ANNUAL REPORT 2015

Sino Golf Holdings Limited

順 龍 控 股 有 限 公 司

(Incorporated in Bermuda with limited liability)

Stock Code: 00361

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. WONG Hin Shek *(Chairman) (Note 1,3)*
Mr. ZHANG Yi *(Note 1)*
Mr. CHU Chun Man, Augustine *(Note 4)*
Mr. CHU Yuk Man, Simon *(Note 7)*
Mr. CHANG Hua Jung *(Note 7)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHAN Kai Wing *(Note 2)*
Ms. CHU Yin Yin, Georgiana *(Note 2)*
Mr. YIP Tai Him *(Note 2)*
Ms. CHIU Lai Kuen, Susanna *(Note 7)*
Mr. CHOY Tak Ho *(Note 7)*
Mr. ZHU Shengli *(Note 7)*

AUDIT COMMITTEE

Mr. CHAN Kai Wing *(Chairman) (Note 5)*
Ms. CHU Yin Yin, Georgiana *(Note 5)*
Mr. YIP Tai Him *(Note 5)*
Ms. CHIU Lai Kuen, Susanna *(Note 6)*
Mr. CHOY Tak Ho *(Note 6)*
Mr. ZHU Shengli *(Note 6)*

REMUNERATION COMMITTEE

Mr. YIP Tai Him *(Chairman) (Note 5)*
Mr. CHAN Kai Wing *(Note 5)*
Ms. CHU Yin Yin, Georgiana *(Note 5)*
Mr. ZHU Shengli *(Note 6)*
Ms. CHIU Lai Kuen, Susanna *(Note 6)*
Mr. CHOY Tak Ho *(Note 6)*
Mr. CHU Chun Man, Augustine *(Note 6)*
Mr. CHU Yuk Man, Simon *(Note 6)*

NOMINATION COMMITTEE

Mr. WONG Hin Shek *(Chairman) (Note 5)*
Mr. CHAN Kai Wing *(Note 5)*
Ms. CHU Yin Yin, Georgiana *(Note 5)*
Mr. YIP Tai Him *(Note 5)*
Mr. CHU Chun Man, Augustine *(Note 6)*
Mr. CHU Yuk Man, Simon *(Note 6)*
Ms. CHIU Lai Kuen, Susanna *(Note 6)*
Mr. CHOY Tak Ho *(Note 6)*
Mr. ZHU Shengli *(Note 6)*

COMPANY SECRETARY

Ms. WONG Po Ling, Pauline *(Note 8)*
Mr. CO Man Kwong *(Note 9)*

AUTHORISED REPRESENTATIVES

Mr. WONG Hin Shek *(Note 10)*
Ms. WONG Po Ling, Pauline *(Note 10)*
Mr. CHU Chun Man, Augustine *(Note 11)*
Mr. CHU Yuk Man, Simon *(Note 11)*

AUDITOR

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

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton, HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS

21st Floor
1 Duddell Street
Central
Hong Kong *(Note 12)*

STOCK CODE

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

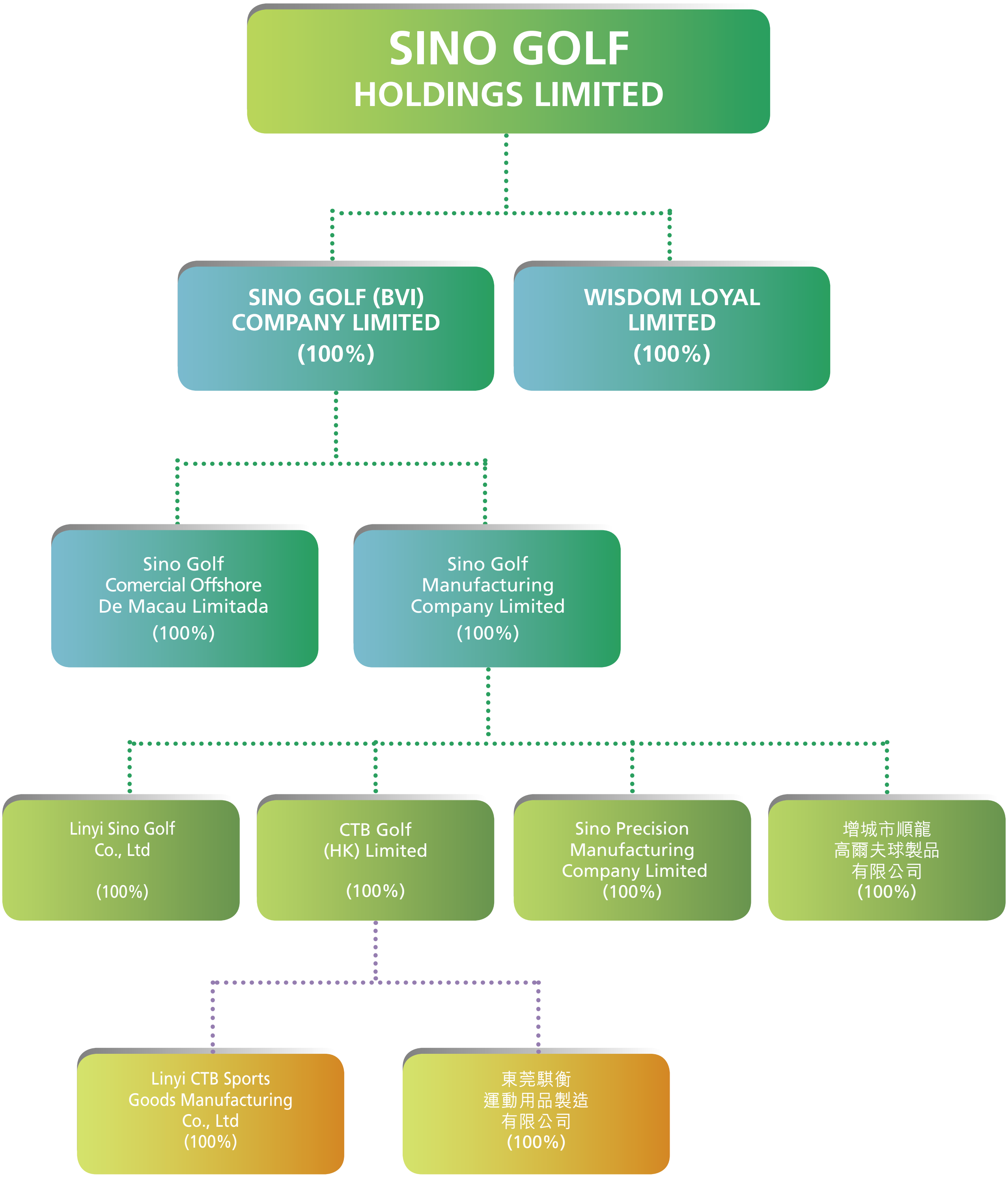
WEBSITE

http://www.sinogolf.com

Notes:

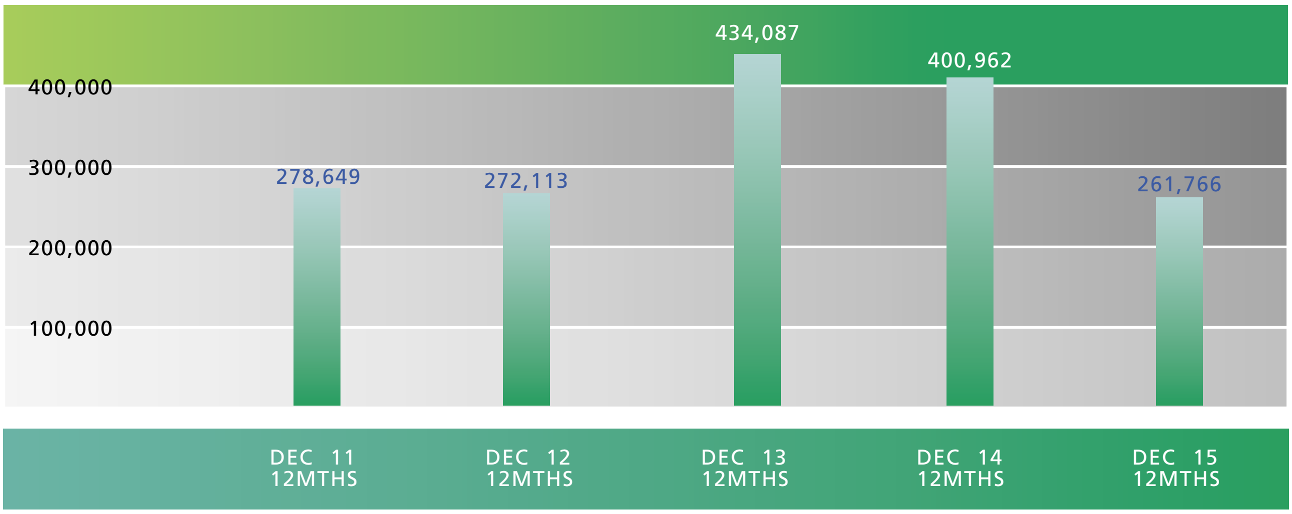
1. Has been appointed as an Executive Director on 24 August 2015.
2. Has been appointed as an Independent Non-Executive Director on 24 August 2015.
3. Has been appointed as the Chairman of the Board on 14 September 2015.
4. Has stepped down from the position of the Chairman of the Board on 14 September 2015.
5. Has been appointed as the Chairman or as a member of the corresponding committee on 14 September 2015.
6. Has ceased to be the Chairman or a member of the corresponding committee on 14 September 2015.
7. Has resigned as a Director on 14 September 2015.
8. Has been appointed as the Company Secretary on 14 September 2015.
9. Has resigned as the Company Secretary on 14 September 2015.
10. Has been appointed as the Authorised Representative on 14 September 2015.
11. Has ceased to be the Authorised Representative on 14 September 2015.
12. The Company changed the address of its principal place of business from Room 1906, 19th Floor, Delta House, 3 On Yiu Street, Shatin, New Territories, Hong Kong on 16 November 2015.

CORPORATE STRUCTURE
AS AT 31 DECEMBER 2015

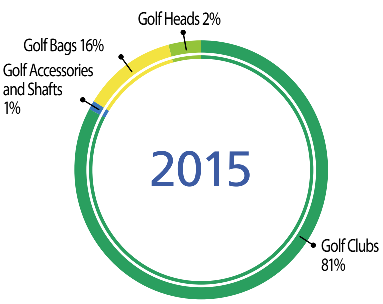


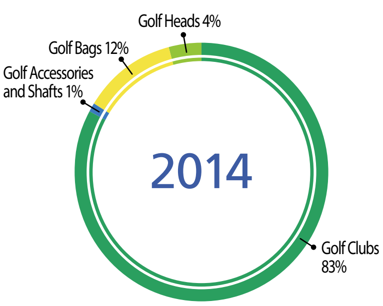
TURNOVER

(HK$'000)

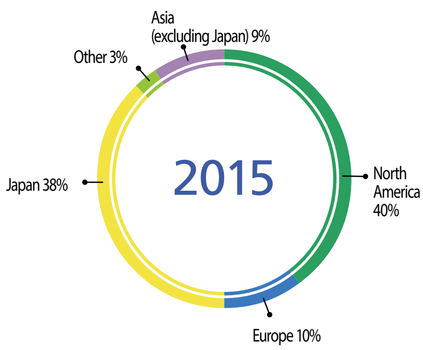


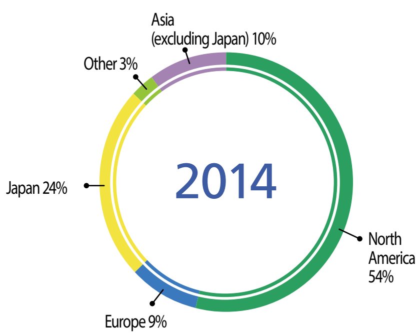
TURNOVER BY PRODUCT



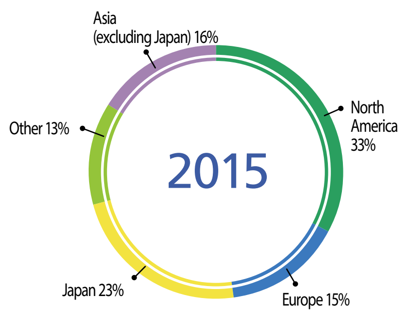


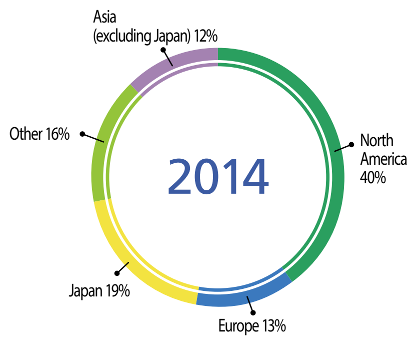
TURNOVER (CLUB) BY GEOGRAPHICAL AREA





TURNOVER (BAG) BY GEOGRAPHICAL AREA





CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Sino Golf Holdings Limited (the "Company"), I hereby present the annual results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2015.

BUSINESS REVIEW AND PROSPECTS

The past year was a difficult year for the Group and we faced lots of challenges. With the slowdown of economic growth and the downturn in the international economy, the golf market was badly hit and the purchasing power of customers were significantly dampened and the Group recorded a significant decline of revenue. In addition, the Group continued to consolidate the production plant, lay off excessive labour and impair the plant and equipment. This inevitably brought the Group with unsatisfactory result this year. The Group's turnover for the year ended 31 December 2015 decreased by 34.7% to approximately HK$261,766,000 (2014: approximately HK$400,962,000). Loss for the year attributable to owners of the Company was approximately HK$91,068,000 in contrast to a profit of approximately HK$8,295,000 in 2014. Basic and diluted loss per share were both HK3.91 cents (2014: restated basic and diluted earnings per share were both HK0.36 cents).

During the year, the Group accomplished the exercise to scale down the Guangdong manufacturing facility to further relocate the golf equipment production capacity to Shandong manufacturing facility. The move aimed to take greater advantage of the cost favourable operating environment and a more stable labour market in the northern part of the People's Republic of China (the "PRC"), which contributes to mitigate the impact brought about by the cost hikes and labour supply issues prevailing in southern China in recent years.

Looking ahead, the Directors are cautious about the prospect of the Group's operation, and we expect that the adverse operation environment will continue to affect the business of the Group in the coming year. To strengthen the Group's competitive edge in a dynamic market, the Group pursued to reinforce the business reengineering and cost control initiatives to continually rationalise its operations to enhance efficiency and optimise costs.

Furthermore, the Board has been exploring appropriate business diversification opportunities and/or investment to expand the revenue sources and enhance the long-term growth potential of the Group. On 2 February 2016, the Group entered into an agreement in relation to the acquisition of entire equity interest of Lucky Fountain Holdings Limited ("Lucky Fountain"). The principal assets of Lucky Fountain and its subsidiaries are the twelve land parcels located in Saipan with a total site area of approximately 79,529 square metres. It is preliminarily planned that, upon the acquisition, the Group will be engaged in construction of hotels in Saipan. According to some public statistics, the total visitor arrivals in Saipan increased by more than 10% as compared to the same period last year and expected to further increase after the casino commences from 2016 onwards. The Group foresees a good prospect with high and sustainable growth in the investment in Saipan.

We would continue to try our best to introduce or develop business with growth potential to the Group, with an aim to improve our performance and maximise the interests of our shareholders.

APPRECIATION

Finally, on behalf of the Board, I would like to take this opportunity to express my sincere appreciation to our staff for their dedication and commitment as well as to our valued shareholders, customers, suppliers and other business partners for their support and encouragement to the Group in the past year.

