Sino Golf Holdings Limited
順龍控股有限公司

(Incorporated in Bermuda with limited liability)

Stock Code: 00361

Annual Report 2016

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. HUANG Youlong *(Chairman) (Note 1)*
Mr. ZHAO Zheng *(Note 2)*
Mr. CHU Chun Man, Augustine
Mr. WONG Hin Shek *(Note 3)*
Mr. ZHANG Yi *(Note 4)*

Non-Executive Directors

Mr. LIU Tianmin *(Note 5)*
Mr. TUNG Sung-Yuan *(Note 5)*
Mr. WONG Hin Shek *(Note 3)*

Independent Non-Executive Directors

Mr. CHAN Kai Wing
Ms. CHU Yin Yin, Georgiana
Mr. YIP Tai Him

AUDIT COMMITTEE

Mr. CHAN Kai Wing *(Chairman)*
Ms. CHU Yin Yin, Georgiana
Mr. YIP Tai Him

REMUNERATION COMMITTEE

Mr. YIP Tai Him *(Chairman)*
Mr. CHAN Kai Wing
Ms. CHU Yin Yin, Georgiana
Mr. ZHAO Zheng *(Note 2)*

NOMINATION COMMITTEE

Mr. HUANG Youlong *(Chairman) (Note 1)*
Mr. WONG Hin Shek *(Note 3)*
Mr. CHAN Kai Wing
Ms. CHU Yin Yin, Georgiana
Mr. YIP Tai Him

COMPANY SECRETARY

Ms. CHOI Ka Ying *(Note 7)*
Ms. WONG Po Ling, Pauline *(Note 7)*

AUTHORISED REPRESENTATIVES

Mr. ZHAO Zheng *(Note 8)*
Ms. CHOI Ka Ying *(Note 8)*
Mr. WONG Hin Shek *(Note 8)*
Ms. WONG Po Ling, Pauline *(Note 8)*

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

CORPORATE INFORMATION

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 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

Room 4501
One Midtown
11 Hoi Shing Road
Tsuen Wan
Hong Kong *(Note 6)*

STOCK CODE

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

WEBSITE

http://www.sinogolf.com

Notes:

1. Mr. HUANG Youlong has been appointed as an executive Director, the Chairman of the Board and the Chairman of the Nomination Committee on 7 November 2016.

2. Mr. ZHAO Zheng has been appointed as an executive Director and a member of the Remuneration Committee on 11 November 2016.

3. Mr. WONG Hin Shek has ceased to be the Chairman of the Board and the Chairman of the Nomination Committee on 7 November 2016. He was re-designated as a non-executive Director from an executive Director on 7 November 2016.

