Sino Golf Holdings Limited
順 龍 控 股 有 限 公 司
(Incorporated in Bermuda with limited liability)
Stock Code: 00361

ANNUAL REPORT **2014**

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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

Ms. CHIU Lai Kuen, Susanna
Mr. CHOY Tak Ho
Mr. ZHU Shengli

AUDIT COMMITTEE

Ms. CHIU Lai Kuen, Susanna *(Chairman)*
Mr. CHOY Tak Ho
Mr. ZHU Shengli

REMUNERATION COMMITTEE

Mr. ZHU Shengli *(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
Ms. CHIU Lai Kuen, Susanna
Mr. CHOY Tak Ho
Mr. ZHU Shengli

COMPANY SECRETARY

Mr. CO Man Kwong

AUTHORISED REPRESENTATIVES

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

AUDITOR

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

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
66 Pitts Bay Road
Pembroke HM08
Bermuda *(Note 1)*

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
Level 22, Hopewell Centre,
183 Queen's Road East
Hong Kong *(Note 2)*

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton, HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS

Room 1906
19th Floor, Delta House
3 On Yiu Street
Shatin
New Territories
Hong Kong

STOCK CODE

00361 (Main Board of The Stock Exchange of Hong Kong Limited)

WEBSITE

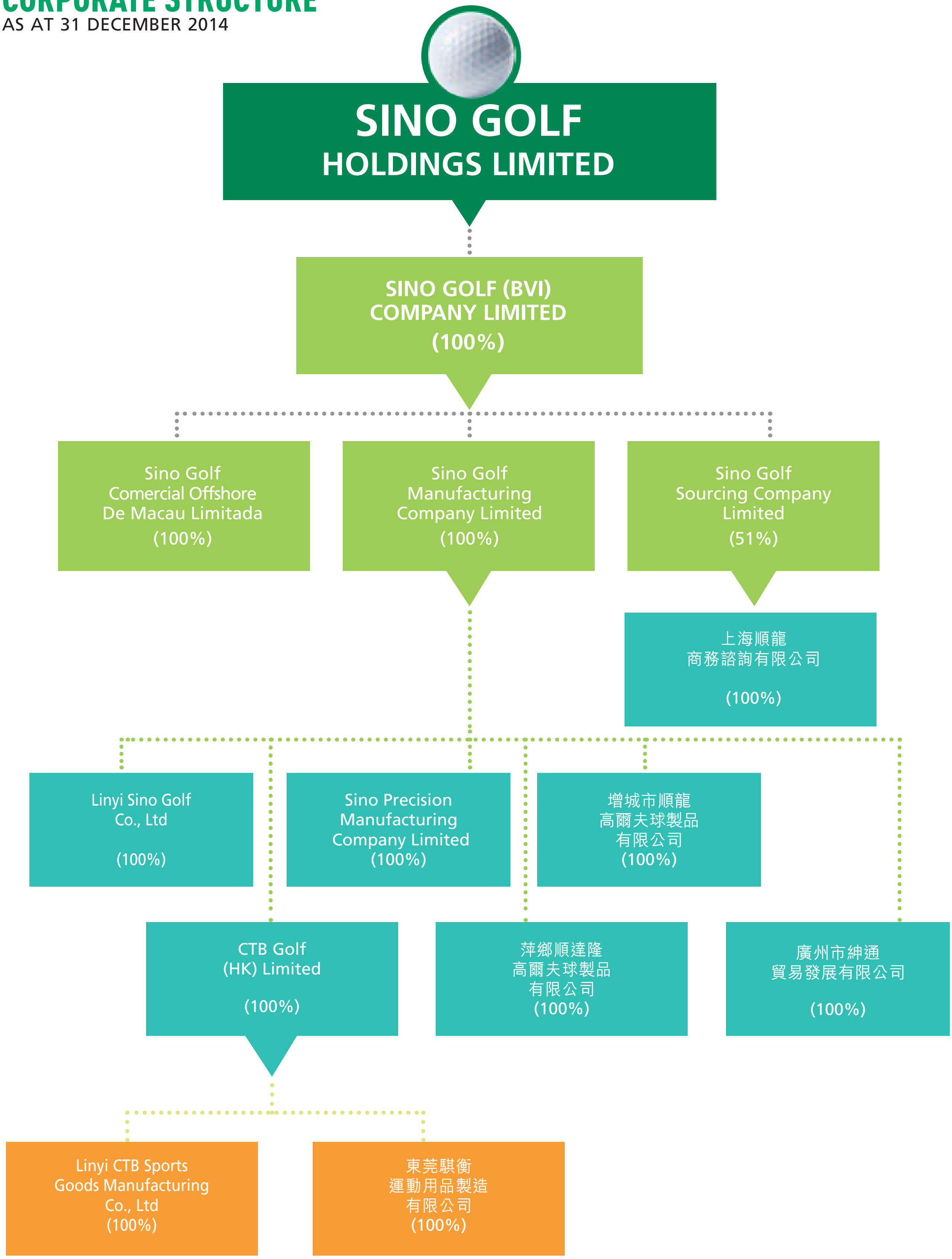
http://www.sinogolf.com

Notes:

1. MUFG Fund Services (Bermuda) Limited changed to its existing address from 26 Burnaby Street, Hamilton, HM 11, Bermuda with effect from 30 July 2014.

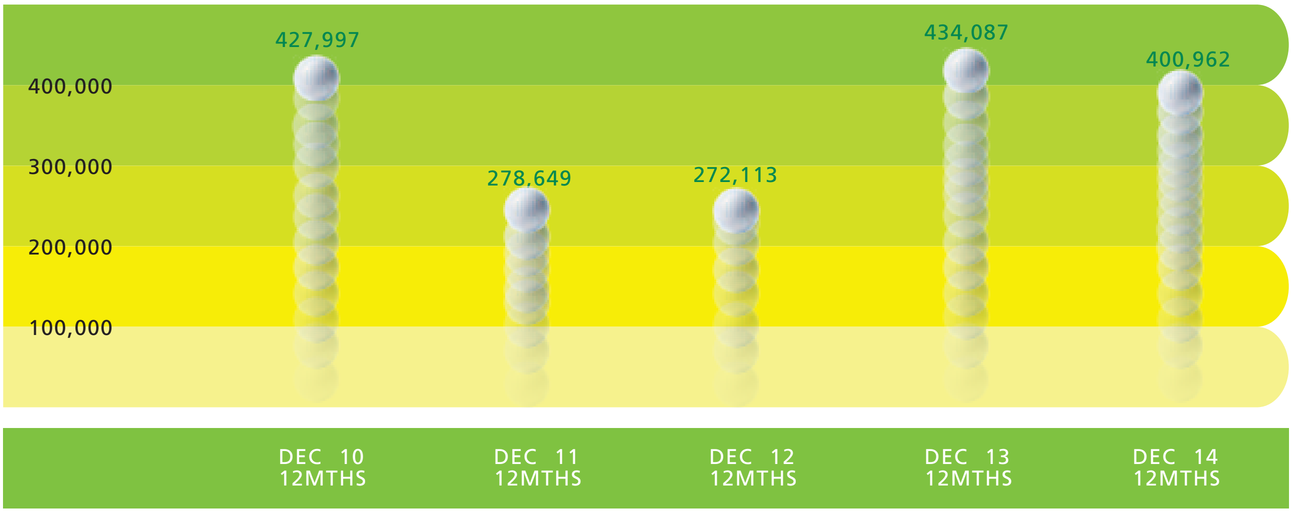
2. Tricor Tengis Limited changed to its existing address from 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong with effect from 31 March 2014.

CORPORATE STRUCTURE
AS AT 31 DECEMBER 2014

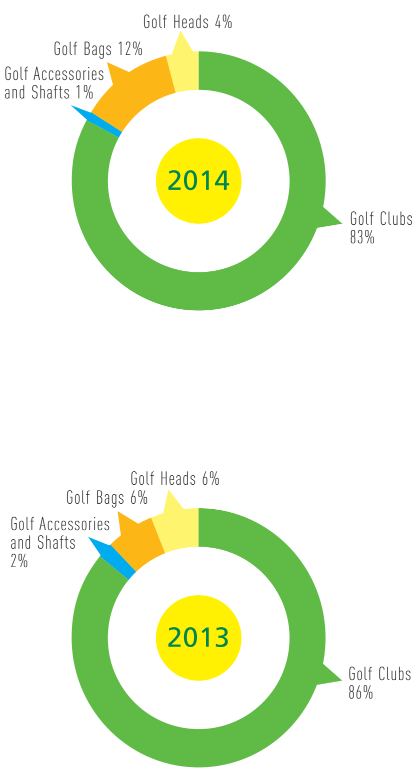


TURNOVER

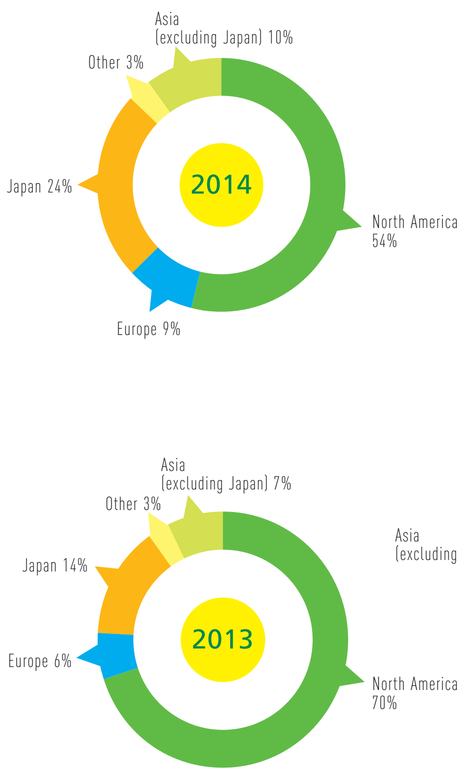
(HK$'000)



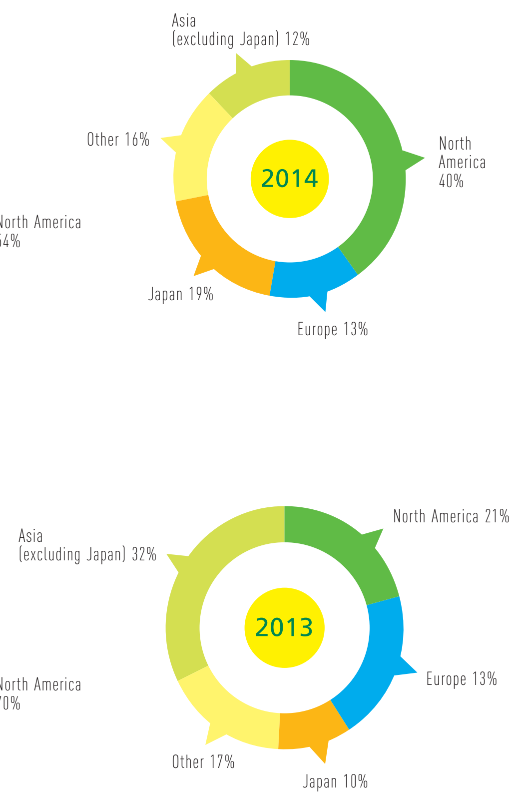
TURNOVER BY PRODUCT



TURNOVER (CLUB) BY GEOGRAPHICAL AREA



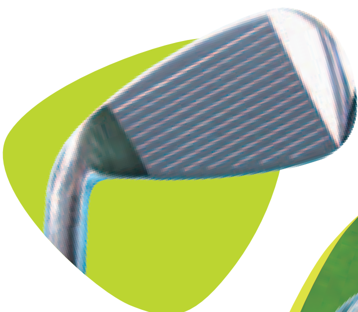
TURNOVER (BAG) BY GEOGRAPHICAL AREA



CHAIRMAN'S STATEMENT

On behalf of the Board of Directors (the "Board") of Sino Golf Holdings Limited (the "Company"), I am pleased to report to shareholders the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2014.

Chu Chun Man, Augustine
Chairman



RESULTS AND DIVIDENDS

Consolidated turnover of the Company amounted to HK$400,962,000 for the year ended 31 December 2014 (2013: HK$434,087,000). Profit for the year attributable to owners of the Company was HK$8,295,000 compared with HK$13,661,000 for the preceding year of 2013. Basic and diluted earnings per share were HK1.80 cents (2013: HK2.97 cents) and HK1.79 cents (2013: HK2.97 cents) respectively.

The Board did not recommend the payment of a dividend in respect of the year ended 31 December 2014 (2013: Nil).

BUSINESS REVIEW

OVERVIEW

Further to the business rebound in 2013, the Group continued to operate with strong sales during the first half of 2014 amidst challenging conditions that beset the golf industry including the unfavorable weather in golf markets to which the Group exported its products and a high level of compiled industry inventories. The sales momentum was however undermined by a slow-down in the golf equipment sales during the second half year when orders from certain customers started to shrink to reduce shipments. On the contrary, the golf bags segment has recorded significant growth in 2014 to partly compensate the impact of the sales drop of the golf equipment segment. Overall, the Group's revenue for 2014 declined due to the depressed performance of the golf equipment segment.

The Group's turnover decreased 7.6% in 2014 to HK$400,962,000 (2013: HK$434,087,000). Gross profit for the year amounted to HK$72,416,000 (2013: HK$75,634,000) whilst the average gross profit margin had improved to 18.1% (2013: 17.4%) mainly due to contributions from the reengineering and cost control measures. The Group persisted to reinforce the business reengineering and cost rationalization programs to mitigate the impact of cost hikes prevailing in recent years. The strengthened customer base and the enhanced manufacturing capabilities of the Group have upheld our position as a key market participant with broad mission to best serve the customers and satisfy their needs. To accomplish the objective, the Group has prioritized and customarily focused on product innovation and clients' fulfillment with a goal to provide one-stop premium services to customers to enhance our market share as well as enterprise recognition. The Group remains committed to achieving long-term growth and development and rests assured of growing and exploring the businesses with credible customers and business partners including the first tier golf name brands. Augmented by the effective management team, the Group has been endeavoring to continually improve and strengthen its operations to preserve our capabilities and competitive edge in a dynamic and volatile economic environment.

During the year, the golf equipment sales decreased 13.2% to HK$354,701,000 (2013: HK$408,459,000) whilst the golf bags sales, after eliminating inter-segmental sales of HK$7,155,000 (2013: HK$12,128,000), surged 80.5% to HK$46,261,000 (2013: HK$25,628,000) to partly offset the revenue drop sustained by the golf equipment segment. The Group recorded segment profits of HK$20,622,000 for the golf equipment business (2013: HK$31,147,000) and HK$2,084,000 for the golf bags business (2013: HK$771,000), respectively.

GOLF EQUIPMENT BUSINESS

The golf equipment segment persisted as the Group's main operating segment and accounted for 88.5% of the Group's turnover for the year (2013: 94.1%) irrespective of a slow-down in customer orders during the second half year. Total golf equipment sales decreased 13.2% to HK$354,701,000 in 2014 compared with HK$408,459,000 for the comparative preceding year.

The segment turnover for the year comprised golf clubs sales of HK$332,810,000 (2013: HK$373,450,000) and components sales of HK$21,891,000 (2013: HK$35,009,000), representing 93.8% (2013: 91.4%) and 6.2% (2013: 8.6%), respectively of the segment revenues. During the year, the golf clubs sales dropped 10.9% whilst the components sales plummeted more than one-third mainly due to the decrease in golf heads sales. Included in the golf clubs sales were club sets and individual clubs in the respective proportion of 86.9% (2013: 86.0%) and 13.1% (2013:

14.0%) which had not shown significant fluctuation throughout the years. For components sales, the golf heads dominated and accounted for 78.1% (2013: 75.6%) leaving the shafts and other accessories taking up the remaining 21.9% (2013: 24.4%) thereof.