WONG Hin Shek
Chairman

Hong Kong, 30 March 2016

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year, the Group had been operating under a depressed golf market resulting in a significant downturn in business revenue. The golf equipment sales plummeted as the largest customer of the Group for the preceding year radically changed its procurement practice to place orders mainly to suppliers of its parent company upon a reorganisation of operations. Besides, shipments to other key customers of the golf equipment segment generally decreased in a volatile market with intense competition. In contrast, the golf bags business showed less fluctuation and recorded a moderate decline in the segment revenue.

The Group's revenue for the year ended 31 December 2015 decreased by approximately 34.7% to approximately HK$261,766,000 (2014: approximately HK$400,962,000). Loss for the year attributable to owners of the Company was approximately HK$91,068,000 in contrast to a profit of approximately HK$8,295,000 in 2014. The turnaround was mainly due to the depressed sales and the incurrence of exceptional expenditures. Basic and diluted loss per share were both approximately HK3.91 cents for the year (2014: restated basic and diluted earnings per share were both approximately HK0.36 cents).

GOLF EQUIPMENT BUSINESS

The golf equipment segment has continued to dominate as the main operating segment throughout the years and accounted for approximately 83.5% of the Group's revenue for the year (2014: approximately 88.5%). Hard hit by a reduction of shipments to major customers, the golf equipment sales decreased by approximately 38.4% to approximately HK$218,574,000 from approximately HK$354,701,000 in 2014.

During the year, sales to the largest segmental customer amounted to approximately HK$103,748,000 (2014: approximately HK$125,163,000, representing sales to a customer that ranked the third largest in the current year), representing approximately 47.5% (2014: approximately 35.3%) of the segment revenue or approximately 39.6% (2014: approximately 31.2%) of the Group's revenue for the year, respectively. Shipments to the largest segmental customer of the preceding year plummeted approximately 86.6% during the year to approximately HK$16,824,000 (2014: approximately HK$125,163,000) due to a change of its procurement practice to place orders mainly to suppliers of its parent company upon a reorganisation of operations. Revenue generated from the top five segmental customers diminished by approximately 39.5% to approximately HK$207,216,000 (2014: approximately HK$342,461,000), representing approximately 94.8% (2014: approximately 96.5%) of the segment revenue or approximately 79.2% (2014: approximately 85.4%) of the Group's revenue for the year, respectively. Notwithstanding the economic uncertainties, the Group is determined to persistently develop the golf equipment business through long-term cooperation with the existing customers as well as exploring business opportunities with other credible golf name brands with growth potential.

During the year, the Group accomplished the exercise to scale down the Guangdong manufacturing facility (i.e. Yong He facility) to further relocate the golf equipment production capacity to the Shandong manufacturing facility. The workforce of the Yong He facility was reduced from over 220 employees to about 20 employees in the current year for which the Group had made severance payments equivalent to approximately HK$6,646,000 upon laying off the redundant workers. During the process, certain plant and equipment had been retired and a loss on disposal of approximately HK$3,196,000 was recorded. Further, the Group had conducted a review to identify and dispose of off-season and impaired inventories of golf equipment in light of the curtailment of business and a loss of approximately HK$28,671,000 was incurred. In addition, an assessment of the existence of goodwill impairment was performed and an impairment loss of approximately HK$6,824,000 was recognised in respect of the goodwill attributable to the golf equipment segment. Currently, the Shandong manufacturing facility has about 1,020 employees and is responsible for substantially the bulk of the golf equipment production of the Group taking advantages of attaining higher efficiency for production activities carried out in one integrated manufacturing set-up and the lower labour and operating cost structure available for operations in the northern part of the PRC.

Pursuant to the agreement entered into in 2013, the Group had completed the transaction during the year to transfer the equity interest in the subsidiary which holds the Yong He facility to the purchaser and recorded a gain of approximately HK$93,000 on disposal of the equity interest. The transaction facilitated to realise the redundant manufacturing capacity of the Group in Guangdong Province, the PRC in pursuit of further relocating production capacity to the Shandong manufacturing facility. The Group had delivered vacant possession of the Yong He facility to the purchaser and separately leased back certain factory area from the purchaser for conducting the reduced operations of golf equipment manufacturing at the same location.

As affected by the downturn in the international economy, the golf equipment business recorded a segment loss of approximately HK$69,492,000 for the year ended 31 December 2015 (2014: segment profit of approximately HK$20,622,000). In light of the economic uncertainties and having considered the current order book status, it is anticipated that the golf equipment business would stabilise in the ensuing year amid different challenges under a volatile and highly competitive market. To substantiate the long-term development, the Group is devoted to strengthening the customer relationship with diverse marketing initiatives for exploring new business opportunities. The management has maintained a positive view with prudence on the prospect of the golf equipment business.

GOLF BAGS BUSINESS

The golf bags business showed a growing trend during the first half of 2015 but slowed down in the second half year then to result in a yearly decrease in the segment revenue for 2015. The Group's revenue attributable to the golf bags segment, defined as comprising the sales of golf bags and accessories to external customers, decreased by approximately 6.6% to approximately HK$43,192,000 (2014: approximately HK$46,261,000), representing approximately 16.5% of the Group's revenue for the year (2014: approximately 11.5%). Total sales of the golf bags segment, before elimination of the inter-segmental sales of approximately HK$3,799,000 (2014: approximately HK$7,155,000), declined by approximately 12.0% in 2015 to approximately HK$46,991,000 (2014: approximately HK$53,416,000). The inter-segmental sales represented the golf bags produced as components for fulfilling the orders of golf club sets placed by customers with the golf equipment segment. The sales of golf club sets had been classified as the revenue of the golf equipment segment in accordance with the Group's accounting practice.

The segment revenue for the year comprised golf bags sales of approximately HK$30,465,000 (2014: approximately HK$35,430,000) and accessories sales mainly boston bags of approximately HK$12,727,000 (2014: approximately HK$10,831,000), representing approximately 70.5% (2014: approximately 76.6%) and approximately 29.5% (2014: approximately 23.4%) of the segment revenue, respectively. To optimise the operating costs, the Group had terminated the tenancy lease on the golf bags facility in Dongguan City of Guangdong Province, the PRC and rented a smaller industrial premises nearby for golf bags manufacturing during the second half of 2015. The arrangement would reduce the rental expenditure of the golf bags segment by approximately HK$1,157,000 per annum going forward. Incidental to the factory relocation, the Group had identified and disposed of some excess and impaired golf bags inventories and a loss of approximately HK$3,000,000 was recorded. During the movement process, certain plant and equipment of the original golf bags facility had been retired and a loss on disposal of approximately HK$640,000 was incurred. Besides, an assessment of the existence of goodwill impairment was performed in light of the reduced manufacturing scale and an impairment loss of approximately HK$7,996,000 was recognised in respect of the goodwill attributable to the golf bags segment.

Affected by the reduced sales and the incurrence of exceptional expenditures, the golf bags segment recorded a segment loss of approximately HK$9,608,000 for the year (2014: segment profit of approximately HK$2,084,000). In view of the stagnant market sentiment, the Group will consolidate the golf bags business and further streamline the operations to enhance efficiency in the ensuing year. Taking into consideration the current order book status and the volatile economy, the management has maintained a confident view with prudence on the outlook of the golf bags business amid the challenges lying ahead.

PROSPECTS

In view of the challenges in global economy, management of the Group maintains a prudent view with caution that the golf equipment and golf bags business will continue to operate under great challenges amidst intense competition.

The Shandong manufacturing facility facilitates to strengthen the Group's competitive edge through persistently enhancing the quality and productivity. It also enables the Group to constantly monitor and rationalise the manufacturing costs given a lower operating cost environment and more stable labour supply in the northern part of the PRC. The Group has endeavoured to explore business opportunities with other reputable golf name brands and increase cooperation to expand business with the existing customers to better serve and satisfy their needs. The management is determined to keep continuous awareness of the market changes and development to ensure it timely addresses any issues to protect and safeguard the Group's interests.

On the other hand, subsequent to the change of control in the shareholding of the Company on 30 June 2015, the Board has been exploring appropriate diversification business opportunities and/or investment to expand the revenue sources and enhance the long-term growth potential of the Group.

On 2 February 2016, Future Success Group Limited ("Future Success"), a wholly-owned subsidiary of the Company, and Top Force Ventures Limited ("Top Force"), an independent third party, entered into a sale and purchase agreement pursuant to which Future Success agreed to acquire from Top Force the entire equity interest in Lucky Fountain Holdings Limited (the "Target Company") at a consideration of approximately HK$235,700,000.

The Target Company is a company established in British Virgin Islands with limited liability, with its principal activities being investment holdings. The principal assets of the Target Company and its subsidiaries are the twelve land parcels located in Saipan with a total site area of approximately 79,529 square metres (the "Properties"). Saipan is an attractive market for golf related tourism and is home to a host of golf courses. The Properties are located in close proximity to those golf courses and management is in the preliminary view to proceed the development of hotel resorts and/or timeshare condominiums on the Properties in several phases. It is believed by the Board that the acquisition provides a unique opportunity to the Group to be positioned in the Saipan resort industry. As the conditions for completion have not been fully fulfilled by the Group, the acquisition is yet to be completed.

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

DIVIDEND

The Board resolved not to recommend the payment of any dividend for the year ended 31 December 2015 (2014: Nil).

FINANCIAL RESOURCES, LIQUIDITY AND GEARING

As at 31 December 2015, bank balances and cash, which were mostly denominated in United States dollars, Hong Kong dollars and Renminbi, amounted to approximately HK$17,063,000 (2014: approximately HK$16,676,000). As at 31 December 2015, interest-bearing borrowings of the Group comprising bank borrowings, and obligations under finance leases aggregated to approximately HK$73,494,000 (2014: approximately HK$104,401,000), of which all were repayable within one year. For expansion of business activities, the Group drew down a loan from a third party amounting to HK$5,000,000 (2014: Nil) with interest bearing of 12% per annum and repayable within one year. Amounts due to related companies of approximately HK$59,684,000 (2014: Nil) were unsecured, non-interest bearing and repayable on demand.

As at 31 December 2015, the gearing ratio, defined as bank borrowings, loan from a third party and obligations under finance leases less bank balances and cash of approximately HK$61,431,000 divided by the shareholders' equity of approximately HK$175,356,000 was approximately 35.0% (2014: approximately 28.0%).

As at 31 December 2015, the total assets and the net asset value of the Group amounted to approximately HK$343,707,000 (2014: approximately HK$463,649,000) and approximately HK$175,356,000 (2014: approximately HK$313,285,000), respectively. Current and quick ratios as at 31 December 2015 were approximately 1.16 (2014: approximately 1.55) and approximately 0.44 (2014: 0.40), respectively. Both the current ratio and quick ratio were considered reasonable and the Group is devoted to continuing exploring possible means to further rationalise the financial position from time to time.

PLEDGE OF ASSETS

As at 31 December 2015, bank borrowings from certain PRC banks of approximately HK$73,494,000 (2014: approximately HK$78,205,000) were secured by property, plant and equipment and the prepaid lease payments of the Group with a carrying value of approximately HK$119,635,000 (2014: approximately HK$132,555,000). As at 31 December 2015, the Group had pledged bank deposit of RMB530,000 (equivalent to approximately HK$639,000) for a bank guarantee of RMB500,000 issued to the landlord of the Group's golf bags facilities (2014: Nil).

CAPITAL STRUCTURE

On 30 November 2015, the Company proposed to (i) implement capital reduction and sub-division of unissued shares ("Capital Reorganisation"); and (ii) issue bonus shares to the shareholders on the basis of four bonus shares for every one ordinary share after the Capital Reorganisation becoming effective held ("Bonus Issue"). Under the proposed Capital Reorganisation, the Company decided that paid-up capital of each of the issued shares would be reduced from HK$0.10 to HK$0.01 per issued share by cancelling the paid-up capital to the extent of HK$0.09 per issued share by way of a reduction of capital, so as to form new shares with par value of HK$0.01 each. Meanwhile, the credit arising from the Capital Reorganisation will be transferred to the contributed surplus account of the Company and approximately HK$42,125,000 will be applied for the Bonus Issue and the remainder will be applied for such purposes as permitted by the laws of Bermuda and the Bye-laws of the Company and as the Board considered appropriate. The proposed resolutions were passed by shareholders of the Company on 6 January 2016. The bonus shares were issued on 22 January 2016. The Capital Reorganisation and Bonus Issue have been completed.

CHANGE OF CONTROLLING SHAREHOLDER

On 10 July 2015, the Company announced jointly with Surplus Excel Limited (the "Offeror") that a change of controlling shareholding in the Company had occurred by which CM Investment Company Limited and Fortune Belt Limited (the controlled corporations of Mr. Chu Chun Man Augustine, the controlling shareholder of the Company) entered into a sales and purchase agreement on 30 June 2015 to dispose of an aggregate 287,074,657 ordinary shares of the Company to the Offeror, representing approximately 61.33% of the entire issued share capital of the Company. The transaction was completed on the agreement date and the Offeror had subsequently completed a mandatory unconditional cash offer in September 2015 pursuant to Rule 26.1 of the Code on Takeovers and Mergers (the "Takeovers Code") for all the issued shares of the Company other than those already owned by the Offeror and parties acting in concert with it. As a consequence, the Offeror additionally acquired a total of 45,876,214 ordinary shares of the Company from the shareholders accepting the offer and increased its shareholding in the Company to approximately 71.14% of the entire issued share capital of the Company.

On 29 October 2015, the Company announced that Surplus Excel Limited had entered into a placing agreement to place a total of 136,000,000 ordinary shares (representing approximately 29.06% of the entire issued share capital of the Company) at a price of HK$1.07 per placing share on the basis that none of the places shall become a substantial shareholder of the Company under the placement. The share placement was completed on or before 12 November 2015. Following which Surplus Excel Limited holds 196,950,871 ordinary shares (representing approximately 42.08% of the entire issued share capital of the Company) and remains the controlling shareholder of the Company.

Following the Bonus Issue, Surplus Excel Limited holds 984,754,355 ordinary shares, representing approximately 42.08% of the entire issued share capital of the Company.

INVESTMENT POSITION AND PLANNING

The Group entered into a sales and purchase agreement in 2013 with Guangzhou City Xiongtai Property Development Company Limited and had completed the transaction during the year for the disposal of its equity interest in 廣州市紳通貿易發展有限公司("廣州紳通"), an indirect wholly owned subsidiary of the Company, at a consideration of RMB28,000,000 (equivalent to approximately HK$35,897,000). A gain of approximately HK$93,000 was recognised and the resources were reallocated for working capital purpose upon the completion of disposal of 廣州紳通.

On 2 February 2016, a subsidiary of the Company as purchaser entered into a sale and purchase agreement with Top Force, an independent third party, as vendor. Pursuant to the terms of the sale and purchase agreement, the purchaser has agreed to acquire entire equity interest of the Target Company at completion in an aggregate consideration of HK$235,700,000.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The Group is exposed to foreign currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of operations to which they relate. The currency giving rise to this risk is primarily RMB. The Group is exposed to foreign currency risk due to the exchange rate fluctuation of RMB against Hong Kong dollars. The Group had not entered into any derivative contracts to hedge against the risk in the year of 2015. The Group will review and monitor its currency exposure from time to time and when appropriate hedge its currency risk.

CONTINGENT LIABILITIES

At 31 December 2015, a subsidiary had been named as defendant in a High Court action as a writ of summon was issued against it in April 2011 claiming for an amount of approximately HK$1,546,000 together with interest thereon and costs. The subsidiary has filed a full defense to this writ. In the opinion of the Directors, no provision for any potential liability has been made in the consolidated financial statements as the Group has pleaded reasonable chance of success in the defense.

At 31 December 2015, a subsidiary had been named as defendant as a summon from a local PRC court was served against the subsidiary in April 2015 pursuant to which a PRC company as plaintiff claimed against the subsidiary for a sum of approximately RMB1,366,000, equivalent to approximately HK$1,645,000 with damages of approximately RMB55,000, equivalent to approximately HK$66,000, together with interest thereon and costs. The proceedings are in process and the Directors are of the view that the subsidiary has reasonable chance of success in the defense, so that no provision for any potential liability has been made in the consolidated financial statements of the Group.