4. Mr. ZHANG Yi has ceased to be an executive Director on 7 November 2016.

5. Mr. LIU Tianmin and Mr. TUNG Sung-Yuan have been appointed as non-executive Directors on 7 November 2016.

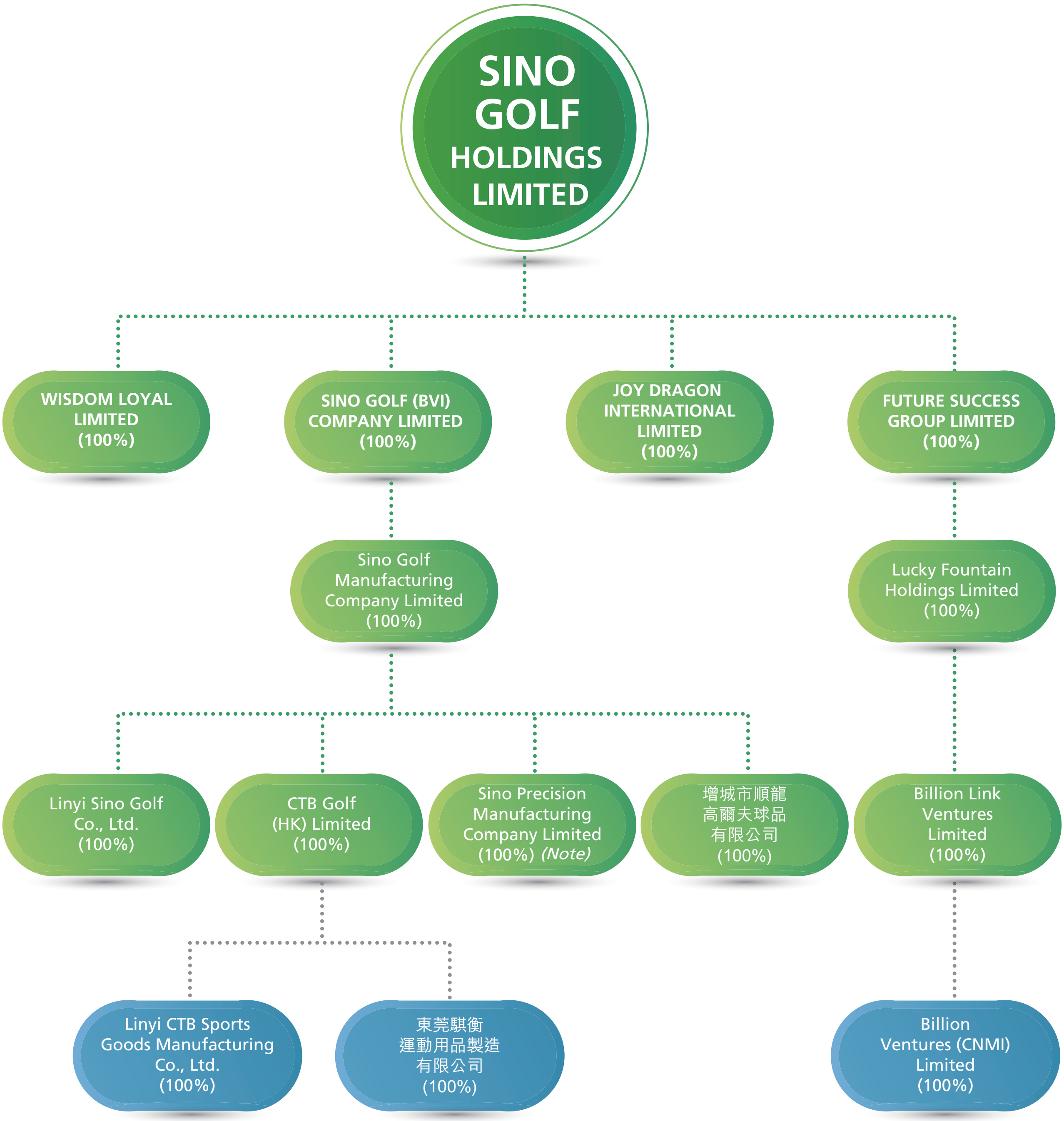
6. The Company changed the address of its principal place of business from 21st Floor, 1 Duddell Street, Central, Hong Kong on 25 January 2017.

7. Ms. WONG Po Ling, Pauline ceased to be the Company Secretary on 31 March 2017; Ms. CHOI Ka Ying was appointed as the Company Secretary on 31 March 2017 to fill the vacancy.

8. Mr. WONG Hin Shek and Ms. WONG Po Ling, Pauline ceased to be the Authorised Representatives on 31 March 2017; Mr. ZHAO Zheng and MS. CHOI Ka Ying were appointed as the Authorised Representatives on 31 March 2017 to fill the vacancies.

