Sino Golf Holdings Limited
順龍控股有限公司

(Incorporated in Bermuda with limited liability)

Stock Code: 00361

2012 ANNUAL REPORT

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. CHU Chun Man, Augustine *(Chairman)*
Mr. CHU Yuk Man, Simon
Mr. CHANG Hua Jung

Independent Non-Executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Mr. CO Man Kwong

AUTHORISED REPRESENTATIVES

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

AUDITORS

SHINEWING (HK) CPA Limited
43/F., The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong

INTERNAL CONTROL REVIEW ADVISOR

SHINEWING Risk Services Limited
43/F., The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong

PRINCIPAL BANKERS

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

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Bermuda) Limited
26 Burnaby Street
Hamilton, HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
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28 Queen's Road East, Wanchai
Hong Kong

REGISTERED OFFICE

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2 Church Street
Hamilton, HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS

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New Territories
Hong Kong

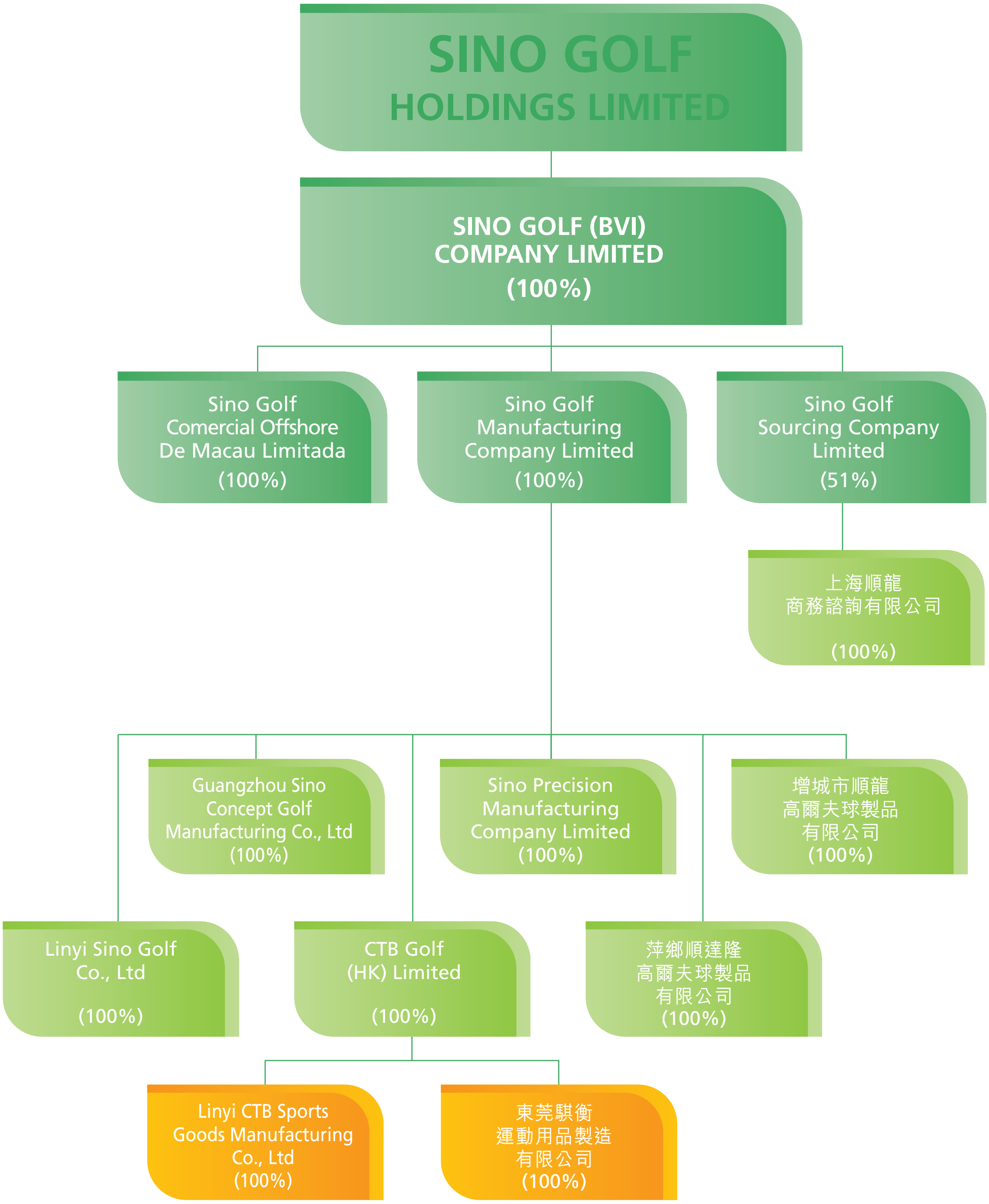
TICKER SYMBOL

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

WEBSITE

http://www.sinogolf.com

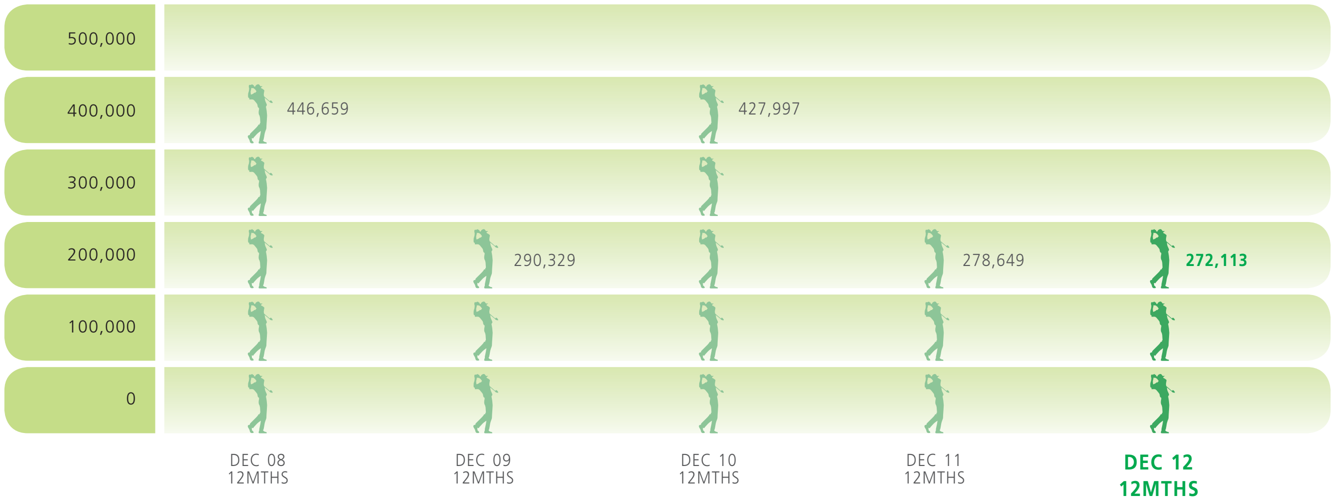
CORPORATE STRUCTURE



FINANCIAL HIGHLIGHTS

Turnover

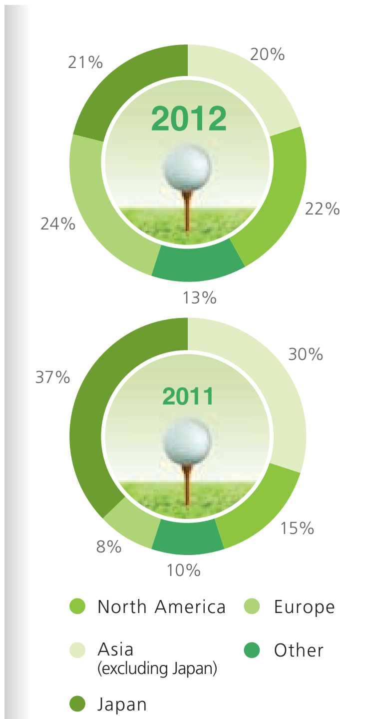
(HK$'000)



Turnover by Product

Turnover (Club) by Geographical Area

Turnover (Bag) by Geographical Area



CHAIRMAN'S STATEMENT

On behalf of the Board of Directors (the "Board") of Sino Golf Holdings Limited (the "Company"), I hereby present to shareholders the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2012.

Chu Chun Man, Augustine
Chairman

CHAIRMAN'S STATEMENT

RESULTS AND DIVIDENDS

Consolidated turnover of the Group for the year ended 31 December 2012 amounted to HK$272,113,000 (2011: HK$278,649,000). Loss for the year attributable to owners of the Company was HK$18,531,000 (2011: HK$16,242,000). Loss per share was HK4.03 cents (2011: HK5.06 cents) and the diluted loss per share for both years was the same as its respective basic loss per share since there were no dilutive potential ordinary shares during both periods.

The Board did not recommend the payment of a dividend for the year (2011: Nil).

BUSINESS REVIEW

OVERVIEW

The global economy continued to fluctuate in 2012 and remained volatile throughout. Our Group has experienced another year of challenge and recorded a loss. The Group's business progressed fairly reasonable in the first half of 2012 but became unpredictable during the latter part of the year when certain programs in the pipeline had not realised due to a general economic slowdown. This has impacted on the revenue for the current financial year. During the year, the Group managed to preserve the golf equipment sales but sustained an apparent downturn in the golf bag sales nevertheless. Total turnover stayed depressed and fell slightly year over year.

With the on-going economic uncertainties, business participants generally pursued a more prudent strategy so as to minimize the exposures under a volatile economic environment. This resulted in the delay and cancellation of some targeted programs by our customers in 2012, which had depleted the profitability of the Group for the current financial year. The business sentiment has however improved in early 2013 as customers' orders surged significantly to boost anticipated sales and business volume for the first half of 2013. Our management is of the opinion that the Group's performance would have a reasonable chance to turnaround in the ensuing year in light of the perceived rebound.

The Group's turnover decreased by 2.3% in 2012 to HK$272,113,000 (2011: HK$278,649,000). Gross profit for the year was HK$31,939,000 (2011: HK$43,836,000). The average gross profit margin slipped to 11.7% (2011: 15.7%) mainly due to the recouping of fixed costs through a depressed turnover and a general increase in the manufacturing overheads. To uphold our competitive edge in a volatile economy, the Group reinforced its reengineering and cost control measures to mitigate the impact caused by the suppressed revenues. The broadened customer base and the enhanced manufacturing capabilities of the Group have helped strengthen our role as a key market player at times of economic instability. In pursuance of our mission to provide one-stop premium services to customers, the Group has been persistently focusing on product innovation and customers' fulfillment with an objective to enhance our market share with higher enterprise recognition. The Group is committed to achieving long-term growth and development and endeavors to grow and explore our business with the reputable first-tier customers. We maintain in confidence a positive view with caution on the business outlook for the ensuing year in light of the market conditions and the perceived rebound in customers' orders in early 2013.

In 2012, the golf equipment segment generated sales of HK$244,222,000 (2011: HK$234,822,000) to account for 89.8% (2011: 84.3%) of the Group's turnover. Sales of the golf bag segment, after eliminating inter-segmental sales of HK$19,349,000 (2011: HK$12,993,000), amounted to HK$27,891,000 (2011: HK$43,827,000) to take up the remaining 10.2% (2011: 15.7%). Suffering from the depressed revenues, the Group recorded a segmental loss of HK$5,275,000 attributable to the golf equipment business (2011: HK$498,000) and a segmental profit of HK$1,167,000 for the golf bag business (2011: HK$1,182,000), respectively.

GOLF EQUIPMENT BUSINESS

The golf equipment segment retained its dominant role to account for 89.8% of the Group's turnover for the year (2011: 84.3%). Benefiting from our marketing effort, the golf equipment sales increased moderately in 2012 by 4.0% to HK$244,222,000 (2011: HK$234,822,000) despite an unfavorable business sentiment. The segment turnover comprised golf clubs sales of HK$200,177,000 (2011: HK$210,492,000) and components sales of HK$44,045,000 (2011: HK$24,330,000), representing 82.0% (2011: 89.6%) and 18.0% (2011: 10.4%), respectively. The components sales surged remarkably during

the year mainly due to the increase in golf head sales achieved through the sales program. Amongst the golf clubs sales, the proportion of club sets versus individual clubs was 80.5% (2011: 81.8%) and 19.5% (2011: 18.2%), respectively. For the components sales, club heads accounted for 81.5% (2011: 83.0%) with shafts and other accessories taking up the remaining 18.5% (2011: 17.0%).

During the year, sales to the largest segmental customer decreased by 12.9% to HK$79,591,000 (2011: HK$91,377,000), representing 32.6% (2011: 38.9%) of the segment turnover or 29.2% (2011: 32.8%) of the Group's turnover for the year. Sales to the second and the third largest customers were down by 1.8% and 8.6%, respectively whereas sales to other segmental customers generally increased upon our effort to expand business with non-key customers so as to mitigate the impact of the sales drop with the key customers. In consequence, turnover generated from the top five segmental customers managed to stay at similar level as last year, which aggregated to HK$218,170,000 (2011: HK$218,823,000) to represent 89.3% (2011: 93.2%) of the segment turnover or 80.2% (2011: 78.5%) of the Group's turnover for the year. Supported by the broadened customer base, the Group is devoted to persistently developing the golf equipment business with an objective to grow our sales through the existing customers as well as by taking on new first-tier name brands.

The Group has placed principal reliance on its Shandong manufacturing facility in fulfilling the Group's production need and adheres to the strategy of maintaining only an optimal production scale at the Guangdong manufacturing facilities so as to take full advantage of the favorable labor and costing environment in the northern part of the PRC. Since the inception, the Shandong manufacturing facility has been expanded to account for over two-third of the Group's current production of golf clubs including shafts and a limited volume of golf bags as components of the club sets. This facilitated to integrate the production of golf clubs and related components under the same roof to further enhance efficiency and optimize costs. In recent years, the labor supply and workers-related problems have intensified to adversely affect most manufacturing entities in the southern part of the PRC. Some golf manufacturers were forced to significantly curtail their output due to the failure to secure proper and sufficient labor while certain peers failed to survive the economic depression. The Shandong manufacturing facility has helped distinguish the Group from other competitors in that we possess enough capacities with skillful labor at competitive cost to satisfy the customers' requirements. It sets out a key milestone in our development history and provides a platform through which the Group can effectively solicit businesses from those credible name brands that are desirous of establishing high quality alternative supply sources.

Further to relocating the main production function to the Shandong manufacturing facility, the Group has taken steps to realize the redundant capacities at its Guangdong manufacturing facilities for the benefit of the Group and its shareholders. The Company announced on 9 March 2012 that the Group had entered into separate agreements with independent third parties to dispose of the two Guangdong manufacturing facilities, namely, the Yong He facility and the Sino Concept facility for a cash consideration of RMB25,500,000 and RMB12,000,000, respectively. The disposal of the Sino Concept facility was completed in September 2012 to record a gain of about HK$424,000 after netting off the carrying book value of approximately HK$14,576,000. Proceeds from the disposal had been applied to reduce bank debts and provide general working capital for the Group. On the other hand, the disposal of the Yong He facility was not proceeded as the Company announced on 11 September 2012 that the Group had entered into a termination agreement with the purchaser since it was confirmed that certain approvals for the transfer of the Yong He facility could not be obtained from the relevant PRC authorities. Both parties concurred to terminate the transaction and the Group refunded deposits of RMB13,850,000 without interest to the purchaser. As part of the process to further streamline the Group's structure and operating efficiency, the Company announced on 27 September 2012 that the subsidiary that used to own the disposed Sino Concept facility, namely, Guangzhou Sino Concept Golf Manufacturing Co., Ltd. ("Guangzhou Sino Concept"), has resolved to merge with another subsidiary that owns the Yong He facility, namely, Zengcheng Sino Golf Manufacturing Co., Ltd., which will take up all its assets and liabilities including staff in accordance with the relevant applicable PRC laws and regulations. Guangzhou Sino Concept will be deregistered upon completion of the merge. The arrangement was an intra-group reorganization and will have no material adverse implications on the Group. The merge process has been progressing on schedule and is anticipated to complete within a reasonable time period in 2013. The Group will continue to seek opportunity to realize and deal with the redundant capacity at the Yong He facility.

To assure the due recoverability of trade receivables, the Group continued to pursue the sound practice of procuring factoring and insurance for its major trade debts to the extent feasible. In reaction to a fluctuating economy, the Group has acted prudently to limit the customers' credit terms to generally not exceeding 60 days and further requires deposit from new customers to avoid excessive exposures. Our management adhered to the strictest credit control practices and was satisfied with the overall performance of the customers as evidenced by a minimal impairment of about HK$29,000 representing only 0.1% of the trade receivable balance at 31 December 2012.

During the year, raw materials and component costs for golf equipment fluctuated and moved up moderately partly due to the continued appreciation of the Renminbi currency that made domestic purchases more costly. Besides, the launch of sales program at competitive price and the impact of a rising trend in manufacturing costs including labor, social insurances, energy and fuel expenses have squeezed and undermined the profit margins further.

Adversely affected by the depressed revenues and the cost hikes, the golf equipment segment has recorded an increase in segmental loss to HK$5,275,000 for the year (2011: HK$498,000). Having taken into account the current market conditions, the perceived rebound of business in early 2013 and the current order book status, the management believes that the golf equipment segment would have a reasonable chance to turnaround in performance in the ensuing year notwithstanding a continued fluctuating economy with uncertainties. The Group maintains in confidence a positive view with caution on the prospect of the golf equipment segment to substantiate a long-term growth going forward.