Other than as disclosed, the Group had no significant contingent liabilities as at 31 December 2015.

CAPITAL COMMITMENTS

As at 31 December 2015, the Group had capital commitments, which are contracted but not provided for, in respect of purchase of leasehold land and building and plant and machinery amounting to approximately HK$1,552,000 (2014: approximately HK$4,978,000).

EVENTS AFTER REPORTING PERIOD

MAJOR TRANSACTION-ACQUISITION OF LUCKY FOUNTAIN HOLDINGS LIMITED

On 2 February 2016, Future Success and Top Force entered into a sale and purchase agreement pursuant to which Future Success agreed to acquire from Top Force the entire equity interest in the Target Company at a consideration of HK$235,700,000. Details of the transaction are set out in the Company's announcements dated 2 February 2016, 26 February 2016, 11 March 2016 and 24 March 2016.

COMPLETION OF CAPITAL REORGANISATION AND BONUS ISSUE

In 2015, the Company proposed the Capital Reorganisation and the Bonus Issue. The proposed resolutions were passed by shareholders of the Company on 6 January 2016. The bonus shares were issued on 22 January 2016. The Capital Reorganisation and Bonus Issue have been completed. Details of the Capital Reorganisation and the Bonus Issue are set out in the Company's announcements dated 30 November 2015 and 6 January 2016 and the Company's circular dated 14 December 2015 respectively.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2015, the Group had approximately 1,250 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. WONG Hin Shek, aged 46, was appointed as an executive Director and the chairman of the Board on 24 August 2015 and 14 September 2015 respectively. He is also the chairman of the nomination committee of the Company (the "Nomination Committee"). Mr. Wong has over 21 years of experience in the investment banking industry. Mr. Wong obtained a Bachelor of Commerce degree from University of Toronto in Canada and a Master of Science (Financial Management) degree from University of London in United Kingdom. Mr. Wong is also a responsible officer of Veda Capital Limited, a licensed corporation which carries out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance. He has been involved in the management, business development and strategic investment of listed companies in Hong Kong. Mr. Wong is currently the chairman and an executive director of each of DeTai New Energy Group Limited (stock code: 559) and Excel Development (Holdings) Limited (stock code: 1372). The shares of these companies are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Mr. Wong was an executive director of KuangChi Science Limited (formerly known as ''Climax International Company Limited'') (stock code: 439) from June 2007 to August 2014, the shares of which are listed on the Main Board of the Stock Exchange.

Mr. ZHANG Yi, aged 36, was appointed as an executive Director on 24 August 2015. He obtained a bachelor of electrical engineering degree from Shanghai Jiaotong University in China. Mr. Zhang's last job was General Manager in Cooper Lighting Asia under the Eaton Group, one of the biggest lighting and fixture manufacturers of the world. Eaton Group is one of Fortune 500 companies. Prior to joining the Company, Mr. Zhang has more than 14 years' sales and management experience by working in multinational companies.

Mr. CHU Chun Man, Augustine, aged 58, is a founder of the Group. He remains as an executive Director after ceasing to be the Chairman of the Board on 14 September 2015. Mr. 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 32 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. CHU Yin Yin, Georgiana, aged 45, was appointed as an independent non-executive Director on 24 August 2015. Ms. Chu obtained a bachelor of business administration degree in accountancy from The University of Hong Kong and a master of corporate governance degree from The Hong Kong Polytechnic University. She is a fellow member of both the Hong Kong Institute of Certified Public Accountants, the Association of the Chartered Certified Accountants and a member of the Institute of Chartered Accountants in England and Wales. Ms. Chu is also a fellow member of both the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Company Secretaries. Prior to joining the Company, she has over 16 years' extensive experience by working in an international audit firm and other listed companies. Ms. Chu is currently an executive director of China Water Industry Group Limited (stock code: 1129) and an independent non-executive director of Excel Development (Holdings) Limited (stock code: 1372), the shares of which are listed on the Main Board of the Stock Exchange.

Mr. YIP Tai Him, aged 45, was appointed as an independent non-executive Director on 24 August 2015. Mr. Yip is also the chairman of the remuneration committee of the Company (the "Remuneration Committee"). He has been a practising accountant in Hong Kong since 1999. Mr. Yip is a member of the Association of Chartered Certified Accountants in the United Kingdom and the Institute of Chartered Accountants in England and Wales. He has over 20 years of experience in accounting, auditing and financial management. Mr. Yip is currently an independent non-executive director of each of China Communication Telecom Services Company Limited (stock code: 8206), Vinco Financial Group Limited (stock code: 8340), GCL-Poly Energy Holdings Limited (stock code: 3800), Redco Properties Group Limited (stock code: 1622) and Excel Development (Holdings) Limited (stock code: 1372). The shares of these companies are listed on the Main Board or the Growth Enterprise Market (the "GEM") of the Stock Exchange. Mr. Yip was an independent non-executive director of each of Lajin Entertainment Network Group Limited (formerly known as "China Media and Films Holdings Limited") (stock code: 8172) from December 2008 to April 2015, iOne Holdings Limited (stock code: 982) from April 2009 to July 2014, MEGA MEDICAL TECHNOLOGY LIMITED (stock code: 876) from February 2001 to June 2014 and Larry Jewelry International Company Limited (stock code: 8351) from May 2014 to October 2014 and a non-executive director of Larry Jewelry International Company Limited (stock code: 8351) from April 2014 to May 2014. The shares of these companies are listed on the Main Board or GEM of the Stock Exchange.

Mr. CHAN Kai Wing, aged 55, was appointed as an independent non-executive Director on 24 August 2015. He is also the chairman of audit committee of the Company (the "Audit Committee"). Mr. Chan obtained a bachelor degree in economics from Macquarie University in Sydney, Australia in April 1986. He is a fellow member of CPA Australia. Mr. Chan is currently the managing director and founder of Mandarin Capital Enterprise Limited, a company specialised in the provision of financial advisory services in the area of accounting, merger and acquisition and corporate restructuring for both listed and private companies in Hong Kong and the PRC, whose clients include companies in the real estate development industry and dairy industry etc. He is currently an independent non-executive director of each of China Conch Venture Holdings Limited (stock code: 586), China Assurance Finance Group Limited (stock code: 8090) and Excel Development (Holdings) Limited (stock code: 1372), the shares of which are listed on the Main Board or GEM of the Stock Exchange. Mr. Chan worked in the audit department of Ernst & Young in Hong Kong from 1988 to 1991. He was also a director and the financial controller of Shenzhen China Bicycle Company (Holdings) Limited, a listed company in the PRC from 1991 to 1999.

SENIOR MANAGEMENT

Ms. WONG Po Ling, Pauline, aged 38, was appointed as the Company Secretary on 14 September 2015. She obtained a bachelor's degree in accountancy and a master degree in corporate governance from The Hong Kong Polytechnic University. She is a member of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales. She is also a member of the Institute of Chartered Secretaries and Administrator, the Hong Kong Institute of Chartered Secretaries and the Taxation Institute of Hong Kong. Ms. Wong has over 15 years of experience in financial management, mergers and acquisitions and corporate governance matters.

Mr. LEE Yan Fai, aged 31, was appointed as Financial Controller on 18 September 2015. He obtained a bachelor degree in accounting. He is a practicing member of Hong Kong Institute of Certified Public Accountants and a member of Hong Kong Securities and Investment Institute. Mr. Lee has 10 years of solid experiences in the area of accounting, merger and acquisition and initial public offering for both listed and private companies in Hong Kong and the People's Republic of China by working in international audit firms and other listed company prior to joining the Company.

Ms. LEE May Yee, aged 46, is the senior marketing manager of the Group. Ms. Lee has over 23 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's golf business.

Mr. HE Xin Hong, aged 52, 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 24 years of experience in the golf manufacturing industry.

Mr. HUNG Yi Chuan, aged 53, 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 28 years of experience in golf manufacturing industry.

The Directors present their report and the audited consolidated financial statements of the Group for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW

A fair review of the business of the Company as well as a discussion and analysis of the Group's performance during the year and the material factors underlying its financial performance and financial position as required by section 388(2) and Schedule 5 to the Companies Ordinance can be found in the Chairman's Statement set out on pages 6 to 7 and Management Discussion and Analysis on pages 8 to 14 of this Annual Report.

The financial risk management objectives and policies of the Group are shown in Note 7 of the consolidated financial statements, while key sources of estimation uncertainties facing the Group are found in parts of Note 4 to the consolidated financial statements.

An analysis of the Group's performance during the year using financial key performance indicators is provided in the Financial Highlights set out on page 5 and in the Management Discussion and Analysis from pages 8 to 14 of this Annual Report. An account of the Group's key relationships with its key stakeholders are also found in the Management Discussion and Analysis on pages 8 to 14 of this Annual Report.

The above discussions form part of the Report of the Directors.

The Group is committed to enhancing governance, promoting employee benefits and development, protecting the environment and giving back to society in order to fulfill social responsibility and achieve sustainable growth. The Group has complied with the relevant laws and regulations that have significant impact on the operations of the Group.

ENVIRONMENTAL POLICES AND PERFORMANCE

As a responsible manufacturer of golf equipment, golf bags and related components, the Group has strictly endeavoured to comply with laws and regulations regarding environmental protection and adopted effective environmental technologies to ensure its merchandises meet the material standards and ethics in respect of environmental protection.

The Group has actively encouraged not to waste materials and supported the extensive use of environmentally friendly raw materials so as to protect the environment and improve air quality through production. Besides, the factories in Mainland China are located and centralised in the production areas which are quite far away from residential buildings, and therefore greatly reduces the impact of pollutions such as air and noise pollutions.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations, in particular those have a significant impact on the Group. The Audit Committee is delegated by the Board to review periodically and monitor the Group's policies and practices in compliance with the legal and regulatory requirements. The key management are encouraged to attend seminars in updating the latest knowledge relating to the relevant laws and regulations. Any changes in the applicable laws, rules and regulations which have been effective, may or will take effect in the future are brought to the attention of relevant employees and operation units from time to time.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2015 and the state of affairs of the Group at that date are set out on pages 39 to 41 of this 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 112 of this 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 had purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 December 2015.

CHARITABLE DONATIONS

During the year, no charitable donations were made by the Group (2014: nil).

EQUITY-LINKED AGREEMENTS

Save for the share option scheme of the Company as disclosed in the section headed "Share Option Scheme" below, no equity-linked agreements were entered into by the Group, or existed during the year.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in Note 40(iii) to the consolidated financial statements and in the consolidated statement of changes in equity on page 42, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2015, the Company did not have any reserves available for distribution. 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$105,276,000, 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 83.1% of the total sales for the year and sales to the largest customer included therein amounted to HK$103,748,000. 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, owning 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 ("ED"S):

Mr. WONG Hin Shek
(was appointed as the executive director on 24 August 2015 and subsequently was appointed as the Chairman of the Board on 14 September 2015)
Mr. ZHANG Yi (was appointed on 24 August 2015)
Mr. CHU Chun Man, Augustine
(stepped down from the position as the Chairman of the Board on 14 September 2015)
Mr. CHU Yuk Man, Simon (resigned on 14 September 2015)
Mr. CHANG Hua Jung (resigned on 14 September 2015)

INDEPENDENT NON-EXECUTIVE DIRECTORS ("INED"S):

Mr. CHAN Kai Wing (was appointed on 24 August 2015)
Ms. CHU Yin Yin, Georgiana (was appointed on 24 August 2015)
Mr. YIP Tai Him (was appointed on 24 August 2015)
Ms. CHIU Lai Kuen, Susanna (resigned on 14 September 2015)
Mr. CHOY Tak Ho (resigned on 14 September 2015)
Mr. ZHU Shengli (resigned on 14 September 2015)

In accordance with Bye-law 86(2) of the Company's Bye-laws, since Mr. WONG Hin Shek, Mr. ZHANG Yi, Mr. CHAN Kai Wing, Ms. CHU Yin Yin, Georgiana and Mr. YIP Tai Him were appointed as directors by the Board on 24 August 2015, all these five directors so appointed by the Board will hold offices until the next following annual general meeting of the Company and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

In accordance with Bye-law 87(1) of the Company's Bye-laws, Mr. CHU Chun Man, Augustine will retire by rotation and, being eligible, will offer himself for re-election at the forthcoming annual general meeting.

Each of the directors who resigned during the reporting year has respectively confirmed that (i) he or she has no disagreement with the Board, and (ii) there is no matter relating to his or her resignation that needs to be brought to the attention of the shareholders of the Company. Among the INEDs who have resigned during the year, both Mr. CHOY Tak Ho and Ms. CHIU Lai Kuen, Susanna have served more than 9 years in the Company.

The Company has received an annual confirmation of independence in accordance with Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") from each of (i) the current INEDs Mr. CHAN Kai Wing, Ms. CHU Yin Yin, Georgiana and Mr. YIP Tai Him, and as at the date of this report the Company still considers them to be independent; and (ii) the former INEDs Ms. CHIU Lai Kuen, Susanna, Mr. CHOY Tak Ho and Mr. ZHU Shengli, who resigned on 14 September 2015.

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 15 to 16 of this Annual Report.

PERMITTED INDEMNITY PROVISION

Pursuant to Code Provision A.1.8 of the Corporate Governance Code set out under Appendix 14 to the Listing Rules and subject to the provisions of the Companies Ordinance, the Company has arranged for appropriate insurance cover for directors' and officers' liabilities in respect of any losses or liabilities incurred, or any legal actions brought against the directors and senior management of the Group which may arise out of corporate activities. The permitted indemnity provision is in force for the benefit of the directors as required by section 470 of the Companies Ordinance.

DIRECTORS' SERVICE CONTRACTS

Each Director has entered into a letter of appointment with the Company which does not specify any fixed term of service and may be terminated by either party giving to the other not less than one-month prior notice in writing. Each Director will be subject to retirement by rotation and re-election at the general meetings of the Company in accordance with the Bye-laws of the Company.

No Director 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 TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in Note 39 to the consolidated financial statements, no transactions, arrangements or contracts of significance in relation to the Group's business to which the Company, or any of its holding company, or any of the Company's subsidiaries and fellow subsidiaries was a party, and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at any time during the year or at the end of the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year, no Director was interested in any business apart from the Company's business, which competes or is likely to compete, either directly or indirectly, with the Company's business which is required to be disclosed pursuant to the Listing Rules.

MANAGEMENT CONTRACTS

During the year, no contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or in the year under review.

CONNECTED AND RELATED PARTY TRANSACTIONS

During the year, the Group has not entered into any significant connected transaction or continuing connected transaction which should be disclosed pursuant to the requirements under the Listing Rules.

Details of the related party transactions of the Group are set out in Notes 39 and 28 to the consolidated financial statements.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2015, 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

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

	Number of shares held, capacity and nature of interest				
Name of director	**Directly beneficially owned**	**Through spouse**	**Through controlled corporations#**	**Total**	**Percentage of the company's issued share capital**
Mr. CHU Chun Man, Augustine	9,292,104	150,000	–	9,442,104	2.02%

On 30 June 2015, the controlled corporations namely CM Investment Company Limited and Fortune Belt Limited entered into the sale and purchase agreement (the "S&P Agreement") with Surplus Excel Limited to dispose of 287,074,657 shares of the Company and the transaction was completed on the same date.

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

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%

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 2015, 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.

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					
	At 1 January 2014 and 1 January 2015	**Exercised on 17 April 2015**	**Outstanding at 31 December 2015**	**Date of grant**	**Exercise period**	**Exercise price**
Employees in aggregate	8,000,000	(8,000,000)	–	11 July 2013	11 July 2013 to 10 July 2015	HK$0.37

On 17 April 2015, 8,000,000 share options with an exercise price of HK$0.37 per ordinary share were exercised to subscribe for 8,000,000 ordinary shares of the Company at a consideration of HK$2,960,000. All shares issued rank pari passu in all aspects with the existing shares of the Company.