CORPORATE STRUCTURE

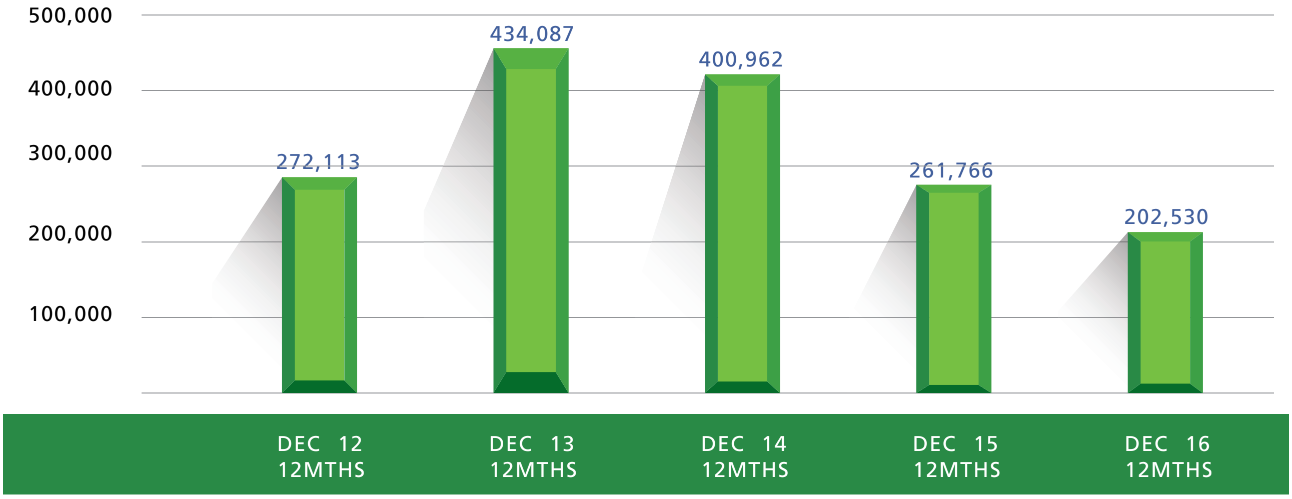
As at 31 December 2016



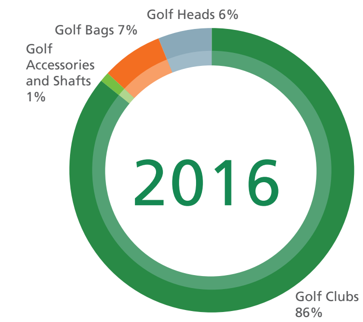
Note: Sino Precision Manufacturing Company Limited has been deregistered on 3 February 2017.

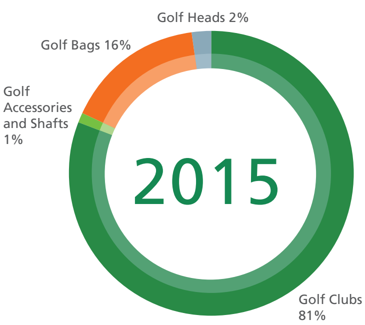
FINANCIAL HIGHLIGHTS

TURNOVER
(HK$'000)

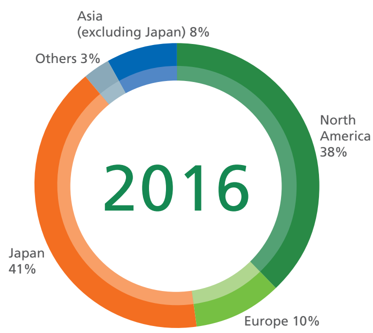


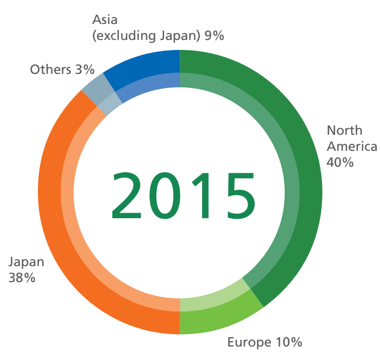
REVENUE BY PRODUCT



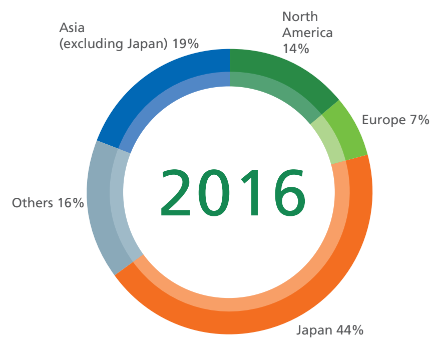


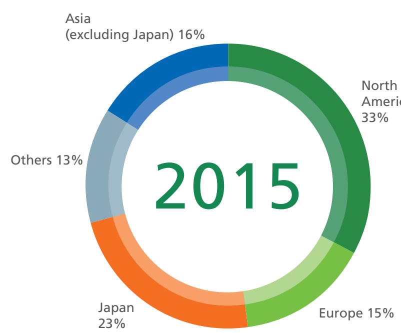
REVENUE (GOLF EQUIPMENT) BY GEOGRAPHICAL AREA





REVENUE (GOLF BAGS) 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 2016.