GOLF BAG BUSINESS

Hard hit by the substantial drop in sales of the Japan line of products, the turnover of the golf bag segment (defined as comprising only the sales to external customers) plummeted by 36.4% to HK$27,891,000 (2011: HK$43,827,000), representing 10.2% of the Group's turnover for the year (2011: 15.7%). The total sales of the golf bag segment however decreased, before elimination of the inter-segmental sales of HK$19,349,000 (2011: HK$12,993,000), just by 16.9% in 2012 to HK$47,240,000 (2011: HK$56,820,000). The inter-segmental sales of golf bags surged substantially during the year mainly due to the increase in customers' orders of golf club sets that incorporated golf bags as components. Sales of the golf club sets had been classified to constitute the turnover of the golf equipment segment.

Of the segment turnover for the year, golf bag sales amounted to HK$17,956,000 (2011: HK$30,086,000) to represent 64.4% (2011: 68.6%), whereas accessories sales comprising mainly shoe bags aggregated to HK$9,935,000 (2011: HK$13,741,000) to account for the remaining 35.6% (2011: 31.4%). There has not been material change in the product mix percentage throughout the years. During the year, sales to the largest golf bag customer plummeted by 74.8% to HK$6,783,000 (2011: HK$26,917,000), which represents 24.3% (2011: 61.4%) of the segment turnover or 2.5% (2011: 9.7%) of the Group's turnover for the year. The drastic drop in sales to the largest segmental customer had been due to the shift by this customer of a significant portion of products procurement to its affiliated factory in the South East Asia. Notwithstanding the adverse change, there have been communications to indicate that this customer may relocate some business back to our Group due to delivery and other issues associated with its own production facility. Turnover from the top five golf bag customers aggregated to HK$19,894,000 (2011: HK$38,311,000), representing 71.3% (2011: 87.4%) of the segment turnover or 7.3% (2011: 13.7%) of the Group's turnover for the year.

Analyzed alternatively from a product design perspective, the segment turnover for the year comprised the sales of the Japan line of products and the non-Japan line of products in the percentages of 25.3% (2011: 61.9%) and 74.7% (2011: 38.1%), respectively. During the year, sales of the Japan line of products shrank substantially by 74.0% to HK$7,066,000 (2011: HK$27,147,000) whereas sales of the non-Japan line of products, comprising mostly golf bags of American design, increased by 24.9% to HK$20,825,000 (2011: HK$16,680,000). The Group is determined to grasp every opportunity to persistently develop and explore both the Japan line and the non-Japan line of golf bags with an objective to grow our market share and broaden the customer base. It is our strategy to commit necessary and adequate resources to support projects and activities relating to golf bag business that could bring us the desired business volume with proper profit margins.

During the year, the prices of major raw materials for the golf bag production such as PVC, PU and nylon fluctuated upwards whilst the accessories price for items like metal parts and plastic components stayed fairly stable. On the other hand, the manufacturing costs including labor, social insurances, energy and fuels did move up moderately to increase the cost burden. To uphold our competitiveness, the golf bag segment reinforced the reengineering and cost control measures it had implemented to streamline the operations and enhance efficiency for cost rationalization. In particular, the Group has successfully reduced the annual rental of its golf bag facility at Guangdong Province by about HK$1,200,000 through consolidating the production operations to occupy and run in a lesser space. It is our Group's strategy to continually develop and specialize in the business of high-end golf bags that offers greater margins to substantiate the Group's long-term growth in the golf bag segment.

Despite a drop in the segment revenue, the performance of the golf bag segment remained preserved under our effort to streamline operations and control costs. It has managed to record a segmental profit of HK$1,167,000 for the year (2011: HK$1,182,000), slightly down 1.3% from the previous year. In light of the current market conditions, the possible regain in business volume for the Japan line of products and the current order book status, the management anticipates the golf bag segment to maintain a reasonable performance in the ensuing year notwithstanding a volatile economic environment with various challenges.

GEOGRAPHICAL SEGMENTS

While retaining a dominant role in the geographical distribution of the Group's business, there was observed a remarkable drop in the percentage of the Group's shipments to North America, the world's largest golf market. This change has been mainly the result of our strategy and effort to diversify and expand sales to other geographical regions to enhance their relative importance in contributing revenues for the Group. Being the world's largest golf market, North America accounted for 49.7% of the Group's turnover in 2012 (2011: 61.1%). Other geographical regions covering Japan, Asia (excluding Japan), Europe; and others contributed 15.6%, 18.6%, 12.4% and 3.7% of the Group's turnover for the year, respectively (2011: 11.8%; 13.4%; 10.7%; and 3.0%, respectively).

In terms of percentages of the Group's turnover, sales to the North American market mainly the United States decreased, year over year, by 11.4 percentage points to 49.7% in 2012 whereas sales to the Japan market increased by 3.8 percentage points to 15.6% of the Group's turnover. Augmented by our effort to seize opportunities to develop and explore other markets, sales to regions covering Asia (excluding Japan); Europe and others also grew in importance and increased, as a percentage of the Group's turnover, to 18.6%; 12.4% and 3.7%, respectively in 2012 (2011: 13.4%; 10.7% and 3.0%, respectively).

In monetary terms, sales to the North American market fell 20.5% in 2012 to HK$135,372,000 (2011: HK$170,193,000), comprising golf equipment and golf bag sales in the proportion of 95.5% (2011: 96.2%) and 4.5% (2011: 3.8%), respectively. Sales to the Japan market however increased by 28.6% in 2012 to HK$42,472,000 (2011: HK$33,017,000), mainly due to the surge in golf equipment sales with Japan as the destination. Under our effort to tap opportunities for other markets, sales to other geographical regions covering Asia (excluding Japan); Europe and others also increased in aggregate by 25.0% in 2012 to HK$94,269,000 (2011: HK$75,439,000).

It has been the Group's strategy to reinforce our position in the North American market through strengthening the business cooperation with the existing customers as well as exploring every opportunity to establish and expand business with other first-tier name brands that are seeking high quality alternative supply sources. To tap opportunities in the largest golf market in Asia, the Group remains devoted to persistently developing the Japan market both for the golf bag and golf equipment business. To facilitate the long-term development, the Group has put greater emphasis on exploiting businesses in the geographical regions covering, Asia (excluding Japan); Europe; and others, especially the Asian market where the golf activities have become increasingly more popular and economically affordable.

PROSPECTS AND RISK FACTORS

PROSPECTS

The year of 2012 turned out another year of challenge for the Group. While the global economy remained volatile and fluctuating, our Group continued to pursue active marketing efforts to generate and promote sales. We managed to preserve the golf equipment sales but sustained an apparent shrinkage in the golf bag sales. Total turnover stayed depressed and was marginally down by 2.3% in 2012 to record a loss. To combat the undesirable business status, the Group reinforced the reengineering and cost control measures to streamline efficiency and optimize expenditures. In addition, the Group was commissioned to further enhance the production capacity of the Shandong manufacturing facility to meet with the anticipated business volume and to take on additional production volume relocated from the Guangdong manufacturing facility. Taking advantage of the lower operating cost structure in the northern part of the PRC, the move facilitates to mitigate the impact of cost hikes that are prevailing in the southern part of the PRC to adversely affect most business operations. It also helps resolve and ease the pressure stemming from the labor supply and workers-related issues wide-spreading in the southern part of the PRC.

Supported by the broadened customer network, our Group is used to getting a timely update on the market development and ad hoc incidents to assure prompt response to capture opportunities or mitigate exposures in our best interest. Our Group has been working on some programs aiming to introduce reputable golf name brands to our customer portfolio in the ensuing year. We are also liaising closely with certain existing golf equipment customers about revising up their order volume in light of the anticipated market demand. Besides, there is a reasonable chance that we may gain back some business from the largest golf bag customer. It is the Group's objective to establish and maintain a long-term cooperation with our customers to substantiate mutual growth and success. Further to start producing a small volume of tools products during the year, the Group will continue to keep alert on possible diversification opportunities to expand our business to make more effective utilization of the Group's production resources to generate revenues.

Including the actual shipments of about HK$60 million made up to February 2013, the Group has currently orders on hand of about HK$210 million for delivery in the first half of 2013 with additional orders to be received from time to time during the rest of 2013. Based on the current order book status and the prevailing market conditions, the management maintains in confidence a positive view with caution about the business outlook for 2013. We expect the golf equipment business to achieve a satisfactory rebound while the golf bag business should manage to perform reasonably irrespective of a continued volatile economic environment. We will also keep ourselves alert of the market changes to assure timely response for the Group's best interest.

RISK FACTORS

Given that the Group's historical results are not necessarily indicative of the Group's future performance and/or financial condition, it is desirable to present an outline of those factors that could affect the Group's future performance and/or financial condition. These factors could cause the Group's future performance and/or financial condition to differ materially from those of the prior years or from management's expectations or estimates.

STATUS OF THE UNITED STATES ECONOMY AND CURRENCY FLUCTUATION

As the Group is principally engaged in exporting a substantial part of its products to the United States, any material fluctuation or adverse change in the economy of the United States might have or turn out to have an effect on the Group's business. The potential conflicts attributable to (i) an imbalance of trade between the PRC and the United States, and (ii) the under-valuation of the Renminbi currency as alleged by the United States could eventually lead to emergence of trade barriers and/or protectionism practices between the two countries if not properly dealt with and resolved by the respective governments. On the other hand, the tendency of a stronger Renminbi currency may also affect the competitiveness of the PRC exporters if the Renminbi currency continues to appreciate.

INTEREST RATES MOVEMENT

The Group utilizes banking facilities to partly finance its operations, which usually bear interest at floating rates. Movements in the applicable interest rates will inevitably affect the amount of finance cost to be borne by the Group. Though interest rates are currently at historic low levels, any upward revision of the interest rates would increase the finance cost of the Group. Notwithstanding that the Group may arrange to enter into interest rate swap contracts to hedge against the interest payments, there is no assurance that such interest rate swaps would always result in any significant savings for the Group.

RELIANCE ON KEY CUSTOMERS

In 2012, sales to the largest customer represented 32.6% of the turnover of the golf equipment segment or 29.2% of the Group's annual turnover. The five largest customers in aggregate accounted for about 81.3% of the Group's turnover for the year. It is the Group's objective to diversify its business to establish a healthy and balanced customer portfolio and there has been reasonable progress to date. Due to our reliance on a limited number of key customers, it follows that incidents with material adverse impact on the Group's key customers could also adversely affect the Group's business.

MATERIALS COST AND SUPPLY SOURCES

As materials cost constitutes the major cost component of the Group's products, any significant price fluctuation or supply problem may pose threats to undermine the profit margins even if the Group could adjust the product prices and pass the cost increase to customers by some extent. Besides, the tendency of attaching more reliance on the component makers and those suppliers specified by the customers may limit and reduce the choice and flexibility in the selection of competitive suppliers by the Group that might undermine or curtail our profit margins in time.

In addition to the risk factors mentioned above, the Group is subject to other risk factors and uncertainties that could arise as market conditions change from time to time. The management will thus keep alert on the existence or occurrence of any other risks and react promptly to adopt effective measures to mitigate the Group's exposures as the circumstances require.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to express my sincere thanks to the Board members, the management and our employees for their commitment, loyalty and continued support. We treasure their contribution and participation as a key motivator of the Group's long-term development and success.

Chu Chun Man, Augustine
Chairman

Hong Kong
28 March 2013

MANAGEMENT DISCUSSION AND ANALYSIS

This statement provides supplementary information to the chairman's statement.

RESULTS OF OPERATIONS

The Group's turnover decreased by 2.3% in 2012 to HK$272,113,000 (2011: HK$278,649,000). Loss for the year attributable to owners of the Company amounted to HK$18,531,000 (2011: HK$16,242,000). Loss per share was HK4.03 cents for the year (2011: HK5.06 cents) and the diluted loss per share for both years was the same as its respective basic loss per share as there were no dilutive potential ordinary shares during both periods. The directors did not recommend the payment of a dividend for the year (2011: Nil).

During the year, the turnover of the golf equipment segment increased moderately by 4.0% to HK$244,222,000 (2011: HK$234,822,000) whereas the turnover of the golf bag segment, defined as comprising only the sales to external customers, plummeted by 36.4% to HK$27,891,000 (2011: HK$43,827,000). Prior to the elimination of inter-segmental sales of HK$19,349,000 (2011: HK$12,993,000), the total sales of the golf bag segment decreased by just 16.9% in 2012 to HK$47,240,000 (2011: HK$56,820,000), which shows the actual change in the total business volume of the golf bag segment. The inter-segmental sales of golf bags surged significantly during the year mainly due to the increase in customers' orders of golf club sets that incorporated golf bags as components. Sales of those golf club sets had been classified to constitute the turnover of the golf equipment segment.

Other operating income for the year decreased to HK$1,986,000 from HK$3,062,000 in 2011, mainly due to the drop in handling charge and subcontracting fees income.

Selling and distribution costs for the year was reduced to HK$2,615,000 from HK$5,331,000 in 2011, primarily owing to the absence in the current year of non-recurring freight charges that were incurred in respect of certain delayed shipments in 2011.

Administrative expenses for the year decreased to HK$41,143,000 from HK$47,143,000 in 2011, mainly attributable to the reduction in staff costs; entertainment and promotion expenses; and exchange differences. Besides, included in the administrative expenses for 2011 was a loss of HK$2,456,000 for the disposal of a subsidiary and there was no similar charge in the current year.

Finance costs for the year came down to HK$8,475,000 from HK$10,433,000 in 2011, as a result of the decrease in the term loan interest and the export factoring charges.

Suffering from the depressed revenues, the Group sustained a loss attributable to owners of the Company of HK$18,531,000 for the year (2011: HK$16,242,000).

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

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

At 31 December 2012, bank balances and cash, which were mostly denominated in United States dollars, Hong Kong dollars and Renminbi, amounted to HK$13,958,000 (2011: HK$39,074,000). The decrease in bank balances and cash was mainly attributable to the application of funds to settle bank borrowings and repay loans from the ultimate and immediate holding companies. At 31 December 2012, the trade receivables net of impairment amounted to HK$29,591,000 (2011: HK$18,620,000) which had substantially all been settled by customers after the yearend to contribute cash flows. Besides, inventories at 31 December 2012 amounted to HK$161,718,000 (2011: HK$161,906,000), a significant part of which had subsequently been consumed and realized in the normal cause of business to generate receivables and cash flows aggregating to about HK$60 million through shipments to customers up to February 2013. The Group has pursued the policy to maintain an optimal amount of funds adequate for its operations and the discharge of the liabilities as and when they fall due.

Borrowings of the Group other than the loans from the controlling shareholder are mostly denominated in Hong Kong dollars, United States dollars and Renminbi that carry interest on HIBOR/LIBOR plus basis or at the interest rate promulgated by the People's Bank of China from time to time. At 31 December 2012, interest-bearing borrowings comprising bank borrowings and obligations under finance leases aggregated to HK$132,055,000 (2011: HK$132,462,000), of which HK$127,619,000 (2011: HK$122,279,000) was repayable within one year. The loan from the immediate holding company of HK$6,162,000 at 31 December 2012 was unsecured, interest-free and repayable on or before 31 March 2013 (2011: HK$23,678,000), whereas the loan from the ultimate holding company was unsecured, interest-free and had been repaid during the year (2011: HK$11,524,000). On the other hand, bank loans from certain PRC banks of HK$84,988,000 at 31 December 2012 (2011: HK$81,768,000) were secured by the land and buildings of the Group with a carrying value of HK$171,631,000 (2011: HK$187,686,000). The gearing ratio, defined as bank borrowings and obligations under finance leases less bank balances and cash of HK$118,097,000 divided by the shareholders' equity of HK$288,336,000, was 41.0% as at 31 December 2012 (2011: 29.8%). The gearing ratio would have been restated as 43.1% at 31 December 2012 (2011: 41.1%) if the loan from the immediate holding company and the ultimate holding company were both included in the computation of the ratio.

Pursuant to the Group's policy, the land and buildings should be revalued by independent professional valuers at sufficient regularity or at least once every three years. It was time to conduct a professional revaluation of the Group's land and buildings at 31 December 2012 which had been revalued by LCH (Asia-Pacific) Surveyors Ltd. and an adjustment of about HK$362,000 (2011: Nil) was made to reduce the carrying amount of the Group's land and buildings to the revalued amount. It has been the Group's objective to maintain a financial position that is supportive of our long-term development and healthy growth. At 31 December 2012, the total assets and the net asset value of the Group amounted to HK$478,003,000 (2011: HK$532,267,000) and HK$288,336,000 (2011: HK$313,095,000) respectively. Current and quick ratios as at 31 December 2012 were 1.34 (2011: 1.51) and 0.46 (2011: 0.62) respectively. Both the current ratio and quick ratio worsen mainly due to the effect of the loss sustained during the year. The Group is however determined to explore all feasible ways to further improve and strengthen its financial position.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND CONTINGENT LIABILITIES

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

At 31 December 2012, the Group had no significant contingent liabilities.

EMPLOYEE AND REMUNERATION POLICIES

At 31 December 2012, the Group employed a total of approximately 1,680 employees mainly located in Hong Kong and the PRC. It is the Group's strategy to establish and 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 industrial practices. The remuneration packages are reviewed annually to assure fairness and competitiveness and discretionary bonuses may be awarded to employees based on individual performance.