At 31 December 2015, 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 2015 (2014: nil)

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

At 31 December 2015, 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**
Surplus Excel Limited	(a)	Directly beneficially owned	196,950,871	42.08%
Mr. Jiang Jianhui	(b)	Through a controlled corporation	196,950,871	42.08%

Notes:

(a) Surplus Excel Limited is a company incorporated in the British Virgin Islands with limited liability.

(b) Mr. Jiang Jianhui directly holds 80% of the equity interest in Surplus Excel Limited and is deemed to be interested in the Shares held by Surplus Excel Limited.

Save as disclosed above, as at 31 December 2015, 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 eight years ended 31 December 2015 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.

The Report of the Directors was approved and authorised for issue by the board of Directors.

ON BEHALF OF THE BOARD

WONG Hin Shek
Chairman

Hong Kong
30 March 2016

CORPORATE GOVERNANCE PRACTICES

The Company recognises the importance of good corporate governance to its sustained long-term growth and will pursue efforts to identify and implement 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 2015, except with the deviations from code provisions A.2.1, A.4.1 and A.6.7 of the CG Code as more fully explained hereinafter. The Company has also put in place certain Recommended Best Practices as set out in the CG Code.

THE BOARD

COMPOSITION OF THE BOARD

During the year up to 24 August 2015, 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. On 24 August 2015, two new EDs were appointed, namely Mr. WONG Hin Shek and Mr. ZHANG Yi and three new INEDs namely Mr. CHAN Kai Wing, Ms. CHU Yin Yin, Georgiana and Mr. YIP Tai Him were appointed.

On 14 September 2015, five directors including Mr. CHU Yuk Man, Simon, Mr. CHANG Hua Jung, Ms. CHIU Lai Kuen, Susanna, Mr. CHOY Tak Ho and Mr. ZHU Shengli resigned from their positions as directors of the Company. Mr. CHU Chun Man, Augustine has stepped down from his position as the Chairman of the Board, and remained as an ED while Mr. WONG Hin Shek was appointed as the Chairman of the Board. 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 15 to 16 of this annual report under the Biographical Details of Directors and Senior Management section.

In accordance with Bye-law 86(2) of the Company's Bye-laws, since Mr. WONG Hin Shek, Mr. ZHANG Yi, Mr. CHAN Kai Wing, Ms. CHU Yin Yin, Georgiana and Mr. YIP Tai Him were appointed as directors by the Board on 24 August 2015, all these five directors so appointed by the Board will hold offices until the next following annual general meeting of the Company and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

In accordance with Bye-law 87(1) of the Company's Bye-laws, Mr. CHU Chun Man, Augustine will retire by rotation and, being eligible, will offer himself for re-election at the forthcoming annual general meeting.

In consideration of their devotions and contributions to the Company, the Board recommends the re-appointment of the six retiring directors who will stand for re-election as EDs and INEDs at the 2016 annual general meeting of the Company.

The Company's circular regarding the notice of 2016 annual general meeting contains detailed information of the Directors standing for re-election as EDs and INEDs 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 acted as the Chairman of the Board and was also responsible for overseeing the general operations of the Group during the year up to 14 September 2015. Mr. WONG Hin Shek started to act as the Chairman of the Board from 14 September 2015 and took up the responsibility for overseeing the general operations of the Group from Mr. Chu since then. 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.

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 maximising 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 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 recognises 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 2015 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 for the year ended 31 December 2015

	Board	Audit Committee	Remuneration Committee	Nomination Committee	Independent Board Committee	AGM
Executive Directors						
Mr. WONG Hin Shek (Note 1,3,5)	6/6	N/A	N/A	N/A	N/A	N/A
Mr. ZHANG Yi (Note 1)	6/6	N/A	N/A	N/A	N/A	N/A
Mr. CHU Chun Man, Augustine (Note 4,6)	11/13	N/A	N/A	1/1	N/A	1/1
Mr. CHU Yuk Man, Simon (Note 6,7)	7/7	N/A	N/A	1/1	N/A	1/1
Mr. CHANG Hua Jung (Note 7)	6/7	N/A	N/A	N/A	N/A	0/1
Independent Non-Executive Directors						
Mr. CHAN Kai Wing (Note 2,5)	6/6	1/1	2/2	N/A	N/A	N/A
Ms. CHU Yin Yin, Georgiana (Note 2,5)	6/6	1/1	2/2	N/A	N/A	N/A
Mr. YIP Tai Him (Note 2,5)	6/6	1/1	2/2	N/A	N/A	N/A
Ms. CHIU Lai Kuen, Susanna (Note 6,7)	5/7	2/2	N/A	1/1	1/1	1/1
Mr. CHOY Tak Ho (Note 6,7)	4/7	2/2	N/A	1/1	1/1	1/1
Mr. ZHU Shengli (Note 6,7,8)	5/7	2/2	N/A	1/1	1/1	0/1
Total number of meetings held	13	3	2	1	1	1

Notes:

1. Has been appointed as an Executive Director on 24 August 2015.

2. Has been appointed as an Independent Non-Executive Director on 24 August 2015.

3. Has been appointed as the Chairman of the Board on 14 September 2015.

4. Has stepped down from the position of the Chairman of the Board on 14 September 2015.

5. Has been appointed as the Chairman or member of the corresponding committee on 14 September 2015.

6. Has ceased to be the Chairman or member of the corresponding committee on 14 September 2015.

7. Has resigned as a Director on 14 September 2015.

8. Code provision A.6.7 of the CG Code requires that independent non-executive directors should attend the general meetings. Due to health reason, Mr. ZHU Shengli, a former INED of the Company, could not attend the Company's AGM held on 5 June 2015 but he had delegated to the company secretary of the Company to attend and act for his behalf at the AGM for good corporate governance practice.

BOARD MEETINGS AND PROCEEDINGS

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

With the assistance of the Company Secretary, the meeting agenda is set by the Chairman of the Board meetings in consultation with other Board members. Board meeting notice was sent to the Directors at least 14 days prior to each regular Board meeting. Draft and final versions of the minutes of Board meetings and Board committee meetings, drafted in sufficient details by the secretary of the meetings, were circulated to the Directors for their comments and records 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 up to 14 September 2015, the Audit Committee consisted of three INEDs, namely Ms. CHIU Lai Kuen, Susanna (Chairman of the Audit Committee), Mr. CHOY Tak Ho and Mr. ZHU Shengli. On 14 September 2015, all these three INEDs ceased to be members of the Audit Committee due to their resignations from the positions of director. Ms. CHU Yin Yin, Georgiana, Mr. YIP Tai Him and Mr. CHAN Kai Wing have been appointed as members of the Audit Committee, with Mr. CHAN Kai Wing being appointed as the Chairman of the Audit Committee. 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 2015, 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 2014 annual report and annual results announcement and the 2015 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 2014 and the 2015 interim results 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 2015, assessed the external auditor's independence, approved the engagement of external auditors and recommended the Board on the re-appointment of external auditor.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed with the management regarding auditing, internal control and financial reporting matters. The Audit Committee has also reviewed the Group's results for the year ended 31 December 2015. Based on this review and discussions with the management, the Audit Committee was satisfied that the Group's audited consolidated financial statements were prepared in accordance with applicable accounting standards and fairly present the Group's financial position and results for the year ended 31 December 2015.

2. REMUNERATION COMMITTEE

During the year up to 14 September 2015, 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 Remuneration Committee); Mr. CHOY Tak Ho and Ms. CHIU Lai Kuen, Susanna. On 14 September 2015, all these five persons ceased to be members of the Remuneration Committee. Ms. CHU Yin Yin, Georgiana, Mr. YIP Tai Him and Mr. CHAN Kai Wing have been appointed as members of the Remuneration Committee, with Mr. YIP Tai Him being appointed as the Chairman of the Remuneration Committee. 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 Board about these recommendations on remuneration policy and structure and remuneration packages.

The Remuneration Committee met twice during the year ended 31 December 2015 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	
	2015	2014
Nil to HK$1,000,000	**3**	3
HK$1,000,000 – HK$1,500,000	**0**	1
	3	4

3. NOMINATION COMMITTEE

During the year up to 14 September 2015, there were five members of the Nomination Committee of which two members are EDs namely Mr. CHU Chun Man, Augustine (Chairman of the Nomination Committee) and Mr. CHU Yuk Man, Simon and three INEDs, namely, Ms. CHIU Lai Kuen, Susanna; Mr. CHOY Tak Ho and Mr. ZHU Shengli. On 14 September 2015, all these five persons ceased to be members of the Nomination Committee, and Ms. CHU Yin Yin, Georgiana, Mr. YIP Tai Him, Mr. CHAN Kai Wing and Mr. WONG Hin Shek have been appointed as members of the Nomination Committee, with Mr. WONG Hin Shek being appointed as the Chairman of the Nomination Committee. 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 2015 to (i) review the structure, size and composition of the Board; (ii) assess the independence of all INEDs of the Company; and (iii) review the effectiveness of the Board Diversity Policy.

4. INDEPENDENT BOARD COMMITTEE

After the S&P Agreement was entered into on 30 June 2015, Surplus Excel Limited (the "Offeror") was required to make a mandatory unconditional cash offer for 180,975,343 shares, representing all the issued shares of the Company which were not already beneficially owned or agreed to be acquired by the Offeror and parties acting in concert with it (the "Offer"). An independent board committee comprising all three INEDs, namely Mr. CHOY Tak Ho, Ms. CHIU Lai Kuen, Susanna and Mr. ZHU Shengli, was formed on 30 June 2015 and had made a recommendation on 24 August 2015 to the independent shareholders as to whether the terms of the Offer which pursuant to Rule 26.1 of the Takeovers Code were fair, and reasonable and whether the Offer was in the interests of the Company and the shareholders as a whole and as to the acceptance of the Offer.

Taking into account the terms of the Offer and the independent advice from the independent financial adviser, First Shanghai Capital Limited, the independent board committee considered that the terms of the Offer were fair and reasonable so far as the independent shareholders were concerned. Accordingly, the independent board committee recommended the independent shareholders to accept the Offer dated 24 August 2015. The independent shareholders were recommended to read the full text of the letter from the independent financial adviser set out in the composite document dated 24 August 2015, jointly issued by the Offeror and the Company to all shareholders in connection with the Offer in accordance with the Takeovers Code.

SECURITIES TRANSACTIONS OF DIRECTORS

The Company has adopted the Model Code 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 2015.

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 Group's management accounts information so as to enable the Directors to make a balanced and understandable assessment of the Group'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 personnel who are in charge of the internal audit functions 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.

The Board has assessed the effectiveness of the internal control system of the Group for the year. The 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.

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 2016 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, other directors, the solicitors and the external auditors had attended the AGM of the Company held on 5 June 2015 to answer any 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 2015 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 2 June 2016 and will be conducted by way of poll for resolutions put to the vote thereat.

Besides, a special general meeting of the Company ("SGM") was held subsequent to the financial year end on 6 January 2016 at 2/F, J Plus, 35-45B Bonham Strand, Sheung Wan, Hong Kong for the purpose of considering and passing the resolutions as follows:

(i) to approve the Capital Reorganisation (including the capital reduction which reduced the paid-up capital of each issued share from HK$0.10 to HK$0.01, and share subdivision which sub-divided each authorised but unissued share with par value of HK$0.10 into 10 new shares with par value of HK$0.01 each, and such new shares shall rank pari passu in all respects with each other and have rights and privileges and be subject to the restrictions contained in the Bye-laws); and

(ii) to approve the Bonus Issue (the Bonus Shares will be issued and credited as fully paid at par on the basis of four bonus shares for every one new share held by the qualifying shareholders on the "Record Date" dated 14 January 2016).

The Directors believed that the Capital Reorganisation and Bonus Issue are in the best interest of the Company and its shareholders as a whole. The poll results of the SGM for the approval of the aforesaid resolutions have been posted on the websites of the Stock Exchange and the Company, respectively.

COMPANY SECRETARY

Mr. CO Man Kwong, who had been the company secretary of the Company, resigned from the position of the Company Secretary on 14 September 2015. Ms. WONG Po Ling, Pauline was appointed as the company secretary of the Company to fill the vacancy on 14 September 2015. Both of them have complied with the relevant professional training requirement for company secretary under Rule 3.29 of the Listing Rules.

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 Bye-law 58 of 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.

ENQUIRIES 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.

PROCEDURES FOR PUTTING FORWARD PROPOSALS AT ANNUAL GENERAL MEETINGS

Pursuant to section 580 and 615 of the Companies Ordinance, either any shareholders of the Company representing at least 2.5% of the total voting rights of all the shareholders who have a right to vote on the resolution at the annual general meeting, or at least 50 shareholders who have a right to vote on the resolution at the annual general meeting, may lodge the requisition to the Company to circulate to the shareholders entitled to receive notice of the annual general meeting, a statement of not more than 1,000 words with respect to a matter mentioned in a proposed resolution or other business to be dealt with at that meeting.

The requisition must be sent to the Company in hard copy form or in electronic form. It must be authenticated by the person or persons making it and sent to the principal business address of the Company not later than 6 weeks before the annual general meeting or if later, the time at which notice is given of that meeting.

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.

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 2015 amounted to HK$920,000 and HK$275,000, 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) 3728 8730 during normal business hours, by fax at (852) 3728 8740 or by e-mail at admin@sinogolfholdings.com.

信永中和
ShineWing

SHINEWING (HK) CPA Limited
43/F., Lee Garden One
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 39 to 111, which comprise the consolidated statement of financial position as at 31 December 2015, 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.