CHAIRMAN'S STATEMENT

BUSINESS REVIEW AND PROSPECTS

In 2016, with the slowdown in the global economy and an expected slower economic growth in the coming year, the golf market has encountered great challenges. The purchasing power of customers were significantly dampened and the Group recorded a significant decline of revenue. The Group's revenue for the year ended 31 December 2016 decreased by approximately 22.6% to approximately HK$202,530,000 (2015: approximately HK$261,766,000). Loss for the year attributable to owners of the Company was approximately HK$144,018,000 compared to a loss of approximately HK$91,068,000 in 2015. Basic and diluted loss per share were both approximately HK5.20 cents for the year 2016 (2015: basic and diluted loss per share were both approximately HK3.91 cents).

During the year, the Company appointed new members to the Board. In addition to my rich experience and wide network in investment in Hong Kong listed companies, our executive Director, Mr. Zhao Zheng, is an expert in possessing profound legal and investment projects. Besides, the two non-executive Directors, Mr. Liu Tianmin and Mr. Tung Sung-Yuan, have rich experience in strategic investments, portfolio management and private equity respectively.

Looking forward, the Directors are cautious about the prospect of the Group's operation and business approach, and we expect that the adverse operation environment will continue to affect the business of the Group in 2017. In order to strengthen the Group's competitive edge in a dynamic market, the Group pursued to reinforce the 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 investment to expand the revenue sources and enhance the long-term growth potential of the Group. On 16 May 2016, the Group completed its acquisition of Lucky Fountain Holdings Limited and its subsidiaries. The principal assets of the Lucky Fountain Holdings Limited and its subsidiaries are the twelve land parcels located in Saipan with a total site area of approximately 79,529 square metres. The acquisition provides the Group with opportunities to dip into the hospitality segment of Saipan and savor in the development of the tourism and golf related industries in Saipan. In 2016, no revenue (2015: Nil) was generated from the hospitality business whilst expenses were incurred only for the rezoning of lands in Saipan. The Group foresees a good prospect in the investment in Saipan.

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

APPRECIATION

On this note, I would like to take this opportunity to express my thanks to our customers, business partners and shareholders for the hard work and unwavering support throughout the year. On behalf of the Board, I would also like to thank my colleagues for their dedication and service throughout the year.

HUANG Youlong
Chairman
Hong Kong, 29 March 2017

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS AND BUSINESS REVIEW

During the year, the Group continued to operate under a depressed golf market resulting in further downturn in business revenue. The golf equipment sales notably decreased as the third largest segmental customer of the preceding year had no more business with the Group in the current year and shipments to the top two segmental customers dropped remarkably during the year in a volatile market with fierce competition. On the other hand, the golf bags sales plummeted more than half during the year as the largest segmental customer of the preceding year had ceased business with the Group. Sales to certain key segmental customers declined by various extent which was partially compensated by the sales increase in some other customers.

The Group's revenue for the year ended 31 December 2016 decreased by approximately 22.6% to approximately HK$202,530,000 (2015: approximately HK$261,766,000). Loss for the year attributable to owners of the Company was approximately HK$144,018,000 compared to a loss of approximately HK$91,068,000 in 2015. The deteriorated performance was mainly due to the depressed sales and the incurrence of exceptional expenditures. Basic and diluted loss per share were both approximately HK5.20 cents for the year (2015: basic and diluted loss per share were both approximately HK3.91 cents).

GOLF EQUIPMENT BUSINESS

The golf equipment segment continued to dominate as the main operating segment and accounted for approximately 92.5% of the Group's revenue for the year (2015: approximately 83.5%). Impacted by a reduction of shipments to major customers, the golf equipment sales decreased by approximately 14.3% to approximately HK$187,426,000 from approximately HK$218,574,000 in 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