During the year, sales to the largest segmental customer decreased to HK$125,163,000 (2013: HK$187,925,000), which represents 35.3% (2013: 46.0%) of the segment turnover or 31.2% (2013: 43.3%) of the Group's turnover for the year, respectively. Due to internal reorganization undertaken by this customer to merge its operations with the parent company, there was an impact with delay on their launch of products which had adversely affected the business volume with our Group during the second half of 2014. It is envisaged that the business volume with this customer would remain depressed and could further reduce depending on the strategy and arrangements adopted by their new management. Through active marketing effort, aggregate sales to the next two highest-ranked segmental customers remained fairly stable during the year to generate similar amount of revenues as those in the comparative preceding year. Facing the undesirable market conditions, turnover generated from the top five segmental customers diminished 13.6% to HK$342,461,000 (2013: HK$396,238,000) and represents 96.5% (2013: 97.0%) of the segment turnover or 85.4% (2013: 91.3%) of the Group's turnover for the year, respectively. To substantiate long term development, the Group has pursued the strategy to cooperate and work closely with the existing customers to promote mutual interest and facilitate growth as well as actively exploring opportunities with other reputable golf name brands for new businesses. Given the unfavorable market conditions, the Group anticipates that the golf equipment business would remain unstable and volatile for the ensuing year in light of the business uncertainties.

To progressively optimize the manufacturing operations and monitor associated costs, the Group has completed the construction of the new production workshop at the Shandong manufacturing facility to provide additional capacity for taking up production volume further relocated from the Group's Guangdong manufacturing facility. The move aimed to effectively centralize the bulk production of golf equipment under the integrated set-up at the Shandong manufacturing facility which offered an advantageous operating environment with lower costing background for achieving higher efficiency and cost effectiveness. The cost hikes attributable to a rising trend in energy; labor and social welfare expenditures in southern China in recent years have undermined the competitive edge of the manufacturers and jeopardized their margins over the time. Currently, the Shandong manufacturing facility has been responsible for more than 70% of the Group's production of golf clubs including shafts and certain volume of golf bags being the components for fulfilling the orders of golf club sets. It is our strategy to consistently scale down the output of the Guangdong manufacturing facility to smaller volume in reaction to the cost hikes and unstable labor supply that prevailed in southern China to adversely affect the manufacturers operating in that territory. The Shandong manufacturing facility represents a milestone of the Group's development and provides a distinct foundation to better equip the Group to outperform other competitors under intensive competitions. Since the inception, the Shandong manufacturing facility has built up solid relationship with the customers as evidenced by a rising trend in production volume during these years. By allocating sufficient capacities with skillful labor to fulfill and satisfy the customers' requirements, the Shandong manufacturing facility has obviously upgraded our industry profile to facilitate the Group to procure new businesses from credible golf name brands that are looking for high quality alternative supply sources in a dynamic and highly competitive environment.

The Group entered into an agreement with an independent third party last year to effectively realize the Yong He facility located in Guangdong Province, the PRC through the disposal of the entire equity interest of a subsidiary (the "Target Company") to be formed from the split of the subsidiary holding the Yong He facility. The arrangement aimed to accomplish the realization of the remaining redundant capacities of the Group in Southern China for the benefit of the Company and its shareholders. The transaction has been progressing on schedule and the Group has obtained the approval of the local PRC government in January 2014 authorizing the split of the subsidiary holding the Yong

He facility which was followed by the incorporation of the Target Company in April 2014 for the purpose of taking over the Yong He facility, the entire equity interest of which is to be transferred to the purchaser pursuant to the agreement. It was estimated that the transfer of the equity interest of the Target Company should be completed by 2016. The Group will thereafter maintain and conduct its manufacturing operations in Guangdong Province, the PRC at a reduced scale occupying a smaller rented area as appropriate to its actual needs.

Through stringent credit control and sound corporate governance practices, the Group achieved the objective to maintain a high quality trade receivable profile with insignificant impairment of HK$2,000 as at 31 December 2014 (2013: HK$2,000). The Group has adhered to the policy of limiting credit terms to not exceeding 60 days and requiring deposits and cash payments for shipments to new customers. In addition, the Group continued to procure insurance and/or factoring on major trade receivables to hedge against the bad debt risk. It is the Group's strategy to diversify and broaden the customer base to reduce the concentration risk and maintain a reasonable balance of reliance on individual customers. The management was satisfied with the overall customer performance and shall keep alert of any material exceptions or irregularities to protect and safeguard the Group's interest.

During the year, the price of raw materials and components for golf equipment manufacturing remained at stable level and fluctuated within narrow ranges. The Group has been working closely with the suppliers to continually improve material quality and optimize purchase price to reflect bulk quantity purchases. On the other hand, the manufacturing overheads including labor, social insurances and retirement benefit expenditures went up substantially due to compliance and regulatory requirements, which operated to undermine the profit margins against the savings derivable from the Group's cost control initiatives.

Impacted by the sales down-turn, the golf equipment segment managed to record a segment profit of HK$20,622,000 for the year (2013: HK$31,147,000), representing a decrease of 33.8% from the comparative preceding year. Given the unfavorable market conditions and taking into account the current order book and customer status, it is anticipated that the golf equipment business would remain depressed and continue to operate under uncertainties and challenges in the ensuing year. Nevertheless, the Group endeavors to strengthen and reinforce the marketing initiatives to persistently promote and develop the golf equipment business and we maintain a cautious view on the prospect of the golf equipment segment going forward.

GOLF BAGS BUSINESS

The golf bags business rebounded strongly during the year to turnaround from last year's depression. Both the Japan-line and Non-Japan line of products prospered to boost sales and enhance segment profit. The Group's turnover attributable to the golf bags segment, defined as comprising the sales of golf bags and accessories to external customers, increased 80.5% to HK$46,261,000 (2013: HK$25,628,000), representing 11.5% of the Group's turnover for the year (2013: 5.9%). Total sales of the golf bags segment, before elimination of the inter-segmental sales of HK$7,155,000 (2013: HK$12,128,000), went up 41.5% in 2014 to HK$53,416,000 (2013: HK$37,756,000). The inter-segmental sales represented the golf bags produced as components for fulfilling the orders of golf club sets placed by customers with the golf equipment segment. Sales of the golf club sets had been classified to constitute the turnover of the golf equipment segment as appropriate.

The segment turnover for the year constituted golf bags sales of HK$35,430,000 (2013: HK$18,260,000) and accessories sales mainly boston bags of HK$10,831,000 (2013: HK$7,368,000), representing 76.6% (2013: 71.2%) and 23.4% (2013: 28.8%) of the segment turnover, respectively. There has not been significant fluctuation in the product mix percentage throughout the years. During the year, sales to the largest golf bags customer amounted to HK$14,014,000 (2013: HK$4,606,000 for a customer ranked the second largest in the current year), which represents 30.3% (2013: 18.0%) of the segment turnover or 3.5% (2013: 1.1%) of the Group's turnover for the year. Sales to the largest segmental customer had increased more than 6.6 times from about a sales amount of HK$1,835,000 in 2013 which was ranked the sixth largest in segment sales last year. Business with this customer has been growing satisfactorily with great potential which is an American based company and specialized in marketing golf bags. On the other hand, sales to the second largest golf bags customer, which was ranked the largest segmental customer in 2013, also rebounded strongly and more than doubled the sales amount in the current year. Through active marketing initiatives, sales to other major golf bags customers had increased remarkably and new customers were successfully added to help boost segment revenues for the current year. Benefiting from a strong performance, turnover from the top five golf bags customers aggregated to HK$36,311,000 (2013: HK$16,132,000), representing 78.5% (2013: 62.9%) of the segment turnover or 9.1% (2013: 3.7%) of the Group's turnover for the year.

To review alternatively from a product design perspective, the segment turnover for the year comprised the sales of the Japan line and the non-Japan line of products in the respective proportion of 25.2% (2013: 19.7%) and 74.8% (2013: 80.3%). During the year, sales of the Japan line of products rebounded strongly and increased 130.9% to HK$11,642,000 (2013: HK$5,042,000) whereas sales of the non-Japan line of products, comprising mostly golf bags of American design, jerked up 68.2% to HK$34,619,000 (2013: HK$20,586,000). The rising trend of the Japan line of products was consistent with the surge in sales noted for the second largest golf bags customer which is a Japan based company specializing in golf bags business. It is the Group's strategy to grasp every opportunity to persistently develop and explore the golf bags business encompassing both the Japan line and the non-Japan line of products with a goal to uplift the market share and broaden the customer base. We shall continue to allocate and invest necessary resources on various initiatives that will facilitate to contribute and bring more business volume with sensible margins to the Group.

During the year, the price of raw materials for golf bags production including PVC, PU and nylon showed no material fluctuation whilst the price of accessories such as metal parts and plastic components had managed to stay at similar level as that of the preceding year. On the other hand, the manufacturing overheads including labor, social insurances; samples and transportation increased due to higher sales volume and additional compliance requirements. The rising expenditures tended to inflate costs to undermine the profit margin and the impact was mitigated through reinforcement of effective cost control measures and the savings derived therefrom. The Group is dedicated to focus on developing and specialize in the business of high-end golf bags that could offer more attractive and higher margins to substantiate the long-term growth of the golf bags segment.

Supported by the strong sales across all product categories, the golf bags segment improved substantially during the year to nearly triple the segment profit to HK$2,084,000 (2013: HK$771,000), up 170.3% compared to the corresponding preceding year. It is anticipated that the golf bags business will continue to prosper in 2015 according to work progress and projections with major segment customers. Taking into consideration the current order book status and the prevailing market conditions, the Group maintains a positive view on the outlook of the golf bags business for the ensuing year amidst the economic challenges. It is further expected that the golf bags set-up at the Shandong manufacturing facility will be self sufficient to produce enough golf bags as components for fulfilling the orders of golf club sets, thus releasing more capacity from the Group's golf bags facility at Dongguan City, the PRC to satisfy and take up orders of other golf bags customers to generate additional revenues.

GEOGRAPHICAL SEGMENTS

During the year, shipments to the Japan market increased drastically both in monetary amount and as a percentage of the Group's turnover to increase its importance for the Group's business. This was mainly attributable to the surge in volume of the golf club sets shipped by major customers with Japan as the destination. On the contrary, shipments to North America, the world's largest golf market, dropped 27.1% in monetary amount during the year. Yet it persisted as the largest geographical segment to account for 52.9% of the Group's turnover for 2014 (2013: 67.0%). Other geographical segments including Japan, Asia (excluding Japan), Europe; and others contributed 23.6%, 9.8%, 9.2% and 4.5% of the Group's turnover for the year, respectively (2013: 13.5%; 8.9%; 7.2%; and 3.4%, respectively).

In terms of percentage of the Group's turnover, shipments to North America which were mainly to the United States declined 14.1 percentage points to 52.9% in 2014 whereas shipments to the Japan market escalated 10.1 percentage points to 23.6% of the Group's turnover. Due to the depressed performance of the North American market, shipments to other geographical regions covering Asia (excluding Japan); Europe and others all increased in 2014, in terms of percentage of the Group's turnover, to 9.8%; 9.2% and 4.5%, respectively (2013: 8.9%; 7.2% and 3.4%, respectively).

In monetary amounts, shipments to the North American market dropped 27.1% in 2014 to HK$212,019,000 (2013: HK$290,996,000) and comprised golf equipment and golf bag sales in the proportion of 91.2% (2013: 98.1%) and 8.8% (2013: 1.9%), respectively. Shipments to the Japan market increased 62.0% in 2014 to HK$94,779,000 (2013: HK$58,498,000), mainly due to the surge in volume of golf club sets with Japan as the destination. Through active marketing effort, shipments to other geographical regions covering Asia (excluding Japan); Europe and others managed to increase in aggregate by 11.3% in 2014 to HK$94,164,000 (2013: HK$84,593,000).

It is the Group's objective to uphold our dominant position in the North American market through strengthening the cooperation and work closely with the existing customers to promote growth for mutual interest as well as exploring business opportunities with other reputable golf name brands that are looking for high quality alternative supply sources. To further develop and effectively tap the opportunities in Asian's largest golf market, the Group is committed to persistently investing and devoting resources for the Japan market both in the golf bags and golf equipment business. To substantiate long-term development, the Group has attached greater weight to focus on expanding businesses in other geographical regions encompassing Asia (excluding Japan); Europe; and others, particularly the Asian market in which golf activities have become more popular and economically affordable.

PROSPECTS AND RISK FACTORS

PROSPECTS

Driven by the business rebound in 2013, the Group continued to operate with strong sales during the first half of 2014. The sales momentum was however undermined by a slow-down in golf equipment sales in the second half year irrespective of a surge in the golf bags sales during the year which partly offset the impact of the sales drop of the golf equipment segment. Overall, the Group's revenue declined moderately in 2014. It is anticipated that the golf equipment business would remain depressed in 2015 in light of the uncertainties and challenges about the business with certain major customer whilst the golf bags business is expected to perform reasonably given a strong performance of both the Japan line and non-Japan line of products. The market conditions have become more challenging and competitions are intense amongst the golf equipment manufacturers facing a lower and unstable market demand. Nevertheless, the Group is devoted to cooperating and working closely with the customers to promote business and strengthen the competitive edge for mutual interest. We maintain a cautious view on the golf equipment business for 2015 in light of the current business condition and lower order volume and we expect the golf bags business to remain stable and perform reasonably under the prevailing market condition and order status. It is envisaged that the economic environment and the global economy will remain volatile and fluctuate to pose new challenges and uncertainties for the business sector going forward.

To strengthen our competitive edge in a dynamic market, the Group pursued to reinforce the business reengineering and cost control initiatives to continually rationalize its operations to enhance efficiency and optimize costs. The Group has completed the new production workshop at the Shandong manufacturing facility to cater for the production volume further relocated from the Guangdong manufacturing facility. The move aimed to take greater advantage of the cost favorable operating environment and a more stable labor market in the northern part of the PRC, which contributes to mitigate the impact brought about by the cost hikes and labor supply issues prevailing in southern China in recent years.

To substantiate the long term development, the Group pursues the strategy to devoting effort to explore business opportunities with reputable golf name brands that are actively looking for high quality supply sources under the highly competitive economy as well as strengthening the existing customer tie to promote business and expansion. We have successfully added some new customers for both golf segments with reasonable performance and growth potential. We have been endeavoring to work closely with the existing customers to expand the business and provide better services to support them for mutual benefits and success. The Group will continue to search and participate in diversification opportunities as justified to make effective utilization of the Group's resources to generate revenues. Our management is obliged to keep continuous awareness of the market changes and development to ensure a timely and swift response with appropriate actions to safeguard the Group's interests.

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 highlight 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 FLUCTUATIONS

As the Group is principally engaged in exporting a substantial part of its products to the United States, any material fluctuations or adverse changes in the economy of the United States might have or turn out to have an impact 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 could eventually lead to the emergence of trade barriers and/or protectionism practices if not timely dealt with and resolved by the respective governments. On the other hand, the tendency of a strong Renminbi currency may also affect the competitiveness of the PRC exporters if the Renminbi currency continues to appreciate in the long-term.

