax losses brought forward from previous years.
- (ii) Under the Law of 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.
- (iii) The corporate income tax in the CNMI is calculated at 30% of the estimated profit. No provision for corporate income tax for the subsidiary incorporated in the CNMI has been made as no income has been derived from the CNMI during the six months ended 30 June 2021 and 2020.
- (iv) The Group is not subject to taxation in other jurisdiction.

8. LOSS BEFORE TAX

Loss before tax for the period has been arrived at after charging (crediting):

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Amount of inventories recognised as an expense	163,545	72,118
Depreciation of property, plant and equipment	3,204	3,987
Depreciation of right-of-use assets	4,212	4,251
Exchange loss, net	1,593	337
Expenses related to short-term leases	914	856
(Gain) loss on disposal of property, plant and equipment	<u>(45)</u>	<u>611</u>

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 2020: 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	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss		
Loss for the purposes of basic and diluted loss per share	<u>(10,938)</u>	<u>(12,431)</u>
	Six months ended 30 June	
	2021	2020
	'000	'000
	(Unaudited)	(Unaudited)
Number of shares		
Number of ordinary shares for the purpose of basic and diluted loss per share	<u>5,201,250</u>	<u>5,201,250</u>

The computation of diluted loss per share for the six months ended 30 June 2021 and 2020 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. TRADE AND OTHER RECEIVABLES

	30.6.2021 <i>HK\$'000</i> (Unaudited)	31.12.2020 <i>HK\$'000</i> (Audited)
Trade receivables, at amortised cost	69,774	64,958
Deposits and other receivables	5,608	4,522
Prepayments	3,899	3,098
Prepayments to suppliers	299	175
	79,580	72,753

The Group does not hold any collateral over these balances.

- (i) 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 (31 December 2020: 30 and 60 days). The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management.
- (ii) The following is an ageing analysis of the trade receivables of the Group presented based on the invoice date, which approximates the respective revenue recognition date, at the end of the reporting period:

	30.6.2021 <i>HK\$'000</i> (Unaudited)	31.12.2020 <i>HK\$'000</i> (Audited)
0 to 30 days	42,016	26,997
31 to 90 days	27,754	36,697
91 to 180 days	4	1,264
	69,774	64,958

12. TRADE AND OTHER PAYABLES

	30.6.2021 <i>HK\$'000</i> (Unaudited)	31.12.2020 <i>HK\$'000</i> (Audited)
Trade payables	51,265	54,964
Contract liabilities	3,938	294
Accruals and other payables	19,395	19,114
	<u>74,598</u>	<u>74,372</u>

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

	30.6.2021 <i>HK\$'000</i> (Unaudited)	31.12.2020 <i>HK\$'000</i> (Audited)
0 to 90 days	40,515	41,465
91 to 180 days	7,162	10,596
181 to 365 days	740	382
Over 365 days	2,848	2,521
	<u>51,265</u>	<u>54,964</u>

13. SHARE CAPITAL

	Number of shares <i>'000</i>	Share capital <i>HK\$'000</i>
Ordinary shares of HK\$0.01 (31 December 2020: HK\$0.01) each		
Authorised		
At 1 January 2020, 31 December 2020, 1 January 2021 and 30 June 2021	<u>10,000,000</u>	
Issued and fully paid		
At 1 January 2020, 31 December 2020, 1 January 2021 and 30 June 2021	<u>5,201,250</u>	<u>52,013</u>

14. EVENT AFTER THE REPORTING PERIOD

No significant event has taken place subsequent to 30 June 2021 up to the date of interim results announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS AND BUSINESS REVIEW