INDEPENDENT AUDITOR'S REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance 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
30 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	NOTES	**2015 HK$'000**	2014 HK$'000
Revenue	9	**261,766**	400,962
Cost of sales		**(240,102)**	(328,546)
Gross profit		**21,664**	72,416
Other operating income	9	**1,857**	2,099
Gain on disposal of a subsidiary	34	**93**	–
Write-off of inventories	23	**(31,671)**	–
Selling and distribution expenses		**(3,736)**	(4,790)
Administrative expenses		**(59,053)**	(53,415)
Impairment loss on goodwill	20	**(14,820)**	–
Finance costs	11	**(5,402)**	(7,591)
(Loss) profit before tax		**(91,068)**	8,719
Income tax expense	12	**–**	(424)
(Loss) profit for the year	13	**(91,068)**	8,295
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(16,200)**	47
Exchange fluctuation reserve released on the deregistration of subsidiaries		**(96)**	–
Exchange fluctuation reserve released on the disposal of a subsidiary		**(14,983)**	–
		(31,279)	47
Items that will not be reclassified subsequently to profit or loss:			
Gain on revaluation of leasehold land and buildings under revaluation model		**489**	–
Deferred tax relating to leasehold land and buildings under revaluation model	31	**(122)**	90
		367	90
Other comprehensive (expense) income for the year		**(30,912)**	137
Total comprehensive (expense) income for the year		**(121,980)**	8,432
(Loss) profit for the year attributable to:			
Owners of the Company		**(91,068)**	8,295
Non-controlling interests		**–**	–
		(91,068)	8,295
Total comprehensive (expense) income for the year attributable to:			
Owners of the Company		**(121,980)**	8,432
Non-controlling interests		**–**	–
		(121,980)	8,432
		HK cents	HK cents (Restated)
(LOSS) EARNINGS PER SHARE	14		
Basic and diluted		**(3.91)**	0.36

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	NOTES	2015 HK$'000	2014 HK$'000
Non-current assets			
Property, plant and equipment	18	**135,518**	205,908
Prepaid lease payments	19	**9,032**	9,929
Goodwill	20	**–**	14,820
Club debentures	21	**2,897**	2,897
Pledged bank deposit	25	**639**	–
Deposits and other receivables	22	**625**	270
Prepayments for the acquisition of property, plant and equipment		**740**	627
		149,451	234,451
Current assets			
Inventories	23	**119,841**	170,219
Trade and other receivables	24	**56,414**	41,935
Prepaid lease payments	19	**336**	368
Short-term bank deposit	25	**602**	–
Bank balances and cash	25	**17,063**	16,676
		194,256	229,198
Current liabilities			
Trade and other payables	27	**29,670**	35,224
Amounts due to non-controlling shareholders of a subsidiary	28	**–**	462
Amounts due to related companies	28	**59,684**	–
Amount due to a director	28	**–**	7,589
Tax payable		**160**	248
Bank and other borrowings	29	**78,494**	104,033
Obligations under finance leases	30	**–**	368
		168,008	147,924
Net current assets		**26,248**	81,274
Total assets less current liabilities		**175,699**	315,725
Non-current liability			
Deferred tax liabilities	31	**343**	2,440
Net assets		**175,356**	313,285

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	NOTES	2015 HK$'000	2014 HK$'000
Capital and reserves			
Share capital	32	**46,805**	46,005
Reserves		**125,821**	264,879
Equity attributable to owners of the Company		**172,626**	310,884
Non-controlling interests		**2,730**	2,401
Total equity		**175,356**	313,285

The consolidated financial statements on pages 39 to 111 were approved and authorised for issue by the board of directors on 30 March 2016 and are signed on its behalf by:

Wong Hin Shek
Director

Chu Chun Man, Augustine
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Attributable to owners of the Company											
	Share capital HK$'000	Share premium HK$'000	Share options reserve HK$'000	Contributed surplus HK$'000 (Note (i))	Legal reserve HK$'000 (Note (ii))	Assets revaluation reserve HK$'000	Statutory surplus reserve HK$'000 (Note (iii))	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2014	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 differences 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
Loss for the year	–	–	–	–	–	–	–	–	(91,068)	(91,068)	–	(91,068)
Other comprehensive (expense) income for the year:												
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	(16,200)	–	(16,200)	–	(16,200)
Exchange fluctuation reserve released on the deregistration of subsidiaries	–	–	–	–	–	–	–	(96)	–	(96)	–	(96)
Exchange fluctuation reserve released on the disposal of a subsidiary (note 34)	–	–	–	–	–	–	–	(14,983)	–	(14,983)	–	(14,983)
Gain on revaluation of leasehold land and buildings under revaluation model	–	–	–	–	–	489	–	–	–	489	–	489
Deferred tax relating to leasehold land and buildings under revaluation model (note 31)	–	–	–	–	–	(122)	–	–	–	(122)	–	(122)
Other comprehensive income (expense) for the year	–	–	–	–	–	367	–	(31,279)	–	(30,912)	–	(30,912)
Total comprehensive income (expense) for the year	–	–	–	–	–	367	–	(31,279)	(91,068)	(121,980)	–	(121,980)
Deregistration of subsidiaries (note 35)	–	–	–	–	–	–	–	–	–	–	329	329
Loss on revaluation on leasehold land and building under revaluation model (note 18)	–	–	–	–	–	(21,457)	–	–	–	(21,457)	–	(21,457)
Income tax related to loss on revaluation on leasehold land and building under revaluation model (note 31)	–	–	–	–	–	2,219	–	–	–	2,219	–	2,219
Issue of shares upon exercise of share options (note 33)	800	2,891	(731)	–	–	–	–	–	–	2,960	–	2,960
At 31 December 2015	46,805	105,276	–	10,564	48	366	17	5,806	3,744	172,626	2,730	175,356

Notes:

(i) 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.

(ii) 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.

(iii) 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 2015

	NOTES	2015 HK$'000	2014 HK$'000
OPERATING ACTIVITIES			
(Loss) profit before tax		(91,068)	8,719
Adjustments for:			
Finance costs		5,402	7,591
Interest income		(23)	(64)
Depreciation of property, plant and equipment		12,278	14,838
Amortisation of prepaid lease payments		336	368
Impairment loss on club debenture		–	500
Impairment loss of goodwill		14,820	–
Impairment loss recognised in respect of trade receivables		1	–
Loss (gain) on disposal or written off of property, plant and equipment		3,836	(581)
Write-off of inventories		31,671	–
Gain on disposal of a subsidiary	34	(93)	–
Gain on deregistration of subsidiaries	35	(275)	–
Gain on disposal of assets classified as held for sale		–	(83)
Operating cash flows before movements in working capital		(23,115)	31,288
(Increase) decrease in inventories		(7,111)	3,028
(Increase) decrease in trade and other receivables		(16,921)	10,136
(Increase) decrease in deposits and other receivables		(355)	574
Decrease in trade and other payables		(4,259)	(25,537)
Cash (used in) generated from operations		(51,761)	19,489
The PRC Enterprise Income Tax ("EIT") paid		–	(2,391)
Hong Kong Profits Tax Paid		(88)	(82)
NET CASH (USED IN) GENERATED FROM OPERATING ACTIVITIES		(51,849)	17,016
INVESTING ACTIVITIES			
Interest received		23	64
Proceeds on disposal of property, plant and equipment		655	1,226
Proceeds on disposal of assets classified as held for sale		–	2,731
Net cash inflow from disposal of a subsidiary	34	35,859	–
Purchase of property, plant and equipment		(3,818)	(13,027)
Prepayment for acquisition of property, plant and equipment		(740)	(1,063)
Placement of pledged bank deposit		(639)	–
NET CASH GENERATED FROM (USED IN) INVESTING ACTIVITIES		31,340	(10,069)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	NOTES	**2015 HK$'000**	2014 HK$'000
FINANCING ACTIVITIES			
Repayments of bank borrowings		**(103,041)**	(82,868)
Interest and factoring charges paid		**(6,516)**	(8,576)
Repayments of obligations under finance leases		**(368)**	(712)
Repayment to non-controlling shareholder of a subsidiary		**(462)**	–
New bank and other borrowings raised		**78,494**	78,205
Advance from related companies		**59,684**	–
Proceeds on issue of shares under share options		**2,960**	–
Repayment to a director		**(7,589)**	(2,553)
NET CASH GENERATED FROM (USED IN) FINANCING ACTIVITIES		**23,162**	(16,504)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**2,653**	(9,557)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**15,684**	25,241
Effect of foreign exchange rate changes		**(672)**	–
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**17,665**	15,684
Analysis of components of cash and cash equivalents:			
Bank balances and cash	25	**17,063**	16,676
Short-term bank deposit	25	**602**	–
Bank overdrafts	29	**–**	(992)
		17,665	15,684

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").

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 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 principal activities of its subsidiaries are set out in note 41.

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.

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

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 HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions

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 positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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.

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

ANNUAL IMPROVEMENTS TO HKFRSs 2010-2012 CYCLE (CONTINUED)

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 and 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.

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 consider that the application of the amendments included in the *Annual Improvements to HKFRSs 2010-2012 Cycle* has had no material effect in the Group's consolidated financial statements.

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

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 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 amendments are applied prospectively. The directors of the Company consider that the application of the amendments included in the *Annual Improvements to HKFRSs 2011-2013 Cycle* has had no material effect in the Group's consolidated financial statements.

PART 9 OF HONG KONG COMPANIES ORDINANCE (CAP. 622)

In addition, the annual report requirements of Part 9 "Accounts and Audit" of the Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year. As a result, there are changes to presentation and disclosures of certain information in the 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[2]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle[1]
Amendment to HKAS 1	Disclosure Initiative[1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[1]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[1]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[1]

1 Effective for annual periods beginning on or after 1 January 2016.
2 Effective for annual periods beginning on or after 1 January 2018.
3 Effective date not yet been determined.

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

NEW AND REVISED HKFRS 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* are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. 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 liabilities credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as 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") AND NEW HONG KONG COMPANIES ORDINANCE (CONTINUED)

NEW AND REVISED HKFRS 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 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.

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

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

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.

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 2018 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 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.

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

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

ANNUAL IMPROVEMENTS TO HKFRSs 2012-2014 CYCLE (CONTINUED)

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 based 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 anticipate that the application of the amendments included in the Annual *Improvements to HKFRSs 2012-2014 Cycle* will not have a material effect in the Group's consolidated 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.

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

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

AMENDMENTS TO HKAS 1 DISCLOSURE INITIATIVE (CONTINUED)

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.

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 correlated high correlation between revenue and the consumption of the economic benefits of the intangible assets could be demonstrated.

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.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis, except for certain leasehold land and buildings 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: (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group's return.

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 entities of the Group are eliminated in full on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF CONSOLIDATION (CONTINUED)

When the Group loses control of a subsidiary, it (i) derecognises the assets (including the goodwill) and liabilities of the subsidiary at their carrying amounts at the date when the control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group. When assets and liabilities of the subsidiaries are carried at revalued amounts and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets and liabilities (i.e. reclassified to profit or loss or transferred directly to retained profits as specified by applicable HKFRSs).

Non-controlling interests, unless as required by another standards, are measured at acquisition-date fair value except for non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets on a transaction-by-transaction basis.

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 cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

LEASING (CONTINUED)

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.

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.

FOREIGN CURRENCIES

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items 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. Hong Kong dollars) 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 difference arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange fluctuation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

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.

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 of leasehold land and buildings does not differ materially from that which would be determined using fair value at the end of the reporting period. Any increase in carrying amount of leasehold land and buildings as a result of a revaluation 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.

The assets revaluation reserve in respect of the leasehold land and buildings held for use in the production or supply of goods at revalued amount is transferred directly to retained earnings when it is realised on retirement or disposal and as the asset is used by the Group in which the amount transferred is calculated at the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost.

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 with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible assets and club debentures below).

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.

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.

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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS (CONTINUED)

FINANCIAL ASSETS (CONTINUED)

EFFECTIVE INTEREST METHOD

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

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

LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including long-term bank deposit and deposits and other receivables included in non-current assets, trade and other receivables, short term bank deposits 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS (CONTINUED)

IMPAIRMENT LOSS OF FINANCIAL ASSETS (CONTINUED)

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.

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, amount due to a director, amounts due to related companies, bank and other borrowings and obligations under finance leases, are subsequently measured at the amortised cost, using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS (CONTINUED)

FINANCIAL LIABILITIES AND EQUITY INSTRUMENTS (CONTINUED)

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 expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

SHARE-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 expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IMPAIRMENT OF TANGIBLE ASSETS AND CLUB DEBENTURES (OTHER THAN IMPAIRMENT OF GOODWILL SET OUT IN ACCOUNTING POLICY OF GOODWILL ABOVE)

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 cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating unit, or otherwise they are allocated to the smallest group of cash-generating units 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 cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) 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 cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or the cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

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 cash-generating unit 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 follows:

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.

LIQUIDITY

The Group relies on bank and other borrowings as a significant source of liquidity. As at 31 December 2015, the Group has available unutilised bank loan facilities of approximately HK$12,048,000 (2014: HK$61,002,000). The directors of the Company consider that there is no uncertainty on renewing the banking facilities. Details of which are set out in note 29.

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

CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

MATERIAL LITIGATION

On 18 April 2015, an indirect wholly-owned subsidiary of the Company has been named as defendant in a local PRC court by summon for a claim of approximately RMB1,366,000, equivalent to approximately HK$1,645,000, with damages of approximately RMB55,000, equivalent to approximately HK$66,000, together with interest thereon and costs in relation to dispute involving supply of equipment by the plaintiff. Based on the opinion of the independent legal adviser of the Company, as at 31 December 2015, the directors of the Company consider that no provision for any potential liability has been made in the condensed consolidated financial statements as the Group has pledged reasonable chance of success in defence. Details of the material litigation are disclosed in note 38.

CLASSIFICATION OF LEASEHOLD LAND AND BUILDINGS

When a lease includes both land and building elements, the directors of the Company assess the classification of each element as a finance lease or an operating lease separately based on the assessment as to whether substantially all the risk 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. 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.

As at 31 December 2014, the directors of the Company determine that the lease payments of leasehold land and buildings of approximately HK$155,940,000 cannot be allocated reliably between the land and buildings elements due to infeasibility of the allocation of purchase price between the leasehold land and buildings. The total amount has been classified as a finance lease under the property, plant and equipment.

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 cash-generating units 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 cash-generating units 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 2015, impairment loss on goodwill of approximately HK$14,820,000 (2014: nil) has been recognised. Details of the impairment testing and the recoverable amount calculation are disclosed in note 20.

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 evaluate, 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 2015, the carrying amount of inventories was approximately HK$119,841,000 (2014: HK$170,219,000). Write-off of inventories of approximately HK$31,671,000 (2014: nil) has been recognised for the year ended 31 December 2015. Details of the written-off of inventories are disclosed in note 23.

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 2015, 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$29,801,000 (2014: HK$16,375,000) net of allowance for doubtful debts of approximately HK$1,000 (2014: HK$2,000), HK$17,325,000 (2014: HK$20,403,000) and HK$178,000 (2014: HK$270,000) respectively. Impairment loss recognised in respect of trade and other receivables of approximately HK$1,000 (2014: nil) has been recognised for the year ended 31 December 2015.

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

KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT OTHER THAN LEASEHOLD LAND AND BUILDINGS, AND PREPAID LEASE PAYMENTS

At the end of the reporting period, the directors of the Company review the carrying amounts of its property, plant and equipment other than leasehold land and buildings at revalued amount, and prepaid lease payments of approximately HK$38,759,000 (2014: HK$49,968,000) and HK$9,368,000 (2014: HK$10,297,000), respectively, and identified if there is indication that those assets many suffer an impairment loss. Accordingly, the recoverable amount of the property, plant and equipment other than leasehold land and buildings, and prepaid lease payments are estimated in order to determine the extent of the impairment loss. The estimates of the recoverable amounts of the property, plant and equipment and prepaid lease payments 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 2015 and 2014.

ESTIMATION OF FAIR VALUE OF LEASEHOLD LAND AND BUILDINGS

In the absence of current prices in an active market for similar properties, the directors of the Company consider information from a variety of sources, including: (a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those difference; (b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and (c) discounted cash flow projection based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of cash flows. The principal assumptions for the Group's estimation of the fair value include those related to current market rents and future maintenance costs. As at 31 December 2015, the revalued amount of leasehold land and buildings was approximately HK$96,759,000 (2014: HK$155,940,000).

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. For the years ended 31 December 2015 and 2014, there were no changes on the useful lives and residual value of property, plant and equipment.

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 years.

The capital structure of the Group consists of net debt, which includes amounts due to non-controlling shareholders of a subsidiary, related companies and a director disclosed in note 28, bank and other borrowings disclosed in note 29, obligations under finance leases disclosed in note 30, net of cash and cash equivalents 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% (2014: 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:

	2015 **HK$'000**	2014 HK$'000
Amounts due to non-controlling shareholders of a subsidiary	**–**	462
Amount due to related companies	**59,684**	–
Bank and other borrowings	**78,494**	104,033
Obligations under finance leases	**–**	368
Amount due to a director	**–**	7,589
Less: bank balances and cash	**(17,063)**	(16,676)
Less: short-term and long-term bank deposits	**(1,241)**	–
Net debts	**119,874**	95,776
Equity attributable to owners of the Company	**172,626**	310,884
Non-controlling interests	**2,730**	2,401
Total equity	**175,356**	313,285
Gearing ratio	**68%**	31%

6. FINANCIAL INSTRUMENTS

CATEGORIES OF FINANCIAL INSTRUMENTS

	2015 HK$'000	2014 HK$'000
Financial assets		
Loans and receivables (including bank balances and cash)	**69,058**	53,724
Financial liabilities		
Financial liabilities at amortised cost	**167,375**	146,611

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, short-term and long-term bank deposits, trade and other payables, amounts due to non-controlling shareholders of a subsidiary, related companies and a director, bank and other borrowings and obligations under finance leases which 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.