INTEREST RATES MOVEMENT

The Group utilizes banking facilities to 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 movement of the interest rates would increase the finance cost of the Group. Notwithstanding that the Group may choose 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 2014, sales to the largest customer represented 35.3% of the turnover of the golf equipment segment or 31.2% of the Group's annual turnover. The five largest customers in aggregate accounted for about 87.9% 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 towards the goal. Due to our reliance on a limited number of key customers, it follows that any 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 main cost component of the Group's products, any significant price fluctuations or supply problems may pose threats to erode and undermine the profit margins even if the Group could adjust the sales prices and pass the cost increase to customers to the extent possible. On the other hand, the tendency of placing more reliance on component makers and those suppliers specified by the customers may limit and reduce the choices and flexibility in the selection of competitive suppliers by the Group that could undermine or curtail our profit margins over 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 keep constant alert on the existence or occurrence of such risks and is committed to react promptly and adopt effective measures to mitigate the Group's exposures as circumstances may allow.

ACKNOWLEDGEMENT

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

Chu Chun Man, Augustine
Chairman

Hong Kong
27 March 2015

MANAGEMENT DISCUSSION AND ANALYSIS

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

RESULTS OF OPERATIONS

The Group's turnover declined 7.6% in 2014 to HK$400,962,000 (2013: HK$434,087,000). Profit for the year attributable to owners of the Company amounted to HK$8,295,000 (2013: HK$13,661,000). Basic and diluted earnings per share were HK1.80 cents for the year (2013: HK2.97 cents) and HK1.79 cents (2013: HK2.97 cents). The directors did not recommend the payment of a dividend in respect of the year ended 31 December 2014 (2013: Nil).

During the year, the turnover of the golf equipment segment dropped 13.2% to HK$354,701,000 (2013: HK$408,459,000) whereas the turnover of the golf bags segment, defined as comprising the sales of golf bags and accessories to external customers, escalated 80.5% to HK$46,261,000 (2013: HK$25,628,000). Total sales of the golf bags segment, before elimination of inter-segmental sales of HK$7,155,000 (2013: HK$12,128,000), rose 41.5% in 2014 to HK$53,416,000 (2013: HK$37,756,000).

In addition to sales revenues, movements in other income and major operating expenses during the year were reviewed and analyzed as follows:

Other operating income for the year increased to HK$2,099,000 from HK$1,553,000 in 2013, mainly due to the gain realized on disposal of property, plant and equipment.

Selling and distribution expenses for the year surged to HK$4,790,000 from HK$3,131,000 in 2013, primarily attributable to the increase in transportation and sample costs incurred against the rise in golf bags volume.

Administrative expenses for the year soared to HK$53,415,000 from HK$48,727,000 in 2013, mainly attributable to the increase in staff costs; social insurance; retirement benefit expenses; exchange differences and impairment loss on club debentures.

Finance costs for the year decreased to HK$7,591,000 from HK$9,328,000 in 2013, mainly due to the reduction in term loan interest.

Adversely affected by the sales down-turn, the Group sustained a reduction in profitability to achieve a profit attributable to owners of the Company of HK$8,295,000 for the year (2013: HK$13,661,000).

LIQUIDITY AND FINANCIAL RESOURCES

The Group is used to customarily relying on and shall continue to obtain funds from internally generated cash flows, banking facilities and, when needed, financial support agreed and extended by the controlling shareholder to finance the Group's operations and discharge its liabilities and obligations in the normal course of business. It is the Group's strategy to manage the financial risks with due care and prudence for maintaining a financial position appropriate and beneficial to the long-term growth and development.

At 31 December 2014, bank balances and cash, which were mostly denominated in United States dollars, Hong Kong dollars and Renminbi, amounted to HK$16,676,000 (2013: HK$26,241,000). The bank balances and cash decreased mainly attributable to the funds utilized for the construction of the new production workshop at the Shandong manufacturing facility. With the reduced sales, trade receivables decreased to HK$16,375,000 as at 31 December 2014 (2013: HK$31,220,000), which had substantially all been settled after the yearend to provide cash flows for the operations. During the year, certain land and building situated in the PRC and classified as assets held for sale with a carrying value of HK$7,776,000 had been disposed of to the local PRC government upon completion of the transfer of the land and building in accordance with the agreement. Total consideration amounted to RMB6,130,000 which was equivalent to HK$7,859,000, of which HK$5,128,000 had been received in prior years and the balance of HK$2,731,000 was received in the current year. A gain of HK$83,000 (2013: Nil) was recognized in the income statement for the year upon the completion of the transaction. It has been the Group's policy to maintain a level of funds adequate for its operations and discharging the liabilities as and when they fall due.

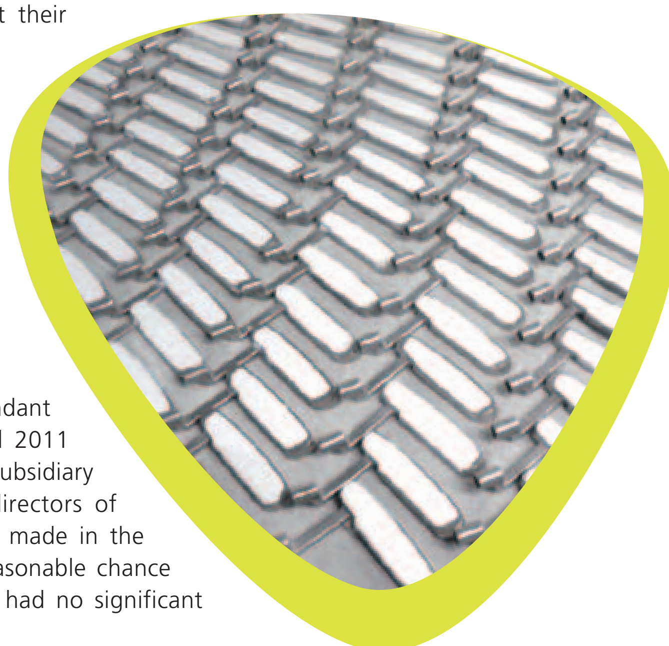
Borrowings of the Group, other than the advance from a director who is the controlling shareholder of the Company, are mostly denominated in Hong Kong dollars, United States dollars and Renminbi that carry interest on HIBOR/LIBOR plus basis or at the interest rate promulgated by the People's Bank of China from time to time. At 31 December 2014, interest-bearing borrowings comprising bank borrowings and obligations under finance leases aggregated to HK$104,401,000 (2013: HK$109,784,000), of which HK$104,401,000 (2013: HK$109,416,000) was repayable within one year. The advance from a director, who is the controlling shareholder, of HK$7,589,000 at 31 December 2014 (2013: HK$10,142,000) was unsecured, repayable on demand and carried interest at rates ranging 3% to 5% per annum (2013: 4% to 6% per annum). On the other hand, bank loans from certain PRC banks of HK$78,205,000 at 31 December 2014 (2013: HK$80,756,000) were secured by property, plant and equipment of the Group with a carrying value of HK$132,555,000 (2013: HK$170,760,000). The gearing ratio, defined as bank borrowings and obligations under finance leases less bank balances and cash of HK$87,725,000 divided by the shareholders' equity of HK$313,285,000, was 28.0% as at 31 December 2014 (2013: 27.4%). The gearing ratio would have been restated as 30.4% at 31 December 2014 (2013: 30.7%) if the advance from a director was included in the computation of the ratio.

It is the Group's objective to pursue and maintain a financial position appropriate to support long-term development and growth. At 31 December 2014, the total assets and the net asset value of the Group amounted to HK$463,649,000 (2013: HK$496,004,000) and HK$313,285,000 (2013: HK$304,853,000) respectively. Current and quick ratios as at 31 December 2014 were 1.55 (2013: 1.38) and 0.40 (2013: 0.46) respectively. Both the current ratio and quick ratio were considered reasonable and the Group is devoted to continue exploring possible means to further rationalize the financial position from time to time.

The Company announced on 15 September 2014, which was followed by subsequent monthly announcements to update the status, that CM Investment Co., Ltd. and Fortune Belt Ltd. (the "Selling Shareholders") were in negotiation with a potential investor in relation to a possible transaction (the "Possible Transaction") to transfer the shares held by the Selling Shareholders aggregating to approximately 62.4% of the Company's issued share capital. Negotiation was extended to another potential investor in October 2014 in respect of the Possible Transaction. Details about the progress of negotiations in respect of the Possible Transaction were shown in each of the monthly announcements of the Company through December 2014 and continued in 2015. The Company has announced on 12 March 2015 that the Selling Shareholders have terminated the negotiations with the first potential investor in respect of the Possible Transaction and negotiations with the second potential investor continue to be on-going and no formal or legally binding agreement has been entered into between the parties yet. As there is no assurance that the Possible Transaction will materialize or eventually be consummated and the relevant discussions may or may not lead to a general offer under Rule 26.1 of Takeovers Code, the shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company and to consult their professional advisors in case of any doubt about their 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 2014, a subsidiary had been named as defendant in a High Court action as a writ was issued against it in April 2011 claiming for an amount of approximately HK$1,546,000. The subsidiary has filed a full defense 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 defense. Other than as disclosed, the Group had no significant contingent liabilities as at 31 December 2014.

EMPLOYEE AND REMUNERATION POLICIES

At 31 December 2014, the Group employed a total of approximately 1,600 employees located mainly in Hong Kong, Macau and the PRC. It is the Group's strategy to maintain a harmonious relation with its employees through provision of competitive remuneration packages and career development opportunities. The employees are remunerated based on their duties, experience and performance as well as market practices. The remuneration packages are reviewed annually to assure fairness and appropriateness and discretionary bonuses may be awarded to employees based on individual performance.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. CHU Chun Man, Augustine ("Augustine Chu"), aged 57, is the chairman of the Company and a founder of the Group. He established the predecessor Group in 1988 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 degree in business administration from the Chinese University of Hong Kong. He has over 31 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.

Mr. CHU Yuk Man, Simon ("Simon Chu"), aged 59, is the elder brother of Augustine Chu. He has over 17 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 predecessor 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.

Mr. CHANG Hua Jung, aged 53, graduated from an industrial institution in Taiwan. Mr. Chang has over 32 years of experience in the golf equipment manufacturing industry. He joined the predecessor Group in August 1988 and is responsible for the production and the research and development functions of the Group.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. CHIU Lai Kuen, **Susanna**, aged 55, is 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 degree in business administration from the Chinese University of Hong Kong. She is the Past President of Hong Kong Institute of Certified Public Accountants and Past President of ISACA (China HK Chapter). Ms. Chiu is appointed by the Hong Kong government to serve on the Council of the Equal Opportunity Commission, HK Institute of Education and Standard Working Hours Committee. 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 joined the Company in September 2004 and she brings considerable experience in business operations, finance, internal control and corporate governance.

Mr. CHOY Tak Ho, aged 86, joined the Company in December 2000 and 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. 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.

Mr. ZHU Shengli, aged 68, has over 45 years of experience in the government and public services sector in Shandong Province, the PRC. He is acquainted with local government practices pertinent to rules and standards relevant and applicable for business enterprises in the PRC. He also brings considerable experience in the regimes of administration and compliance. Mr. Zhu Shengli joined the Company in June 2013.

SENIOR MANAGEMENT

Mr. CO Man Kwong, aged 52, 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 14 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 the Hong Kong Institute of Certified Public Accountants, respectively.

Ms. LEE May Yee, aged 45, is the senior marketing manager of the Group. Ms. Lee has over 22 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 predecessor Group in December 1992 and is currently in charge of the marketing functions of the Group.

Mr. HE Xin Hong, aged 51, is the assistant general manager of the Group's production department. He joined the predecessor Group in December 1990 and is currently in charge of the overall production of a golf bag subsidiary. Mr. He has more than 23 years of experience in the golf manufacturing industry.

Mr. HUNG Yi Chuan, aged 52, is the assistant general manager of the Group's production department. He joined the predecessor Group in February 2000 and is currently in-charge of the overall production of a golf equipment subsidiary. Mr. Hung has more than 27 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 2014.

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 39 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 profit for the year ended 31 December 2014 and the state of affairs of the Group at that date are set out on pages 40 to 42 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 108 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 32 and 33 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 and the Group during the year are set out in Note 38(b) to the consolidated financial statements and in the consolidated statement of changes in equity on page 43, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2014, the Company's reserves available for distribution amounted to HK$59,951,000. 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 87.9% of the total sales for the year and sales to the largest customer included therein amounted to 31.2%. 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:

Ms. CHIU Lai Kuen, Susanna
Mr. CHOY Tak Ho
Mr. ZHU Shengli

In accordance with article 87 of the Company's Bye-laws, Mr. CHU Chun Man, Augustine and Mr. CHU Yuk Man, Simon will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The Company has received annual confirmations of independence from Ms. CHIU Lai Kuen, Susanna, Mr. CHOY Tak Ho and Mr. ZHU Shengli, 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 17 to 18 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 37 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 2014, 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:

Name of director	Number of shares held, capacity and nature of interest: Directly beneficially owned	Through spouse	Through controlled corporations#	Total	Percentage of the Company's issued share capital
Mr. CHU Chun Man, Augustine	9,292,104	150,000	287,074,657	296,516,761	64.45%
Mr. CHU Yuk Man, Simon	954,355	–	–	954,355	0.21%
	10,246,459	150,000	287,074,657	297,471,116	64.66%

(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 with limited liability, of which, approximately 78.31% of issued share capital are owned by A & S Company Limited, approximately 9.13% of issued share capital are owned by Mr. Chu Chun Man, Augustine and approximately 0.81% 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 the estate of another family member. The interest of Mr. Chu Chun Man, Augustine in the 257,315,662 shares of the Company therefore duplicates 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 interest of Mr. Chu Chun Man, Augustine in the 29,758,995 shares of the Company therefore duplicates 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 2014, 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 Note 33 to the consolidated financial statements, 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.

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. Further details of the New Share Option Scheme are disclosed in Note 33 to the consolidated financial statements.

Movements of the Company's share options held by employees during the year are:

	Number of share options outstanding at 1 January and 31 December 2014	Date of grant	Exercise period	Exercise price
Employees in aggregate	8,000,000	11 July 2013	11 July 2013 to 10 July 2015	HK$0.37

At 31 December 2014 and 2013, no outstanding share option was held by the directors. There were no share options granted, cancelled, lapsed or forfeited during the year ended 31 December 2014 nor were any outstanding options subsequently exercised up to the date of issue of this report.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 December 2014, 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	296,366,761	64.42%
		Directly beneficially owned	150,000	0.03%
			296,516,761	64.45%

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 78.31% 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 2014, 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.

AUDITOR

SHINEWING (HK) CPA Limited ("SHINEWING") was appointed auditor of the Company on 24 December 2008 and the consolidated financial statements for the past seven years ended 31 December 2014 were audited by SHINEWING.

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

ON BEHALF OF THE BOARD

Chu Chun Man, Augustine
Chairman

Hong Kong
27 March 2015

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 of the Corporate Governance Code (the "CG Code") set out under Appendix 14 to the Listing Rules throughout the year ended 31 December 2014, except with the deviations from code provisions A.2.1 and A.4.1 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 2014, 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 Ms. CHIU Lai Kuen, Susanna; Mr. CHOY Tak Ho and Mr. ZHU Shengli. The Board considers that this composition provides 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 17 to 18 of this annual report under the "BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT" section.

According to clause 87 of the Company's Bye-laws, Mr. CHU Chun Man, Augustine and Mr. CHU Yuk Man, Simon will retire by rotation at the 2015 annual general meeting. Being eligible, Mr. CHU Chun Man, Augustine and Mr. CHU Yuk Man, Simon will offer themselves for re-election at the 2015 annual general meeting.