The novel coronavirus (“COVID-19”) has not vanished in 2021 but persisted in different parts of the world to threaten public health and hinder economic recovery. During the first half year of 2021, the pandemic was alleviated and under better control in regions such as China and Hong Kong which had provided vaccination for the populations. In light of the critical situation, most of the travel restrictions and quarantine measures are still in place to prevent the global spread of COVID-19. There is no clear indication as to when the pandemic will be over to allow the world to revert to normal. Notwithstanding the economic instability, the Group managed to strengthen the golf business through diverse marketing initiatives and collaborations to accommodate the needs of customers. Benefiting from a rebound of the golf market, the golf revenue of the Group surged to more than double during the six months ended 30 June 2021. In addition, the Group has pursued effective measures to continually rationalise the operations and optimise costs to the extent feasible. There was no revenue generated by the hospitality segment during the period as the development of the hospitality business has been postponed until the external restricting factors in the Commonwealth of the Northern Mariana Islands (the “CNMI”) are resolved. To substantiate the long-term development, the Board is committed to exploring more and different potential development opportunities to expand and diversify the business of the Group.

The Group’s revenue for the six months ended 30 June 2021 amounted to approximately HK\$184,287,000 (2020: HK\$87,036,000). Loss for the period attributable to owners of the Company was approximately HK\$10,938,000 (2020: HK\$12,431,000). Basic and diluted loss per share were both approximately HK0.21 cent for the reporting period (2020: HK0.24 cent).

GOLF EQUIPMENT BUSINESS

The golf equipment business has constituted the main operating segment of the Group throughout the years. It generated approximately 89.6% of the Group’s revenue for the six months ended 30 June 2021 (2020: 83.7%). Driven by a rebound of the golf market, the golf equipment sales grew 126.7% to approximately HK\$165,210,000 for the period (2020: HK\$72,883,000).

During the period, sales of golf equipment to the largest segmental customer surged by 118.6% to approximately HK\$75,870,000 (2020: HK\$34,710,000), representing approximately 45.9% (2020: 47.6%) of the segment revenue or approximately 41.2% (2020: 39.9%) of the Group’s revenue for the period, respectively. Sales to other key segmental customers increased by various extent to contribute extra income. Revenue generated from the top five segmental customers rose by 1.3 times to approximately HK\$164,394,000 (2020: HK\$70,911,000), representing approximately 99.5% (2020: 97.3%) of the segment revenue or approximately 89.2% (2020: 81.5%) of the Group’s revenue for the period, respectively. It is the corporate goal to enhance the market share in the long-term through expanding services to best accommodate the customer needs as well as exploring new business opportunities with other credible golf name brands.

To combat the pandemic, the Group has enforced stringent anti-epidemic measures to minimise infection risk and secure workplace safety for normal operations. Unlike last year, there were no governmental assistance or relief policies offered to enterprises in 2021. The Group had to resume making substantial retirement benefits contribution payments for the employees of the PRC subsidiaries. Most government subsidies awarded for the previous year had ceased in the current period. Besides, the parts and components cost went up remarkably during the period due to a shortage of supply under the increased demand for golf equipment products. These unfavorable factors added up to undermine the contribution margin achievable by the golf equipment business. To mitigate the impact of the cost hikes, the Group reinforced the rationalisation measures to continually streamline the operations and manufacturing process to optimise costs. The increased utilisation of subcontracting arrangements helped bring cost benefit to the Group whilst preserving a high standard of product quality. On the other hand, the Group offered performance incentives to motivate the production workforce to strive for higher productivity and output. The Shandong manufacturing facility had carried out a periodic review of the workforce and took necessary actions to optimise the headcount to match the business volume and market conditions. Through proactive management, the Group was able to sensibly regulate the performance of the golf equipment segment amidst the economic uncertainties.

Benefiting from a boost in sales, the golf equipment segment managed to reduce the segment loss for the six months ended 30 June 2021 to approximately HK\$806,000 which was down 54.2% from the segment loss of approximately HK\$1,761,000 incurred for the comparative period in 2020. Having considered the order book status and the impact of the pandemic, it is anticipated that the golf equipment business will be operating under intense pressure with great challenge in the second half year. The golf equipment segment is devoted to strengthening the customer relationship through diverse marketing initiatives and collaborations to best accommodate the customer needs. The management has adopted a prudent view with caution on the prospect of the golf equipment business in the second half year of 2021.