MARKET RISK

(I) CURRENCY RISK

Several subsidiaries of the Company have foreign currency purchases, which expose the Group to foreign currency risk. Approximately 4% (2014: 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	
	2015 HK$'000	2014 HK$'000
RMB	**1,360**	1,962

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

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 2015 and 2014, hence no sensitivity analysis is presented.

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

MARKET RISK (CONTINUED)

(II) INTEREST RATE RISK

The Group is exposed to fair value interest rate risk in relation to bank and other 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 while the short-term and long-term bank deposits are fixed-rate bank deposits. The exposure of the interest rate risk is minimal and no sensitivity to interest rate risk is presented.

The Group's exposure to interest rates on financial liabilities is detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of base lending rate published by the People's Bank of China, 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 (2014: 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 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. No sensitivity analysis has been presented for the year ended 31 December 2015 as all bank and other borrowings are in fixed interest rate.

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

CREDIT RISK

At 31 December 2015, 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 74% and 90% (2014: 3% and 66%) 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 of credit risk by geographical locations is mainly in the North America, which accounted for 78% (2014: 66%) of the total trade receivables as at 31 December 2015.

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 Group relies on bank and other borrowings as a significant source of liquidity. As at 31 December 2015, the Group has available short-term bank loan facilities of approximately HK$12,048,000 (2014: HK$61,002,000).

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 2015		
	Within one year or on demand HK$'000	**Total contractual undiscounted cash flows HK$'000**	**Carrying amount HK$'000**
Non-derivative financial liabilities			
Trade and other payables	**29,197**	**29,197**	**29,197**
Bank and other borrowings	**81,072**	**81,072**	**78,494**
Amount due to related companies	**59,684**	**59,684**	**59,684**
	169,953	**169,953**	**167,375**

	At 31 December 2014		
	Within one year or on demand 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

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 recorded at amortised cost 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. REVENUE AND OTHER OPERATING INCOME

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

Analysis of the Group's revenue and other operating income for the year is as follows:

	2015 **HK$'000**	2014 HK$'000
Revenue:		
Sales of golf equipment and related components and parts	**218,574**	354,701
Sales of golf bags, other accessories and related components and parts	**43,192**	46,261
	261,766	400,962
Other operating income:		
Interest income	**23**	64
Sales of scrap materials	**237**	118
Sample income	**519**	175
Tooling income	**322**	315
Gain on disposal of property, plant and equipment	**–**	581
Gain on disposal of assets classified as held for sale (note 26)	**–**	83
Gain on deregistration of subsidiaries (note 35)	**275**	–
Sundry income	**481**	763
	1,857	2,099

10. SEGMENT INFORMATION

Information reported to the board of directors, being the chief operating decision maker, 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 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 segment.

For the year ended 31 December

	Golf equipment		Golf bags		Eliminations		Consolidated	
	2015 HK$'000	2014 HK$'000	**2015 HK$'000**	2014 HK$'000	**2015 HK$'000**	2014 HK$'000	**2015 HK$'000**	2014 HK$'000
Segment revenue:								
Sales to external customers	**218,574**	354,701	**43,192**	46,261	**–**	–	**261,766**	400,962
Inter-segment sales	**–**	–	**3,799**	7,155	**(3,799)**	(7,155)	**–**	–
Other operating income	**1,179**	1,684	**380**	495	**–**	(227)	**1,559**	1,952
Total	**219,753**	356,385	**47,371**	53,911	**(3,799)**	(7,382)	**263,325**	402,914
Segment results	**(69,492)**	20,622	**(9,608)**	2,084	**–**	–	**(79,100)**	22,706
Interest income							**23**	64
Gain on deregistration of subsidiaries							**275**	–
Gain on disposal of assets classified as held for sale (note 26)							**–**	83
Gain on disposal of a subsidiary (note 34)							**93**	–
Impairment loss on club debenture							**–**	(500)
Unallocated corporate expenses							**(6,957)**	(6,043)
Finance costs							**(5,402)**	(7,591)
(Loss) profit before tax							**(91,068)**	8,719

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment results represents the profit earned (loss incurred) by each segment without allocation of interest income, gain on deregistration of subsidiaries, gain on disposal of assets classified as held for sale, gain on disposal of a subsidiary, impairment loss on club debenture, central administration costs, directors' emoluments and finance costs. This is the measure reported to the chief operating decision maker of the Group for the purposes of resource allocation and performance assessment.

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

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	
	2015 HK$'000	2014 HK$'000	**2015 HK$'000**	2014 HK$'000	**2015 HK$'000**	2014 HK$'000
Assets and liabilities						
Segment assets	**309,046**	417,863	**13,193**	25,726	**322,239**	443,589
Unallocated corporate assets						
– Club debentures					**2,897**	2,897
– Bank balances and cash					**17,063**	16,676
– Others					**1,508**	487
Total assets					**343,707**	463,649
Segment liabilities	**20,490**	19,454	**5,366**	15,634	**25,856**	35,088
Unallocated corporate liabilities						
– Amounts due to non-controlling shareholders of a subsidiary					**–**	462
– Amounts due to related companies					**59,684**	–
– Amount due to a director					**–**	7,589
– Tax payable					**160**	248
– Bank and other borrowings					**78,494**	104,033
– Obligations under finance leases					**–**	368
– Deferred tax liabilities					**343**	2,440
– Others					**3,814**	136
Total liabilities					**168,351**	150,364

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

- all assets are allocated to operating segments other than club debentures, bank balances and cash, certain other receivables and plant and equipment for central administrative purpose. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and

- all liabilities are allocated to operating segments other than amounts due to non-controlling shareholders of a subsidiary, amounts due to related companies, amount due to a director, tax payable, bank and other 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, Europe, Asia (excluding Japan) and others.

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

	Revenue from external customers	
	2015	2014
	HK$'000	HK$'000
North America	**102,534**	212,019
Japan	**93,803**	94,779
Europe	**27,816**	36,854
Asia (excluding Japan)	**26,002**	39,135
Others	**11,611**	18,175
	261,766	400,962

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

	2015	2014
	HK$'000	HK$'000
The PRC	**143,809**	220,540
Hong Kong (country of domicile)	**4,378**	13,641
	148,187	234,181

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		Unallocated		Consolidated	
	2015 HK$'000	2014 HK$'000	2015 HK$'000	2014 HK$'000	2015 HK$'000	2014 HK$'000	2015 HK$'000	2014 HK$'000
Additions to non-current assets (note)	**4,574**	14,516	**663**	559	**435**	–	**5,672**	15,075
Amortisation of prepaid lease payments	**336**	368	**–**	–	**–**	–	**336**	368
Impairment loss recognised in respect of trade receivables	**–**	–	**1**	–	**–**	–	**1**	–
Write-off of inventories	**28,671**	–	**3,000**	–	**–**	–	**31,671**	–
Depreciation of property, plant and equipment	**11,069**	12,690	**1,187**	2,148	**22**	–	**12,278**	14,838
Impairment loss on goodwill	**6,824**	–	**7,996**	–	**–**	–	**14,820**	–
Loss (gain) on disposal or write-off of property, plant and equipment	**3,196**	(581)	**640**	–	**–**	–	**3,836**	(581)

Note: Non-current assets included property, plant and equipment and prepayments 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	
	2015 HK$'000	2014 HK$'000	2015 HK$'000	2014 HK$'000	2015 HK$'000	2014 HK$'000	2015 HK$'000	2014 HK$'000
Interest income	**(18)**	(60)	**(5)**	(4)	**–**	–	**(23)**	(64)
Gain on deregistration of subsidiaries	**–**	–	**–**	–	**(275)**	–	**(275)**	–
Gain on disposal of assets classified as held for sale (note 26)	**–**	–	**–**	–	**–**	(83)	**–**	(83)
Gain on disposal of a subsidiary (note 34)	**(93)**	–	**–**	–	**–**	–	**(93)**	–
Finance costs	**5,130**	7,357	**196**	234	**76**	–	**5,402**	7,591
Impairment loss on club debenture	**–**	–	**–**	–	**–**	500	**–**	500
Income tax expense	**–**	424	**–**	–	**–**	–	**–**	424

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	2015 HK$'000	2014 HK$'000
Customer A	Golf equipment	**N/A[1]**	125,163
Customer B	Golf equipment	**103,748**	119,461
Customer C	Golf equipment	**63,974**	70,911

[1] The corresponding revenue did not contribute over 10% of the total revenue of the Group.

11. FINANCE COSTS

	2015 HK$'000	2014 HK$'000
Factoring charges	**788**	2,788
Interest expenses on:		
– bank overdrafts	**26**	40
– bank and other borrowings	**5,502**	5,378
– advances from a director	**196**	337
– obligations under finance leases	**4**	33
Total borrowing costs	**6,516**	8,576
Less: amounts capitalised (note)	**(1,114)**	(985)
	5,402	7,591

Note: Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 6.00% (2014: 6.00%) per annum to expenditure on qualifying assets.

12. INCOME TAX EXPENSE

	2015 HK$'000	2014 HK$'000
Hong Kong Profits Tax		
– Current	–	160
PRC Enterprise Income Tax Income ("EIT")		
– Underprovision in prior years	–	43
	–	203
Deferred tax (note 31)		
– Current	–	221
	–	424

(i) No provision for Hong Kong Profits Tax has been made for the current year as there are no assessable profits generated or the estimated assessable profit has been net of tax losses brought forward from previous years for the year ended 31 December 2015.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the year ended 31 December 2014.

ii) Under the Law of the PRC on EIT (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 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.

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

	2015 HK$'000	2014 HK$'000
(Loss) profit before tax	**(91,068)**	8,719
Tax calculated at rates applicable to profits in the respective tax jurisdiction concerned	**(16,114)**	1,633
Effect of tax exemptions granted	–	(749)
Tax effect of income not taxable for tax purposes	**(99)**	(1,105)
Tax effect of expense not deductible for tax purposes	**3,512**	742
Tax effect of tax losses not recognised	**12,701**	252
Utilisation of tax losses previously not recognised	–	(392)
Underprovision in prior years	–	43
Income tax expense	–	424

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

13. (LOSS) PROFIT FOR THE YEAR

	2015 HK$'000	2014 HK$'000
(Loss) 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	**84,467**	105,861
Retirement benefits schemes contributions	**7,812**	9,555
Compensation for lay-down of employees	**6,646**	–
Total staff cost	**98,925**	115,416
Amortisation of prepaid lease payments	**336**	368
Auditors' remuneration	**1,094**	1,230
Impairment loss recognised in respect of trade receivables	**1**	–
Cost of inventories sold, excluding write-off of inventories	**240,102**	328,546
Depreciation of property, plant and equipment	**12,278**	14,838
Exchange loss (net)	**755**	159
Loss on disposal of property, plant and equipment	**3,836**	–
Impairment loss on club debentures (note 21)	**–**	500
Impairment loss on goodwill (note 20)	**14,820**	–
Operating leases rentals in respect of land and buildings	**4,158**	3,758
Research and development costs recognised as an expense	**1,055**	1,106

14. (LOSS) EARNINGS PER SHARE

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

	2015 HK$'000	2014 HK$'000
(Loss) earnings		
(Loss) earnings for the purpose of basic and diluted earnings per share	**(91,068)**	8,295

	2015 '000	2014 '000 (Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**2,328,634**	2,300,250
Effect of dilutive potential ordinary shares:		
Share options	**–**	19,389
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	**2,328,634**	2,319,639

14. (LOSS) EARNINGS PER SHARE (CONTINUED)

The computation of diluted loss per share for the year ended 31 December 2015 does not assume the conversion of the Company's share options since their exercise would result in a decrease in loss per share.

Note: The number of shares for the purpose of calculating basic (loss) earnings per share for the years ended 31 December 2015 and 2014 was based on the bonus issue passed by the special resolution on 6 January 2016, in which every one share held by the shareholder is entitled to four bonus shares. The bonus shares were allotted and issued on 22 January 2016.

15. DIVIDENDS

No dividends were paid, declared or proposed during the year ended 31 December 2015, nor has any dividend been proposed since the end of the reporting period (2014: Nil).

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

	2015 HK$'000	2014 HK$'000
Salaries, allowances and other benefits in kind	**80,695**	102,805
Compensation for lay-off of employees (note (III))	**6,646**	–
Retirement benefits schemes contributions	**7,783**	9,523
	95,124	112,328

(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 independent administered fund. The subsidiaries' employer contributions vest fully with the employees when contributed into the MPF Scheme. During the year ended 31 December 2015, a total contribution of approximately HK$190,000 (2014: approximately HK$190,000) was made by the Group in respect of this scheme.

(II) THE PRC, OTHER THAN HONG KONG

The employees in the Group who work in the PRC are required to participate in pension schemes operated by the local governments. The Group is required to contribute 5% to 8% (2014: 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 2015, a total contribution of approximately HK$7,593,000 (2014: approximately HK$9,333,000) was made by the Group in respect of this scheme.

(III) COMPENSATION FOR LAY-OFF EMPLOYEES

The workforce of Guangzhou factory was reduced from over 220 employees to about 20 employees in the current year which incurred severance payment of approximately HK$6,646,000 upon laying off the redundant workers (2014: Nil).

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 eleven (2014: six) directors, including the chief executive, were as follows:

For the year ended 31 December 2015

	Executive directors					Independent non-executive director						
	Wong Hin Shek[1] HK$'000	Zhang Yi[2] HK$'000	Chu Chun Man, Augustine[3] HK$'000	Chu Yuk Man, Simon[4] HK$'000	Chang Hua Jung[4] HK$'000	Chu Yin Yin, Georgiana[2] HK$'000	Yip Tai Him[2] HK$'000	Chan Kai Wing[2] HK$'000	Choy Tak Ho[4] HK$'000	Chiu Lai Kuen, Susanna[4] HK$'000	Zhu Shengli[4] HK$'000	Total HK$'000
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking:												
Fees	852	–	789	225	405	51	51	51	90	125	45	2,684
Contributions to retirement benefits schemes	–	–	18	11	–	–	–	–	–	–	–	29
Discretionary bonus	–	–	15	–	8	–	–	–	–	–	–	23
Other benefits (note (iii))	–	–	840	225	–	–	–	–	–	–	–	1,065
Total emoluments	852	–	1,662	461	413	51	51	51	90	125	45	3,801

1. Appointed as executive director on 24 August 2015 and as chairman on 14 September 2015

2. Appointed on 24 August 2015

3. Stepped down his position as the Chairman on 14 September 2015 and remain as an executive director

4. Resigned on 14 September 2015

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

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

For the year ended 31 December 2014

	Executive directors			Independent non-executive directors			
	Chu Chun Man, Augustine HK$'000	Chu Yuk Man, Simon HK$'000	Chang Hua Jung HK$'000	Choy Tak Ho HK$'000	Chiu Lai Kuen, Susanna HK$'000	Zhu Shengli HK$'000	Total HK$'000
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking:							
Fees	596	400	540	120	100	60	1,816
Contributions to retirement benefits schemes	17	15	–	–	–	–	32
Discretionary Bonus	30	30	15	–	–	–	75
Other benefits (note (iii))	840	325	–	–	–	–	1,165
Total emoluments	1,483	770	555	120	100	60	3,088

Mr. Chu Chun Man, Augustine was the chief executive of the Company until 14 September 2015. Since 14 September 2015, Mr. Wong Hin Shek becomes the chief executive of the Company. The emoluments of Mr. Chu Chun Man, Augustine and Mr. Wong Hin Shek disclosed above included those for services rendered by them as the Chief Executive.

Certain of the comparative information of directors' emoluments for the year ended 31 December 2014 previously disclosed in accordance with the predecessor Companies Ordinance have been restated in order to comply with the new scope and requirements by the Hong Kong Companies Ordinance (Cap. 622).