In consideration of their devotions and contributions to the Company, the Board recommends the re-appointment of Mr. CHU Chun Man, Augustine and Mr. CHU Yuk Man, Simon who will stand for re-election as EDs at the 2015 annual general meeting of the Company.

The Company's circular regarding the notice of 2015 annual general meeting contains detailed information of the Directors standing for re-election as EDs of the Company.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provision A.2.1 of 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 considers there is no need for appointing a "Chief Executive Officer" at the present stage.

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

Although the 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 the value for shareholders. 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.

BOARD DIVERSITY POLICY

The Company has formulated and adopted the board diversity policy ("Board Diversity Policy") for compliance with the Code provision of the Listing Rules concerning the diversity of board members.

The Board recognizes the importance of having a diverse Board in enhancing the Board effectiveness and corporate governance. The Board Diversity Policy of the Company sets out the approach to achieve diversity in the Board which will include and make good use of differences in the talents, skills, regional and industry experience, cultural and educational background, ethnicity, gender and other qualities of the members of the Board and does not discriminate on the ground of race, age, gender or religious belief. These differences will be considered in determining the optimum composition of the Board and when possible should be balanced appropriately.

The Nomination Committee of the Company has the responsibility for identifying and nominating for approval by the Board, candidates for appointment to the Board. It takes responsibility in assessing the appropriate mix of experience, expertise, skills and diversity required on the Board and assessing the extent to which the required skills are represented on the Board and overseeing the Board succession. The Nomination Committee will consider to set measurable objectives for implementing the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress towards achieving those objectives. At present, the Nomination Committee has not set any measurable objectives.

The Nomination Committee is also responsible for reviewing and reporting to the Board in relation to the effectiveness of the Board Diversity Policy. All appointments of the members of the Board will be based on merit and contribution while taking into account the benefits of diversity on the Board.

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 throughout the year ended 31 December 2014 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. Records of Directors' trainings during the year were kept by the Company.

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	6/6	N/A	1/1	1/1	1/1
Mr. CHU Yuk Man, Simon	6/6	N/A	1/1	1/1	1/1
Mr. CHANG Hua Jung	6/6	N/A	N/A	N/A	0/1
Independent Non-Executive Directors					
Ms. CHIU Lai Kuen, Susanna	5/6	2/2	1/1	1/1	1/1
Mr. CHOY Tak Ho	5/6	2/2	1/1	1/1	1/1
Mr. ZHU Shengli	5/6	2/2	1/1	1/1	1/1
Total number of meetings held	6	2	1	1	1

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 2014, the Audit Committee consisted of three INEDs, namely Ms. CHIU Lai Kuen, Susanna (Chairman of the Committee), Mr. CHOY Tak Ho and Mr. ZHU Shengli. 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 auditor before submission to the Board.

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

(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 2014, the Audit Committee performed the duties and responsibilities under its terms of reference and other duties under 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, the accounting and finance officers and the external auditors the accounting principles and practices adopted by the Group, the accuracy and fairness of the 2013 annual report and annual results announcement and the 2014 interim report and interim results announcement with a recommendation to the Board for approval.

(b) It has met twice with the external auditor to discuss and review their work and findings relating to the review of results; the internal control and risk management review, and the effectiveness of the audit process for the year of 2013 and the 2014 interim review.

(c) It has reviewed with the senior management, the 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 2014, assessed the external auditor's independence, approved the engagement of external auditors and recommended the Board on the re-appointment of external auditor.

2. REMUNERATION COMMITTEE

During the year ended 31 December 2014, the Remuneration Committee consisted of two EDs, namely Mr. CHU Chun Man, Augustine and Mr. CHU Yuk Man, Simon and three INEDs, namely Mr. ZHU Shengli (Chairman of the Committee); Mr. CHOY Tak Ho and Ms. CHIU Lai Kuen, Susanna. The specific written terms of reference of the Remuneration Committee is 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 management 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 2014 to (i) review the remuneration policy and structure of the Company; and (ii) confirm, approve and ratify the remuneration packages of the Directors and the senior management for the year under review.

The emoluments of the senior management whose profiles are set out in the section headed "Biographical Details of Directors and Senior Management" of the annual report fell within the following bands:

	Number of individuals	
	2014	2013
Nil to HK$1,000,000	**3**	3
HK$1,000,000 - HK$1,500,000	**1**	1
	4	4

3. *NOMINATION COMMITTEE*

During the year ended 31 December 2014, there were 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. ZHU Shengli. The specific terms of reference of the Nomination Committee is available on the Company's website.

The primary duties of the Nomination Committee are:

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

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

(c) to assess the independence of INEDs;

(d) to review the effectiveness of the Board Diversity Policy; and

(e) 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 2014 to (i) review the structure, size and composition of the Board; (ii) assess the independence of all INEDs of the Company; and (iii) nominate retiring Directors for re-election at the 2014 AGM 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 ended 31 December 2014.

ACCOUNTABILITY AND AUDIT

The Directors acknowledge that it is their responsibilities to prepare the consolidated financial statements which give 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 consolidated 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 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 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; and

(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 2015 AGM will be sent to shareholders at least twenty clear business days before the meeting.

The Chairman of the Board, the Chairman of the Audit Committee and the external auditors had attended the AGM of the Company held on 6 June 2014 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 2014 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 5 June 2015 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 Memorandum of Association and the Bye-laws of the Company have been posted to the website of the Company at www.sinogolf.com in accordance with the requirements of the Listing Rules.

AUDITOR'S INDEPENDENCE AND REMUNERATION

The Audit Committee is mandated to review and monitor the independence of the external auditor 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 auditor, SHINEWING (HK) CPA Limited, is independent and has recommended the Board to re-appoint it as the Company's auditor at the forthcoming AGM.

The remuneration paid/payable to the auditor of the Company in respect of audit services and non-audit services for the year ended 31 December 2014 amounted to HK$920,000 and HK$190,000, 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.

INDEPENDENT AUDITOR'S REPORT

信永中和 ShineWing

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

TO THE SHAREHOLDERS 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 40 to 107, which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other 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 2014, and of the Group's profit 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
27 March 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Notes	**2014** **HK$'000**	2013 HK$'000
Turnover	9	**400,962**	434,087
Cost of sales		**(328,546)**	(358,453)
Gross profit		**72,416**	75,634
Other operating income	9	**2,099**	1,553
Selling and distribution expenses		**(4,790)**	(3,131)
Administrative expenses		**(53,415)**	(48,727)
Finance costs	11	**(7,591)**	(9,328)
Profit before tax		**8,719**	16,001
Income tax expense	12	**(424)**	(2,348)
Profit for the year	13	**8,295**	13,653
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		**47**	2,043
Items that may not be reclassified subsequently to profit or loss:			
Deferred tax relating to leasehold land and buildings under revaluation model	31	**90**	90
Other comprehensive income for the year		**137**	2,133
Total comprehensive income for the year		**8,432**	15,786
Profit (loss) for the year attributable to:			
Owners of the Company		**8,295**	13,661
Non-controlling interests		**–**	(8)
		8,295	13,653
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**8,432**	15,794
Non-controlling interests		**–**	(8)
		8,432	15,786
Earnings per share	14		
Basic		**HK1.80 cents**	HK2.97 cents
Diluted		**HK1.79 cents**	HK2.97 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Non-current assets			
Property, plant and equipment	18	**205,908**	205,300
Prepaid lease payments	19	**9,929**	10,297
Goodwill	20	**14,820**	14,820
Club debentures	21	**2,897**	3,397
Deposits and other receivables	22	**270**	844
Deposits paid for the acquisition of property, plant and equipment		**627**	1,643
		234,451	236,301
Current assets			
Inventories	23	**170,219**	173,247
Trade and other receivables	24	**41,935**	52,071
Prepaid lease payments	19	**368**	368
Bank balances and cash	25	**16,676**	26,241
		229,198	251,927
Assets classified as held for sale	26	**–**	7,776
		229,198	259,703
Current liabilities			
Trade and other payables	27	**35,224**	65,936
Amounts due to non-controlling shareholders of a subsidiary	28	**462**	462
Amount due to a director	28	**7,589**	10,142
Tax payable		**248**	2,518
Bank borrowings	29	**104,033**	108,704
Obligations under finance leases	30	**368**	712
		147,924	188,474
Net current assets		**81,274**	71,229
Total assets less current liabilities		**315,725**	307,530
Non-current liabilities			
Obligations under finance leases	30	**–**	368
Deferred tax liabilities	31	**2,440**	2,309
		2,440	2,677
Net assets		**313,285**	304,853

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Capital and reserves			
Share capital	32	**46,005**	46,005
Reserves		**264,879**	256,447
Equity attributable to owners of the Company		**310,884**	302,452
Non-controlling interests		**2,401**	2,401
Total equity		**313,285**	304,853

The consolidated financial statements on pages 40 to 107 were approved and authorised for issue by the board of directors on 27 March 2015 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 2014

	Attributable to owners of the Company												
	Share capital HK$'000	Share premium HK$'000	Share options Reserve 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$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2013	46,005	102,385	–	4,281	10,564	48	19,057	17	34,995	68,575	285,927	2,409	288,336
Profit for the year	–	–	–	–	–	–	–	–	–	13,661	13,661	(8)	13,653
Other comprehensive income for the year:													
Exchange difference arising on translation of foreign operations	–	–	–	–	–	–	–	–	2,043	–	2,043	–	2,043
Deferred tax relating to leasehold land and buildings under revaluation model (Note 31)	–	–	–	–	–	–	90	–	–	–	90	–	90
Other comprehensive income for the year	–	–	–	–	–	–	90	–	2,043	–	2,133	–	2,133
Total comprehensive income for the year	–	–	–	–	–	–	90	–	2,043	13,661	15,794	(8)	15,786
Release of deemed contribution by immediate holding company arising from non-interest bearing loan	–	–	–	(4,281)	–	–	–	–	–	4,281	–	–	–
Recognition of share-based payment expenses (Note 33)	–	–	731	–	–	–	–	–	–	–	731	–	731
At 31 December 2013	46,005	102,385	731	–	10,564	48	19,147	17	37,038	86,517	302,452	2,401	304,853
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**8,295**	**8,295**	**–**	**8,295**
Other comprehensive income for the year:													
Exchange difference arising on translation of foreign operations	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**47**	**–**	**47**	**–**	**47**
Deferred tax relating to leasehold land and buildings under revaluation model (Note 31)	**–**	**–**	**–**	**–**	**–**	**–**	**90**	**–**	**–**	**–**	**90**	**–**	**90**
Other comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**–**	**90**	**–**	**47**	**–**	**137**	**–**	**137**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**–**	**90**	**–**	**47**	**8,295**	**8,432**	**–**	**8,432**
At 31 December 2014	**46,005**	**102,385**	**731**	**–**	**10,564**	**48**	**19,237**	**17**	**37,085**	**94,812**	**310,884**	**2,401**	**313,285**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

Note i: The other reserve represented the deemed contribution from the Company's immediate holding company in the form of a non-interest bearing loan to a subsidiary. The amounts were estimated by discounting the nominal value of the non-interest bearing loan to the subsidiary at an effective interest rate. The non-interests bearing loan was fully repaid by the subsidiary during the year ended 31 December 2013. The Group released the other reserve towards retained profits of the Group as the directors of the Company considered the full amount is distributable.

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 2014

	Note	2014 HK$'000	2013 HK$'000
OPERATING ACTIVITIES			
Profit before taxation		**8,719**	16,001
Adjustments for:			
Finance costs		**7,591**	9,328
Interest income		**(64)**	(133)
Depreciation of property, plant and equipment		**14,838**	15,950
Amortisation of prepaid lease payments		**368**	368
Impairment loss on club debenture		**500**	–
(Gain) loss on disposal or written off of property, plant and equipment		**(581)**	514
Gain on disposal of assets classified as held for sale		**(83)**	–
Bad debts directly written off on trade receivables		**–**	1
Share-based payment expenses		**–**	731
Deemed loss on early repayment of loan from immediate holding company		**–**	501
Loss on written off of deposits paid for acquisition of property, plant and equipment		**–**	332
Operating cash flows before movements in working capital		**31,288**	43,593
Decrease (increase) in inventories		**3,028**	(11,529)
Decrease in trade and other receivables		**10,136**	9,799
Decrease (increase) in deposits and other receivables		**574**	(330)
(Decrease) increase in trade and other payables		**(25,537)**	12,670
Cash generated from operations		**19,489**	54,203
The PRC Enterprise Income Tax ("EIT") paid		**(2,391)**	–
Hong Kong Profits Tax paid		**(82)**	–
NET CASH GENERATED FROM OPERATING ACTIVITIES		**17,016**	54,203
INVESTING ACTIVITIES			
Interest received		**64**	133
Proceeds on disposal of property, plant and equipment		**1,226**	26
Proceeds on disposal of assets classified as held for sale	26	**2,731**	1,378
Purchase of property, plant and equipment		**(13,027)**	(12,327)
Prepayment for acquisition of property, plant and equipment		**(1,063)**	(1,643)
Purchase of a club debenture		**–**	(1,262)
NET CASH USED IN INVESTING ACTIVITIES		**(10,069)**	(13,695)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
FINANCING ACTIVITIES			
Repayments of bank borrowings		**(82,868)**	(102,339)
Interest and factoring charges paid		**(8,576)**	(9,562)
Repayments to immediate holding company		**–**	(5,589)
Repayments of obligations under finance leases		**(712)**	(681)
New bank loans raised		**78,205**	80,769
(Repayment to) advance from a director		**(2,553)**	9,013
NET CASH USED IN FINANCING ACTIVITIES		**(16,504)**	(28,389)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(9,557)**	12,119
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**25,241**	12,938
Effect of foreign exchange rate changes		**–**	184
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**15,684**	25,241
ANALYSIS OF CASH AND CASH EQUIVALENTS:			
Bank balances and cash	25	**16,676**	26,241
Bank overdrafts	29	**(992)**	(1,000)
		15,684	25,241

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 the principal place of business of the Company are disclosed in the "Corporate Information" of the annual report.

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

The principal activity of the Company is investment holding. The principal activities of the Group are manufacturing and trading of golf equipment, golf bags and accessories. The principle activities of its subsidiaries are set out in note 39.

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

In the current year, the Group has applied the following new and revised HKFRSs, which include HKFRSs, Hong Kong Accounting Standards ("HKAS(s)"), amendments and interpretations ("Int(s)"), issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	*Investment Entities*
Amendments to HKAS 32	*Offsetting Financial Assets and Financial Liabilities*
Amendments to HKAS 36	*Recoverable Amount Disclosures for Non-Financial Assets*
Amendments to HKAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*
Hong Kong (IFRS Interpretations Committee) ("HK(IFRIC)") – Int 21	*Levies*

Except as described below, the application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

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

The Group has applied the amendments to HKFRS 10, HKFRS 12 and HKAS 27 *Investment Entities* for the first time in the current year. The amendments to HKFRS 10 define an investment entity and 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.