GOLF BAGS BUSINESS

Stimulated by the strong golf equipment sales, the Group's revenue attributable to the golf bags segment, defined as comprising the sales of golf bags and accessories to external customers, increased by 34.8% to approximately HK\$19,077,000 (2020: HK\$14,153,000), representing approximately 10.4% of the Group's revenue for the six months ended 30 June 2021 (2020: 16.3%). Total sales of the golf bags segment, before elimination of the inter-segmental sales of approximately HK\$8,546,000 (2020: HK\$2,066,000), increased by 70.3% to approximately HK\$27,623,000 during the period (2020: HK\$16,219,000). The inter-segmental sales represented the golf bags produced as components for 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 in accordance with the Group's policy.

The segment revenue for the period comprised golf bags sales of approximately HK\$15,733,000 (2020: HK\$11,339,000) and accessories sales mainly sports bags of approximately HK\$3,344,000 (2020: HK\$2,814,000), representing approximately 82.5% (2020: 80.1%) and approximately 17.5% (2020: 19.9%) of the segment revenue, respectively. Both the golf bags and sports bags sales showed consistent rebound during the period.

Sales to the largest segmental customer jumped by 50.9% to approximately HK\$8,508,000 during the period (2020: HK\$5,637,000), representing approximately 44.6% (2020: 39.8%) of the segment revenue or approximately 4.6% (2020: 6.5%) of the Group's revenue for the period, respectively. Sales to other key segmental customers increased significantly to contribute additional revenue. Revenue generated from the top five segmental customers escalated by 43.9% to approximately HK\$18,268,000 (2020: HK\$12,693,000) representing approximately 95.8% (2020: 89.7%) of the segment revenue or approximately 9.9% (2020: 14.6%) of the Group's revenue for the period, respectively. Notwithstanding that, the contribution from the increased segmental sales was eroded to some extent due to the non-recurrence of governmental subsidies and cost relief policies in the current period. The golf bags segment has reinforced the rationalisation measures to persistently streamline the operations to eliminate inefficiencies and optimise costs for the long-term development.

Amidst the cost hikes and the impact of the pandemic, the golf bags segment managed to record a segment profit of approximately HK\$2,663,000 for the six months ended 30 June 2021 (2020: HK\$2,507,000). Taking into account the order book status and the challenges of the pandemic, the management has held a cautious view on the outlook of the golf bags business for the second half year of 2021.

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 the CNMI, 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 the CNMI 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 the CNMI and savor in the development of the tourism and golf related industries in the CNMI.

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 the CNMI 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 (2020: nil) was generated from the hospitality business.

PROSPECTS

The COVID-19 has continued in 2021 and persisted in different parts of the world to jeopardise human health causing casualties. It retards the restoration of the business sector as most of the travel restrictions and quarantine measures are still in place to combat the pandemic. Benefiting from a rebound of the golf market, the business of the Group has recovered significantly during the six months ended 30 June 2021. However, there came the cost hikes brought about by the tight supply of parts and components which undermined the product contribution margin as a consequence. It is anticipated that the economic conditions will remain volatile with great challenge in the second half year of 2021. Amidst the on-going challenge of the pandemic, the Group has pursued effective measures to rationalise the operations and optimise costs. To substantiate the long-term development of the golf business, the Group is devoted to strengthening the customer portfolio through diverse marketing initiatives and extensive collaborations to best accommodate the customer needs. More importantly, the Group has possessed a solid financial position with adequate funds to finance its operations and discharge the liabilities when due. The management has maintained a prudent view with caution on the prospect of the golf business for the foreseeable future.

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 the CNMI has been postponed at the current stage, the Group will continue to observe the hospitality industry trend in the CNMI from time to time and start the development plan in best entry time.

Projecting into the future, the Group will continue to pursue a cautious business approach to actively monitor the golf business and seize other development and growth opportunities to enhance competitiveness and strive for the best return and interest for the shareholders.

DIVIDEND

The Board resolved not to recommend the payment of any dividend for the six months ended 30 June 2021 (2020: nil).