Notes:

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

(ii) No directors waived or agreed to waive any emoluments during the years ended 31 December 2015 and 2014.

(iii) Other benefits represented housing benefits of approximately HK$840,000 (2014: HK$840,000) and HK$225,000 (2014: HK$325,000) paid on behalf of Chu Chun Man, Augustine and Chu Yuk Man, Simon, in respect of the free use of apartments rented by a subsidiary.

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 (2014: two) were directors of the Company whose emoluments are set out above. The emoluments of the remaining three (2014: three) highest paid individuals were as follows:

	2015 HK$'000	2014 HK$'000
Salaries, allowances and other benefits in kind	**3,546**	2,951
Retirement benefits schemes contributions	**54**	26
	3,600	2,977

Their emoluments were within the following bands:

	Number of individuals	
	2015	2014
Nil to HK$1,000,000	**1**	2
HK$1,000,001 to HK$1,500,000	**1**	1
HK$1,500,001 to HK$2,000,000	**1**	–
	3	3

(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 2015 and 2014.

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 2014	164,937	6,233	108,230	6,459	6,002	9,357	301,218
Additions	–	918	2,261	370	546	11,996	16,091
Disposal	(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
Exchange realignment	(7,009)	(391)	(5,915)	(304)	(137)	(1,193)	(14,949)
Additions	–	634	1,527	258	14	3,126	5,559
Disposal of a subsidiary (note 34)	(54,000)	–	(8,185)	(500)	–	(343)	(63,028)
Deregistration of a subsidiary	–	(5)	–	(39)	(263)	–	(307)
Revaluation	(7,163)	–	–	–	–	–	(7,163)
Disposals	–	(6,100)	(35,812)	(956)	(901)	–	(43,769)
Transfers	–	–	413	–	–	(413)	–
At 31 December 2015	96,759	1,289	58,008	5,197	4,814	21,335	187,402
ACCUMULATED DEPRECIATION							
At 1 January 2014	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
Exchange realignment	(1,053)	(344)	(4,070)	(252)	(124)	–	(5,843)
Provided for the year	3,552	332	7,412	274	708	–	12,278
Loss on revaluation	21,457	–	–	–	–	–	21,457
Deregistration of a subsidiary	–	(5)	–	(39)	(263)	–	(307)
Disposal of a subsidiary	(25,295)	–	(8,127)	(500)	–	–	(33,922)
Eliminated on revaluation	(7,652)	–	–	–	–	–	(7,652)
Eliminated on disposals	–	(5,550)	(32,025)	(936)	(767)	–	(39,278)
At 31 December 2015	–	250	43,176	4,404	4,054	–	51,884
CARRYING VALUES							
At 31 December 2015	96,759	1,039	14,832	793	760	21,335	135,518
At 31 December 2014	155,940	1,334	25,994	881	1,601	20,158	205,908

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 fair value of the leasehold land and buildings of the Group as at 31 December 2015 has been arrived at on the basis of a valuation carried out on that date by LCH (Asia-Pacific) Surveyors Limited ("LCH"), independent qualified professional valuers not connected with the Group. LCH has appropriate qualifications and has recent experience in the valuation of similar properties in the relevant locations. The valuation was arrived at by valuation techniques and assumptions as discussed below.

There has been no change from the valuation technique used in the valuation performed for the leasehold land and buildings as at 31 December 2012.

As at 31 December 2014, in the opinion of the directors of the Company, by reference to the quotation or sales prices of comparable properties on a price per square metre basis near the end of reporting period, no material changes on the fair value of the leasehold land and buildings as at 31 December 2012.

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$87,243,000 (31 December 2014: HK$129,828,000).

The leasehold land and buildings, which are measured subsequent to initial recognition at fair value, grouped into fair value hierarchy Level 3 based on the degree to which the inputs to fair value measurements observable. There were no transfers between levels of fair value hierarchy during the year.

There has been no change from the valuation technique used in the valuation performed for the leasehold land and buildings as at 31 December 2015. In estimating the fair value of the leasehold land and buildings, the highest and best use is their current use.

The following table gives information about how the fair values of the leasehold land and buildings as at 31 December 2015 are determined (in particular, the valuation techniques and inputs used):

18. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(c) (Continued)

	Fair value hierarchy	Fair value as at 31 December 2015 HK$'000	Valuation techniques and key inputs	Significant unobservable inputs	Range	Relationship of key inputs and significant unobservable inputs to fair value
Leasehold land and building	Level 3	HK$96,759 (equivalent to RMB80,310)	Depreciated replacement cost ("DRC") approach	Replacement cost per square metre	From RMB710 to RMB2,490	The higher the replacement cost, the higher the fair value

The fair value of the leasehold land and buildings located in the PRC is determined using DRC approach. DRC approach is a procedural valuation approach and an application of the cost approach in valuing specialised properties like this property. The use of this approach requires an estimate of the market value of the land use rights for its existing use, and an estimate of the new replacement cost of the buildings and other site works from which deductions are then made to allow for age, condition, and functional obsolescence taken into account of the site formation cost and those public utilities connection charges to the property. The land use right of this property has been determined from market-based evidences by analysing similar sales or offerings of comparable properties.

The reconciliation of Level 3 fair value measurements of leasehold land and buildings is as follows:

	Leasehold land and buildings HK$'000
At 1 January 2014	160,095
Disposal	(4)
Depreciation	(4,151)
At 31 December 2014	155,940
Exchange realignment	(5,956)
Depreciation	(3,552)
Disposal of a subsidiary	(50,162)
Net increase in fair value recognised in other comprehensive income	489
At 31 December 2015	96,759

During the year ended 31 December 2015, the net increase in fair value recognised in other comprehensive income of approximately HK$489,000 is included in asset revaluation reserve in equity.

(d) At 31 December 2014, the carrying values of motor vehicles included an amount of approximately HK$926,000 in respect of assets under finance leases. There is no asset under finance lease at 31 December 2015.

(e) At 31 December 2015, the Group's leasehold land and buildings and plant and machinery with carrying values of approximately HK$96,759,000 and HK$13,508,000 (2014: HK$104,951,000 and HK$17,307,000) was pledged as security for the banking facilities granted to the Group respectively.

19. PREPAID LEASE PAYMENTS

	2015 HK$'000	2014 HK$'000
Leasehold land held under medium-term lease in the PRC and are analysed for reporting purposes as follows:		
Current assets	**336**	368
Non-current assets	**9,032**	9,929
	9,368	10,297

At 31 December 2015, the Group's prepaid lease payment with carrying value of approximately HK$9,368,000 (2014: HK$10,297,000) was pledged as security for the banking facilities granted to the Group.

20. GOODWILL

	2015 HK$'000	2014 HK$'000
COST		
At 1 January and 31 December	**14,820**	14,820
IMPAIRMENT		
At 1 January	**–**	–
Impairment loss recognised during the year	**(14,820)**	–
At 31 December	**(14,820)**	–
CARRYING AMOUNTS		
At 31 December	**–**	14,820

IMPAIRMENT TEST ON GOODWILL

For the purpose of impairment testing, goodwill set out above has been allocated to two individual cash-generating units (2014: two). The carrying amounts of goodwill (net of accumulated impairment loss) as at the end of the reporting period allocated to these cash-generating units are as follows:

	2015 HK$'000	2014 HK$'000
Golf equipment	**–**	6,824
Golf bags	**–**	7,996
	–	14,820

During the year ended 31 December 2015, the Group recognised an impairment loss of HK$6,824,000 (2014: Nil) and HK$7,996,000 (2014: Nil) in relation to goodwill arising on acquisition of golf equipment and golf bags, respectively. The impairment loss recognised during the year relates to the decline in the global golf market and decrease in the market needs.

20. GOODWILL (CONTINUED)

The basis of the recoverable amounts of the above cash-generating units 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 has been determined based on a value in use calculation. That calculation uses cash flows projections based on the financial budgets approved by the management covering a period of five years (2014: five years), and pre-tax discount rate of 13.87% (2014: 13.47%). The golf equipment's cash flows beyond 5-year period are projected using zero growth rate (2014: zero growth rate). This growth rate was based on past performance and its expectation on the relevant industry growth forecasts. The golf equipment's cash flows were 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. The recoverable amount of the golf equipment segment is HK$142,532,000. The directors of the Company have consequently determined to write off the goodwill directly related to golf equipment amounting to HK$6,824,000. No other write-down of the assets of golf equipment is considered necessary.

The impairment loss has been included in profit or loss of the consolidated financial statements.

GOLF BAGS

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

The recoverable amount has been determined based on a value in use calculation. That calculation uses cash flows projection based on the financial budgets approved by the management covering a period of five years (2014: five years) at a pre-tax discount rate of 14.67% (2014: 14.25%). The golf bags' cash flows beyond 5-year period are projected using zero growth rate (2014: zero growth rate). This growth rate was based on past performance and its expectation on the relevant industry growth forecasts. The golf bags' cash flows were 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. The recoverable amount of the golf bags segment is HK$1,731,000. The directors of the Company have consequently determined to write off the goodwill directly related to golf bags amounting to HK$7,996,000. No other write-down of the assets of golf bags is considered necessary.

The impairment loss has been included in profit or loss of the consolidated financial statements.

21. CLUB DEBENTURES

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

	2015 HK$'000	2014 HK$'000
COST		
At 1 January and 31 December	**3,397**	3,397
ACCUMULATED IMPAIRMENT		
At 1 January	**(500)**	–
Impairment loss during the year (note)	**–**	(500)
At 31 December	**(500)**	(500)
CARRYING AMOUNT		
At 31 December	**2,897**	2,897

Note:

During the year ended 31 December 2014, the Group has recognised an impairment loss of HK$500,000 in relation to one of the club debentures with carrying amount of HK$1,262,000. There is no impairment loss recognised during the year ended 31 December 2015.

The recoverable amount of the club debentures 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. No impairment loss has been recognised as at 31 December 2015 (2014: HK$500,000).

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$178,000 (2014: HK$270,000) represents loans advanced to employees of the Group. The loans are unsecured, non-interest bearing and are not repayable within the next twelve months from the end of the reporting period.

23. INVENTORIES

	2015 HK$'000	2014 HK$'000
Raw materials	**62,572**	60,174
Work in progress	**33,609**	57,363
Finished goods	**23,660**	52,682
	119,841	170,219

Note: During the year ended 31 December 2015, as a result of the reallocation of the PRC factory, the Group had conducted a review on the inventories and write-off of inventories of approximately HK$31,671,000 (2014: nil) was incurred and reflected in the consolidated financial statements.

24. TRADE AND OTHER RECEIVABLES

	2015 HK$'000	2014 HK$'000
Trade receivables	**29,802**	16,377
Less: allowance for impairment of trade receivables	**(1)**	(2)
	29,801	16,375
Prepayments	**5,043**	626
Other receivables	**17,325**	20,403
Prepayments to suppliers	**4,245**	4,531
	56,414	41,935

The Group does not hold any collateral over these balances.

i) The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally between 30 and 60 days. 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)

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

	2015 HK$'000	2014 HK$'000
1 January	**2**	2
Impairment loss recognised in respect of trade receivables	**1**	–
Amount write-off as uncollectible	**(2)**	–
31 December	**1**	2

Included in the allowance for impairment of trade receivables are individually impaired trade receivables with an aggregate balances of approximately of HK$1,000 (2014: HK$2,000) due to long outstanding. The amount of approximately HK$2,000 has been write-off as uncollectible as a result of the loss of contact of the debtors with impaired balances.

iii) 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:

	2015 HK$'000	2014 HK$'000
0 to 30 days	**24,516**	10,996
31 to 90 days	**5,023**	5,369
91 to 180 days	**262**	10
	29,801	16,375

(iv) 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 2015	**29,801**	**28,443**	**1,358**
At 31 December 2014	16,375	13,383	2,992

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

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. PLEDGED BANK DEPOSIT / CASH AND CASH EQUIVALENTS

PLEDGED BANK DEPOSIT

Pledged bank deposit represents deposit pledged to a PRC bank for a bank guarantee issued to the landlord of the Group's factory for 3 years leasing agreement and is therefore classified as non-current assets.

The pledged bank deposit carries fixed interest rate of 4.8% per annum.

CASH AND CASH EQUIVALENTS

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

	2015	2014
	HK$'000	HK$'000
Bank balances and cash (note i)	**17,063**	16,676
Short-term bank deposit (note ii)	**602**	–
Less: bank overdrafts (note 29)	**–**	(992)
Cash and cash equivalents	**17,665**	15,684

(i) Bank balances carry interest at market rates which ranged from 0.01% to 0.50% per annum (2014: 0.01% to 0.50% per annum).

(ii) Short-term bank deposit carries interest at 2.0% per annum with a maturity date of 3 months.

(iii) Bank overdraft carried interest at market rates which is 5.75% per annum for the year ended 31 December 2014.

(iv) At 31 December 2015, the Group's bank balances and cash denominated in RMB amounted to approximately RMB8,016,000, equivalent to approximately HK$9,658,000 (2014: RMB9,956,000, equivalent to approximately HK$12,764,000). 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

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 had been transferred to local PRC government with the consideration of approximately RMB6,130,000, equivalent to approximately HK$7,859,000. Approximately HK$5,128,000 had been received in prior years, and the remaining amount of approximately HK$2,731,000 was received in current year. Gain on disposal of assets classified as held for sale of approximately HK$83,000 was recognised on the difference of the total consideration paid and the carrying amount.

27. TRADE AND OTHER PAYABLES

	2015 HK$'000	2014 HK$'000
Trade and bills payables	**25,637**	31,820
Customers' deposits received	**473**	1,065
Accruals and other payables	**3,560**	2,339
	29,670	35,224

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:

	2015 HK$'000	2014 HK$'000
0 to 90 days	**19,365**	20,056
91 to 180 days	**5,279**	9,885
181 to 365 days	**266**	1,352
Over 365 days	**727**	527
	25,637	31,820

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:

	2015 HK$'000	2014 HK$'000
RMB	**1,360**	1,962

28. AMOUNTS DUE TO NON-CONTROLLING SHAREHOLDERS OF A SUBSIDIARY, A DIRECTOR AND RELATED COMPANIES

The amounts due to non-controlling shareholders of a subsidiary at 31 December 2014 were unsecured, non-interest bearing and repayable on demand.

The amount due to a director at 31 December 2014 was unsecured, interest bearing ranging from 3% to 5% per annum and repayable on demand.

The amounts due to related companies of approximately HK$58,394,000 and HK$1,290,000, which a director of the Company has beneficial interest in and the substantial shareholder of the Company has beneficial interest in, respectively, are unsecured, non-interest bearing and repayable on demand.

29. BANK AND OTHER BORROWINGS

	2015 HK$'000	2014 HK$'000
Bank overdrafts	–	992
Term loans	73,494	78,205
Trust receipts and packing loans	–	24,836
Other borrowing	5,000	–
	78,494	104,033
Secured	73,494	78,205
Unsecured	5,000	25,828
Carrying amount repayable within one year	78,494	104,033

(i) At 31 December 2015, bank borrowings of approximately HK$73,494,000 are fixed-rate borrowings. The fixed-rate borrowings carry interest ranging from 5.00% to 6.15% per annum.

At 31 December 2014, bank borrowings of approximately HK$78,205,000 and HK$25,828,000 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 2.26% to 5.75% per annum.

(ii) During the year ended 31 December 2015, the Group renewed new bank borrowings of approximately HK$73,494,000 (2014: HK$78,205,000) to finance its working capital.

(iii) At 31 December 2015, the bank facilities of the Group were secured by leasehold land and buildings, plant and machinery and prepaid lease payments of approximately HK$96,759,000 (note 18(e)), HK$13,508,000 (note 18(e)) and HK$9,368,000 (note 19) (2014: HK$104,951,000, HK$17,307,000 and HK$10,297,000) respectively.