As the Company is not an investment entity, the directors of the Company consider that the application of the amendments has had no impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

AMENDMENTS TO HKAS 32 *OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES*

The Group has applied the amendments to HKAS 32 *Offsetting Financial Assets and Financial Liabilities* for the first time in the current year. The amendments to HKAS 32 clarify existing application issues relating to the offset of the 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 have been applied retrospectively. As the Group does not have any financial assets and financial liabilities that qualify for offset, the application of the amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

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

AMENDMENTS TO HKAS 36 *RECOVERABLE AMOUNT DISCLOSURES FOR NON-FINANCIAL ASSETS*

The Group has applied amendments to HKAS 36 *Recoverable Amount Disclosures for Non-Financial Assets* for the first time in the current year. The amendments to HKAS 36 require disclosures on additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal. If the recoverable amount is fair value less costs of disposal, an entity shall disclose the level of the fair value hierarchy within which the fair value measurement of the asset or cash-generating unit ("CGU") is categorised in its entirety. The Group is required to make additional disclosures for Level 2 and Level 3 of the fair value hierarchy:

- a description of the valuation techniques used to measure the fair value less costs of disposals. If there is any change in valuation techniques, the fact and the reason should also be disclosed;
- each key assumption on which management has based its determination of fair value less costs of disposal;
- the discount rates used in the current and previous measurement if fair value less costs of disposal is measured using a present value technique.

The amendments have been applied retrospectively. The directors of the Company consider that the application of these amendments to HKAS 36 has had no material impact on the disclosures in the Group's consolidated financial statements.

NEW AND REVISED HKFRSs ISSUED BUT NOT YET EFFECTIVE

The Group has not early applied the following new or revised HKFRSs that have been issued but are not yet effective.

HKFRS 9 (2014)	*Financial Instruments*[4]
HKFRS 15	*Revenue from Contracts with Customers*[3]
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2010 – 2012 Cycle*[1]
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2011 – 2013 Cycle*[1]
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2012 – 2014 Cycle*[2]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	*Investment Entities: Appling the Consolidation Exception*[2]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[2]
Amendment to HKAS 1	*Disclosure Initiative*[2]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[2]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[2]
Amendments to HKAS 19	*Defined Benefit Plans: Employee Contributions*[1]
Amendments to HKAS 27	*Equity Method in Separate Financial Statements*[2]

1 Effective for annual periods beginning on or after 1 July 2014.
2 Effective for annual periods beginning on or after 1 January 2016.
3 Effective for annual periods beginning on or after 1 January 2017.
4 Effective for annual periods beginning on or after 1 January 2018.

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

NEW AND REVISED HKFRSs ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

The directors of the Company anticipate that, except as described below, the application of other new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

HKFRS 9 (2014) FINANCIAL INSTRUMENTS

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 and includes the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, HKFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. A finalised version of HKFRS 9 was issued in 2014 to incorporate all the requirements of HKFRS 9 that were issued in previous years with limited amendments to the classification and measurement by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain financial assets. The finalised version of HKFRS 9 also introduces an "expected credit loss" model for impairment assessments.

Key requirements of HKFRS 9 (2014) are described below:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be 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. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. 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 (2014), 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 (2014) 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 liability's 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 at fair value through profit or loss was presented in profit or loss.

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

NEW AND REVISED HKFRSs ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

HKFRS 9 (2014) FINANCIAL INSTRUMENTS (CONTINUED)

- In the aspect of impairment assessments, the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit were added. Those requirements eliminate the threshold that was in HKAS 39 for the recognition of credit losses. Under the impairment approach in HKFRS 9 (2014), it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, expected credit losses and changes in those expected credit losses should always be accounted for. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.

- HKFRS 9 (2014) introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, HKFRS 9 (2014) looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under HKAS 39, it is necessary to exhibit eligibility and compliance with the requirements in HKAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for HKAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

HKFRS 9 (2014) will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The directors of the Company anticipate that the application of HKFRS 9 (2014) in the future may have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities.

Regarding the Group's financial assets and financial liabilities, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 (2014) until a detailed review has been completed.

HKFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Thus, HKFRS 15 introduces a model that applies to contracts with customers, featuring a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

(i) Identify the contract with a customer;
(ii) Identify the performance obligations in the contract;
(iii) Determine the transaction price;
(iv) Allocate the transaction price to the performance obligations; and
(v) Recognise revenue when (or as) the entity satisfies a performance obligation.

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

NEW AND REVISED HKFRSs ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

HKFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

HKFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

HKFRS 15 will become effective for annual periods beginning on or after 1 January 2017 with early application permitted. The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

ANNUAL IMPROVEMENTS TO HKFRSs 2010-2012 CYCLE

The *Annual Improvements to HKFRSs 2010-2012 Cycle* include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 2 (i) change the definitions of "vesting condition" and "market condition"; and (ii) add definitions for "performance condition" and "service condition" which were previously included within the definition of "vesting condition". The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit or loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have "similar economic characteristics"; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision maker.

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

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

NEW AND REVISED HKFRSs ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

ANNUAL IMPROVEMENTS TO HKFRSs 2010-2012 CYCLE (CONTINUED)

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to HKAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The directors of the Company do not anticipate that the application of the amendments included in the A*nnual Improvements to HKFRSs 2010-2012 Cycle* will have a material effect on the Group's consolidated financial statements.

ANNUAL IMPROVEMENTS TO HKFRSs 2011-2013 CYCLE

The *Annual Improvements to HKFRSs 2011-2013 Cycle* include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, HKAS 39 or HKFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

The amendments to HKAS 40 clarify that HKAS 40 and HKFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

(a) the property meets the definition of investment property in terms of HKAS 40; and
(b) the transaction meets the definition of a business combination under HKFRS 3.

The directors of the Company do not anticipate that the application of the amendments included in the *Annual Improvements to HKFRSs 2011-2013 Cycle* will have a material effect on the Group's consolidated financial statements.

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

NEW AND REVISED HKFRSs ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

ANNUAL IMPROVEMENTS TO HKFRSs 2012-2014 CYCLE

The *Annual Improvements to HKFRSs 2012-2014 Cycle* include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 5 clarify that changing from one of the disposal methods (i.e. disposal through sale or disposal through distribution to owners) to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in HKFRS 5. Besides, the amendments also clarify that changing the disposal method does not change the date of classification.

The amendments to HKFRS 7 clarify that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in HKFRS 7 in order to assess whether the additional disclosures for any continuing involvement in a transferred asset that is derecognised in its entirety are required. Besides, the amendments to HKFRS 7 also clarify that disclosures in relation to offsetting financial assets and financial liabilities are not required in the condensed interim financial report, unless the disclosures provide a significant update to the information reported in the most recent annual report.

The amendments to HKAS 19 clarify that the market depth of high quality corporate bonds is assessed base on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

HKAS 34 requires entities to disclose information in the notes to the interim financial statements "if not disclosed elsewhere in the interim financial report". The amendments to HKAS 34 clarify that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report. The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete.

The directors of the Company do not anticipate that the amendments included in the *Annual Improvements to HKFRSs 2012-2014 Cycle* will have a material effect on the Group's consolidated financial statements.

AMENDMENTS TO HKFRS 10, HKFRS 12 AND HKAS 28 (2011) INVESTMENT ENTITIES: APPLYING THE CONSOLIDATION EXCEPTION

The amendments clarify the requirements when accounting for investment entities as well as provide relief in particular circumstances, which will reduce the costs of applying the Standards. Specifically, a parent entity that is a subsidiary of an investment entity is exempted from preparing consolidated financial statements. A parent entity which is also a subsidiary of an investment entity and hold interests in associates and joint ventures is exempted from applying equity method if it meets all the conditions stated in paragraph 4(a) of HKFRS 10.

Besides, the amendments clarify if an investment entity has a subsidiary that is not itself an investment entity and whose main purpose and activities are providing investment-related services that relate to the investment entity's investment activities to the entity or other parties, it should consolidate that subsidiary. If the subsidiary that provides the investment-related services or activities is itself an investment entity, the investment entity parent should measure that subsidiary at fair value through profit or loss. If an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when apply the equity method, retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries.

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

NEW AND REVISED HKFRSs ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

AMENDMENTS TO HKFRS 10, HKFRS 12 AND HKAS 28 (2011) INVESTMENT ENTITIES: APPLYING THE CONSOLIDATION EXCEPTION (CONTINUED)

Furthermore, if a parent that is an investment entity and has measured all of its subsidiaries at fair value through profit or loss, that investment entity should present the disclosures relating to investment entities required by HKFRS 12 in its financial statements. If an investment entity has consolidated its subsidiary in which the subsidiary itself is not an investment entity and whose main purpose and activities are providing services that relate to the investment activities of its investment entity parent, the disclosure requirements in HKFRS 12 apply to financial statements in which the investment entity consolidates that subsidiary.

The amendments to HKFRS 10, HKFRS 12 and HKAS 28 will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted.

As the Company does not have any investments in investment entities, the directors of the Company do not anticipate that the application of the amendments to HKFRS 10, HKFRS 12 and HKAS 28 will have a material impact on the Company's financial statements.

AMENDMENTS TO HKAS 1 DISCLOSURE INITIATIVE

The amendments clarify that companies should use professional judgement in determining what information as well as where and in what order information is presented in the financial statements. Specifically, an entity should decide, taking into consideration all relevant facts and circumstances, how it aggregates information in the financial statements, which include the notes. An entity does not require to provide a specific disclosure required by a HKFRS if the information resulting from that disclosure is not material. This is the case even if the HKFRS contain a list of specific requirements or describe them as minimum requirements.

Besides, the amendments provide some additional requirements for presenting additional line items, headings and subtotals when their presentation is relevant to an understanding of the entity's financial position and financial performance respectively. Entities, in which they have investments in associates or joint ventures, are required to present the share of other comprehensive income of associates and joint ventures accounted for using the equity method, separated into the share of items that (i) will not be reclassified subsequently to profit or loss; and (ii) will be reclassified subsequently to profit or loss when specific conditions are met.

Furthermore, the amendments clarify that:

(i) an entity should consider the effect on the understandability and comparability of its financial statements when determining the order of the notes; and

(ii) significant accounting policies are not required to be disclosed in one note, but instead can be included with related information in other notes.

The amendments will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted.

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

NEW AND REVISED HKFRSs ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

AMENDMENTS TO HKAS 1 DISCLOSURE INITIATIVE (CONTINUED)

The directors of the Company anticipate that the application of Amendments to HKAS 1 in the future may have a material impact on the disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of Amendments to HKAS 1 until the Group performs a detailed review.

AMENDMENTS TO HKAS 16 AND HKAS 38 CLARIFICATION OF ACCEPTABLE METHODS OF DEPRECIATION AND AMORTISATION

The amendments to HKAS 16 prohibit the use of revenue-based depreciation methods for property, plant and equipment under HKAS 16. The amendments to HKAS 38 introduce a rebuttable presumption that use of revenue-based amortisation methods for intangible assets is inappropriate. This presumption can be rebutted only in the following limited circumstances:

(i) when the intangible asset is expressed as a measure of revenue; or

(ii) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments to HKAS 16 and HKAS 38 will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments should be applied prospectively.

As the Group uses the straight-line method for depreciation of property, plant and equipment, the directors of the Company do not anticipate that the application of the amendments to HKAS 16 and HKAS 38 will have a material impact on the Group's consolidated financial statements.

In addition, the annual report requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operations as from the company's first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Hong Kong Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and will primarily only affect the presentation and disclosure of information in the consolidated financial statements.

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, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance.

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

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date under current market condition (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting polices set out below.

The principal accounting policies are set out below.

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (i.e. its subsidiaries). If a subsidiary prepares its financial statements using accounting policies other than those adopted in the consolidated financial statements for like transaction and events in similar circumstances, appropriate adjustments are made to that subsidiary's financial statement in preparing the consolidated financial statements to ensure conformity with the Group's accounting policies.

Control is achieved when the Group has:

- the power over the investee;
- exposure or rights, to variable returns from its involvement with the investee; and
- the ability to use its power to affect the amount of the Group's returns.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF CONSOLIDATION (CONTINUED)

The Company reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Income and expenses of a subsidiary are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income of subsidiaries are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries 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.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interest are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the result of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

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.

GOODWILL

Goodwill arising from a business combination is carried at cost less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's CGUs (or groups of CGUs) that is expected to benefit from the synergies of the combination.

A CGU 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 CGU to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the CGU 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 and construction in progress as described below, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent 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 subsequent accumulated depreciation and subsequent accumulated impairment losses, if any. 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.

Any revaluation increase arising on revaluation of the leasehold land and buildings is recognised in other comprehensive income and accumulated in equity under the heading of assets revaluation reserve while any decrease resulted is recognised in profit or loss. However, an increase is recognised to profit and loss when that it reverses a revaluation decrease of the same asset previously recognised in profit or loss while a decrease is recognised in other comprehensive income when it reduces the related amount accumulated in assets revaluation reserve.

Depreciation on revalued building is recognised in profit or loss. On the subsequent disposal or retirement of a revalued property, the attributable revaluation surplus remaining in the assets revaluation reserve is transferred directly to retained profits.

Depreciation is recognised so as to allocate the cost or fair value of items of property, plant and equipment other than construction in progress less their residual values over their 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.

Properties in the course of construction 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. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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 the 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, if any. Amortisation is charged to consolidated statement of profit or loss and other comprehensive income over the period of the rights using the straight-line method.

CLUB DEBENTURES

Club debentures are carried at cost less accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible assets and club debentures below), if any.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are 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.

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.

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 either 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. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS (CONTINUED)

FINANCIAL ASSETS (CONTINUED)

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 other receivables in non-current deposits and other receivables, 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 of financial assets below).

IMPAIRMENT LOSS ON FINANCIAL ASSETS

Financial assets are assessed for indicators of impairment at the end of each 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.

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
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, 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 and 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 uncollectible, 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 the 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS (CONTINUED)

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 an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

FINANCIAL LIABILITIES

Financial liabilities, including trade and other payables, amounts due to non-controlling shareholders of a subsidiary, bank borrowings, obligations under finance leases, and amount due to a director, are subsequently measured at the amortised cost, using the effective interest method.

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 for debt instruments.

DERECOGNITION

A financial asset is derecognised 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.

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, if any, is recognised in profit or loss.

A financial liability is derecognised 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.

CASH AND CASH EQUIVALENTS

Bank balances and cash in the consolidated statement of financial position comprise cash at banks 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NON-CURRENT ASSETS HELD FOR SALE

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Such classification requires the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset and its sale is highly probable. 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 of disposal.

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 estimated cash flows 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).

IMPAIRMENT OF TANGIBLE ASSETS AND CLUB DEBENTURES

At the end of each reporting period, the Group reviews the carrying amounts of its tangible 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 asset 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 CGU to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Club debentures are tested for impairment at least annually, and whether there is an indication that they may be impaired.

Recoverable amount is the higher of fair value less costs of disposal 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 CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or the CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or 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.

When an impairment loss subsequently reverses, the carrying amount of the asset (or the CGU) 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 the CGU) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, 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 that standard.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REVENUE RECOGNITION

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

Revenue from the sale 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.

Sample and tooling income is recognised at the time when the transfer of significant risks and rewards of ownership to the customer, this is usually taken as the time when the samples and the tooling are delivered and the customer has accepted the samples.

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 estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

LEASING

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership 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 lease term.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

LEASING (CONTINUED)

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.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as prepaid lease payments in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily to 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.

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

RESEARCH AND DEVELOPMENT COSTS

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

RETIREMENT BENEFIT COSTS

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme ("MPF Scheme") are recognised as an expense when employees have rendered service entitling them to the contributions.

SHORT-TERM EMPLOYEE BENEFITS

A liability is recognised for benefits accruing to employees in respect of wages and salaries in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 profit or loss and other 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 deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than a business combination) 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 they relate 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.

FOREIGN CURRENCIES

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency (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 that are measured in terms of historical cost in a foreign currency are not retranslated.