During the year, sales to the largest segmental customer amounted to approximately HK$87,753,000 (2015: approximately HK$103,748,000), representing approximately 46.8% (2015: approximately 47.5%) of the segment revenue or approximately 43.3% (2015: approximately 39.6%) of the Group's revenue for the year, respectively. There were no shipment in 2016 to the third largest segmental customer of the preceding year (2015: approximately HK$16,824,000) following its reorganization to change procurement practice to place orders with the suppliers of its parent company. Moreover, shipments to the top two segmental customers dropped about 15.4% and 21.7% in 2016, respectively. Revenue generated from the top five segmental customers diminished by approximately 16.8% to approximately HK$172,349,000 (2015: approximately HK$207,216,000), representing approximately 92.0% (2015: approximately 94.8%) of the segment revenue or approximately 85.1% (2015: approximately 79.2%) of the Group's revenue for the year, respectively. In addition, one of the key segmental customers had announced in the second half of 2016 to terminate its golf segment so as to focus on its existing non-golf business going forward. The Group had completed all outstanding orders of this customer in the fourth quarter of 2016 and this incident was likely to adversely affect the golf equipment business of the Group in the ensuing year. Notwithstanding the unfavorable business conditions, the Group is devoted to continually developing the golf equipment business through long-term cooperation with the existing customers as well as exploring business opportunities with other reputable golf name brands with growth potential.

Subsequent to scaling down the Guangdong manufacturing facility (i.e. Yong He facility) to a workforce of about 20 employees in 2015, the Shandong manufacturing facility had reduced its workforce from about 1,000 employees to less than 700 employees during the year in response to a continued stagnant golf market with depressed demand. The Group had made severance payments equivalent to approximately HK$934,000 upon laying off the redundant workers. In light of the business downturn, the Group continued to closely monitor and review the profile of property, plant and equipment ("**PPE**") and inventories for identifying and disposal of retired items of PPE and off-season and impaired inventories. As a result, a loss of approximately HK$1,582,000 (2015: approximately HK$3,196,000) was incurred on disposal of property, plant and equipment and a loss of approximately HK$47,595,000 (2015: approximately HK$28,671,000) was recognized in respect of off-season and impaired inventories of the golf equipment segment. In addition, the Group had carried out an assessment of the PPE of the golf equipment segment as at 31 December 2016 to ascertain the existence of any impairment. As a result, an impairment loss of approximately HK$10,147,000 was recognized in respect of the PPE of the golf equipment segment for the current year (2015: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Hampered by the depressed market and the incurrence of exceptional expenditures, the golf equipment business recorded a segment loss of approximately HK$95,237,000 for the year ended 31 December 2016 (2015: approximately HK$69,492,000). Taking into account the prevailing market conditions and the sales orders received, it is anticipated that the golf equipment business will remain relatively stable in the ensuing year amid various challenges in 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 encountered great challenge in 2016 as the largest segmental customer of the preceding year had ceased business with the Group and sales to certain key segmental customers declined by various extent though partially compensated by the sales increase in some other customers. 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 65.0% to approximately HK$15,104,000 (2015: approximately HK$43,192,000), representing approximately 7.5% of the Group's revenue for the year (2015: approximately 16.5%). Total sales of the golf bags segment, before elimination of the inter-segmental sales of approximately HK$7,747,000 (2015: approximately HK$3,799,000), dropped by approximately 51.4% in 2016 to approximately HK$22,851,000 (2015: approximately HK$46,991,000). The inter-segmental sales represented the golf bags produced as components for fulfilling the orders of golf club sets placed by customers with the golf equipment segment. The sales of the golf club sets 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$8,088,000 (2015: approximately HK$30,465,000) and accessories sales mainly boston bags of approximately HK$7,016,000 (2015: approximately HK$12,727,000), representing approximately 53.5% (2015: approximately 70.5%) and approximately 46.5% (2015: approximately 29.5%) of the segment revenue, respectively. The golf bags sales dropped drastically by approximately 73.5% during the year mainly due to loss of business from the largest segmental customer whereas the boston bags sales decreased by a lesser extent of approximately 44.9% during the year. To mitigate the impact of business downturn, the Group had moved in the preceding year the golf bags operations to a smaller leased factory premises and successfully reduced the rental expenditures for the current year by about 53.0% to approximately HK$1,395,000 (2015: approximately HK$2,964,000). The Group had pursued effective cost control measures to rationalize costs and expenditures to the extent feasible.

Affected by the reduced sales, the golf bags segment recorded a segment loss of approximately HK$2,566,000 for the year (2015: approximately HK$9,608,000). Notwithstanding the depressed market conditions, the Group will continue to streamline the golf bags operations to enhance efficiency and embark on active marketing initiatives to promote sales in the ensuing year. Taking into consideration the sales orders received and the prevailing market conditions, the management has adopted a positive view with prudence on the outlook of the golf bags business amongst the challenges to be overcome.