(iv) At 31 December 2015, no guarantee was provided by the Company in relation to bank borrowings and banking facilities granted to certain subsidiaries (2014: HK$26,195,000). At the end of the reporting period, the Group had unused banking facilities of approximately HK$12,048,000 (2014: HK$61,002,000).

(v) At 31 December 2015, except for bank borrowings equivalent to approximately HK$73,494,000 denominated in RMB, all other bank borrowings are denominated in HK$.

At 31 December 2014, except for bank borrowings equivalent to approximately HK$78,205,000 and HK$24,016,000 which are denominated in RMB and US$, 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) At 31 December 2015, other borrowing of HK$5,000,000 is a fixed-rate borrowing which carries interest of 12% per annum. The loan is unsecured and repayable on demand.

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 terms of which was four years. The finance leases have been fully settled during the year ended 31 December 2015.

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	
	2015 HK$'000	2014 HK$'000	**2015 HK$'000**	2014 HK$'000
Amounts payable under finance leases:				
Within one year	–	372	–	368
In more than one year and not more than five years	–	–	–	–
	–	372	–	368
Less: future finance charges	–	(4)	–	–
Present value of lease obligations	–	368	–	368
Less: amounts due for settlement within one year shown under current liabilities			–	(368)
Amounts due for settlement after one year			–	–

Obligations under finance leases at 31 December 2014 borne interest at a fixed interest rate at 4.3% per annum. The Group's obligations under finance leases were 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 2014	(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)
Reversed upon loss on revaluation of leasehold and building included in the disposal group	2,219	–	–	2,219
Charged to other comprehensive income	(122)	–	–	(122)
At 31 December 2015	(122)	(221)	–	(343)

At the end of the reporting period, the Group had unused tax losses of approximately HK$103,450,000 (2014: HK$45,605,000) available for offset against future profits. Included in unused tax losses are losses of approximately HK$82,740,000 (2014: HK$45,605,000) that will expire in 5 years from the year of origination. Other losses may be carried forward indefinitely.

Deferred tax asset in respect of the unused tax losses of approximately HK$1,093,000 as at 31 December 2013 had been fully utilised in year 2014. No deferred tax asset has been recognised in respect of unused tax losses as at 31 December 2015 and 2014.

Under the EIT Law of PRC, withholding tax is imposed on dividends in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards (the "Post-2008 Earnings"). Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary difference attributable to the "Post-2008 Earnings" amounting to approximately HK$10,603,000 (2014: HK$14,551,000) 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 (2014: HK$0.10) each	Number of shares '000	Share capital HK$'000
Authorised		
At 1 January 2014, 31 December 2014 and 31 December 2015	1,000,000	100,000
Issued and fully paid		
At 1 January 2014 and 31 December 2014	460,050	46,005
Exercise of share options (note)	8,000	800
At 31 December 2015	468,050	46,805

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

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.

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

At 31 December 2015, no share option has remained outstanding under the New Share Option Scheme. 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, representing approximately 1.7% of the shares of the Company in issue at that date.

33. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

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 2015	Granted during the year	Exercised during the year	Outstanding at 31 December 2015
11 July 2013	**8,000,000**	**–**	**(8,000,000)**	**–**
Exercisable at the end of the year				**–**
Exercise price	**HK$0.37**	**N/A**	**HK$0.37**	**N/A**

	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

At 31 December 2015 and 2014, no outstanding share option was held by the directors.

In respect of the share options exercised during the year, the share price at the dates of exercise is HK$1.01 (2014: Nil).

34. DISPOSAL OF A SUBSIDIARY

On 13 May 2013, the Group entered into a sale and purchase agreement to dispose its entire equity interests in Guangzhou Shen Tong Trading Development Company Limited* ("Shen Tong") (廣州市紳通貿易發展有限公司) which was included in the golf equipment segment prior to the disposal to an independent third party with consideration of RMB28,000,000, equivalent to approximately HK$35,897,000. The completion of the disposal of Shen Tong took place on 24 August 2015, upon which Shen Tong ceased to be a subsidiary of the Group for the year ended 31 December 2015.

The net assets of Shen Tong on the date of disposal were as follows:

	HK$'000
Consideration:	
Cash consideration	35,897

Analysis of assets and liabilities over which control was lost:

	2015 HK$'000
Property, plant and equipment	29,106
Inventories	21,344
Bank balances and cash	38
Other receivables	299
Net assets disposed of	50,787

Loss on disposal of a subsidiary:

Total consideration	35,897
Net assets disposed of	(50,787)
Cumulative exchange differences in respect of net assets of the subsidiary reclassified from equity to profit or loss on loss of control of the subsidiary	14,983
Gain on disposal	93

34. DISPOSAL OF A SUBSIDIARY (CONTINUED)

The results of Shen Tong for the period from 1 January 2015 to 24 August 2015, which have been included in the consolidated statement of profit or loss and other comprehensive income as follows:

	Period from 1 January 2015 to 24 August 2015 HK$'000	Period from 9 April 2014 (date of incorporation) to 31 December 2014 HK$'000
Revenue	**–**	–
Administrative expense	**(862)**	(435)
Loss before taxation	**(862)**	(435)
Income tax expense	**–**	–
Loss for the period	**(862)**	(435)

Loss for the period from Shen Tong includes the following:

	Period from 1 January 2015 to 24 August 2015 HK$'000	Period from 9 April 2014 (date of incorporation) to 31 December 2014 HK$'000
Depreciation	**803**	403
Employee benefit expenses	**27**	19

During the period from 1 January 2015 to 24 August 2015, Shen Tong contributed approximately HK$26,000 (period from 9 April 2014 (date of incorporation) to 31 December 2014: paid approximately HK$31,000) to the Group's net operating cash flows and nil (period from 9 April 2014 (date of incorporation) to 31 December 2014: contributed approximately HK$20,000) in respect of financing activities.

	HK$'000
Net cash inflow arising on disposal:	
Cash consideration	35,897
Less: bank balances and cash disposed of	(38)
	35,859

* The English name is for identification purpose only

35. DEREGISTRATION OF SUBSIDIARIES

On 2 January 2015 and 22 January 2015, two subsidiaries of the Company, Sino Golf Sourcing Company Limited ("Sino Golf Sourcing") and Pingxiang Shundalong Golf Manufacturing Company Limited* ("Pingxiang Shundalong") (萍鄉順達隆高爾夫球製品有限公司) were voluntarily deregistered respectively.

The net liabilities of Sino Golf Sourcing on the date of deregistration was as follows:

	HK$'000
Net liabilities deregistered of	
Other payables	508
Release of cumulative exchange translation reserve	102
	610
Less: Non-controlling interests	(329)
Gain on deregistration of Sino Golf Sourcing	281

The reserve of Pingxiang Shundalong on the date of deregistration was as follows:

	HK$'000
Release of cumulative exchange translation reserve	(6)
Loss on deregistration of Pingxiang Shundalong	(6)

The net gain on deregistration of subsidiaries was as follows:

	HK$'000
Gain on deregistration of Sino Golf Sourcing	281
Loss on deregistration of Pingxiang Shundalong	(6)
Net gain on deregistration of subsidiaries	275

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36. OPERATING LEASE COMMITMENT

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 six years (2014: one to four 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:

	2015 HK$'000	2014 HK$'000
Within one year	3,813	1,519
In the second to fifth years, inclusive	3,764	94
	7,577	1,613

37. CAPITAL COMMITMENTS

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

	2015 HK$'000	2014 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
Leasehold land and buildings	84	54
Plant and machinery	1,468	4,924
	1,552	4,978

38. MATERIAL LITIGATION

At 31 December 2015, an indirect wholly-owned subsidiary of the Company 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.

On 24 April 2015, an indirect wholly-owned subsidiary of the Company has been named as defendant in a local PRC court by summon for a claim of approximately RMB1,366,000, equivalent to approximately HK$1,645,000, with damages of approximately RMB55,000, equivalent to HK$66,000, together with interest thereon and costs in relation to dispute involving supply of equipment by the plaintiff. The proceedings are in process.

Up to the date of these consolidated financial statements, in the opinion of the directors of the Company, no provision for any potential liability has been made in the consolidated financial statements as the Group has pleaded reasonable chance of success in the defence.

39. RELATED PARTY AND CONNECTED PARTY TRANSACTIONS

(I) 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	2015 HK$'000	2014 HK$'000
Rental expenses	(a)	**840**	840
Rental expenses	(b)	**225**	325
Company secretarial compliance services fee	(c)	**226**	–

Notes:

(a) The rental expenses paid to a related company, which a director of the Company has beneficial interest in, were determined at rates agreed between the Group and the related company.

(b) The rental expenses paid to a related company, which a director of the Company, who resigned on 14 September 2015, has beneficial interest in, were determined at rates agreed between the Group and the related company.

(c) The company secretarial compliance services fee paid to a related company, which a director of the Company has beneficial interest in, were determined at rates agreed between the Group and the related company.

(II) COMPENSATION OF KEY MANAGEMENT COMPENSATION

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

	2015 HK$'000	2014 HK$'000
Short-term benefits	**5,735**	6,689
Post-employment benefits	**52**	75
	5,787	6,764

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

40. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	NOTES	2015 HK$'000	2014 HK$'000
Non-current assets			
Property, plant and equipment		**413**	–
Deposit and other receivables		**447**	–
Investments in subsidiaries	(i)	**–**	15,717
		860	15,717
Current assets			
Amounts due from subsidiaries	(ii)	**144,473**	193,475
Prepayment and deposits		**198**	–
Bank balances and cash		**3,185**	38
		147,856	193,513
Current liabilities			
Other borrowing		**5,000**	–
Amount due to a related company	(ii)	**1,290**	–
Other payables		**1,186**	136
Financial guarantee liabilities		**–**	22
		7,476	158
Net current assets		**140,380**	193,355
		141,240	209,072
Capital and reserves			
Share capital		**46,805**	46,005
Reserves	(iii)	**94,435**	163,067
		141,240	209,072

40. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Notes:

(i) Investments in subsidiaries

	2015 HK$'000	2014 HK$'000
COST		
Unlisted investments	**15,717**	15,717
IMPAIRMENT		
At the beginning of the financial year	**–**	–
Less: Impairment loss recognised during the year	**(15,717)**	–
At the end of the year	**(15,717)**	–
CARRYING AMOUNT		
Unlisted investments, carrying amount	**–**	15,717

(ii) The amounts are unsecured, non-interest bearing and repayable on demand. For the year ended 31 December 2015, impairment loss of approximately HK$50,119,000 (2014: nil) has been recognised in respect of the amounts due from subsidiaries.

(iii) Reserves

	Share premium HK$'000	Contributed surplus HK$'000 *(note)*	Share options reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2014	102,385	15,516	731	36,802	155,434
Profit and total comprehensive income for the year	–	–	–	7,633	7,633
At 31 December 2014	102,385	15,516	731	44,435	163,067
Loss and total comprehensive expense for the year	–	–	–	(70,792)	(70,792)
Issue of shares upon exercise of share options	2,891	–	(731)	–	2,160
At 31 December 2015	105,276	15,516	–	(26,357)	94,435

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

41. PARTICUALRS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Name of subsidiary	Place of incorporation/ establishment and operations	Issued and paid up capital	Percentage of equity interest and voting power attributable to the Company				Principal activities
			2015		2014		
			Directly	Indirectly	Directly	Indirectly	
Sino Golf (BVI) Company Limited	BVI/Hong Kong	US$101	100	–	100	–	Investment holding
Sino Golf Manufacturing Company Limited ("Sino Golf Manufacturing")	Hong Kong	HK$2 (ordinary) HK$3,842,700 (non-voting deferred) (note (iii))	–	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 (ii))	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 (ii))	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 (ii))	PRC	HK$124,486,000 (2014: 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 name is for identification purpose only

Notes:

(i) 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.

(ii) These are wholly foreign-owned enterprises established under the PRC law.

(iii) 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. 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 to be returned.

41. PARTICUALRS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (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:

		Number of subsidiaries	
Principal activities	**Principal place of business**	**2015**	2014
Investment holding	Hong Kong	**–**	1
Inactive	Hong Kong	**2**	1
Inactive	PRC	**1**	4
		3	6

42. EVENTS AFTER THE REPORTING PERIOD

(A) BONUS ISSUE

Pursuant to the special resolution passed on 6 January 2016, the Company's authorised share capital has been changed from 1,000,000,000 ordinary shares of par value of HK$0.1 each into 10,000,000,000 ordinary shares of par value of HK$0.01 each. No change has been made on the amount of the authorised share capital.

After the change of the authorised share capital, bonus issue has been made on 22 January 2016 on the basis of four bonus shares for every one existing shares held by existing shareholders. 1,872,200,000 ordinary shares have been allotted and issued to existing shareholders as a result. Details are set out in the Company's announcement dated 14 December 2015.

(B) MAJOR ACQUISITION

On 2 February 2016, Future Success Group Limited ("Future Success"), a wholly-owned subsidiary of the Company incorporated after 31 December 2015, entered into a sale and purchase agreement with Top Force Ventures Limited ("Top Force"), an independent third party, for the purchase of an investment holding company named as Lucky Fountain Holdings Limited (the "Target Company"), which are wholly owned by Top Force, at a cash consideration of HK$235,700,000. The acquisition was not yet completed as of the date of approval of consolidated financial statements. Further details of the proposed acquisition are set out in the Company's announcement dated 2 February 2016, 26 February 2016, 11 March 2016 and 24 March 2016.

43. COMPARATIVE FIGURES

As a result of the retrospective adjustment of the bonus issue on 22 January 2016, comparative figures in note 14 have been restated to provide comparative amounts in respect of items disclosed in 2014.

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 2015 HK$'000	Year ended 31 December 2014 HK$'000	Year ended 31 December 2013 HK$'000	Year ended 31 December 2012 HK$'000	Year ended 31 December 2011 HK$'000
RESULTS					
Revenue	**261,766**	400,962	434,087	272,113	278,649
Cost of sales	**(240,102)**	(328,546)	(358,453)	(240,174)	(234,813)
Gross profit	**21,664**	72,416	75,634	31,939	43,836
Other operating income	**1,857**	2,099	1,553	1,986	3,062
Selling and distribution expenses	**(3,736)**	(4,790)	(3,131)	(2,615)	(5,331)
Administrative expenses	**(59,053)**	(53,415)	(48,727)	(41,143)	(47,143)
Gain on disposal of a subsidiary	**93**	–	–	–	–
Write-off of inventories	**(31,671)**	–	–	–	–
Impairment loss on goodwill	**(14,820)**	–	–	–	–
Finance costs	**(5,402)**	(7,591)	(9,328)	(8,475)	(10,433)
(LOSS) PROFIT BEFORE TAX	**(91,068)**	8,719	16,001	(18,308)	(16,009)
Income tax expense	**–**	(424)	(2,348)	(252)	(262)
(LOSS) PROFIT FOR THE YEAR	**(91,068)**	8,295	13,653	(18,560)	(16,271)
(Loss) Profit for the year attributable to:					
Owners of the Company	**(91,068)**	8,295	13,661	(18,531)	(16,242)
Non-controlling interests	**–**	–	(8)	(29)	(29)
	(91,068)	8,295	13,653	(18,560)	(16,271)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As At 31 December				
	2015 HK$'000	2014 HK$'000	2013 HK$'000	2012 HK$'000	2011 HK$'000
TOTAL ASSETS	**343,707**	463,649	496,004	478,003	532,267
TOTAL LIABILITIES	**(168,351)**	(150,364)	(191,151)	(189,667)	(219,172)
NON-CONTROLLING INTERESTS	**(2,730)**	(2,401)	(2,401)	(2,409)	(2,438)
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	**172,626**	310,884	302,452	285,927	310,657