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. Exchange difference arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, are also recognised directly in other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FOREIGN CURRENCIES (CONTINUED)

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).

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation 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 other comprehensive income.

SHARE-BASED PAYMENT TRANSACTIONS

EQUITY-SETTLED SHARED-BASED PAYMENT TRANSACTIONS

SHARE OPTIONS GRANTED TO EMPLOYEES

The fair value of services received determined by reference to the fair value of share options granted at the date of grant is recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

FAIR VALUE MEASUREMENT

When measuring fair value except for the Group's share-based payment transactions, leasing transaction, net realisable value of inventories and value in use of CGU to which goodwill has been allocated for the purpose of impairment assessment, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FAIR VALUE MEASUREMENT (CONTINUED)

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Specially, the Group categorised the fair value measurements into three levels, based on the characteristics of inputs, as follow:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 – Valuation technique for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

At the end of the reporting period, the Group determines whether transfer occur between levels of the fair value hierarchy for assets and liabilities which are measured at fair value on recurring basis by reviewing their respective fair value measurement.

4. CRITICAL ACCOUNTING JUDGEMENTS AND 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 judgements, estimates and assumptions about the amounts of assets, liabilities, revenue and expenses reported and disclosures made in the consolidated financial statements. 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.

CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The following is the critical judgement, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised and disclosures made in the consolidated financial statements.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

ASSETS CLASSIFIED AS HELD FOR SALE AT 31 DECEMBER 2013

On 11 June 2010, the Group entered into a sale and purchase agreement with the local PRC government for the sale of certain land and buildings of the Group in the PRC. At 31 December 2013, the related land and buildings remained unsold and the transaction has not yet concluded. During the year ended 31 December 2014, full consideration of RMB6,130,000 (equivalent to approximately HK$7,859,000) has been received from the PRC government. The related land certificate has been transferred to the PRC government in 2014. However, the land registry has not yet been updated at 31 December 2014 as a result of registration time. At 31 December 2014, the legal title of the related land and buildings remained to the Group.

Regarding the sale and purchase transaction, the directors of the Company have considered that the risks and rewards of ownership of related land and buildings have been transferred since the land certificate has been transferred to the PRC government and conditions of the agreement has been fully completed. Disposal gain of HK$83,000 is recognised in 2014 upon the disposal of the assets classified as held for sale at 31 December 2013.

KEY SOURCES OF ESTIMATION UNCERTAINTY

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.

IMPAIRMENT OF GOODWILL

Determining whether goodwill is impaired requires an estimation of the value in use of the CGUs to which goodwill has been allocated. The value in use calculation requires the directors of the Company to estimate the future cash flows expected to arise from the CGUs 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.

As at 31 December 2014, the carrying amount of goodwill was approximately HK$14,820,000 (2013: HK$14,820,000). No impairment loss was recognised for both years. Details of the impairment testing are set disclosed in note 20.

FAIR VALUE OF SHARE OPTIONS

The fair value of share options granted at the grant date to employees is recognised as an expense in full at grant date when the share options granted vest immediately, with a corresponding adjustment to the Group's share options reserve. In assessing the fair value of the share options, the generally accepted option pricing models were used to calculate the fair value of the share options. The option pricing models require the input of subjective assumptions, including the volatility of its own ordinary shares and the expected life of options etc. Any changes in these assumptions can significantly affect the estimate of the fair value of the share options.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

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 profit or loss and other 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 directors of 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 2014, the carrying amount of inventories was approximately HK$170,219,000 (2013: HK$173,247,000). No written down was recognised for both years.

ALLOWANCE FOR DOUBTFUL DEBTS IN RESPECT OF TRADE AND OTHER RECEIVABLES

When there is objective evidence of the allowance for doubtful debts in respect of trade and other receivables, the Group takes into consideration the estimation of future cash flows. The amount of the allowance for doubtful debts is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a further allowance may arise. At 31 December 2014, the carrying amount of trade receivables, current portion of other receivables included in trade and other receivables and non-current portion of deposits and other receivables were approximately HK$16,375,000 (2013: HK$31,220,000) net of allowance for doubtful debts of approximately HK$2,000 (2013: HK$2,000), HK$20,403,000 (2013: HK$15,179,000) and HK$270,000 (2013: HK$844,000) respectively. No allowance for impairment of trade and other receivables has been recognised for the years ended 31 December 2014 and 31 December 2013.

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

At the end of the reporting period, the directors of the Company review the carrying amount of its property, plant and equipment of approximately HK$205,908,000 (2013: HK$205,300,000) and identified if there is indication that those assets many suffer an impairment loss. Accordingly, the recoverable amount of the property, plant and equipment is estimated in order to determine the extent of the impairment loss. The estimates of the recoverable amounts of the property, plant and equipment require the use of assumptions such as cash flow projections and discount rates.

Based on the estimated recoverable amount, no impairment loss has been recognised for the years ended 31 December 2014 and 2013.

DEPRECIATION AND USEFUL LIVES 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 their estimated residual values. The determination of the useful lives and residual values involve management's estimation based on the Group's business model, its asset management policy, the industry practice and expected usage of each category of property, plant and equipment. The directors of the Company assess the residual values and the useful lives of the property, plant and equipment annually 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.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

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 Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. 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 and amount due to a director disclosed in note 28, bank borrowings disclosed in note 29, obligations under finance leases disclosed in note 30, bank balances and cash disclosed in note 25 and equity attributable to owners of the Company, comprising issued share capital and reserves.

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% (2013: 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:

	2014 **HK$'000**	2013 HK$'000
Amounts due to non-controlling shareholders of a subsidiary	**462**	462
Bank borrowings	**104,033**	108,704
Obligations under finance leases	**368**	1,080
Amount due to a director	**7,589**	10,142
Less: bank balances and cash	**(16,676)**	(26,241)
Net debts	**95,776**	94,147
Equity attributable to owners of the Company	**310,884**	302,452
Non-controlling interests	**2,401**	2,401
Total equity	**313,285**	304,853
Gearing ratio	**31%**	31%

6. FINANCIAL INSTRUMENTS

CATEGORIES OF FINANCIAL INSTRUMENTS

	2014 HK$'000	2013 HK$'000
Financial assets		
Loans and receivables (including bank balances and cash)	**53,724**	73,484
Financial liabilities		
Financial liabilities at amortised cost	**146,611**	181,196

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include deposits and other receivables, 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 amount due to a director 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.

CURRENCY RISK

Several subsidiaries of the Company have foreign currency purchases, which expose the Group to foreign currency risk. 5% (2013: 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	
	2014 HK$'000	2013 HK$'000
RMB	**1,962**	3,846

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.

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

CURRENCY RISK (CONTINUED)

SENSITIVITY ANALYSIS

The Group is mainly exposed to the effects of fluctuation in RMB. Management of the Group considers the currency risk of the Group is insignificant for the years ended 31 December 2014 and 2013, hence no sensitivity analysis is presented.

INTEREST RATE RISK

The Group is exposed to fair value interest rate risk in relation to loans advanced to employees included in non-current deposits and other receivables and trade and other receivables are with fixed interest rate, fixed-rate bank borrowings (see note 29 for details of these borrowings) and amount due to a director (see note 28 for details). 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 bank 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. 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 Hong Kong Interbank Offered Rate ("HIBOR") and London Interbank Offered Rate ("LIBOR").

SENSITIVITY ANALYSIS

The sensitivity analyses below have been determined based on the exposure to interest rates at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis point (2013: 100 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points (2013: 100 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2014 would decrease/increase by approximately HK$216,000 (2013: HK$233,000).

The Group's sensitivity to interest rates has been decreased during the current year mainly due to the decrease in variable rate debt instruments.

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

CREDIT RISK

At 31 December 2014, 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, 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 concentrations of credit risk are 3% and 66% (2013: 45% and 90%) of the total trade receivables which are due from the Group's largest customer and the five largest customers, respectively. However, management consider the credit risk is under control since the management exercises due care in granting credit and reviews the recoverable amount of each balance at the end of each reporting period to ensure adequate impairment losses have been made for irrecoverable amounts.

The Group's concentration the credit risk by geographical locations is mainly in the North America, which accounted for 66% (2013: 90%) of the total trade receivables as at 31 December 2014.

LIQUIDITY RISK

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. 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.

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

LIQUIDITY RISK (CONTINUED)

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 2014			
	Within one year or on demand HK$'000	More than one year less than two years HK$'000	Total contractual undiscounted cash flows HK$'000	Carrying amount HK$'000
Non-derivative financial liabilities				
Trade and other payables	34,159	–	34,159	34,159
Amounts due to non-controlling shareholders of a subsidiary	462	–	462	462
Bank borrowings	107,165	–	107,165	104,033
Obligations under finance leases	372	–	372	368
Amount due to a director	7,589	–	7,589	7,589
	149,747	–	149,747	146,611

	At 31 December 2013			
	Within one year or on demand HK$'000	More than one year less than two years HK$'000	Total contractual undiscounted cash flows HK$'000	Carrying amount HK$'000
Non-derivative financial liabilities				
Trade and other payables	60,808	–	60,808	60,808
Amounts due to non-controlling shareholders of a subsidiary	462	–	462	462
Bank borrowings	111,288	–	111,288	108,704
Obligations under finance leases	745	372	1,117	1,080
Amount due to a director	10,142	–	10,142	10,142
	183,445	372	183,817	181,196

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

8. FAIR VALUE MEASUREMENTS

The directors of the Company consider that the fair value of the long-term portion of financial assets and financial liabilities approximate to their carrying amount as the discounting impact is not significant.

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

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 turnover and operating income for the year is as follows:

	2014 **HK$'000**	2013 HK$'000
Turnover		
Sales of golf equipment and related components and parts	**354,701**	408,459
Sales of golf bags, other accessories and related components and parts	**46,261**	25,628
	400,962	434,087
Other operating income		
Interest income	**64**	133
Sales of scrap materials	**118**	204
Sample income	**175**	216
Tooling income	**315**	422
Gain on disposal of property plant and equipment	**581**	-
Gain on disposal of assets classified as held for sale (note 26)	**83**	-
Sundry income	**763**	578
	2,099	1,553
Total	**403,061**	435,640

10. SEGMENT INFORMATION

Information reported to the chief operating decision maker (i.e. the board of directors), for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

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	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000	**2014 HK$'000**	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Segment revenue:								
Sales to external customers	**354,701**	408,459	**46,261**	25,628	**–**	–	**400,962**	434,087
Inter-segment sales	**–**	–	**7,155**	12,128	**(7,155)**	(12,128)	**–**	–
Other operating income	**1,684**	1,107	**495**	313	**(227)**	–	**1,952**	1,420
Total	**356,385**	409,566	**53,911**	38,069	**(7,382)**	(12,128)	**402,914**	435,507
Segment results	**20,622**	31,147	**2,084**	771			**22,706**	31,918
Interest income							**64**	133
Gain on disposal of assets classified as held for sale (note 26)							**83**	–
Impairment loss on club debentures							**(500)**	–
Unallocated corporate expenses							**(6,043)**	(6,722)
Finance costs							**(7,591)**	(9,328)
Profit before tax							**8,719**	16,001

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit earned by each segment without allocation of interest income, gain on disposal of assets classified as held for sale, impairment loss on club debentures, central administration costs, directors' emoluments, share-based payment expenses 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		Consolidated	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Assets and liabilities						
Segment assets	**417,863**	437,721	**25,726**	19,948	**443,589**	457,669
Unallocated corporate assets						
– Assets classified as held for sale					**–**	7,776
– Club debentures					**2,897**	3,397
– Bank balances and cash					**16,676**	26,241
– Others					**487**	921
Total assets					**463,649**	496,004
Segment liabilities	**19,454**	50,676	**15,634**	15,023	**35,088**	65,699
Unallocated corporate liabilities						
– Amounts due to non-controlling shareholders of a subsidiary					**462**	462
– Amount due to a director					**7,589**	10,142
– Tax payable					**248**	2,518
– Bank borrowings					**104,033**	108,704
– Obligations under finance leases					**368**	1,080
– Deferred tax liabilities					**2,440**	2,309
– Others					**136**	237
Total liabilities					**150,364**	191,151

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, amount due to a director, tax payable, bank borrowings, obligations under finance leases, deferred tax liabilities 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, Japan, Asia (excluding Japan), Europe and others.

Information about the Group's revenue from external customers is presented based on the geographical location of shipment.

	Revenue from external customers	
	2014	2013
	HK$'000	HK$'000
North America	**212,019**	290,996
Japan	**94,779**	58,498
Asia (excluding Japan)	**39,135**	38,646
Europe	**36,854**	31,032
Others	**18,175**	14,915
	400,962	434,087

Information about the Group's non-current assets, other than deposits and other receivables, is presented based on the geographical location of the assets.

	2014	2013
	HK$'000	HK$'000
The PRC	**220,540**	221,378
Hong Kong (country of domicile)	**13,641**	14,078
Others	**–**	1
	234,181	235,457

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		Consolidated	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Addition to non-current assets (note)	**14,516**	14,333	**559**	218	**15,075**	14,551
Amortisation of prepaid lease payments	**368**	368	**–**	–	**368**	368
Bad debts directly written off on trade receivables	**–**	1	**–**	–	**–**	1
Depreciation of property, plant and equipment	**12,690**	13,512	**2,148**	2,438	**14,838**	15,950
(Gain) loss on disposal or written off of property, plant and equipment	**(581)**	514	**–**	–	**(581)**	514
Deemed loss on early repayment of loan from immediate holding company	**–**	501	**–**	–	**–**	501
Loss on written off of deposits paid for acquisition of property, plant and equipment	**–**	332	**–**	–	**–**	332

Note: Non-current assets included property, plant and equipment and deposits paid for the acquisition of property, plant and equipment.

Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:

For the year ended 31 December

	Golf equipment		Golf bags		Unallocated		Total	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000	**2014 HK$'000**	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Interest income	**60**	130	**4**	3	**–**	–	**64**	133
Finance costs	**7,357**	9,058	**234**	270	**–**	–	**7,591**	9,328
Impairment loss on club debenture	**–**	–	**–**	–	**500**	–	**500**	–
Income tax expense	**424**	2,348	**–**	–	**–**	–	**424**	2,348

10. SEGMENT INFORMATION (CONTINUED)

(E) INFORMATION ABOUT MAJOR CUSTOMERS

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

	Revenue generated from	2014 HK$'000	2013 HK$'000
Customer A	Golf equipment	125,163	187,925
Customer B	Golf equipment	119,461	103,289
Customer C	Golf equipment	70,911	85,708

11. FINANCE COSTS

	2014 HK$'000	2013 HK$'000
Factoring charges	2,788	2,632
Interest expenses on:		
– bank overdrafts	40	42
– bank borrowings wholly repayable within five years	5,378	6,415
– imputed interest on non-interest bearing loan from immediate holding company	–	55
– advances from a director	337	410
– obligations under finance leases	33	63
Total borrowing costs	8,576	9,617
Less: amount capitalised (note)	(985)	(289)
	7,591	9,328

Note: Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 6.00% (2013: 6.00%) per annum to expenditure on qualifying assets.

12. INCOME TAX EXPENSE

	2014 HK$'000	2013 HK$'000
Hong Kong Profits Tax		
– Current	**160**	–
PRC EIT		
– Current	**–**	1,500
– Underprovision in prior years	**43**	848
	203	2,348
Deferred tax (note 31):		
– Current	**221**	–
	424	2,348

i) Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for year ended 31 December 2014 net of tax losses brought forward from previous years. For the year ended 31 December 2013, no provision of Hong Kong Profits Tax as the assessable profit was wholly absorbed by tax losses brought forward.