BIOGRAPHICAL DETAILS OF DIRECTORS AND MANAGEMENT

EXECUTIVE DIRECTORS

CHU Chun Man, Augustine ("Augustine Chu"), aged 55, is the chairman of the Company and a founder of the Group and is responsible for the strategic planning, corporate policy and overall management and marketing aspect of the Group. Augustine Chu holds a bachelor degree in commerce from the University of Calgary, Alberta, Canada and an executive master of business administration from the Chinese University of Hong Kong. He has over 29 years of experience in golf equipment manufacturing industry. He also serves various positions in the public sector including a membership of the 9th of The Chinese People's Political Consultative Conference (CPPCC) – Guangdong Province.

CHU Yuk Man, Simon ("Simon Chu"), aged 57, is the elder brother of Augustine Chu. He has over 15 years of experience in the golf equipment manufacturing industry. Simon Chu is responsible for the sales and marketing functions as well as the customer relation functions of the Group. Simon Chu graduated with a bachelor degree in science in the Leland Stanford Junior University in the United States and an executive master degree in business administration from the Chinese University of Hong Kong. Prior to joining the Group in November 1997, Simon Chu held an Asia Pacific director position with an international firm which is listed on NASDAQ in the United States.

CHANG Hua Jung, aged 51, graduated from an industrial institution in Taiwan. Mr. Chang has over 30 years of experience in the golf equipment manufacturing industry. He joined the Group in August 1988 and is responsible for the production and the research and development functions of the Group.

INDEPENDENT NON-EXECUTIVE DIRECTORS

CHOY Tak Ho, aged 84, has over 50 years of experience in trading business in Hong Kong. He is the President of Union International (HK) Company Limited. Mr. Choy is the Charter President of Hong Kong Kwun Tong Industries and Commerce Association Limited, Chartered President of Hong Kong and Overseas Chinese Association of Commerce Ltd., Hon. Permanent President of Hong Kong Commerce Industrial Ltd., Hon. Life Chairman of Chinese General Chamber of Commerce, Hong Kong, Hon. President of the Chinese Manufacturers' Association of Hong Kong, Member of The National Committee 9th of the Chinese People's Political Consultative Conference, Executive Committee Member 8th of The All China Federation of Industrial and Commerce, Hon. Director of China Overseas Friendship Association.

Mr. Choy is also an independent non-executive director of EVA Precision Industrial Holdings Limited (stock code: 838). He was an independent non-executive director of China Solar Energy Holdings Limited (stock code: 155) until his resignation in November 2012. During the year 2010, Mr. Choy resigned as an independent non-executive director of two listed companies, namely Multifield International Holdings Limited (stock code: 898) and Oriental Explorer Holdings Limited (stock code: 430). Save as disclosed, Mr. Choy did not hold any directorships in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years.

CHIU Lai Kuen, **Susanna**, aged 53, is a director of Li & Fung Development (China) Ltd, responsible for China relations and business development. Ms. Chiu is a qualified Chartered Accountant from England, and holds an executive master of business administration from the Chinese University of Hong Kong. She is currently the President of the HK Institute of Certified Public Accountants and Past President of ISACA (China HK Chapter). Ms. Chiu is appointed by the government to serve on the Council of the Equal Opportunity Commission and HK Institute of Education. She is also a member of the 10th Shaanxi Committee and the Shanghai Minheng District of the Chinese People's Political Consultative Conference. Ms. Chiu is a member of the HK Institute of Directors. Ms. Chiu brings considerable experience in business operations, finance, internal control and corporate governance.

HSIEH Ying Min, aged 57, is a Taiwanese. Mr. Hsieh has over 38 years of experience in golf manufacturing industry and possesses rich knowledge in the manufacturing processes of golf club as well as a considerable familiarity with the related market and materials.

SENIOR MANAGEMENT

CO Man Kwong, aged 50, is the operations director and company secretary of the Company and is responsible for the financing activity, investors' relation, operations management and strategic planning of the Group. Mr. Co joined the Group in September 2002. Prior to that, he worked in an international accounting firm for over 6 years before joining the commercial field for more than 13 years. Mr. Co graduated from the Hong Kong Polytechnic University and is a fellow member of the Association of Chartered Certified Accountants, the United Kingdom, and HKICPA.

LEE May Yee, aged 43, is the senior marketing manager of the Group. Ms. Lee has over 20 years of experience in the golf equipment manufacturing industry. She graduated with a bachelor degree in business administration from the University of Baptist. She joined the Group in December 1992 and is currently in charge of the marketing functions of the Group.

HE Xin Hong, aged 49, is the assistant general manager of the Group's production department. He joined the Group in December 1990 and is currently in charge of the overall production of a golf bag subsidiary. Mr. He has more than 20 years of experience in the golf manufacturing industry.

HUNG Yi Chuan, aged 50, is the assistant general manager of the Group's production department. He joined the Group in February 2000 and is currently in-charge of the overall production of a golf equipment subsidiary. Mr. Hung has more than 25 years experience in golf manufacturing industry.

REPORT OF THE DIRECTORS

The directors present their report and the audited consolidated financial statements of the Group for the year ended 31 December 2012.

Principal Activities

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in Note 41 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

Results and Dividends

The Group's loss for the year ended 31 December 2012 and the state of affairs of the Group at that date are set out on pages 37 to 39 of the annual report.

The directors do not recommend the payment of dividend in respect of the year.

Summary Financial Information

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited consolidated financial statements is set out on page 96 of the annual report. This summary does not form part of the audited consolidated financial statements.

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group during the year are set out in Note 18 to the consolidated financial statements.

Share Capital and Share Options

Details of movements in the Company's share capital and share options during the year are set out in Notes 33 and 34 to the consolidated financial statements, respectively.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to its existing shareholders.

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 year.

Reserves

Details of movements in the reserves of the Company during the year are set out in Note 40 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

Distributable Reserves

At 31 December 2012, the Company's reserves available for distribution amounted to HK$54,771,000. In accordance with the Companies Act 1981 of Bermuda, the Company's contributed surplus may be distributed in certain circumstances. In addition, the Company's share premium account, in the amount of HK$102,385,000, may be distributed in the form of fully paid bonus shares.

Major Customers and Suppliers

In the year under review, sales to the Group's five largest customers accounted for 81.3% of the total sales for the year and sales to the largest customer included therein amounted to 29.2%. Purchases from the Group's five largest suppliers accounted for less than 30% of the total purchases for the year.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers.

Directors

The directors of the Company during the year were:

EXECUTIVE DIRECTORS:

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

INDEPENDENT NON-EXECUTIVE DIRECTORS:

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

In accordance with article 87 of the Company's Bye-laws, Mr. CHANG Hua Jung and Mr. HSIEH Ying Min will retire by rotation. Mr. CHANG Hua Jung, being eligible, will offer himself for re-election at the forthcoming annual general meeting while Mr. HSIEH Ying Min will not stand for re-election due to his future career planning.

The Company has received annual confirmations of independence from Mr. CHOY Tak Ho, Ms. CHIU Lai Kuen, Susanna and Mr. HSIEH Ying Min, and as at the date of this report still considers them to be independent.

Directors' and Senior Management's Biographies

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 16 to 17 of the annual report.

Directors' Service Contracts

Each of the executive directors has entered into a service contract with the Company commencing on 1 December 2000 which will continue thereafter unless terminated in accordance with the relevant clauses of the service contracts. These service contracts are exempted from the shareholders' approval requirement under Rule 13.68 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Apart from the foregoing, no director of the Company proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors' Remuneration

With the shareholders' approval at general meeting, the Company's board of directors was authorised to fix the directors' remuneration including directors' fee. Other emoluments are determined by the Company's board of directors with reference to directors' duties, responsibilities and performance and the results of the Group.

Directors' Interests in Contracts

Save as disclosed in Note 39 to the consolidated financial statements, no director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, or any of its holding companies, or subsidiaries was a party during the year.

Directors' Interests and Short Positions in Shares and Underlying Shares

At 31 December 2012, the interests and short positions of the directors in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

(I) LONG POSITIONS IN ORDINARY SHARES OF THE COMPANY:

	Number of shares held, capacity and nature of interest				
Name of director	**Directly beneficially owned**	**Through spouse**	**Through controlled corporations#**	**Total**	**Percentage of the Company's issued share capital**
Mr. CHU Chun Man, Augustine	8,292,104	150,000	287,074,657	295,516,761	64.23%
Mr. CHU Yuk Man, Simon	954,355	–	–	954,355	0.21%
	9,246,459	150,000	287,074,657	296,471,116	64.44%

\# (i) Of which, 257,315,662 shares of the Company are held by CM Investment Company Limited, a company incorporated in the British Virgin Islands, of which, approximately 67.46% of issued share capital are owned by A & S Company Limited, approximately 4.18% of issued share capital are owned by Mr. Chu Chun Man, Augustine and approximately 1.21% of its issued share capital are owned by Mr. Chu Yuk Man, Simon. A & S Company Limited is a company incorporated in the British Virgin Islands and is owned as to approximately 64% by Mr. Chu Chun Man, Augustine, approximately 21.71% by Mr. Chu Yuk Man, Simon and 14.29% by another family member. The interests of Mr. Chu Chun Man, Augustine, and Mr. Chu Yuk Man, Simon, in the 257,315,662 shares of the Company therefore duplicate with those of CM Investment Company Limited and A & S Company Limited.

(ii) The remaining 29,758,995 shares of the Company are held by Fortune Belt Limited, a company incorporated in the British Virgin Islands with limited liability, which is beneficially owned as to 62.5% by Mr. Chu Chun Man, Augustine, as to 22.5% by Mr. Chu Yuk Man, Simon and as to 15% by Ms. Chu Irene Ching Yee, the sister of Mr. Chu Chun Man, Augustine and Mr. Chu Yuk Man, Simon. The interests of Mr. Chu Chun Man, Augustine, and Mr. Chu Yuk Man, Simon in the 29,758,995 shares of the Company therefore duplicate with that of Fortune Belt Limited.

(II) LONG POSITIONS IN SHARES AND UNDERLYING SHARES OF ASSOCIATED CORPORATIONS:

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

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

Save as disclosed above, as at 31 December 2012, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

Directors' Rights to Acquire Shares

Save as disclosed in the share option scheme disclosures in Note 34 to the consolidated financial statements below, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, or any of its holding companies or subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

Share Option Scheme

By an ordinary resolution passed at the annual general meeting held on 5 June 2012, the Company had terminated the original share option scheme (the "Original Share Option Scheme") and adopted a new share option scheme (the "New Share Option Scheme") for replacement. The Original Share Option Scheme was adopted since 7 August 2002 which would otherwise have expired on 6 August 2012 if not terminated. There were no options outstanding under the Original Share Option Scheme during the period from 1 January 2012 up to the date of its termination.

The purpose of the New Share Option Scheme is to enable the Company to continue to grant options to eligible participants which have been extended to include the employees (including any director, whether executive or non-executive and whether independent or not) in full-time or part-time employment with the Group or any entity in which the Group holds an equity interest (the "Invested Entity") as well as contracted celebrity, advisor, consultant, service provider, agent, customer, partner or joint-venture partner of the Group or any Invested Entity, or any persons who, in the sole discretion of the Board, have contributed or may contribute to the Group or any Invested Entity. The New Share Option Scheme aims to provide incentives and help the Group in retaining its employees and recruiting additional employees and to provide them with a direct economic interest in attaining the long-term business objectives of the Group.

The New Share Option Scheme has taken effect after the Stock Exchange granted an approval on 6 June 2012 for the listing of shares which may be issued by the Company upon the exercise of options granted thereunder and, unless otherwise terminated or amended, will remain in force for 10 years from its adoption date on 5 June 2012. There were no options outstanding under the New Share Option Scheme since its adoption up to 31 December 2012. Further details of the New Share Option Scheme are disclosed in Note 34 to the consolidated financial statements.

Substantial Shareholders' and Other Persons' Interests in Shares and Underlying Shares

At 31 December 2012, the following interests of 5% or more of the issued share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO or as otherwise notified to the Company:

Long Positions:

Name	Notes	**Capacity and nature of interest**	**Number of ordinary shares held**	**Percentage of the Company's issued share capital**
CM Investment Company Limited		Directly beneficially owned	257,315,662	55.93%
A & S Company Limited	(a)	Through a controlled corporation	257,315,662	55.93%
Fortune Belt Limited		Directly beneficially owned	29,758,995	6.47%
Ms. HUNG Tze Nga, Cathy	(b)	Through spouse	295,366,761	64.20%
		Directly beneficially owned	150,000	0.03%
			295,516,761	64.23%

Notes:

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

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

Save as disclosed above, as at 31 December 2012, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

REPORT OF THE DIRECTORS

Auditors

Messr. SHINEWING (HK) CPA Limited ("SHINEWING") was appointed auditors of the Company on 24 December 2008 and the consolidated financial statements for the past five years ended 31 December 2012 were audited by SHINEWING.

SHINEWING retires and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Chu Chun Man, Augustine
Chairman

Hong Kong
28 March 2013

CORPORATE GOVERNANCE REPORT

The Company recognizes the importance of good corporate governance to its sustained long-term growth and will pursue efforts to identifying and implementing corporate governance practices appropriate to the Company's needs and circumstances.

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices (the "Former CG Code" effective until 31 March 2012) and the Corporate Governance Code (the "CG Code") which has been effective from 1 April 2012 as set out in Appendix 14 to the Listing Rules throughout the year ended 31 December 2012, except with the deviations from code provisions A.2.1 and A.4.1 of the Former CG Code and the CG Code as well as A.6.7 of the CG Code as more fully explained hereinafter. The Company has also put in place certain Recommended Best Practices as set out in the CG Code.

THE BOARD

COMPOSITION OF THE BOARD

At December 2012, the Board comprised six Directors, with three Executive Directors ("ED"s), namely Mr. CHU Chun Man, Augustine (Chairman); Mr. CHU Yuk Man, Simon and Mr. CHANG Hua Jung and three Independent Non-Executive Directors ("INED"s), namely Mr. CHOY Tak Ho; Ms. CHIU Lai Kuen, Susanna and Mr. HSIEH Ying Min. The Board considers that this composition ensures a strong independent element with a balance of power and influence between individuals on the Board. The biographies of the Directors are set out on pages 16 to 17 of this annual report under the "BIOGRAPHICAL DETAILS OF DIRECTORS AND MANAGEMENT" section.

According to clause 87 of the Company's Bye-laws, Mr. HSIEH Ying Min and Mr. CHANG Hua Jung will retire by rotation at the 2013 annual general meeting. Being eligible, Mr. CHANG Hua Jung will offer himself for re-election at the 2013 annual general meeting while Mr. HSIEH Ying Min will retire and not stand for re-election due to his future career planning.

The Board recommends the re-appointment of Mr. CHANG Hua Jung standing for re-election as an ED and has nominated a suitable candidate, Mr. Zhu Shengli, for election as an INED at the 2013 annual general meeting of the Company.

The Company's circular regarding the notice of 2013 annual general meeting contains detailed information of the Director standing for re-election and the candidate nominated for election as an INED of the Company.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provision A.2.1 of the Former CG Code and the CG Code requires that the roles of 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.

Mr. CHU Chun Man, Augustine, who acts as the Chairman of the Board, is also responsible for overseeing the general operations of the Group. The Company does not have an office with the title "Chief Executive Officer". 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 considers that the existing structure of vesting the roles of Chairman and Chief Executive Officer in the same person will not impair the balance of power and authority between the Board and the management of the Company. The Company does not consider there is a need for appointing a "Chief Executive Officer" at the present stage.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Code provision A.4.1 of the Former CG Code and the CG Code requires that non-executive directors should be appointed for a specific term, subject to re-election.

Although the INEDs of the Company have not been appointed for specific terms, they are required by the Company's Bye-laws to retire by rotation once every three years and subject to re-election at the Company's annual general meeting. Any new director appointed to fill a casual vacancy shall also be subject to re-election by shareholders at the first general meeting after appointment.

The INEDs of the Company are all experienced with expertise in the related industry or financial aspects who provide valuable advice to the Board, including advice on corporate governance related matters under no undue influence.

The Company has received confirmations of independence from each of the INEDs. The Board considers each of the INEDs to be independent by reference to the factors as set out in Rule 3.13 of the Listing Rules. The INEDs have been identified in all corporate communications that disclose the names of Directors.

ROLES AND RESPONSIBILITIES OF THE BOARD

The Board is responsible for the leadership and control of the business operations of the Group including the corporate governance function. Decisions made are driven for the best interests of the shareholders of the Company by maximizing shareholders' wealth. The Directors formulate strategic directions, oversee the operations and monitor the financial and management performance of the Group as a whole.

The Board of the Company is responsible for performing the corporate governance duties as set out under code provision D.3.1 of the CG Code. During the year, the Directors have met to discuss, monitor and deal with the corporate governance matters through the Board meetings, which included a review of (i) the appropriateness of the policies and practices on corporate governance; (ii) the status of training and continuous professional development of the Directors and senior management; (iii) the adequacy of the policies and practices on compliance with legal and regulatory requirements; (iv) the code of conduct and its compliance by the employees; and (v) the proper compliance with the CG Code and disclosures in the Corporate Governance Report. Relevant and necessary updates and amendments have been made to ensure a proper standard of the corporate governance practices was in place.