FINANCIAL RESOURCES, LIQUIDITY AND GEARING

The Group fulfills its working capital and other funding requirements principally through cash generated from the operations, bank borrowings and advances from a director. As at 30 June 2021, bank balances and cash, which were mostly denominated in United States dollars, Hong Kong dollars and Renminbi, amounted to approximately HK\$114,771,000 (31 December 2020: HK\$113,786,000). As at 30 June 2021, interest-bearing borrowings of the Group comprising bank borrowings amounted to RMB53,000,000 which was equivalent to approximately HK\$63,095,000 (31 December 2020: RMB53,000,000 which was equivalent to approximately HK\$63,095,000), of which all were repayable within one year and carried interest at approximately 5.44% (31 December 2020: 5.44%) per annum. Bank borrowings were fixed rate borrowings denominated in Renminbi as at 30 June 2021 and 31 December 2020. Amount due to a director of approximately HK\$76,203,000 as at 30 June 2021 (31 December 2020: HK\$83,238,000) was unsecured, carrying interest at 5% per annum and repayable on demand.

As at 30 June 2021, the gearing ratio, defined as bank borrowings, amount due to a director and convertible bond less bank balances and cash of approximately HK\$71,668,000 (31 December 2020: HK\$77,747,000) divided by the total equity of approximately HK\$280,263,000 (31 December 2020: HK\$291,201,000) decreased to approximately 25.6% (31 December 2020: 26.7%).

As at 30 June 2021, the total assets and the net assets value of the Group amounted to approximately HK\$541,907,000 (31 December 2020: HK\$558,516,000) and approximately HK\$280,263,000 (31 December 2020: HK\$291,201,000), respectively. Current and quick ratios as at 30 June 2021 were approximately 1.10 (31 December 2020: 1.10) and approximately 0.92 (31 December 2020: 0.85), respectively. Both the current ratio and quick ratio remained relatively stable and reasonable. The Group has pursued to continually explore feasible ways to rationalise and improve its financial position from time to time.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group did not have any material acquisition or disposal of subsidiaries, associates or joint ventures for the six months ended 30 June 2021.

PLEDGE OF ASSETS

As at 30 June 2021, bank borrowings from a PRC bank of RMB53,000,000 which was equivalent to approximately HK\$63,095,000 (31 December 2020: RMB53,000,000 which was equivalent to approximately HK\$63,095,000) were secured by property, plant and equipment and the right-of-use assets of the Group with a carrying value of approximately HK\$101,730,000 (31 December 2020: approximately HK\$103,391,000).

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 2021. The Group will review and monitor its currency exposure from time to time and when appropriate hedge its currency risk.

CONTINGENT LIABILITIES

By an order of the Hong Kong High Court dated 13 May 2021, the writ of summons issued against an indirect wholly-owned subsidiary of the Company in April 2011 was dismissed with no order as to costs upon the joint application of the solicitors for the plaintiff and the solicitors for the defendant by way of Consent Summons filed on 6 May 2021.

The Group had no significant contingent liabilities as at 30 June 2021.

EVENT AFTER THE REPORTING PERIOD

No significant event has taken place subsequent to 30 June 2021 up to the date of interim results announcement.

CAPITAL COMMITMENTS

As at 30 June 2021, the Group had capital commitments, which are contracted but not provided for in the condensed consolidated financial information, in respect of leasehold land and building and plant and machinery amounting to approximately HK\$81,000 (31 December 2020: HK\$187,000).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2021, the Group had approximately 820 employees (31 December 2020: 780 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 2021.

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 2021, 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 division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. The roles of the chairman and chief executive officer have not been separated for the Company. The deviation is deemed appropriate and the Board believes that even vesting the roles of both chairman and chief executive officer in the same person could still provide 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 non-executive Directors and 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.

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 2021.

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 policies 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 2021.

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, 26 August 2021

As at the date of this announcement, the Board comprises (i) Mr. Huang Bangyin and Mr. Chu Chun Man, Augustine as executive Directors; (ii) Mr. Wong Hin Shek as non-executive Director; and (iii) Mr. Sheng Baojun, Mr. Ho Kwong Yu and Ms. Lin Lin as independent non-executive Directors.