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.

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

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

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

12. INCOME TAX EXPENSE (CONTINUED)

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

	2014 HK$'000	2013 HK$'000
Profit before tax	**8,719**	16,001
Tax calculated at rates applicable to profits in the respective tax jurisdiction concerned	**1,633**	4,025
Effect of tax exemptions granted	**(749)**	(1,113)
Tax effect of income not taxable for tax purposes	**(1,105)**	(1,211)
Tax effect of expense not deductible for tax purposes	**742**	692
Tax effect of tax losses not recognised	**252**	63
Utilisation of tax losses previously not recognised	**(392)**	(956)
Underprovision in prior years	**43**	848
Income tax expense	**424**	2,348

Details of the deferred taxation are set out in note 31.

13. PROFIT FOR THE YEAR

	2014 HK$'000	2013 HK$'000
Profit for the year has been arrived at after charging:		
Staff cost (including directors' and chief executive's emoluments):		
Salaries, wages and other benefits in kind	**105,861**	101,028
Share-based payment expenses	**–**	731
Retirement benefits schemes contributions	**9,555**	5,405
Total staff cost	**115,416**	107,164
Amortisation of prepaid lease payments	**368**	368
Auditors' remuneration	**1,230**	1,185
Bad debts directly written off on trade receivables	**–**	1
Cost of inventories sold	**328,546**	358,453
Depreciation of property, plant and equipment	**14,838**	15,950
Exchange loss (net)	**159**	2,167
Loss on disposal or written off of property, plant and equipment	**–**	514
Loss on written off of deposits paid for property, plant and equipment	**–**	332
Deemed loss on early repayment of loan from immediate holding company	**–**	501
Impairment loss on club debentures (note 21)	**500**	–
Operating leases rentals in respect of land and buildings	**3,758**	4,120
Research and development costs	**1,106**	2,199

14. EARNINGS PER SHARE

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

	2014 HK$'000	2013 HK$'000
Earnings		
Earnings for the purpose of basic and diluted earnings per share	**8,295**	13,661

	2014 '000	2013 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**460,050**	460,050
Effect of dilutive potential ordinary shares:		
Share options	**3,878**	396
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**463,928**	460,446

15. DIVIDENDS

No dividends were paid, declared or proposed during the year ended 31 December 2014, nor has any dividend been proposed since the end of the reporting period (2013: Nil).

16. STAFF COSTS (EXCLUDING DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS)

	2014 HK$'000	2013 HK$'000
Salaries, allowances and other benefits in kind	**102,805**	97,211
Share-based payment expenses	**–**	731
Retirement benefits schemes contributions	**9,523**	5,375
	112,328	103,317

16. STAFF COSTS (EXCLUDING DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS) (CONTINUED)

I) HONG KONG

Subsidiaries in Hong Kong operate a MPF Scheme under the Mandatory Provident Fund Schemes Ordinance, for all of its employees in Hong Kong. The Group contributes 5% of relevant payroll costs, capped at HK$1,500 (HK$1,250 prior to June 2014) per month, to the MPF Scheme, in which the contribution is matched by employees. 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 2014, a total contribution of approximately HK$190,000 (2013: approximately HK$177,000) was made by the Group in respect of this scheme.

II) THE PRC, OTHER THAN HK

The employees of 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 8% (2013: 5% to 8%) of their payroll costs to the schemes. The contributions are charged to the consolidated statement of profit or loss and other comprehensive income as they become payable in accordance with the rules of the pension schemes. During the year ended 31 December 2014, a total contribution of approximately HK$9,333,000 (2013: approximately HK$5,198,000) was made by the Group in respect of this scheme.

17. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEE'S EMOLUMENTS

(A) DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

The emoluments paid or payable to each of the six (2013: seven) directors, including the chief executive, were as follows:

	For the year ended 31 December 2014					
	Fees HK$'000	Salaries HK$'000	Bonuses HK$'000 (Note (i))	Housing benefits HK$'000	Retirement benefits schemes contributions HK$'000	Total HK$'000
Executive directors						
Chu Chun Man, Augustine ("Augustine Chu") (note (iv))	–	596	30	840	17	1,483
Chu Yuk Man, Simon ("Simon Chu")	–	400	30	325	15	770
Chang Hua Jung	–	540	15	–	–	555
Independent non-executive directors						
Choy Tak Ho	120	–	–	–	–	120
Chiu Lai Kuen, Susanna	100	–	–	–	–	100
Zhu Shengli	60	–	–	–	–	60
	280	1,536	75	1,165	32	3,088

17. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEE'S EMOLUMENTS (CONTINUED)

(A) DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

	For the year ended 31 December 2013					
	Fees HK$'000	Salaries HK$'000	Bonuses HK$'000 (Note (i))	Housing benefits HK$'000	Retirement benefits schemes contributions HK$'000	Total HK$'000
Executive directors						
Augustine Chu (note (iv))	–	696	–	840	15	1,551
Simon Chu	–	750	–	600	15	1,365
Chang Hua Jung	–	540	15	–	–	555
Independent non-executive directors						
Choy Tak Ho	120	–	–	–	–	120
Hsieh Ying Min (note (ii))	22	–	–	–	–	22
Chiu Lai Kuen, Susanna	200	–	–	–	–	200
Zhu Shengli (note (ii))	34	–	–	–	–	34
	376	1,986	15	1,440	30	3,847

Notes:

(i) The performance related bonuses were determined by remuneration committee based on individual performance.

(ii) Mr. Hsieh Ying Min resigned as the independent non-executive director of the Company and Mr. Zhu Shengli was appointed as the independent non-executive director of the Company immediately after the conclusion of the Annual General Meeting on 10 June 2013.

(iii) No directors waived or agreed to waive any emoluments during the years ended 31 December 2014 and 2013.

(iv) Augustine Chu is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

17. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEE'S EMOLUMENTS (CONTINUED)

(B) EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2013: three) were directors of the Company whose emoluments are set out above. The emoluments of the remaining three (2013: two) highest paid individuals were as follows:

	2014 HK$'000	2013 HK$'000
Salaries, allowances and other benefits in kind	**2,951**	2,063
Retirement benefits schemes contributions	**26**	15
	2,977	2,078

Their emoluments were within the following bands:

	Number of individuals	
	2014	2013
Nil to HK$1,000,000	**2**	1
HK$1,000,001 to HK$1,500,000	**1**	1
	3	2

(C) No emoluments 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 2014 and 2013.

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 2013	160,875	9,197	109,239	6,166	5,958	2,437	293,872
Exchange realignment	4,156	156	2,675	126	76	62	7,251
Additions	11	–	3,264	613	141	8,879	12,908
Disposals/written off	(105)	(3,120)	(8,969)	(446)	(173)	–	(12,813)
Transfers	–	–	2,021	–	–	(2,021)	–
At 31 December 2013	164,937	6,233	108,230	6,459	6,002	9,357	301,218
Additions	–	918	2,261	370	546	11,996	16,091
Disposals	(6)	–	(5,706)	(91)	(447)	–	(6,250)
Transfers	–	–	1,195	–	–	(1,195)	–
At 31 December 2014	164,931	7,151	105,980	6,738	6,101	20,158	311,059
Comprising:							
At cost	11*	7,151	105,980	6,738	6,101	20,158	146,139
At 2012 valuation	164,920	–	–	–	–	–	164,920
At 31 December 2014	164,931	7,151	105,980	6,738	6,101	20,158	311,059
At cost	11*	6,233	108,230	6,459	6,002	9,357	136,292
At 2012 valuation	164,926	–	–	–	–	–	164,926
At 31 December 2013	164,937	6,233	108,230	6,459	6,002	9,357	301,218
ACCUMULATED DEPRECIATION							
At 1 January 2013	–	7,131	73,626	5,503	3,294	–	89,554
Exchange realignment	723	114	1,681	110	59	–	2,687
Provided for the year	4,169	798	9,672	467	844	–	15,950
Eliminated on disposals/written-off	(50)	(2,861)	(8,799)	(446)	(117)	–	(12,273)
At 31 December 2013	4,842	5,182	76,180	5,634	4,080	–	95,918
Provided for the year	4,151	635	8,878	307	867	–	14,838
Eliminated on disposals	(2)	–	(5,072)	(84)	(447)	–	(5,605)
At 31 December 2014	8,991	5,817	79,986	5,857	4,500	–	105,151
CARRYING VALUES							
At 31 December 2014	155,940	1,334	25,994	881	1,601	20,158	205,908
At 31 December 2013	160,095	1,051	32,050	825	1,922	9,357	205,300

* In the opinion of directors of the Company, the carrying amount of the addition of the land and buildings during the year ended 31 December 2013 approximated to its fair value at 31 December 2014 and 2013.

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) Leasehold land and buildings are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

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. The Group's leasehold land and buildings was valued on 31 December 2012 by LCH at HK$160,875,000. In the opinion of the directors of the Company, by reference to the recent quotation or sales prices of comparable properties on a price per square metre basis, no material changes on the fair value of the leasehold land and buildings as at 31 December 2014 and 2013.

If the leasehold land and buildings had not been revalued, they would have been included in these consolidated financial statements at historical cost less accumulated depreciation of HK$129,828,000 (31 December 2013: HK$133,184,000).

(d) At 31 December 2014, the carrying values of motor vehicles included an amount of approximately HK$926,000 (2013: HK$1,482,000) in respect of assets under finance leases.

(e) At 31 December 2014, the Group's leasehold land and buildings and plant and machinery with carrying values of approximately HK$104,951,000 and HK$17,307,000 (2013: HK$160,095,000 and Nil) was pledged as security for the banking facilities granted to the Group respectively.

19. PREPAID LEASE PAYMENTS

	2014 **HK$'000**	2013 HK$'000
Leasehold land held under medium-term lease in the PRC and are analysed for reporting purposes as follows:		
Current assets	**368**	368
Non-current assets	**9,929**	10,297
	10,297	10,665

At 31 December 2014, the Group's prepaid lease payment with carrying value of approximately HK$10,297,000 (2013: HK$10,665,000) was pledged as security for the banking facilities granted to the Group.

20. GOODWILL

(A) COSTS AND CARRYING AMOUNTS

	2014 HK$'000	2013 HK$'000
At 1 January and 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 CGUs (2013: two). The carrying amounts of goodwill as at the end of the reporting period allocated to these CGUs are as follows:

	2014 HK$'000	2013 HK$'000
Golf equipment	**6,824**	6,824
Golf bags	**7,996**	7,996
	14,820	14,820

During the years ended 31 December 2014 and 2013, management of the Group determines that there are no impairments of any of its CGUs containing goodwill.

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

GOLF EQUIPMENT

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

The recoverable amount of golf equipment segment is determined on a value in use calculation. 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 management covering a period of five years (2013: five years) at a pre-tax discount rate of 13.47% (2013: 12.89%). Cash flows beyond 5-year period (2013: 5-year period) are projected using zero growth rate (2013: zero growth rate). 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 management believes that the budgeted gross margins were reasonable. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of golf equipment segment to exceed the recoverable amount of the segment.

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.

The recoverable amount of golf bags segment is determined on a value in use calculation. 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 management covering a period of five years (2013: five years) at a pre-tax discount rate of 14.25% (2013: 13.23%). Cash flows beyond 5-year period (2013: 5-year period) are projected using zero growth rate (2013: zero growth rate). 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 management believes that the budgeted gross margins were reasonable. Management believes that any reasonably change in any of these assumptions would not cause the aggregate carrying amount of golf bags segment to exceed the recoverable amount of the segment.

21. CLUB DEBENTURES

The club debentures represent memberships in private golf clubs in the PRC.

	2014 HK$'000	2013 HK$'000
COST		
At 1 January	**3,397**	2,135
Additions	**–**	1,262
At 31 December	**3,397**	3,397
IMPAIRMENT		
At 1 January	**–**	–
Impairment loss during the year (note)	**(500)**	–
At 31 December	**(500)**	–
CARRYING AMOUNT		
At 31 December	**2,897**	3,397

Note:

During the year ended 31 December 2014, the Group has recognised an impairment loss of HK$500,000 (2013: nil) in relation to one of the club debentures with carrying amount of HK$1,262,000.

The recoverable amount of the club debenture is HK$762,000 and has been determined based on its fair value less cost of disposal by reference to the recent market price of the identical club debentures, less the transfer fee and the commission fee of the club debenture. It indicates an impairment loss of HK$500,000 recognised for the identical club debenture for the year ended 31 December 2014.

The fair value of the club debentures disclosed above are based on recent market price of the identical club debentures, which are categorised within level 1 of the fair value hierarchy in terms of HKFRS 13.

22. DEPOSITS AND OTHER RECEIVABLES

Included in the deposits and other receivables of approximately HK$270,000 (2013: HK$578,000) represents loans advanced to employees of the Group. The loans are unsecured, non-interest bearing (2013: 0% to 2% per annum) and are not repayable within the next twelve months from the end of the reporting period.

23. INVENTORIES

	2014 HK$'000	2013 HK$'000
Raw materials	**60,174**	50,960
Work in progress	**57,363**	63,868
Finished goods	**52,682**	58,419
	170,219	173,247

24. TRADE AND OTHER RECEIVABLES

	2014 HK$'000	2013 HK$'000
Trade receivables	**16,377**	31,222
Less : allowance for impairment of trade receivables	**(2)**	(2)
	16,375	31,220
Prepayments	**626**	1,054
Deposits and other receivables (note i)	**24,934**	19,797
	25,560	20,851
	41,935	52,071

The Group does not hold any collateral over these balances.

i) Included in deposits and other receivables is the advances to suppliers of HK$14,088,000 (2013: HK$9,169,000) which is expected to be recognised as expense within one year.

ii) 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.

24. TRADE AND OTHER RECEIVABLES (CONTINUED)

iii) The movement in the allowance for impairment of trade receivables is set out below:

	2014 HK$'000	2013 HK$'000
1 January	2	29
Amount written off as uncollectible	–	(27)
31 December	2	2

Included in the allowance for impairment of trade receivables are individually impaired trade receivables with an aggregate balances of approximately HK$2,000 (2013: approximately HK$2,000) due to long outstanding.

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

	2014 HK$'000	2013 HK$'000
0 to 30 days	10,996	23,676
31 to 90 days	5,369	7,543
91 to 180 days	10	1
	16,375	31,220

v) The aged analysis of trade receivables which are past due but not impaired is set out below:

	Total HK$'000	Neither past due nor impaired HK$'000	Past due but not impaired 0 to 90 days HK$'000
At 31 December 2014	16,375	13,383	2,992
At 31 December 2013	31,220	30,228	992

Trade receivables that were neither past due nor impaired relate to customers for whom there was no recent history of default.

vi) 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 loss 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.

25. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following for the purposes of the consolidated statement of cash flows:

	2014 HK$'000	2013 HK$'000
Bank balances and cash	**16,676**	26,241
Less: bank overdrafts (note 29)	**(992)**	(1,000)
Cash and cash equivalents	**15,684**	25,241

i) Bank balances carry interest at market rates which ranged from 0.01% to 0.50% per annum (2013: 0.01% to 0.50% per annum).

ii) Bank overdrafts carry interest at market rates which is 5.75% per annum (2013: 5.75% per annum).

ii) At 31 December 2014, the Group's bank balances and cash denominated in RMB amounted to approximately RMB9,956,000, equivalent to approximately HK$12,764,000 (2013: RMB12,372,000, equivalent to approximately HK$15,861,000). 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	
	2014 HK$'000	2013 HK$'000
Property, plant and equipment	**–**	3,920
Prepaid lease payments	**–**	3,856
	–	7,776

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.