DELEGATION TO THE MANAGEMENT

The management, consisting of EDs along with other senior management of the Group, is delegated with the responsibilities to carry out policies set by the Board from time to time and supervises the day-to-day management of the Group. The management of the Group meets regularly to review the business performance of the Group as a whole, co-ordinate overall resources and make financial and operational decisions.

The Board has delegated some of its functions to the board committees. Matters specifically reserved for the Board's decision include:

- long-term objectives and strategies of the Group;
- material change in or extension of group activities into new business areas;
- preliminary announcements of interim and final results;
- dividends;
- material banking facilities;
- material acquisitions and disposals of assets and/or business;

- annual assessment of the effectiveness of the internal controls;
- appointment of members to the Board; and
- other matters of significance, which the management submits for the Board's consideration and decision.

DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

All Directors have been given relevant guideline materials regarding the duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors, duty of disclosure of interest in business of the Group and such induction materials will also be provided to newly appointed Directors shortly upon their appointment as Directors. All Directors have been updated on the latest developments regarding the Listing Rules and other applicable regulatory requirements to ensure compliance and enhance their awareness of good corporate governance practices. There is a procedure agreed by the Board to allow Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances at the Company's expenses.

The Directors confirmed that they have complied with the code provision A.6.5 of the CG Code which has been effective since 1 April 2012 on Directors' training requirement. During the year, the Directors have participated in continuous professional development by attending seminars, in-house briefings or reading materials on the related areas to develop and refresh their knowledge and skills. The Directors have provided a record to the Company of the trainings they received during the year.

DIRECTORS' INSURANCE

The Company has arranged for appropriate liability insurance for the Directors and officers of the Group for indemnifying their liabilities arising from corporate activities. The insurance coverage is reviewed on an annual basis..

DIRECTORS' ATTENDANCE RECORD

The attendance of each Director at the Board meetings, Audit Committee meetings, Remuneration Committee meeting, Nomination Committee meeting and the annual general meeting ("AGM") of the Company held during the year is set out in the following table:

Meetings Held During the Year

	Board	Audit Committee	Remuneration Committee	Nomination Committee	AGM
Executive Directors					
Mr. CHU Chun Man, Augustine	8/8	N/A	1/1	1/1	1/1
Mr. CHU Yuk Man, Simon	7/8	N/A	1/1	1/1	1/1
Mr. CHANG Hua Jung	6/8	N/A	N/A	N/A	0/1
Independent Non-Executive Directors					
Mr. HSIEH Ying Min	6/8	2/2	1/1	1/1	0/1 (Note)
Mr. CHOY Tak Ho	6/8	2/2	1/1	1/1	1/1
Ms. CHIU Lai Kuen, Susanna	6/8	2/2	1/1	1/1	1/1
Total number of meetings held	8	2	1	1	1

Note:

INEDs and other NEDs (if any) should attend the general meetings pursuant to code provision A.6.7 of the CG Code. Due to prior business engagement, Mr. HSIEH Ying Min, an INED and the chairman of the Remuneration Committee of the Board, could not attend the Company's AGM held on 5 June 2012 but he had delegated to the Company Secretary to attend and act for his behalf at the AGM for sake of good corporate governance practice.

BOARD MEETINGS AND PROCEEDINGS

Regular board meetings were held at approximately quarterly intervals. The Directors have access to the advice and services of the Company Secretary and key officers of the Company's secretarial team for ensuring that the Board procedures, all applicable rules and regulations are followed.

With the assistance of the Company Secretary, the meeting agenda is set by the Chairman of the Board meetings in consultation with other Board members. Board meeting notice was sent to the Directors at least 14 days prior to each regular Board meeting. Draft and final versions of the minutes of Board meetings and Board committee meetings, drafted in sufficient details by the secretary of the meetings, were circulated to the Directors for their comment and record respectively. Originals of such minutes, being kept by the Company Secretary, are open for inspection at any reasonable time on reasonable notice by any Director.

If a Director has conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the Director will abstain from voting on the relevant Board resolution in which he/she or any of his/her associates have a material interest and he/she shall not be counted in the quorum present at the Board meeting.

BOARD COMMITTEES

To assist the Board in execution of its duties and facilitate effective management, certain functions of the Board have been delegated by the Board to the Audit Committee, Remuneration Committee and Nomination Committee.

The majority of the members of the Remuneration Committee and Nomination Committee and all members of the Audit Committee are INEDs. All board committees are formed with specific written terms of reference which deal clearly with their authorities and duties. Details of the Board Committees are set out below:

1. *AUDIT COMMITTEE*

During the year ended 31 December 2012, the Audit Committee consists of three INEDs, namely Ms. CHIU Lai Kuen, Susanna (Chairperson of the Committee), Mr. CHOY Tak Ho and Mr. HSIEH Ying Min. The specific written terms of reference of the Audit Committee is available on the Company's website.

The main duties of the Audit Committee include the followings:

(a) To review the consolidated financial statements and reports and consider any significant or unusual items raised by the responsible accounting and internal audit personnel or external auditors before submission to the Board.

(b) To review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditors.

(c) To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

In 2012, the Audit Committee performed the duties and responsibilities under its terms of reference and other duties under the Former CG Code and the CG Code applicable during the year. A summary of work performed by the Audit Committee during the year included the followings:

(a) It has reviewed with the senior management, accounting and finance officers and the external auditors the accounting principles and practices adopted by the Group, the accuracy and fairness of the interim and annual financial statements for the six months ended 30 June 2012 and for the year ended 31 December 2012 respectively.

(b) It has met twice with the external auditors to discuss and review their work and findings relating to the interim results review; the internal control and risk management review, and the audit for the year ended 31 December 2012 and the effectiveness of the audit process.

(c) It has reviewed with the senior management, accounting and finance officers the effectiveness and compliance procedures of the internal control system of the Group.

(d) It has reviewed the audit plan for the financial year ended 31 December 2012, assessed the external auditors' independence, approved the engagement of external auditors and recommended the Board on the re-appointment of external auditors.

2. REMUNERATION COMMITTEE

The Remuneration Committee consists of two EDs, namely Mr. CHU Chun Man, Augustine and Mr. CHU Yuk Man, Simon and three INEDs, namely Mr. HSIEH Ying Min (Chairman of the Committee); Mr. CHOY Tak Ho and Ms. CHIU Lai Kuen, Susanna. The specific written terms of reference of the Remuneration Committee was available on the Company's website.

The primary objectives of the Remuneration Committee include making recommendations on and approving the remuneration policy and structure and remuneration packages of the Directors and the senior management. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

The Remuneration Committee normally meets towards the end of each year for reviewing the remuneration policy and structure and determination of the annual remuneration packages of the Directors and the senior management and other related matters. The Human Resources Department is responsible for collection and administration of the human resources data and making recommendations to the Remuneration Committee for consideration. The Remuneration Committee shall consult the Chairman of the Company about these recommendations on remuneration policy and structure and remuneration packages.

The Remuneration Committee met once during the year ended 31 December 2012 and reviewed the remuneration policy and structure of the Company and confirmed, approved and ratified the remuneration packages of the Directors and the senior management for the year under review.

3. NOMINATION COMMITTEE

Pursuant to the new requirement of the Listing Rules, the Board has established a Nomination Committee on 22 February 2012 with specific terms of reference. There are five members of the Nomination Committee of which two members are EDs namely Mr. CHU Chun Man, Augustine (Chairman of the Committee) and Mr. CHU Yuk Man, Simon and three INEDs namely Ms. CHIU Lai Kuen, Susanna; Mr. CHOY Tak Ho and Mr. HSIEH Ying Min.

The primary duties of the Nomination Committee are:

(a) to review the structure, size and composition of the Board;

(b) to identify individuals suitably qualified to become board members;

(c) to assess the independence of INEDs; and

(d) to make recommendations to the Board on any proposed changes to the Board or selection of individual nominated for directorships, or on appointment or re-appointment of Directors.

Where vacancies on the Board exist, the Nomination Committee will carry out the selection process by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of the proposed candidates, the Company's needs and other relevant statutory requirements and regulations. An external recruitment agency may be engaged to carry out the recruitment and selection process when necessary. The selected candidate will be recommended to the Board for appointment.

The Nomination Committee met once during the year ended 31 December 2012 and reviewed the structure, size and composition of the Board and assessed the independence of all INEDs of the Company.

SECURITIES TRANSACTION OF DIRECTORS

The Company has adopted the Model Code for Securities Transactions of Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiry to all Directors, all of them confirmed that they have complied with the required standard of dealings and the code of conduct throughout the year.

ACCOUNTABILITY AND AUDIT

The Directors acknowledge that it is their responsibilities to prepare the financial statements which gave a true and fair view of the state of affairs and the results and cash flows of the Group. The management has provided such explanation and information to the Board to enable it to make an informed assessment of the financial and other Board decisions.

The Directors have selected appropriate accounting policies and applied them consistently, made judgments and estimates that are prudent and reasonable and prepared the financial statements on a "going concern" basis in accordance with the statutory requirement and relevant financial reporting standards. The auditors' responsibilities are stated in the section "INDEPENDENT AUDITOR'S REPORT" of the Company's annual report.

The management has provided the Directors with monthly updates and extracts of the Company's management accounts information so as to enable the Directors to make a balanced and understandable assessment of the Company's performance, position and prospects.

INTERNAL CONTROLS

The Board acknowledges its responsibility for maintaining and reviewing the effectiveness of the Group's internal control system. The internal control system is implemented to manage, rather than eliminate, the risks to which the Group is exposed and used as a management tool for the day-to-day operation of business. The system therefore serves to provide reasonable but not absolute assurance against material misstatements, losses and fraud.

The Board has delegated to the management which is primarily responsible for the design, implementation and maintenance of the internal control system to safeguard the shareholders' interest and the assets of the Group. Budgets, forecasts and variance reports are prepared for management review. The management monitors the business activities closely and reviews results of operations against budgets and forecasts.

Proper controls are put in place for safeguarding assets and recording of complete, accurate and timely accounting and management information. These are reviewed periodically by management to ensure proper compliance. Regular audits are carried out to ensure that the financial statements are prepared in accordance with generally accepted accounting principles, the Group's policies and applicable laws and regulations.

The internal audit personnel are responsible for carrying out risk assessment and internal audit work on selected areas and will report their findings and irregularities, if any, to the management and advise on necessary steps for rectification and improvements. The recommendations were reviewed with action plans approved by the Audit Committee or the Board.

Same as in prior years, the Board has engaged the external professional advisor, SHINEWING Risk Services Limited, to assist the Audit Committee to understand and assess the effectiveness of the internal control system of the Group for the year. Their approach of the review included conducting interviews with relevant management and staff members, reviewing relevant documentation of the internal control system and evaluating findings on any deficiencies in the design of the internal controls and developing recommendations for improvement, where appropriate. The scope and findings of their review had been reported to and reviewed by the Audit Committee and the Board.

The following policies and procedures are also in place to enhance and strengthen the internal control system:

(a) the policy regarding procedures and internal controls for the handling and dissemination of Inside Information has been adopted in December 2012 to ensure that Inside Information which comes to the knowledge of any one or more officers should be promptly identified, assessed and escalated for the attention of the Board to assess and decide about the need for disclosure in compliance with the requirement of the SFO;

(b) appropriate policies and practices on the compliance with the applicable legal and regulatory requirements which will be reviewed and monitored by the Board and Audit Committee regularly;

(c) a whistle-blowing policy for employees of the Group to raise concerns, in confidence, about possible improprieties in financial reporting, internal control or other matters to his/her immediate supervisor or department head or other senior officers who would report the case directly to the Audit Committee or the Board for further investigations, if necessary.

With the assistance of the external professional adviser, SHINEWING Risk Services Limited, the Board has conducted a review on the effectiveness of internal control system of the Group including financial, operational, compliance controls, risk management functions and the adequacy of resources, qualifications and experience of staff of the accounting and financial reporting functions, and their training programmes and budgets for the year. The Board considered that the Group's internal control system is effective and adequate and the Company has complied with the code provisions on the internal control aspects in general.

COMMUNICATION WITH SHAREHOLDERS

The Company has maintained an on-going dialogue with shareholders. A policy regarding the communications with shareholders was established and will be reviewed on a regular basis to ensure its effectiveness. Information is communicated to shareholders and the investment community mainly through:

- releases to the Stock Exchange in compliance with the continuous disclosure obligations;
- publications on the Company's website;
- interim and annual reports;
- circulars, announcements and notices of shareholder meetings;
- annual general meeting ("AGM") and special general meeting as convened from time to time as appropriate; and
- briefings and presentations as appropriate.

Separate resolutions are proposed at the general meetings on each substantially separate issue, including the re-election of retiring Directors. Notice of 2013 AGM will be sent to shareholders more than twenty one clear business days before the meeting.

The Chairman of the Board, the chairperson of the Audit Committee and the external auditors had attended the AGM of the Company held on 5 June 2012 to answer questions raised from the shareholders. The procedures for voting by poll were explained at the commencement of the meeting. The chairman of the meeting has demanded poll on each and every resolution put to the vote in the 2012 AGM. Poll results were posted on the websites of the Stock Exchange and the Company on the business day following the meeting.

The forthcoming AGM will be held on 10 June 2013 and will be conducted by way of poll for resolutions put to the vote thereat.

SHAREHOLDERS' RIGHTS

Set out below is a summary of certain rights of the shareholders as required to be disclosed pursuant to the CG Code.

PROCEDURES FOR SHAREHOLDERS TO CONVENE A SPECIAL GENERAL MEETING

Pursuant to the Company's Bye-laws, the Board may whenever it thinks fit call special general meetings (i.e. general meetings other than annual general meetings), and shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty one days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda.

PROCEDURES FOR PROPOSING A PERSON FOR ELECTION AS A DIRECTOR

Details of the procedures for proposing a person for election as a Director are available at the Company's website at www.sinogolf.com.

ENQUIRES FROM SHAREHOLDERS

Shareholders should direct their enquiries about their shareholdings to the Company's share registrar, Tricor Tengis Limited. Other shareholders' enquiries can be directed to the Company of which contact details are stated in the website of the Company.

CONSTITUTIONAL DOCUMENTS

The Bye-laws of the Company have been amended pursuant to shareholders' resolutions passed on 5 June 2012 to reflect the changes of the Listing Rules and the relevant laws and regulations in Bermuda.

AUDITOR'S INDEPENDENCE AND REMUNERATION

The Audit Committee is mandated to review and monitor the independence of the external auditors to ensure objectivity and the effectiveness of the audit of the financial statements in accordance with applicable standards. Members of the Audit Committee were of the view that the Company's auditors, SHINEWING (HK) CPA Limited, is independent and has recommended the Board to re-appoint it as the Company's auditors at the forthcoming AGM.

The remuneration paid/payable to the auditors of the Company in respect of audit services and non-audit services for the year ended 31 December 2012 amounted to HK$880,000 and HK$170,000 respectively.

INVESTOR RELATIONS

The Company keeps on promoting investor relations and enhancing communication with the shareholders and potential investors. It welcomes suggestions from investors, stakeholders and the public who may contact the Company by phone on (852) 2375 5238 during normal business hours, by fax at (852) 2375 5988 or by e-mail at sinogolfinfo@sinogolf.com.

信永中和 ShineWing

SHINEWING (HK) CPA Limited
43/F., The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong

TO THE MEMBERS OF SINO GOLF HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Sino Golf Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 37 to 96, which comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2012, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Wong Chuen Fai
Practising Certificate Number: P05589

Hong Kong
28 March 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
Turnover	9	**272,113**	278,649
Cost of sales		**(240,174)**	(234,813)
Gross profit		**31,939**	43,836
Other operating income	9	**1,986**	3,062
Selling and distribution costs		**(2,615)**	(5,331)
Administrative expenses		**(41,143)**	(47,143)
Finance costs	11	**(8,475)**	(10,433)
Loss before tax		**(18,308)**	(16,009)
Income tax expense	12	**(252)**	(262)
Loss for the year	13	**(18,560)**	(16,271)
Other comprehensive (expenses) income			
Exchange difference arising on translation		**(5,928)**	5,149
Loss on revaluation of leasehold land and buildings		**(362)**	–
Deferred tax relating to revaluation of leasehold land and buildings		**91**	75
Other comprehensive (expenses) income, net of tax		**(6,199)**	5,224
Total comprehensive expenses for the year		**(24,759)**	(11,047)
Loss for the year attributable to:			
Owners of the Company		**(18,531)**	(16,242)
Non-controlling interests		**(29)**	(29)
		(18,560)	(16,271)
Total comprehensive expenses for the year attributable to:			
Owners of the Company		**(24,730)**	(11,018)
Non-controlling interests		**(29)**	(29)
		(24,759)	(11,047)
Loss per share	14		
Basic		**(HK4.03 cents)**	(HK5.06 cents)
Diluted		**(HK4.03 cents)**	(HK5.06 cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
Non-current assets			
Property, plant and equipment	18	**204,318**	225,205
Prepaid lease payments	19	**10,398**	12,845
Goodwill	20	**14,820**	14,820
Club debentures	21	**2,135**	2,135
Deposits and other receivables	22	**514**	877
Prepayments for the acquisition of property, plant and equipment		**332**	762
		232,517	256,644
Current assets			
Inventories	23	**161,718**	161,906
Trade and other receivables	24	**61,871**	66,831
Prepaid lease payments	19	**358**	416
Bank balances and cash	25	**13,958**	39,074
		237,905	268,227
Assets classified as held for sale	26	**7,581**	7,396
		245,486	275,623
Current liabilities			
Trade and other payables	27	**48,419**	48,386
Amounts due to non-controlling shareholders of a subsidiary	28	**462**	462
Income tax payable		**170**	170
Bank borrowings	29	**126,938**	121,626
Obligations under finance leases	30	**681**	653
Loan from ultimate holding company	31	**–**	11,524
Loan from immediate holding company	31	**6,162**	–
		182,832	182,821
Net current assets		**62,654**	92,802
Total assets less current liabilities		**295,171**	349,446
Non-current liabilities			
Bank borrowings	29	**3,356**	8,422
Loan from immediate holding company	31	**–**	23,678
Deferred taxation	32	**2,399**	2,490
Obligations under finance leases	30	**1,080**	1,761
		6,835	36,351
		288,336	313,095

	Note	2012 HK$'000	2011 HK$'000
Capital and reserves			
Share capital	33	**46,005**	46,005
Reserves		**239,922**	264,652
Equity attributable to owners of the Company		**285,927**	310,657
Non-controlling interests		**2,409**	2,438
Total equity		**288,336**	313,095

The consolidated financial statements on pages 37 to 95 were approved and authorised for issue by the board of directors on 28 March 2013 and are signed on its behalf by:

Chu Chun Man, Augustine
Director

Chu Yuk Man, Simon
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

	Attributable to owners of the Company												
	Share capital HK$'000	Share premium HK$'000	Other reserve HK$'000 (Note i)	Contributed surplus HK$'000 (Note ii)	Legal reserve HK$'000 (Note iii)	Assets revaluation reserve HK$'000	Statutory surplus reserve HK$'000 (Note iv)	Exchange fluctuation reserve HK$'000	Share options reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2011	30,220	57,270	2,966	10,564	48	26,329	17	35,914	463	97,142	260,933	2,467	263,400
Loss for the year	–	–	–	–	–	–	–	–	–	(16,242)	(16,242)	(29)	(16,271)
Other comprehensive income for the year													
Exchange difference arising on translation	–	–	–	–	–	–	–	5,149	–	–	5,149	–	5,149
Deferred tax relating to revaluation of leasehold land and buildings	–	–	–	–	–	75	–	–	–	–	75	–	75
Total comprehensive income (expenses) for the year	–	–	–	–	–	75	–	5,149	–	(16,242)	(11,018)	(29)	(11,047)
Exercise of shares options (Note 33)	450	1,678	–	–	–	–	–	–	(463)	–	1,665	–	1,665
Issue of shares upon rights issue (Note 33)	15,335	44,472	–	–	–	–	–	–	–	–	59,807	–	59,807
Transaction costs attributable to issue of shares	–	(1,035)	–	–	–	–	–	–	–	–	(1,035)	–	(1,035)
Deemed contribution by immediate holding company arising from non-interest bearing loan (Note 31)	–	–	1,315	–	–	–	–	–	–	–	1,315	–	1,315
Disposal of a subsidiary (Note 35)	–	–	–	–	–	(870)	–	(140)	–	–	(1,010)	–	(1,010)
At 31 December 2011	46,005	102,385	4,281	10,564	48	25,534	17	40,923	–	80,900	310,657	2,438	313,095
Loss for the year	–	–	–	–	–	–	–	–	–	(18,531)	(18,531)	(29)	(18,560)
Other comprehensive expenses for the year													
Exchange difference arising on translation	–	–	–	–	–	–	–	(5,928)	–	–	(5,928)	–	(5,928)
Loss on revaluation of leasehold land and buildings, net of tax	–	–	–	–	–	(271)	–	–	–	–	(271)	–	(271)
Total comprehensive expenses for the year	–	–	–	–	–	(271)	–	(5,928)	–	(18,531)	(24,730)	(29)	(24,759)
Disposal of leasehold land and buildings	–	–	–	–	–	(6,206)	–	–	–	6,206	–	–	–
At 31 December 2012	46,005	102,385	4,281	10,564	48	19,057	17	34,995	–	68,575	285,927	2,409	288,336

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

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

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

Note iv: As stipulated by regulations in the People's Republic of China (the "PRC"), certain subsidiaries in the PRC are required to appropriate 10% of their after-tax profit (after offsetting prior year losses) to a statutory surplus reserve fund until the balance of the fund reaches 50% of its registered capital and thereafter any further appropriation is optional. The statutory surplus reserve fund can be utilised to offset prior year losses, or for conversion into registered capital on the condition that the statutory surplus reserve fund shall be maintained at a minimum of 25% of the registered capital after such utilisation.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
OPERATING ACTIVITIES			
Loss before tax		**(18,308)**	(16,009)
Adjustments for:			
Amortisation of prepaid lease payments		**397**	640
Bad debts directly written off on other receivables		**–**	350
Bad debts directly written off on trade receivables		**258**	59
Depreciation of property, plant and equipment		**20,144**	17,788
Finance costs		**8,475**	10,433
Interest income		**(259)**	(61)
Loss on disposal of a subsidiary	35	**–**	2,456
Loss on disposal of property, plant and equipment and prepaid lease payments		**867**	709
Operating cash flows before movements in working capital		**11,574**	16,365
Decrease in inventories		**188**	11,911
Decrease in trade and other receivables		**4,702**	30,779
Decrease in trade and other payables		**(3,244)**	(27,510)
Cash generated from operations		**13,220**	31,545
Enterprise Income Tax paid		**(252)**	(1,521)
Hong Kong Profits Tax refunded		**–**	31
NET CASH FROM OPERATING ACTIVITIES		**12,968**	30,055
INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment and prepaid lease payments		**16,406**	1,225
Decrease (increase) in deposit and other receivables		**363**	(261)
Interest received		**259**	61
Withdrawal of bank deposits		**61**	59
Purchase of property, plant and equipment		**(8,252)**	(5,029)
Prepayments for acquisition of property, plant and equipment		**(332)**	(762)
Net cash inflow from disposal of a subsidiary	35	**–**	7,002
Placing of bank deposits		**–**	(61)
NET CASH FROM INVESTING ACTIVITIES		**8,505**	2,234

	Notes	2012 HK$'000	2011 HK$'000
FINANCING ACTIVITIES			
Repayments of bank borrowings		**(93,578)**	(146,792)
Repayment to immediate holding company		**(18,467)**	–
Repayment to ultimate holding company		**(11,524)**	(5,116)
Interest and factoring charges paid		**(7,700)**	(9,489)
Repayments of obligations under finance leases		**(653)**	(365)
New bank borrowings raised		**85,000**	63,476
Proceeds from issue of shares		**–**	60,437
NET CASH USED IN FINANCING ACTIVITIES		**(46,922)**	(37,849)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(25,449)**	(5,560)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**37,954**	42,273
Effect of foreign exchange rate changes		**433**	1,241
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**12,938**	37,954
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash	25	**13,958**	39,013
Bank overdrafts	29	**(1,020)**	(1,059)
		12,938	37,954

1. GENERAL

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

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

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

The principal activities of the Company is investment holding and the principal activities of its subsidiaries are set out in Note 41.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised amendments issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to Hong Kong Accounting Standards ("HKAS") 12	Deferred Tax: Recovery of Underlying Assets
Amendments to HKFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
Amendments to HKFRS 7	Financial Instrument: Disclosures-Transfers of Financial Assets

The directors of the Company anticipate that the application of above new and revised amendments has had no material impact on the Group's performance and position for the current and prior years and/or the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle[1]
Amendments to HKFRS 1	Government Loans[1]
Amendments to HKFRS 7	Disclosure – Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosure[3]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosures of interests in Other Entities: Transition Guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[2]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
HKAS 19 (as revised in 2011)	Employee Benefit[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
Amendments to HKAS 1	Presentation of items of Other Comprehensive Income[4]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[2]
HK(IFRIC[#])-Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]

1 Effective for annual periods beginning on or after 1 January 2013.
2 Effective for annual periods beginning on or after 1 January 2014.
3 Effective for annual periods beginning on or after 1 January 2015.
4 Effective for annual periods beginning on or after 1 July 2012.
IFRIC represents International Financial Reporting Interpretation Committee

ANNUAL IMPROVEMENTS TO HKFRSs 2009 – 2011 CYCLE ISSUED IN JUNE 2012

The Annual Improvements to HKFRSs 2009 – 2011 Cycle include a number of amendments to various HKFRSs. The amendments are effective for annual periods beginning on or after 1 January 2013. Amendments to HKFRSs include the amendments to HKAS 16 Property, Plant and Equipment and the amendments to HKAS 32 Financial Instruments: Presentation.

The amendments to HKAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in HKAS 16 and as inventory otherwise. The directors of the Company do not anticipate that the application of the amendments will have a material effect on the Group's consolidated financial statements.

The amendments to HKAS 32 clarify that income tax on distributions to holders of an equity instrument and transaction costs of an equity transaction should be accounted for in accordance with HKAS 12 Income Taxes. The directors of the Company anticipate that the amendments to HKAS 32 will have no effect on the Group's consolidated financial statements as the Group has already adopted this treatment.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

AMENDMENTS TO HKAS 32 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES AND AMENDMENTS TO HKFRS 7 DISCLOSURES – OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to HKFRS 7 are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

The directors of the Company anticipate that the application of these amendments to HKAS 32 and HKFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

HKFRS 9 FINANCIAL INSTRUMENTS

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The directors of the Company anticipate that the adoption of HKFRS 9 in the future may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

NEW AND REVISED STANDARDS ON CONSOLIDATION, JOINT ARRANGEMENTS, ASSOCIATES AND DISCLOSURES

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. HK (SIC) – Int 12 Consolidation – Special Purpose Entities will be withdrawn upon the effective date of HKFRS 10. Under HKFRS 10, there is only on basis for consolidation, that is, control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. HK (SIC) – Int 13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers will be withdrawn upon the effective date of HKFRS 11. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate consolidation.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013 with earlier application permitted provided that all of these five standards are applied at the same time.

The directors of the Company anticipate that the application of these five standards have no significant impact on amounts reported in the consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

NEW AND REVISED STANDARDS ON CONSOLIDATION, JOINT ARRANGEMENTS, ASSOCIATES AND DISCLOSURES (Continued)

AMENDMENTS TO HKFRS 10, HKFRS 12 AND HKAS 27 INVESTMENT ENTITIES

The amendments to HKFRS 10 introduce an exception to consolidating subsidiaries for an investment entity, except where the subsidiaries provide services that relate to the investment entity's investment activities. Under the amendments to HKFRS 10, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss.

To qualify as an investment entity, certain criteria have to be met. Specifically, an entity is required to:

- obtain funds from one or more investors for the purpose of providing them with professional investment management services;

- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and

- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments to HKFRS 12 and HKAS 27 have been made to introduce new disclosure requirements for investment entities.

The amendments to HKFRS 10, HKFRS 12 and HKAS 27 are effective for annual periods beginning on or after 1 January 2014, with early application permitted. The directors of the Company anticipate that the application of the amendments will have no effect on the Group as the Company is not an investment entity.

HKFRS 13 FAIR VALUE MEASUREMENT

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 Financial Instruments: Disclosures will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013 with earlier application permitted. The directors of the Company anticipate that application of the new standard may affect certain amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

NEW AND REVISED STANDARDS ON CONSOLIDATION, JOINT ARRANGEMENTS, ASSOCIATES AND DISCLOSURES (Continued)

AMENDMENTS TO HKAS 1 – PRESENTATION OF ITEMS OF OTHER COMPREHENSIVE INCOME

The amendments to HKAS 1 Presentation of Items of Other Comprehensive Income introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a "statement of comprehensive income" is renamed as a "statement of profit or loss and other comprehensive income" and an "income statement" is renamed as a "statement of profit or loss". The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in future accounting periods.

Other than disclosed above, the directors of the Company anticipate that the application of the other new and revised standards, amendments and interpretations will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for certain leasehold land and buildings and financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies are set out below.

(A) BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(A) BASIS OF CONSOLIDATION (Continued)

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

ALLOCATION OF TOTAL COMPREHENSIVE INCOME (EXPENSES) TO NON-CONTROLLING INTERESTS

Total comprehensive income and expenses of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(B) INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are included in the Company's statement of financial position at cost less any identified impairment loss.

(C) GOODWILL

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

(D) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment other than leasehold land and buildings held for use in the production or supply of goods, or for administrative purposes (other than construction in progress as described below) are stated in the consolidated statement of financial position at cost or fair value less subsequent accumulated depreciation and accumulated impairment losses, if any.

Leasehold land and buildings held for use in the production or supply of goods are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and any subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(D) PROPERTY, PLANT AND EQUIPMENT (Continued)

Any revaluation increase arising on revaluation of leasehold land and buildings is recognised in other comprehensive income and accumulated in the assets revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is recognised in profit or loss to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset.

Depreciation is recognised so as to write off the cost or fair value of items of property, plant and equipment other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in process for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

(E) PREPAID LEASE PAYMENTS

Payment for obtaining land use rights is considered as operating lease payment. Land use rights are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged to consolidated statement of comprehensive income over the period of the rights using the straight-line method.

(F) CLUB DEBENTURES

Club debentures are carried at cost less accumulated impairment losses, if any.

(G) INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

(H) FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(H) FINANCIAL INSTRUMENTS (Continued)

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

FINANCIAL ASSETS

The Group's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

EFFECTIVE INTEREST METHOD

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including deposits, trade and other receivables and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

IMPAIRMENT OF FINANCIAL ASSETS

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(H) FINANCIAL INSTRUMENTS (Continued)

FINANCIAL ASSETS (Continued)

IMPAIRMENT OF FINANCIAL ASSETS (Continued)

For certain categories of financial asset, such as trade and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade or other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade or other receivable is considered uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

FINANCIAL LIABILITIES AND EQUITY INSTRUMENTS

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

EQUITY INSTRUMENTS

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

EFFECTIVE INTEREST METHOD

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(H) FINANCIAL INSTRUMENTS (Continued)

FINANCIAL LIABILITIES AND EQUITY INSTRUMENTS (Continued)

FINANCIAL LIABILITIES

Financial liabilities including trade and other payables, amounts due to non-controlling shareholders of a subsidiary, bank borrowings, obligation under finance leases and loan from immediate/ultimate holding company are subsequently measured at amortised cost, using the effective interest method.

FINANCIAL GUARANTEE CONTRACTS

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of obligation under the contract, as determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation in accordance with the revenue recognition policy.

TRANSACTIONS WITH OWNERS

The Group applies a policy of treating loans from shareholders as transactions between owners in their capacity as owners. No gain or loss is recognised in the profit or loss from the non-interesting bearing loans. Any deemed contribution from the shareholder arising from the non-interest bearing loan is recognised directly in the consolidated statement of changes in equity.

DERECOGNITION

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(H) FINANCIAL INSTRUMENTS (Continued)

DERECOGNITION (Continued)

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(I) CASH AND CASH EQUIVALENTS

Bank balances and cash in the consolidated statement of financial position comprise cash at bank and on hand and short-term deposits with a maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalent consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

(J) NON-CURRENT ASSETS HELD FOR SALE

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

(K) PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(L) IMPAIRMENT LOSSES ON ASSETS OTHER THAN GOODWILL (SEE THE ACCOUNTING POLICIES IN RESPECT OF GOODWILL ABOVE)

At the end of the reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately in profit and loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under standard.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(M) REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts, returns and sales related taxes.

I) SALES OF GOODS

Revenue from sales of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the cost incurred or to be incurred in respect of the transaction can be measured reliably.

Deposits and instalments from purchasers prior to meeting the above criteria on revenue recognition are included in the consolidated statement of financial position under current liabilities.

II) INTEREST INCOME

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

III) SERVICE INCOME

Service income is recognised when services are provided.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(N) LEASING

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownerships to the lessee. All other leases are classified as operating leases.

THE GROUP AS LESSEE

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss.