During the year ended 31 December 2014, all the property, plant and equipment and prepaid lease payments included in assets classified as held for sale have been transferred to local PRC government with the consideration of RMB6,130,000, equivalent to HK$7,859,000. HK$5,128,000 have been received in prior years, and the remaining amount of HK$2,731,000 was received in current year. Gain on disposal of assets classified as held for sale of HK$83,000 was recognised on the difference of the total consideration paid and the carrying amount.

The directors of the Company consider the transfer is completed as the conditions of the agreement have been fulfilled and the land certificate has been transferred to local PRC government.

27. TRADE AND OTHER PAYABLES

	2014 HK$'000	2013 HK$'000
Trade and bills payables	**31,820**	41,580
Customers' deposits received	**1,065**	375
Accruals and other payables	**2,339**	23,981
	35,224	65,936

i) The following is an aged analysis of trade and bills payables presented based on the invoice date at the end of the reporting period:

	2014 HK$'000	2013 HK$'000
0 to 90 days	**20,056**	34,664
91 to 180 days	**9,885**	5,995
181 to 365 days	**1,352**	564
Over 365 days	**527**	357
	31,820	41,580

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.

ii) Included in trade and other payables are the following amounts denominated in the currency other than the functional currency of the entity to which they relate:

	2014 HK$'000	2013 HK$'000
RMB	**1,962**	3,846

28. AMOUNTS DUE TO NON–CONTROLLING SHAREHOLDERS OF A SUBSIDIARY AND A DIRECTOR

The amounts due to non-controlling shareholders of a subsidiary are unsecured, non-interest bearing and repayable on demand.

The amount due to a director is unsecured, interest bearing ranging from 3% to 5% (2013: 4% to 6%) per annum and repayable on demand.

29. BANK BORROWINGS

	2014 HK$'000	2013 HK$'000
Bank overdrafts	**992**	1,000
Term loans	**78,205**	84,112
Trust receipts and packing loans	**24,836**	23,592
	104,033	108,704
Secured	**78,205**	80,756
Unsecured	**25,828**	27,948
Carrying amount repayable within one year	**104,033**	108,704

i) At 31 December 2014, bank borrowings of approximately HK$78,205,000 and HK$25,828,000 are fixed-rate borrowings and floating-rate borrowings, respectively. The fixed-rate borrowings carry interest ranging from 6.00% to 7.20% per annum and the floating-rate borrowings carry interest at the best lending rate published by the HIBOR and LIBOR, at the effective rate ranging from 2.26% to 5.75% per annum.

At 31 December 2013, bank borrowings of approximately HK$80,756,000 and HK$27,948,000 were fixed-rate borrowings and floating-rate borrowings, respectively. The fixed-rate borrowings carried interest ranging from 6.00% to 6.72% per annum and the floating-rate borrowings carry interest at the best lending rate published by the People's Bank of China, the HIBOR and LIBOR, at the effective rate ranging from 2.25% to 5.25% per annum.

ii) During the year ended 31 December 2014, the Group renewed new bank borrowings of HK$78,205,000 (2013: HK$80,769,000) to finance its working capital.

iii) At 31 December 2014, the bank facilities of the Group were secured by leasehold land and buildings, plant and machinery and prepaid lease payments of HK$104,951,000 (note 18(e)), HK$17,307,000 (note 18(e)) and HK$10,297,000 (note 19) (2013: HK$160,095,000, nil and HK$10,665,000) respectively.

iv) At 31 December 2014, 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$61,002,000 (2013: HK$58,980,000).

29. BANK BORROWINGS (CONTINUED)

v) At 31 December 2014, except for bank borrowings equivalent to approximately HK$78,205,000 (2013: HK$80,756,000) and HK$24,016,000 (2013: HK$21,880,000) which are denominated in RMB and US$, respectively, all other bank borrowings are denominated in HK$. No foreign currency risk exposure is disclosed as currencies of the bank borrowings are the same with the functional currencies of the respective subsidiaries.

vi) During the year ended 31 December 2014, there is no unsecured bank borrowings (2013: HK$3,356,000) outstanding under the Special Loan Guarantee Scheme. 80% of the principal amount of the loan was guaranteed by the Government of Hong Kong Special Administrative Regions.

vii) Under the pledged agreement date 25 July 2013, one of the directors of the Company, had undertaken to provide personal guarantee of RMB24,000,000 (equivalent to approximately HK$30,769,000) on a new bank borrowing of HK$25,628,000, included in the secured portion of bank borrowings, to one of the subsidiaries. The personal guarantee has been expired in 2014 and the bank borrowing has been repaid in full in 2014. No new or additional bank borrowing has been obtained under the personal guarantee.

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 which is four years (2013: 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	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable under finance leases:				
Within one year	**372**	745	**368**	712
In more than one year and not more than five years	**–**	372	**–**	368
	372	1,117	**368**	1,080
Less: Future finance charges	**(4)**	(37)	**–**	–
Present value of lease obligations	**368**	1,080	**368**	1,080
Less: Amounts due for settlement within one year shown under current liabilities			**(368)**	(712)
Amounts due for settlement after one year			**–**	368

30. OBLIGATIONS UNDER FINANCE LEASES (CONTINUED)

Obligations under finance leases bear interest at a fixed interest rate at 4.3% (2013: 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. DEFERRED TAX LIABILITIES

The movements in deferred tax (liabilities) assets 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 2013	(2,399)	(244)	244	(2,399)
Credited (charged) to profit or loss	–	63	(63)	–
Credited to other comprehensive income	90	–	–	90
At 31 December 2013	(2,309)	(181)	181	(2,309)
Charged to profit or loss	–	(40)	(181)	(221)
Credited to other comprehensive income	90	–	–	90
At 31 December 2014	(2,219)	(221)	–	(2,440)

At the end of the reporting period, the Group had unused tax losses of approximately HK$45,605,000 (2013: HK$48,062,000) available for offset against future profits. Deferred tax asset in respect of the unused tax losses of approximately HK$1,093,000 as at 31 December 2013 has been fully utilised in year 2014. No deferred tax asset has been recognised in respect of the remaining unused tax losses of approximately HK$45,605,000 (2013: HK$46,969,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately HK$45,605,000 (2013: HK$44,596,000) that will expire in 5 years from the year of origination.

Under the EIT Law of the 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$14,551,000 (2013: HK$14,899,000) 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.

32. SHARE CAPITAL

Ordinary shares of HK$0.10 each	Number of shares	Share capital HK$'000
Authorised		
At 1 January 2013, 31 December 2013 and 31 December 2014	1,000,000,000	100,000
Issued and fully paid		
At 1 January 2013, 31 December 2013 and 31 December 2014	460,050,000	46,005

33. SHARE-BASED PAYMENT TRANSACTIONS

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 of directors, 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. 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.

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 options 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.

33. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

Share-based payments 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 2014, the number of shares in respect of which options had been granted and remained outstanding under the New Share Option Scheme was 8,000,000 (2013: 8,000,000), representing approximately 1.7% (2013: 1.7%) of the shares of the Company in issue at that date.

The following table discloses movements of the Company's share options held by employees during the year:

	Number of share options			
Date of grant	Outstanding at 1 January 2014	Granted during the year	Exercised during the year	Outstanding at 31 December 2014
11 July 2013	**8,000,000**	**–**	**–**	**8,000,000**
Exercisable at the end of the year				**8,000,000**
Exercise price	**HK$0.37**	**N/A**	**N/A**	**HK$0.37**

33. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

	Number of share options			
Date of grant	Outstanding at 1 January 2013	Granted during the year	Exercised during the year	Outstanding at 31 December 2013
11 July 2013	–	8,000,000	–	8,000,000
Exercisable at the end of the year				8,000,000
Exercise price	–	HK$0.37	N/A	HK$0.37

Note: At 31 December 2014 and 2013, no outstanding share option was held by the directors.

Further details of options granted by the Group were as follows:

Date of grant	Exercise period	Exercise price	Closing price at grant date
11 July 2013	11 July 2013 to 10 July 2015	HK$0.37	HK$0.37

During the year ended 31 December 2013, options were granted on 11 July 2013. The estimated fair value of the options granted on this date is approximately HK$731,000. During the year ended 31 December 2014, no share options were granted.

These fair values were calculated using the Binomial model. The inputs into the model were as follows:

	11 July 2013
Share price at grant date	HK$0.37
Exercise price	HK$0.37
Expected volatility	44.21%
Risk-free rate	0.319%
Expected dividend yield	0%
Option period	1.997 years
Lock-up period	1.562 years

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 1.997 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations.

HK$731,000 had been recognised for the year ended 31 December 2013 (2014: nil) in relation to share options granted by the Company.

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the best estimate of the directors of the Company. The value of an option varies with different variables of certain subjective assumptions.

34. 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 eight years (2013: one to eight 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:

	2014 HK$'000	2013 HK$'000
Within one year	**1,519**	2,778
In the second to fifth years, inclusive	**94**	682
	1,613	3,460

35. CAPITAL COMMITMENTS

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

	2014 HK$'000	2013 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements:		
Leasehold land and buildings	**54**	2,014
Plant and machinery	**4,924**	4,657
Capital injection in a wholly-owned subsidiary	**18,655**	25,431
	23,633	32,102

36. MATERIAL LITIGATION

At 31 December 2014, a subsidiary has been named as defendant in a High Court action since a writ was issued against it in April 2011 and it was claimed for an amount of approximately HK$1,546,000. The subsidiary has filed a full defence to this writ. In the opinion of the directors of the Company, no provision for any potential liability has been made in the consolidated financial statements as the Group has pleaded reasonable chance of success in the defence.

37. RELATED PARTY AND CONNECTED PARTY TRANSACTIONS

A) In addition to the related party balances detailed in note 28, the Group entered into the following significant transactions with related parties during the year:

	Notes	**2014 HK$'000**	2013 HK$'000
Rental expenses paid to Progolf Manufacturing Company Limited ("Progolf")	(i)	**840**	840
Rental expenses paid to Yuru Holdings Limited ("Yuru Holdings")	(ii)	**325**	600

Notes:

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

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

B) KEY MANAGEMENT COMPENSATION

The remuneration of directors of the Company and other members of key management during both years was as follows:

	2014 HK$'000	2013 HK$'000
Short-term benefits	**6,689**	6,791
Share-based payment expenses	**–**	640
Post-employment benefits	**75**	60
	6,764	7,491

The remuneration of directors of the Company and key executives is determined with regards to the performance of individuals.

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	**2014 HK$'000**	2013 HK$'000
Non-current assets			
Investments in subsidiaries		**15,717**	15,717
Current assets			
Amounts due from subsidiaries	(a)	**193,475**	186,065
Bank balances and cash		**38**	39
		193,513	186,104
Current liabilities			
Other payables		**136**	236
Financial guarantee liabilities		**22**	146
		158	382
Net current assets		**193,355**	185,722
		209,072	201,439
Capital and reserves			
Share capital		**46,005**	46,005
Reserves	(b)	**163,067**	155,434
		209,072	201,439

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Notes:

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

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 2013	102,385	4,281	15,516	–	39,255	161,437
Total comprehensive expense for the year	–	–	–	–	(2,598)	(2,598)
Release of deemed contribution by immediate holding company arising from non-interest bearing loan	–	(4,281)	–	–	145	(4,136)
Recognition of share-based payment expenses	–	–	–	731	–	731
At 31 December 2013	102,385	–	15,516	731	36,802	155,434
Total comprehensive income for the year	–	–	–	–	7,633	7,633
At 31 December 2014	102,385	–	15,516	731	44,435	163,067

Note i: The other reserve represents the deemed contribution from the Company's immediate holding company in the form of a non-interest bearing loan to a subsidiary. The amounts are estimated by discounting the nominal value of the non-interesting bearing loan to the subsidiary at an effective interest rate. The non-interest bearing loan was fully repaid by the subsidiary during the year ended 31 December 2013. The Group released the other reserve towards retained profits of the Group as the directors of the Company considered the full amount is distributable.

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.

39. PRINCIPAL SUBSIDIARIES

Name of subsidiary	Place of incorporation/ registration and operations	Issued and paid up capital	Percentage of equity interest and voting power attributable to the Company				Principal activities
			2014		2013		
			Direct	Indirect	Direct	Indirect	
Sino Golf (BVI) Company Limited	BVI/Hong Kong	US$101	100	–	100	–	Investment holding
Sino Golf Manufacturing Company Limited	Hong Kong	HK$2 (ordinary) HK$3,842,700 (non-voting deferred) (note c)	–	100	–	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$121,510,000	–	100	–	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	–	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	–	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$117,975,080	–	100	–	100	Manufacture and trading of golf equipment and accessories
Sino Golf Comercial Offshore De Macao Limitada	Macau	MOP 100,000	–	100	–	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 of the Company, 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.

39. PRINCIPAL SUBSIDIARIES (CONTINUED)

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

At the end of the reporting period, the Group has other subsidiaries that are not individually material to the operations of the Group. A summary of these subsidiaries are set out as follows:

Principal activities	Principal place of business	Number of subsidiaries 2014	2013
Investment holding	Hong Kong	**1**	1
Inactive	Hong Kong	**1**	1
Inactive	PRC	**4**	3
		6	5

40. MAJOR NON-CASH TRANSACTION

During the year ended 31 December 2013, an amount of loan from immediate holding company of approximately HK$1,129,000 (2014: Nil) was assigned and transferred to amount due to a director.

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 2014 HK$'000	Year ended 31 December 2013 HK$'000	Year ended 31 December 2012 HK$'000	Year ended 31 December 2011 HK$'000	Year ended 31 December 2010 HK$'000
RESULTS					
Turnover	**400,962**	434,087	272,113	278,649	427,997
Cost of sales	**(328,546)**	(358,453)	(240,174)	(234,813)	(338,177)
Gross profit	**72,416**	75,634	31,939	43,836	89,820
Other operating income	**2,099**	1,553	1,986	3,062	2,238
Selling and distribution expenses	**(4,790)**	(3,131)	(2,615)	(5,331)	(9,550)
Administrative expenses	**(53,415)**	(48,727)	(41,143)	(47,143)	(53,002)
Impairment loss recognised in respect of property, plant and equipment	**–**	–	–	–	(2,248)
Finance costs	**(7,591)**	(9,328)	(8,475)	(10,433)	(15,282)
PROFIT (LOSS) BEFORE TAX	**8,719**	16,001	(18,308)	(16,009)	11,976
Income tax expense	**(424)**	(2,348)	(252)	(262)	(418)
PROFIT (LOSS) FOR THE YEAR	**8,295**	13,653	(18,560)	(16,271)	11,558
Profit (Loss) for the year attributable to:					
Owners of the Company	**8,295**	13,661	(18,531)	(16,242)	11,588
Non-controlling interests	**–**	(8)	(29)	(29)	(30)
	8,295	13,653	(18,560)	(16,271)	11,558

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As At 31 December				
	2014 HK$'000	2013 HK$'000	2012 HK$'000	2011 HK$'000	2010 HK$'000
TOTAL ASSETS	**463,649**	496,004	478,003	532,267	593,565
TOTAL LIABILITIES	**(150,364)**	(191,151)	(189,667)	(219,172)	(330,165)
NON-CONTROLLING INTERESTS	**(2,401)**	(2,401)	(2,409)	(2,438)	(2,467)
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	**310,884**	302,452	285,927	310,657	260,933