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

LEASEHOLD LAND AND BUILDINGS

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

(O) BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(P) RESEARCH AND DEVELOPMENT COSTS

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

(Q) RETIREMENT BENEFIT COSTS

Payments to state-managed retirement benefit schemes and the mandatory provident fund scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(R) TAXATION

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before tax" as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

(S) FOREIGN CURRENCIES

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(S) FOREIGN CURRENCIES (Continued)

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated in equity and will be reclassified from equity to profit or loss on disposal of the foreign operation. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange fluctuation reserve (attributable to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation or a disposal involving loss of control over a subsidiary that includes a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in equity under the heading of exchange fluctuation reserve.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

ESTIMATED IMPAIRMENT OF GOODWILL

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. Details of impairment testing on goodwill are set out in Note 20(b). As at 31 December 2012, the carrying amount of goodwill was approximately HK$14,820,000 (2011: HK$14,820,000)

ESTIMATION OF FAIR VALUE OF LEASEHOLD LAND AND BUILDINGS

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including: (a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences; (b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and (c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows. The principal assumptions for the Group's estimation of the fair value include those related to current market rents for similar properties in the same location and condition, appropriate discount rates, expected future market rents and future maintenance costs. As at 31 December 2012, the carrying amount of leasehold land and buildings was approximately HK$160,875,000 (2011: HK$174,425,000)

IMPAIRMENT LOSS RECOGNISED IN RESPECT OF PROPERTY, PLANT AND EQUIPMENT OTHER THAN LEASEHOLD LAND AND BUILDINGS

The impairment loss for property, plant and equipment other than leasehold land and buildings are recognised for the amounts by which the carrying amounts exceed their recoverable amounts, in accordance with the Group's accounting policy. The recoverable amounts of property, plant and equipment other than leasehold land and buildings have been determined based on value-in-use calculations. These calculations require the use of estimates such as the future revenue with a stable growth rate and a suitable discount rate. During the year ended 31 December 2012 and 2011, no impairment loss in respect of property, plant and equipment other than leasehold land and buildings was recognised. As at 31 December 2012, the carrying amount of property, plant and equipment other than leasehold land and buildings was approximately HK$43,443,000 (2011: HK$50,780,000)

NET REALISABLE VALUE OF INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs to make the sale. The cost of inventories is written down to the net realisable value when there is objective evidence that the cost of inventories may not be recoverable. The amount written off to the consolidated statement of comprehensive income is the difference between the carrying value and net realisable value of inventories. In determining whether the cost of inventories can be recovered, significant judgment is required. In making this judgment, the Company evaluates, amongst other factors, the duration, extent and means by which the amount will be recovered. These estimates are based on the current market and past experience in sales of similar products. It could change significantly as a result of changes in customer preferences and competitor actions in response to changes in market condition. At 31 December 2012, the carrying amount of inventories was approximately HK$161,718,000 (2011: HK$161,906,000). No impairment loss was provided for in both years.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

IMPAIRMENT LOSS RECOGNISED IN RESPECT OF TRADE RECEIVABLES

The Group performs ongoing credit evaluations of its customers and adjusts credit limits based on payment history and the customer's current credit-worthiness, as determined by the review of their current credit information. The Group continuously monitors collections and payments from its customers and maintains a provision for estimated credit losses based upon its historical experience and any specific customer collection issues that it has identified. Credit losses have historically been within the Group's expectations and the Group will continue to monitor the collections from customers and maintain an appropriate level of estimated credit losses. At 31 December 2012, the carrying amount of trade receivables was approximately HK$29,591,000 (2011: HK$18,620,000), net of impairment losses of approximately HK$29,000 (2011: HK$65,000).

DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account of their estimated residual values. The determination of the useful lives and residual values involve management's estimation. The Group assesses annually the residual values and the useful lives of the property, plant and equipment and if the expectation differs from the original estimates, such differences may impact the depreciation in the year and the estimates will be changed in the future period.

INCOME TAXES

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

5. CAPITAL RISK MANAGEMENT

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value. The Group's overall strategy remains unchanged from prior period.

The capital structure of the Group consists of net debt, which includes amounts due to non-controlling shareholders of a subsidiary disclosed in Note 28, bank borrowings disclosed in Note 29, obligations under finance leases disclosed in Note 30, loan from ultimate/immediate holding company disclosed in Note 31 and bank balances and cash disclosed in Note 25 and equity attributable to owners of the Company, comprising issued share capital and reserves.

5. CAPITAL RISK MANAGEMENT (Continued)

The Group monitors its capital by using a gearing ratio, which consists of net debt divided by the total equity. The Group's policy is to maintain the gearing ratio at not more than 100% (2011: 100%), which is determined and reviewed with reference to the funding needs of the Group periodically. Total equity includes equity attributable to the owners of the Company and non-controlling interests. The gearing ratios as at the end of the reporting period were as follows:

	2012 **HK$'000**	2011 HK$'000
Amounts due to non-controlling shareholders of a subsidiary	**462**	462
Bank borrowings	**130,294**	130,048
Obligations under finance leases	**1,761**	2,414
Loan from immediate holding company	**6,162**	23,678
Loan from ultimate holding company	**–**	11,524
Less: Bank balances and cash	**(13,958)**	(39,074)
Net debts	**124,721**	129,052
Equity attributable to owners of the Company	**285,927**	310,657
Non-controlling interests	**2,409**	2,438
Total equity	**288,336**	313,095
Gearing ratio	**43%**	41%

6. FINANCIAL INSTRUMENTS

CATEGORIES OF FINANCIAL INSTRUMENTS

	2012 **HK$'000**	2011 HK$'000
Financial assets		
Loans and receivables (including bank balances and cash)	**61,777**	82,458
Financial liabilities		
Financial liabilities at amortised cost	**183,348**	213,463

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES

The Group's major financial instruments include deposits, trade and other receivables, bank balances and cash, trade and other payables, amounts due to non-controlling shareholders of a subsidiary, bank borrowings, obligations under finance leases and loan from ultimate/immediate holding company are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES (Continued)

CURRENCY RISK

Several subsidiaries of the Company have foreign currency purchases, which expose the Group to foreign currency risk. 5% (2011: 5%) of the Group's purchase are denominated in currencies other than the functional currency of the group entity making the purchase.

The carrying amounts of the Group's foreign currency denominated monetary liabilities at the reporting date are as follows:

	Liabilities	
	2012	2011
	HK$'000	HK$'000
RMB	**1,584**	661

The Group believes that the pegged rate between the US$ and the HK$ will be materially unaffected by any changes in the value of US$ against other currencies. In this respect, the Group considers its exposure to foreign currency risk in respect of HK$ to be insignificant.

The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

SENSITIVITY ANALYSIS

The Group is mainly exposed to the effects of fluctuation in RMB.

The following table details the Group's sensitivity to a 5% increase and decrease in US$ against RMB. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive number below indicates an decrease in post-tax loss (2011: decrease in post-tax loss) where US$ strengthen 5% against the relevant currency. For a 5% weakening of US$ against the relevant currency, there would be an equal and opposite impact on the loss/profit, and the balances below would be negative. The analysis is performed on the same basis for the year ended 31 December 2011.

	RMB	
	2012	2011
	HK$'000	HK$'000
Impact on loss for the year	**66**	28

This is mainly attributable to the exposure on outstanding trade and other payables denominated in RMB at the end of the reporting period.

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES (Continued)

INTEREST RATE RISK

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings (see Note 29 for details of these borrowings) for the year ended 31 December 2012. The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

The Group's cash flow interest rate risk relates primarily to variable-rate borrowings (see Note 29 for details of these borrowings). It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

The Group's bank balances are short-term in nature and the exposure of the interest rate risk is minimal and no sensitivity to interest rate risk is presented.

The Group's exposure to interest rates on financial liabilities is detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of base lending rate published by the People's Bank of China and the Hong Kong Interbank Offered Rate.

SENSITIVITY ANALYSIS

As of 31 December 2012, it is estimated that a general 100 basis point increase or decrease in interest rates, with all other variables held constant, would increase or decrease the Group's post-tax loss (2011: increase or decrease the Group's post-tax loss) for the year ended and retained profits by approximately HK$343,000 (2011: HK$703,000).

The above sensitivity analysis has been determined assuming that a change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 100 basis point increase or decrease represents directors' assessment of a reasonably possible change in interest rates over the period until the next reporting period. The analysis was performed on the same basis for year ended 31 December 2011.

CREDIT RISK

At 31 December 2012, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks in Hong Kong with high credit ratings assigned by international credit-ratings agencies or authorised banks in the PRC with high credit ratings.

The Group's concentration of credit risk is 29% and 89% (2011: 36% and 85%) of the total trade receivables is due from the Group's largest customer and the five largest customers, respectively.

The Group's concentration of credit risk by geographical locations is mainly in the North America, which accounted for 63% (2011: 79%) of the total trade receivables as at 31 December 2012.

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES (Continued)

LIQUIDITY RISK

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

	At 31 December 2012				
	Within one year or on demand HK$'000	More than one year less than two years HK$'000	More than two years less than five years HK$'000	Total contractual undiscounted cash flow HK$'000	Carry amount HK$'000
Non-derivative financial liabilities					
Trade and other payables	**44,669**	**–**	**–**	**44,669**	**44,669**
Amounts due to non-controlling shareholders of a subsidiary	**462**	**–**	**–**	**462**	**462**
Bank borrowings	**133,895**	**3,426**	**–**	**137,321**	**130,294**
Obligation under finance lease	**744**	**744**	**373**	**1,861**	**1,761**
Loan from immediate holding company	**6,162**	**–**	**–**	**6,162**	**6,162**
	185,932	**4,170**	**373**	**190,475**	**183,348**

	At 31 December 2011				
	Within one year or on demand HK$'000	More than one year less than two years HK$'000	More than two years less than five years HK$'000	Total contractual undiscounted cash flow HK$'000	Carry amount HK$'000
Non-derivative financial liabilities					
Trade and other payables	45,337	–	–	45,337	45,337
Amounts due to non-controlling shareholders of a subsidiary	462	–	–	462	462
Bank borrowings	128,621	7,122	1,583	137,326	130,048
Obligation under finance lease	744	744	1,117	2,605	2,414
Loan from ultimate holding company	11,524	–	–	11,524	11,524
Loan from immediate holding company	–	25,185	–	25,185	23,678
	186,688	33,051	2,700	222,439	213,463

8. FAIR VALUE

The fair value of financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the other carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values due to their short-term maturities.

The directors of the Company also consider that the fair value of the long-term portion of financial liabilities approximates to their carrying amount as they are carried at amortised cost by using the effective interest rate method.

9. TURNOVER AND OTHER OPERATING INCOME

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

Analysis of the Group's revenue for the year is as follows:

	2012 **HK$'000**	2011 HK$'000
Turnover		
Sales of golf equipment and related components and parts	**244,222**	234,822
Sales of golf bags, other accessories and related components and parts	**27,891**	43,827
	272,113	278,649
Other operating income		
Interest income	**259**	61
Sales of scrap materials	**335**	201
Sample income	**23**	131
Sundry income	**860**	2,058
Tooling income	**509**	611
	1,986	3,062
Total revenues	**274,099**	281,711

10. SEGMENT INFORMATION

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

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

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

(A) SEGMENT REVENUE AND RESULTS

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

For the year ended 31 December

	Golf equipment		Golf bags		Eliminations		Consolidated	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Segment revenue:								
Sales to external customers	**244,222**	234,822	**27,891**	43,827	**–**	–	**272,113**	278,649
Inter-segment revenue	**–**	–	**19,349**	12,993	**(19,349)**	(12,993)	**–**	–
Other operating income	**1,456**	2,353	**271**	648	**–**	–	**1,727**	3,001
Total	**245,678**	237,175	**47,511**	57,468	**(19,349)**	(12,993)	**273,840**	281,650
Segment results	**(5,275)**	(498)	**1,167**	1,182			**(4,108)**	684
Interest income							**259**	61
Unallocated corporate expenses							**(5,984)**	(6,321)
Finance costs							**(8,475)**	(10,433)
Loss before tax							**(18,308)**	(16,009)

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment results represents the results of each segment without allocation of interest income, central administration costs, directors' remuneration and finance costs. This is the measure reported to the chief operating decision maker of the Group for the purposes of resource allocation and performance assessment.

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

10. SEGMENT INFORMATION (Continued)

(B) SEGMENT ASSETS AND LIABILITIES

The following is an analysis of the Group's assets and liabilities by reportable segment.

At 31 December

	Golf equipment		Golf bags		Total	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Assets and liabilities						
Segment assets	**431,706**	456,976	**21,887**	25,537	**453,593**	482,513
Unallocated corporate assets						
– Assets classified as held for sale					**7,581**	7,396
– Club debentures					**2,135**	2,135
– Bank balances and cash					**13,958**	39,074
– Others					**736**	1,149
Total assets					**478,003**	532,267
Segment liabilities	**33,118**	31,432	**15,156**	16,792	**48,274**	48,224
Unallocated corporate liabilities						
– Amounts due to non-controlling shareholders of a subsidiary					**462**	462
– Income tax payable					**170**	170
– Bank borrowings					**130,294**	130,048
– Obligations under finance leases					**1,761**	2,414
– Loan from ultimate holding company					**–**	11,524
– Loan from immediate holding company					**6,162**	23,678
– Deferred taxation					**2,399**	2,490
– Others					**145**	162
Total liabilities					**189,667**	219,172

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

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

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

10. SEGMENT INFORMATION (Continued)

(C) GEOGRAPHICAL INFORMATION

The Group's customers are located in North America, Europe, Asia (excluding Japan), Japan and others.

Information about the Group's revenue from external customers by geographical location of revenue is presented below:

	Revenue from external customers	
	2012	2011
	HK$'000	HK$'000
North America	**135,372**	170,193
Europe	**33,640**	29,712
Asia (excluding Japan)	**50,651**	37,372
Japan	**42,472**	33,017
Others	**9,978**	8,355
	272,113	278,649

Less than 10% of the Group's revenue is derived from customers based in the PRC including Hong Kong (country of domicile) for the year ended 31 December 2012 (2011: 1%).

The Group's non-current assets, other than financial instruments, by geographical location is presented below:

	2012	2011
	HK$'000	HK$'000
Hong Kong (country of domicile)	**14,185**	15,479
The PRC	**217,817**	240,285
Others	**1**	3
	232,003	255,767

10. SEGMENT INFORMATION (Continued)

(D) OTHER SEGMENT INFORMATION

Amounts included in the measure of segment profit or loss or segment assets:

For the year ended 31 December

	Golf equipment		Golf bags		Total	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Other segment information:						
Addition to non-current assets (Note)	**8,278**	8,450	**482**	491	**8,760**	8,941
Amortisation of prepaid lease payments	**397**	533	**–**	107	**397**	640
Bad debts directly written off on other receivables	**–**	350	**–**	–	**–**	350
Bad debts directly written off on trade receivables	**258**	5	**–**	54	**258**	59
Depreciation of property, plant and equipment	**17,496**	14,450	**2,648**	3,338	**20,144**	17,788
Loss on disposal of property, plant and equipment and prepaid lease payment	**838**	609	**29**	100	**867**	709
Loss on disposal of a subsidiary	**–**	2,456	**–**	–	**–**	2,456

Note: Non-current assets included property, plant and equipments and prepayments for acquisition of property, plant and equipments.

(E) INFORMATION ABOUT MAJOR CUSTOMERS

Revenues from customers of the corresponding years contributing over 10% of the total revenue of the Group as follows:

	Revenue generated from	**2012 HK$'000**	2011 HK$'000
Customer A	Golf equipment	**78,435**	79,869
Customer B	Golf equipment and golf bags	**79,596**	91,516

11. FINANCE COSTS

	2012 HK$'000	2011 HK$'000
Factoring and bank charges	2,090	2,807
Interest expenses on:		
– bank overdrafts	48	48
– bank borrowings wholly repayable within five years	5,471	6,624
– imputed interest on non-interest bearing loan from immediate holding company	951	1,315
– obligations under finance leases	91	10
Total borrowing costs	8,651	10,804
Less: interest capitalised	(176)	(371)
	8,475	10,433

Note: The capitalisation ratio of borrowings for the year ended 31 December 2012 is ranging from 6.00% to 6.72% (2011: 6.56%) per annum.

12. INCOME TAX EXPENSE

	2012 HK$'000	2011 HK$'000
Hong Kong Profits Tax		
– Current	–	169
– Overprovision in prior year	–	(546)
	–	(377)
PRC Enterprise Income Tax Income ("EIT") – Current	252	639
	252	262

i) Hong Kong Profits Tax was calculated at 16.5% of the estimated assessable profit for the years ended 31 December 2012 and 2011.

ii) 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 PRC subsidiaries is 25% from 1 January 2008 onwards.

In accordance with the tax legislations applicable to foreign investment enterprises, various subsidiaries are entitled to exemptions from the PRC EIT for the first two year commencing from the first profit-making year of operation and thereafter, entitled to a 50% relief from the PRC EIT for the following three years. According to the EIT Law, the first year income tax exemption commenced for the year ended 31 December 2008 and the subsidiary enjoys the second year income tax exemption for the year ended 31 December 2009. The effective tax rate for the year ended 31 December 2012 is 12.5% (2011: 12.5%).

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

12. INCOME TAX EXPENSE (Continued)

The income tax expense for the year can be reconciled to the loss before tax per the consolidated statement of comprehensive income as follows:

	2012 HK$'000	2011 HK$'000
Loss before tax	**(18,308)**	(16,009)
Tax calculated at rates applicable to profits in the respective tax jurisdiction concerned	**(4,154)**	(3,199)
Overprovision in prior years	**–**	(546)
Effect of tax exemptions granted	**(887)**	(848)
Tax effect of income not taxable for tax purposes	**(617)**	(397)
Tax effect of expense not deductible for tax purposes	**1,887**	684
Tax effect of tax losses and deductible temporary differences not recognised	**4,513**	4,884
Utilisation of tax losses and deductible temporary differences previously not recognised	**(490)**	(316)
Income tax expense	**252**	262

Details of the deferred taxation are set out in Note 32.

13. LOSS FOR THE YEAR

	2012 HK$'000	2011 HK$'000
Loss for the year has been arrived at after charging:		
Staff cost (including directors' emoluments):		
Salaries, wages and other benefits in kind	**69,323**	74,081
Retirement benefit scheme contributions	**3,356**	2,785
Total staff cost	**72,679**	76,866
Amortisation of prepaid lease payments	**397**	640
Auditor's remuneration	**1,062**	931
Bad debts directly written off on other receivables	**–**	350
Bad debts directly written off on trade receivables	**258**	59
Cost of inventories sold	**240,174**	234,813
Depreciation of property, plant and equipment	**20,144**	17,788
Exchange loss (net)	**505**	2,017
Loss on disposal of a subsidiary (Note 35)	**–**	2,456
Loss on disposal of property, plant and equipment and prepaid lease payment	**867**	709
Operating leases rentals in respect of land and buildings	**4,679**	5,405
Research and development costs	**2,076**	2,444

14. LOSS PER SHARE

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

	2012 HK$'000	2011 HK$'000
Loss		
Loss for the purpose of basic and diluted loss per share	**(18,531)**	(16,242)

	2012 '000	2011 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**460,050**	320,983

The diluted loss per share is equal to the basic loss per share as there were no dilutive potential ordinary shares at 31 December 2012 and 2011.

15. DIVIDENDS

No dividends were paid, declared or proposed during the year ended 31 December 2012, nor has any dividend been proposed since the end of the reporting period (2011: Nil).

16. STAFF COSTS (EXCLUDING DIRECTORS' EMOLUMENTS)

	2012 HK$'000	2011 HK$'000
Salaries, allowances and other benefits in kind	**65,530**	69,841
Retirement benefits schemes contributions	**3,328**	2,761
	68,858	72,602

16. STAFF COSTS (EXCLUDING DIRECTORS' EMOLUMENTS) (Continued)

I) HONG KONG

Subsidiaries in Hong Kong operate a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated statement of comprehensive income as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the subsidiaries in an independently administered fund. The subsidiaries' employer contributions vest fully with the employees when contributed into the MPF Scheme. During the year ended 31 December 2012, a total contribution of approximately HK$162,000 (2011: approximately HK$166,000) was made by the Group in respect of this scheme. Details of directors' retirement benefits scheme contributions are set out in Note 17.

II) THE PRC, OTHER THAN HONG KONG

The employees in the Group who work in the PRC are required to participate in pension schemes operated by the local governments. The Group is required to contribute 5% to 13% (2011: 5% to 13%) of their payroll costs to the schemes. The contributions are charged to the consolidated statement of comprehensive income as they become payable in accordance with the rules of the pension schemes. During the year ended 31 December 2012, a total contribution of approximately HK$3,166,000 (2011: approximately HK$2,595,000) was made by the Group in respect of this scheme.

III) At 31 December 2012, the Group had no forfeited contributions available to reduce its contributions to the above schemes in future years (2011: Nil).

17. DIRECTORS' AND EMPLOYEE'S EMOLUMENTS

(A) DIRECTORS' REMUNERATION

The emoluments paid or payable to each of the six (2011: six) directors were as follows:

	For the year ended 31 December 2012					
	Fees HK$'000	Salaries HK$'000	Bonuses HK$'000 (Note)	Housing benefits HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Executive directors						
Chu Chun Man, Augustine ("Augustine Chu")	–	718	30	840	14	1,602
Chu Yuk Man, Simon ("Simon Chu")	–	750	30	600	14	1,394
Chang Hua Jung	–	540	15	–	–	555
Independent non-executive directors						
Choy Tak Ho	120	–	–	–	–	120
Hsieh Ying Min	50	–	–	–	–	50
Chiu Lai Kuen, Susanna	100	–	–	–	–	100
	270	2,008	75	1,440	28	3,821

17. DIRECTORS' AND EMPLOYEE'S EMOLUMENTS (Continued)

(A) DIRECTORS' REMUNERATION (Continued)

	For the year ended 31 December 2011					
	Fees HK$'000	Salaries HK$'000	Bonuses HK$'000 (Note)	Housing benefits HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Executive directors						
Augustine Chu	–	1,060	30	840	12	1,942
Simon Chu	–	825	30	600	12	1,467
Chang Hua Jung	–	570	15	–	–	585
Independent non-executive directors						
Choy Tak Ho	120	–	–	–	–	120
Hsieh Ying Min	50	–	–	–	–	50
Chiu Lai Kuen, Susanna	100	–	–	–	–	100
	270	2,455	75	1,440	24	4,264

Note: The performance related bonuses were determined by remuneration committee based on individual performance.

No directors waived or agreed to waive any emoluments during the years ended 31 December 2012 and 2011.

(B) SENIOR MANAGEMENT'S EMOLUMENTS

Of the five individuals with highest emoluments, three (2011: three) were directors of the Company whose emoluments are set out in the above. The emoluments of the remaining two (2011: two) highest paid individuals were as follows:

	2012 HK$'000	2011 HK$'000
Salaries, allowances and other benefits in kind	**2,065**	2,010
Retirement benefits schemes contributions	**14**	12
	2,079	2,022

17. DIRECTORS' AND EMPLOYEE'S EMOLUMENTS (Continued)

(B) SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

Their emoluments were within the following bands:

	Number of individuals	
	2012	2011
Nil to HK$1,000,000	**1**	1
HK$1,000,001 to HK$1,500,000	**1**	1
	2	2

(C) No emolument have been paid by the Group to the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office for the years ended 31 December 2012 and 2011.

18. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings at revalued amount HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
COST/VALUATION							
At 1 January 2011	196,173	8,730	139,915	7,112	4,249	4,056	360,235
Exchange realignment	6,454	214	4,627	203	112	–	11,610
Additions	1,908	230	3,857	138	3,079	664	9,876
Disposals	(91)	–	(29,692)	(370)	(1,520)	–	(31,673)
Transfers	3,790	–	–	–	–	(3,790)	–
Transfer to assets held for sale	(6,428)	–	–	–	–	–	(6,428)
Disposal of a subsidiary	(19,587)	–	–	–	–	–	(19,587)
At 31 December 2011	182,219	9,174	118,707	7,083	5,920	930	324,033
Exchange realignment	4,564	151	2,831	142	72	7	7,767
Additions	1,618	244	5,507	116	4	1,701	9,190
Disposals	(18,522)	(372)	(17,806)	(1,175)	(38)	–	(37,913)
Transfers	201	–	–	–	–	(201)	–
Revaluation	(9,205)	–	–	–	–	–	(9,205)
At 31 December 2012	160,875	9,197	109,239	6,166	5,958	2,437	293,872
At 31 December 2012							
At cost	–	9,197	109,239	6,166	5,958	2,437	132,997
At valuation	160,875	–	–	–	–	–	160,875
	160,875	9,197	109,239	6,166	5,958	2,437	293,872
ACCUMULATED DEPRECIATION							
At 1 January 2011	7,515	5,433	92,138	5,498	2,864	–	113,448
Exchange realignment	1,195	117	2,823	148	61	–	4,344
Provided for the year	6,168	808	9,396	659	757	–	17,788
Eliminated on disposals	(71)	–	(27,855)	(321)	(1,492)	–	(29,739)
Eliminated on deregistration of subsidiaries	(4,314)	–	–	–	–	–	(4,314)
Impairment loss recognised	(2,699)	–	–	–	–	–	(2,699)
At 31 December 2011	7,794	6,358	76,502	5,984	2,190	–	98,828
Exchange realignment	918	98	1,708	115	45	–	2,884
Provided for the year	5,433	861	12,233	543	1,074	–	20,144
Eliminated on disposals	(5,302)	(186)	(16,817)	(1,139)	(15)	–	(23,459)
Eliminated on revaluation	(8,843)	–	–	–	–	–	(8,843)
At 31 December 2012	–	7,131	73,626	5,503	3,294	–	89,554
CARRYING VALUES							
At 31 December 2012	160,875	2,066	35,613	663	2,664	2,437	204,318
At 31 December 2011	174,425	2,816	42,205	1,099	3,730	930	225,205

18. PROPERTY, PLANT AND EQUIPMENT (Continued)

(a) The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold land and buildings	Over the shorter of the term of the lease or 20 to 50 years
Leasehold improvements	Over the shorter of the term of the lease or 5 to 10 years
Plant and machinery	10% to 20%
Furniture, fixtures and equipment	20%
Motor vehicles	20%

(b) The leasehold land and buildings are held in the PRC under medium-term lease.

(c) The leasehold land and buildings of the Group were revalued on 31 December 2012 by LCH (Asia-Pacific) Surveyors Limited ("LCH"), independent qualified professional valuers not connected with the Group. LCH has appropriate qualifications and has recent experiences in the valuation of similar properties in the relevant locations. The valuations have been arrived at on depreciated replacement cost basis.

(d) At 31 December 2012, the carrying values of motor vehicles included an amount of approximately HK$2,038,000 (2011: HK$2,594,000) in respect of assets under finance leases.

(e) At 31 December 2012, the Group's leasehold land and buildings with a carrying value of approximately HK$160,875,000 (2011: HK$174,425,000) was pledged as security for banking facilities granted to the Group.

19. PREPAID LEASE PAYMENTS

	2012 HK$'000	2011 HK$'000
Prepaid lease payments comprises of leasehold land held under medium-term lease in the PRC and are analysed for reporting purposes as follows:		
Current assets	**358**	416
Non-current assets	**10,398**	12,845
	10,756	13,261

At 31 December 2012, the carrying value of the Group's prepaid lease payment pledged as security for the banking facilities granted to the Group amounted to approximately HK$10,756,000 (2011: approximately HK$13,261,000).

During the year ended 31 December 2012, the carrying value of the Group's prepaid lease payments amounted to approximately HK$2,819,000 was disposed to an independent third party. At 31 December 2011, the carrying value of the Group's prepaid lease payment amounted to approximately HK$3,667,000 has been transferred to assets classified as held for sale as set out in Note 26 to the consolidated financial statement.

20. GOODWILL

(A) COST AND CARRYING VALUES

	2012 HK$'000	2011 HK$'000
At 1 January	14,820	20,385
Eliminated on disposal of a subsidiary	–	(5,565)
At 31 December	14,820	14,820

(B) IMPAIRMENT TESTING ON GOODWILL

For the purpose of impairment testing, goodwill set out above has been allocated to two individual cash generating units (2011: two). The carrying amounts of goodwill as at the end of the reporting period allocated to these units are as follows:

	2012 HK$'000	2011 HK$'000
Golf equipment	6,824	6,824
Golf bags	7,996	7,996
	14,820	14,820

GOLF EQUIPMENT

Companies comprising of the golf equipment segment are engaged in the manufacture and trading of golf equipment. The management of the Group prepared a profit forecast and cash flow forecast in respect of this CGU (the "Golf Equipment Forecast"). The Golf Equipment Forecast were based on financial budgets approved by the management covering a period of ten years at a pre-tax discount rate of 11.38% (2011: 10.89%). The cash flows beyond the period of one year were extrapolated using a steady growth rate of 5% (2011: 5%). This growth rate was based on past performance and its expectation on the relevant industry growth forecasts. The Golf Equipment Forecast for the budgeted period was based on the budgeted sales and budgeted gross margins during the budget period. Budgeted gross margins were determined based on management's expectation for market development and past experience, and the management believes that the budgeted gross margins were reasonable. The directors of the Company were of the opinion, based on the Golf Equipment Forecast, that the recoverable amount exceeds its carrying amount in the consolidated statement of financial position and no impairment loss was necessary.

20. GOODWILL (Continued)

(B) IMPAIRMENT TESTING ON GOODWILL (Continued)

GOLF BAGS

Companies comprising of the golf bags segment are engaged in the manufacture and trading of golf bags.

For the remaining companies comprising of the golf bags segment, the management of the Group prepared a profit forecast and cash flow forecast in respect of this CGU (the "Golf Bags Forecast"). The Golf Bags Forecast were based on financial budgets approved by the management covering a period of ten years at a pre-tax discount rate of 11.38% (2011: 10.89%). The cash flows beyond the one year period were extrapolated using a steady growth rate of 5% (2011: 5%). This growth rate was based on past performance and its expectation on the relevant industry growth forecasts. The Golf Bags Forecast for the budgeted period was based on the budgeted sales and budgeted gross margins during the budget period. Budgeted gross margins were determined based on management's expectation for market development and past experience, and the management believes that the budgeted gross margins were reasonable. The directors of the Company were of the opinion, based on the Golf Bags Forecast, that the recoverable amount exceeds its carrying amount in the consolidated statement of financial position and no impairment loss was necessary.

21. CLUB DEBENTURES

The club debentures represent memberships in private golf clubs in the PRC. The directors of the Company consider no impairment identified with reference to the second hand market price of the club debentures as at the end of the reporting period.

22. DEPOSITS AND OTHER RECEIVABLES

Included in the deposits and other receivables of approximately HK$514,000 (2011: HK$477,000) represents loans advanced to employees of the Group. The loans are unsecured, bear interest at rates ranging from 1.5% to 5.5% per annum (2011: 1.5% to 5.5% per annum) and are not repayable within the next twelve months from the end of the reporting period. The remaining balances are the deposits and receivables which are unsecured, non-interest bearing and are not repayable within the next twelve months from the end of the reporting period.

23. INVENTORIES

	2012 HK$'000	2011 HK$'000
Raw materials	**57,874**	59,982
Work in progress	**59,003**	57,983
Finished goods	**44,841**	43,941
	161,718	161,906

24. TRADE AND OTHER RECEIVABLES

	2012 HK$'000	2011 HK$'000
Trade receivables	29,620	18,685
Less: impairment loss recognised	(29)	(65)
	29,591	18,620
Prepayments	6,621	3,644
Deposits and other receivables	25,659	44,567
	32,280	48,211
	61,871	66,831

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

ii) The movements in impairment loss of trade receivables of the Group are as follows:

	2012 HK$'000	2011 HK$'000
At the beginning of the year	65	522
Written off during the year	(36)	(457)
At the end of the year	29	65

At 31 December 2012, included in the impairment loss of trade receivables are individually impaired trade receivables with an aggregate balances of approximately HK$29,000 (2011: HK$65,000) due to long outstanding. The Group does not hold any collateral over these balances.

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

	2012 HK$'000	2011 HK$'000
0 to 30 days	24,842	13,407
31 to 90 days	4,721	4,823
91 to 180 days	21	380
181 to 365 days	7	10
At the end of the year	29,591	18,620

24. TRADE AND OTHER RECEIVABLES (Continued)

iv) The aging analysis of the trade receivables (net of impairment) of the Group presented based on the due dates was as follows:

	Total	Neither past due nor impaired	Past due but not impaired 0 to 90 days	91 to 180 days	181 to 365 days
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2012	**29,591**	**28,258**	**1,313**	**16**	**4**
At 31 December 2011	18,620	16,376	2,190	44	10

Trade receivables that were neither past due nor impaired relate to customers for whom there was no recent history of default. The Group does not hold any collateral over these balances.

v) Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

25. BANK BALANCES AND CASH

	2012 HK$'000	2011 HK$'000
Bank balances and cash	**13,958**	39,013
Short-term time deposits with original maturity of more than three months	**–**	61
	13,958	39,074
Less: Short-term time deposits with original maturity of more than three months	**–**	(61)
Less: Bank overdrafts (Note 29)	**(1,020)**	(1,059)
Cash and cash equivalents	**12,938**	37,954

a) During the year ended 31 December 2012, bank balances carried interest rate ranged from 0.01% to 0.50% per annum (2011: 0.01% to 0.50% per annum).

b) During the year ended 31 December 2011, the short-term time deposits with original maturity of more than three months carried interest rate at approximately 2.25% per annum.

c) At 31 December 2012, the Group's time deposits, and bank balances and cash denominated in RMB amounted to approximately RMB5,789,000, equivalent to approximately HK$7,236,000 (2011: RMB17,755,000, equivalent to approximately HK$21,652,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations.

26. ASSETS CLASSIFIED AS HELD FOR SALE

	Disposal of assets	
	2012	2011
	HK$'000	HK$'000
Property, plant and equipment	**3,822**	3,729
Prepaid lease payments	**3,759**	3,667
	7,581	7,396

Note:

On 11 June 2010, the Group entered into an agreement with the local PRC government for the reclaim of certain land and buildings of the Group in the PRC. At 31 December 2011 and 2012, the transaction was still not yet completed.

The net proceeds of the disposal exceeds the carrying amount of the relevant assets at 31 December 2012 and accordingly, no impairment loss was recognised.

27. TRADE AND OTHER PAYABLES

	2012	2011
	HK$'000	HK$'000
Trade and bills payables	**35,478**	36,772
Customers' deposits received	**2,273**	3,096
Accrual and other payables (Note ii)	**10,668**	8,518
	48,419	48,386

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

	2012	2011
	HK$'000	HK$'000
0 to 90 days	**28,625**	26,372
91 to 180 days	**5,059**	6,143
181 to 365 days	**746**	523
Over 365 days	**1,048**	3,734
	35,478	36,772

The average credit period on purchases of goods is from 30 days to 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

27. TRADE AND OTHER PAYABLES (Continued)

ii) At 31 December 2012, included in accrual and other payables is an amount of approximately HK$3,750,000 (2011: HK$3,049,000) being deposit received in relation to disposal of certain property, plant and equipment and prepaid lease payments. Details of which are disclosed in Note 26.

iii) Included in trade and other payables in the consolidated statement of financial position are the following amounts denominated in currencies other than the functional currency of the entity to which they relate:

	2012 HK$'000	2011 HK$'000
RMB	**1,584**	661

28. AMOUNTS DUE TO NON-CONTROLLING SHAREHOLDERS OF A SUBSIDIARY

The amounts are unsecured, non-interest bearing and repayable on demand.

29. BANK BORROWINGS

	2012 HK$'000	2011 HK$'000
Bank overdrafts	**1,020**	1,059
Term loans	**98,410**	100,257
Trust receipts and packing loans	**30,864**	28,732
	130,294	130,048
Secured	**84,988**	81,768
Unsecured	**45,306**	48,280
	130,294	130,048
Bank borrowings repayable:		
On demand or within one year	**126,938**	121,626
More than one year but not exceeding two years	**3,356**	8,422
	130,294	130,048
Less: Amounts due within one year shown under current liabilities	**(126,938)**	(121,626)
Amounts shown under non-current liabilities	**3,356**	8,422

i) At 31 December 2012, bank borrowings approximately HK$89,222,000 and HK$41,072,000 are fixed-rate borrowings and floating-rate borrowings, respectively. The fixed-rate borrowings carry interest ranging from 6.00% to 6.72% per annum and the floating-rate borrowings carry interest at the effective rate ranging from 2.31% to 5.25% per annum.

29. BANK BORROWINGS (Continued)

i) At 31 December 2011, bank borrowings approximately HK$32,988,000 and HK$97,060,000 are fixed-rate borrowings and floating-rate borrowings, respectively. The fixed-rate borrowings carry interest ranging from 6.10% to 6.56% per annum and the floating-rate borrowings carry interest at the effective rate ranging from 2.38% to 7.22% per annum.

ii) During the year ended 31 December 2012, the Group obtained new borrowings of approximately HK$85,000,000 (2011: HK$63,476,000) to finance its working capital.

iii) At 31 December 2012, the Company had provided guarantees in relation to bank borrowings and banking facilities granted to certain subsidiaries. At the end of the reporting period, the Group had unused banking facilities of approximately HK$86,064,000 (2011: HK$205,198,000).

iv) At 31 December 2012, except for bank borrowings approximately of HK$84,999,000 (2011: HK$81,768,000) and HK$28,324,000 (2011: HK$25,078,000) which are denominated in RMB and US$, respectively, all other bank borrowings are denominated in HK$.

v) During the year ended 31 December 2012, included in the unsecured bank borrowings is an amount of HK$8,422,000 (2011: HK$13,489,000) outstanding under the Special Loan Guarantee Scheme. 80% of the principal amount of the loan is guaranteed by the Government of Hong Kong Special Administrative Regions.

30. OBLIGATIONS UNDER FINANCE LEASES

The Group leases certain of its motor vehicles for its golf equipment manufacturing business. These leases are classified as finance leases, the average lease term of these leases is four years (2011: four years).

At the end of the reporting period, the total future minimum lease payments under finance leases and their present values were as follows:

	Minimum lease payments		Present value of minimum lease payments	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Amounts payable under finance leases:				
Within one year	**744**	744	**681**	653
In more than one year and not more than five years	**1,117**	1,861	**1,080**	1,761
	1,861	2,605	**1,761**	2,414
Less: Future finance charges	**(100)**	(191)	**–**	–
Present value of lease obligations	**1,761**	2,414	**1,761**	2,414
Less: Amounts due within one year shown under current liabilities			**(681)**	(653)
Amounts due after one year			**1,080**	1,761

30. OBLIGATIONS UNDER FINANCE LEASES (Continued)

Obligations under finance leases of the Group bear interest at fixed interest rate at 4.3% per annum. The Group's obligation under finance leases are secured by the lessor's charge over the leased assets.

All obligations under finance leases are denominated in HK$.

31. LOAN FROM ULTIMATE/IMMEDIATE HOLDING COMPANY

The loan from ultimate holding company is unsecured, non-interest bearing and repayable on demand.

The loan from immediate holding company is unsecured, non-interest bearing and repayable on 31 March 2013. The effective interest rate of the loan from immediate holding company is 5.22%.

32. DEFERRED TAXATION

The movements in deferred tax assets (liabilities) of the Group during the year are as follows:

	Revaluation of land and buildings HK$'000	**Accelerated tax depreciation** HK$'000	**Estimated tax loss** HK$'000	**Total** HK$'000
At 1 January 2011	(2,565)	–	–	(2,565)
Credited to other comprehensive income	75	(385)	385	75
At 31 December 2011	(2,490)	(385)	385	(2,490)
Charged to other comprehensive income	91	141	(141)	91
At 31 December 2012	(2,399)	(244)	244	(2,399)

At the end of the reporting period, the Group had tax losses of approximately HK$59,040,000 (2011: HK$41,670,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$1,478,000 (2011: HK$2,336,000) of such losses. No deferred tax asset has been recognised in respect of the remaining tax loss of HK$57,562,000 (2011: HK$39,334,000) due to the unpredictability of future profit streams. Included in unused tax losses are losses of HK$45,828,000 (2011: HK$30,824,000) that will expire in 5 years from the year of origination. Other unused tax losses may be carried forward indefinitely.

Under the EIT Law of PRC, withholding tax is imposed on dividends in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards (the "Post-2008 Earnings"). Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary difference attributable to the "Post-2008 Earnings" amounting to approximately HK$9,715,000 (2011: HK$9,059,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

33. SHARE CAPITAL

Ordinary shares of HK$0.10 each	Number of shares	Share capital HK$'000
Authorised		
At 1 January 2011, 31 December 2011 and 31 December 2012	1,000,000,000	100,000
Issued and fully paid		
At 1 January 2011	302,200,000	30,220
Exercise of shares options (Note 1)	4,500,000	450
Issue of shares upon rights issue (Note 2)	153,350,000	15,335
At 31 December 2011 and 31 December 2012	460,050,000	46,005

Note 1: During the year ended 31 December 2011, 4,500,000 ordinary shares of HK$0.10 each were issued at a price of HK$0.37 per share upon exercise of share options granted on 2 November 2009.

Note 2: On 21 November 2011, a rights issue of 153,350,000 ordinary shares of HK$0.10 each in the Company was issued at a price of HK$0.39 per right share. A sum of HK$58,772,000 net of expenses was raised.

All the new ordinary shares issued during the year ended 31 December 2011 ranked pari passu with the existing shares in all respects.

34. SHARE OPTION SCHEME

On 5 June 2012, the Company terminated the original share option scheme (the "Original Share Option Scheme") and adopted a new share option scheme (the "New Share Option Scheme") for replacement. The purpose of the New Share Option Scheme is to enable the Company to continue to grant options to eligible participants which have been extended to include the employees (including any director, whether executive or non-executive and whether independent or not) in full-time or part-time employment with the Group or any entity in which the Group holds an equity interest (the "Invested Entity") as well as contracted celebrity, advisor, consultant, service provider, agent, customer, partner or joint-venture partner of the Group or any Invested Entity, or any persons who, in the sole discretion of the Board, have contributed or may contribute to the Group or any Invested Entity. The New Share Option Scheme aims to provide incentives and help the Group in retaining its employees and recruiting additional employees and to provide them with a direct economic interest in attaining the long-term business objectives of the Group. There were no options outstanding under the Original Share Option Scheme during the period from 1 January 2012 up to the date of its termination. The New Share Option Scheme became effective on 5 June 2012 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

34. SHARE OPTION SCHEME (Continued)

Pursuant to the New Share Option Scheme, the maximum number of shares in respect of which options may be granted under the New Share Option Scheme, when aggregated with shares subject to any other share option schemes, shall not exceed 10% of the shares in issue of the Company at its adoption date (the "Scheme Mandate Limit"). The Company may seek approval by its shareholders in general meeting to refresh the Scheme Mandate Limit by excluding options previously granted under the New Share Option Scheme (including those outstanding, cancelled, lapsed or exercised). The limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Share Option Scheme and any other schemes of the Company must not exceed 30% of the shares in issue of the Company from time to time. No options may be granted under the New Share Option Scheme or any other schemes of the Company if this will result in this limit being exceeded. The maximum number of shares issuable under share options to each eligible participant in the New Share Option Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to the shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors of the Company. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period up to and including the date of the offer of the grant, are subject to the issuance of a circular by the Company and the approval of the shareholders in advance in a general meeting.

The offer of a grant of share options may be accepted within 30 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the board at its absolute discretion, and commences on a specified date and ends on a date which is not later than 10 years from the date of offer of share options or the expiry date of the New Share Option Scheme, whichever is earlier.

The exercise price of the share options is determinable by the directors of the Company, but may not be less than the highest of (i) the closing price of the Company's shares as stated in the daily quotation sheet of the Stock Exchange on the date of grant, which must be a business day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

At 31 December 2012, there were no options granted under the New Share Option Scheme entitling the holders thereof to subscribe for the shares of the Company.

35. DISPOSAL OF A SUBSIDIARY

On 23 November 2011, the Group disposed of a wholly-owned subsidiary, Xiamen Sino to an independent third party at a consideration of RMB18,000,000 (equivalent to HK$21,122,000). The net assets of Xiamen Sino at the date of disposal were as follows:

	HK$'000
Net assets disposed of:	
Property, plant and equipment	15,273
Prepaid lease payments	3,960
Bank balances and cash	2
Trade payables	(208)
Other payables and accrued liabilities	(4)
	19,023
Goodwill	5,565
Release of assets revaluation reserve	(870)
Release of exchange fluctuation reserve	(140)
	23,578
Loss on disposal	(2,456)
Total consideration	21,122
Satisfied by:	
Cash	7,004
Deferred consideration (Note)	14,118
	21,122
Net cash inflow arising on disposal:	
Cash consideration	7,004
Bank balances and cash disposed of	(2)
	7,002

Note: At 31 December 2011, deferred consideration of approximately RMB12,000,000 (equivalent to approximately HK$14,118,000) was included in trade and other receivables and the amount has been received during the year ended 31 December 2012.

During the year ended 31 December 2011, Xiamen Sino contributed a loss of approximately HK$933,000 to the Group's loss.

36. COMMITMENT UNDER OPERATING LEASE

THE GROUP AS LESSEE

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

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

	2012 HK$'000	2011 HK$'000
Within one year	**2,850**	3,226
In the second to fifth years, inclusive	**26**	1,079
	2,876	4,305

37. CAPITAL COMMITMENTS

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

	2012 HK$'000	2011 HK$'000
Contracted, but not provided for:		
Leasehold land and buildings	**348**	1,763
Plant and machinery	**782**	835
	1,130	2,598

38. CONTINGENT LIABILITY

At 31 December 2012, a subsidiary has been named as defendant in a 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 has filed a full defence to this writ. In the opinion of the directors of the Company, no provision for any potential liability has been made in the consolidated financial statements as the Group has pleaded reasonable chance of success in the defence.

39. RELATED PARTY AND CONNECTED PARTY TRANSACTIONS

A) In addition to related party balances detailed in the consolidated financial statements and Notes 28 and 31, respectively, the Group entered into the following significant transactions with related parties during the year:

	Notes	**2012 HK$'000**	2011 HK$'000
Rental expenses paid to Progolf Manufacturing Company Limited ("Progolf")	(i)	**840**	840
Rental expenses paid to Yuru Holdings Limited ("Yuru Holdings")	(ii)	**600**	558

Notes:

i) Augustine Chu has beneficial interests in Progolf. The rental expenses were determined at rates agreed between the Group and Progolf.

ii) Simon Chu has beneficial interests in Yuru Holdings. The rental expenses were determined at rates agreed between the Group and Yuru Holdings.

B) KEY MANAGEMENT COMPENSATION

The key management personnel of the Group comprises all the directors of the Company and the five highest paid individuals. Details of compensation of directors and the five highest paid individuals are included in Note 17.

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2012 HK$'000	2011 HK$'000
Non-current assets			
Investments in subsidiaries		**15,717**	15,717
Current assets			
Amounts due from subsidiaries	(a)	**192,106**	194,073
Bank balances and cash		**40**	41
		192,146	194,114
Current liabilities			
Other payables		**144**	161
Financial guarantee liabilities		**277**	1,846
		421	2,007
Net current assets		**191,725**	192,107
		207,442	207,824
Capital and reserves			
Share capital		**46,005**	46,005
Reserves	(b)	**161,437**	161,819
		207,442	207,824

Notes:

a) The amounts are unsecured, non-interest bearing and repayable on demand.

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Notes: (Continued)

b) Reserves

	Share premium HK$'000	Other reserve HK$'000 (Note i)	Contributed surplus HK$'000 (Note ii)	Share options reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2011	57,270	2,966	15,516	463	28,474	104,689
Total comprehensive income for the year	–	–	–	–	11,163	11,163
Exercise of shares options (Note 33)	1,678	–	–	(463)	–	1,215
Issue of shares upon rights issue (Note 33)	44,472	–	–	–	–	44,472
Expenses on right issue	(1,035)	–	–	–	–	(1,035)
Deemed contribution by immediate holding company arising from non-interest bearing loan (Note 31)	–	1,315	–	–	–	1,315
At 31 December 2011	102,385	4,281	15,516	–	39,637	161,819
Total comprehensive expenses for the year	–	–	–	–	(382)	(382)
At 31 December 2012	102,385	4,281	15,516	–	39,255	161,437

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

Note ii: The Company's contributed surplus represents the excess of the fair value of the shares of the subsidiaries acquired over the nominal value of the Company's shares issued for the acquisition. Under the Bermuda Companies Act, the Company may make distributions to its members out of the contributed surplus under certain circumstances.

41. PRINCIPAL SUBSIDIARIES

Name of subsidiary	Place of incorporation/ registration and operations	Nominal value of issued ordinary share / paid up capital	Percentage of equity interest attributable to the Company Direct 2012 & 2011	Indirect 2012 & 2011	Principal activities
Sino Golf (BVI) Company Limited	BVI/ Hong Kong	US$101	100	–	Investment holding
Sino Golf Manufacturing Company Limited	Hong Kong	HK$2 (ordinary) HK$3,842,700 (non-voting deferred) (Note c)	–	100	Investment holding and trading of golf equipment and accessories
Zengcheng Sino Golf Manufacturing Company Limited* 增城市順龍高爾夫球製品有限公司 (Note b)	PRC	HK$111,700,000	–	100	Manufacture and trading of golf equipment and accessories
Guangzhou Sino Concept Golf Manufacturing Company Limited* 廣州順興高爾夫球製品有限公司 (Note b)	PRC	HK$30,000,000	–	100	Manufacture and trading of golf equipment and accessories
CTB Golf (HK) Limited	Hong Kong	HK$10,000,000 (ordinary) HK$2,730,000 (preference)	–	100	Trading of golf bags and accessories
Dongguan Qi Heng Manufacturing Company Limited* 東莞騏衡運動用品製造有限公司 (Note b)	PRC	HK$38,000,000	–	100	Manufacture and trading of golf bags
Linyi Sino Golf Company Limited* 臨沂順億高爾夫球製品有限公司 (Note b)	PRC	HK$98,000,000	–	100	Manufacture and trading of golf equipment and accessories
Sino Golf Comercial Offshore De Macao Limitada	Macau	MOP 100,000	–	100	Trading of golf equipment and accessories

* The English names are for identification only

Notes:

a) The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantive portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

b) These are wholly foreign owned enterprises established under the PRC law.

c) The non-voting deferred shares carry no rights to dividends and no rights to receive notice of or attend or vote at any general meeting of Sino Golf Manufacturing Company Limited. The holders of the non-voting deferred shares shall be entitled to any surplus in return of capital in respect of one half of the balance of assets after the first HK$100,000,000,000,000 has been distributed to the holders of ordinary shares, in a winding up or otherwise the assets of Sino Golf Manufacturing Company Limited to be returned.

None of the subsidiaries had any debt securities outstanding as at the end of the years or at any time during both years.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extract from the published audited consolidated financial statements and restated as appropriate, is set out below.

	Year ended 31 December 2012 HK$'000	Year ended 31 December 2011 HK$'000	Year ended 31 December 2010 HK$'000	Year ended 31 December 2009 HK$'000	Year ended 31 December 2008 HK$'000 (Restated)
RESULTS					
Turnover	**272,113**	278,649	427,997	290,329	446,659
Cost of sales	**(240,174)**	(234,813)	(338,177)	(230,644)	(344,229)
Gross profit	**31,939**	43,836	89,820	59,685	102,430
Other operating income	**1,986**	3,062	2,238	4,819	6,265
Selling and distribution costs	**(2,615)**	(5,331)	(9,550)	(7,016)	(12,654)
Administrative expenses	**(41,143)**	(47,143)	(53,002)	(57,803)	(66,125)
Impairment loss recognised in respect of property, plant and equipment	**–**	–	(2,248)	–	–
Finance costs	**(8,475)**	(10,433)	(15,282)	(11,173)	(15,875)
(LOSS) PROFIT BEFORE TAX	**(18,308)**	(16,009)	11,976	(11,488)	14,041
Income tax expense	**(252)**	(262)	(418)	(1,047)	(748)
(LOSS) PROFIT FOR THE YEAR	**(18,560)**	(16,271)	11,558	(12,535)	13,293
Attributable to:					
Owners of the Company	**(18,531)**	(16,242)	11,588	(12,535)	13,312
Non-controlling interests	**(29)**	(29)	(30)	–	(19)
	(18,560)	(16,271)	11,558	(12,535)	13,293

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

			As At 31 December		
	2012 HK$'000	2011 HK$'000	2010 HK$'000	2009 HK$'000	2008 HK$'000
TOTAL ASSETS	**478,003**	532,267	593,565	574,431	585,494
TOTAL LIABILITIES	**(189,667)**	(219,172)	(330,165)	(326,412)	(329,064)
NON-CONTROLLING INTERESTS	**(2,409)**	(2,438)	(2,467)	(2,502)	(2,502)
	285,927	310,657	260,933	245,517	253,928