HOSPITALITY BUSINESS

On 16 May 2016, the Group completed its acquisition of Lucky Fountain Holdings Limited ("**Lucky Fountain**") and its subsidiaries (collectively, the "**Lucky Fountain Group**") (the "**Acquisition**"). The principal assets of the Lucky Fountain Group are the twelve land parcels located in Saipan with a total site area of approximately 79,529 square metres (the "**Properties**"). The Acquisition provides the Group with opportunities to dip into the hospitality segment of Saipan and savor in the development of the tourism and golf related industries in Saipan.

In 2016, no revenue (2015: Nil) was generated from the hospitality business whilst expenses were incurred only for the rezoning of lands in Saipan. Rezoning of lands in Saipan has been progressing smoothly and is expected to be completed in early April 2017. In addition, during the year, the Group has signed a contract agreement (the "**Contract Agreement**") with an independent contractor in Saipan (the "**Contractor**") for the design and construction work to be performed on the Properties. A refundable deposit (the "**Refundable Deposit**") amounting to approximately US$17,379,000 (equivalent to approximately HK$135,556,000) had been paid to the Contractor upon the signing of the Contract Agreement. However, due to the unfulfillment of certain conditions, the Group and the Contractor have mutually agreed to terminate the Contract Agreement subsequent to the current year ended. The whole amount of the Refundable Deposit was refunded to the Company in March 2017.

PROSPECTS

Impacted by the continued depression in the golf market, the Group's revenue for the year 2016 further shrank. During the current year, golf bags sales plummeted by approximately 65.0% whilst golf equipment sales also decreased by approximately 14.3%. The Company nevertheless holds the view that the Group's financial position remains solid with adequate funds available to finance its operations. Taking into account the existing market conditions and the sales orders received, the management maintains a prudent view with caution that the golf equipment and golf bags business will continue to operate under great challenges amidst intense competition in the coming year.

On the other hand, 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. As mentioned above, on 16 May 2016, Future Success Group Limited, a wholly-owned subsidiary of the Company, completed the acquisition of entire equity interest in Lucky Fountain. Lucky Fountain is a company established in the British Virgin Islands with limited liability, with its principal activity being investment holdings. The principal assets of the Lucky Fountain Group are the Properties, which are located in Saipan. 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 in Saipan and the management is in the preliminary view to proceed the development of hotel resorts and/or timeshare condominiums on the Properties in several phases and corresponding rezoning work has already been started by the Group. Rezoning work is expected to be completed in early April 2017. In the current stage, the Group is focusing on the hunting of suitable vendors for the design and construction work of hotel resorts on the Properties in Saipan. It is believed by the Board that the acquisition provides a unique opportunity to the Group to be positioned in the Saipan resort industry.

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 2016 (2015: Nil).

FINANCIAL RESOURCES, LIQUIDITY AND GEARING

As at 31 December 2016, bank balances and cash, which were mostly denominated in United States dollars, Hong Kong dollars and Renminbi, amounted to approximately HK$24,424,000 (2015: approximately HK$17,063,000). As at 31 December 2016, interest-bearing borrowings of the Group comprising bank borrowings aggregated to approximately HK$68,494,000 (2015: approximately HK$73,494,000), of which all were repayable within one year. For expansion of business activities, the Group drew down loans from a third party amounting to HK$9,500,000 (2015: HK$5,000,000) with interest bearing of 12.0% per annum (2015: 12.0% per annum) and repayable within one year. Amounts due to related companies of approximately HK$53,373,000 as at 31 December 2016 (2015: HK$59,684,000) and amounts due to directors of approximately HK$17,135,000 as at 31 December 2016 (2015: Nil) were both unsecured, non-interest bearing and repayable on demand.

As at 31 December 2016, the gearing ratio, defined as bank borrowings, loan from a third party less bank balances and cash of approximately HK$53,570,000 (2015: approximately HK$61,431,000) divided by the shareholders' equity of approximately HK$375,225,000 (2015: approximately HK$175,356,000) was lowered to approximately 14.3% (2015: approximately 35.0%).

As at 31 December 2016, the total assets and the net asset value of the Group amounted to approximately HK$604,947,000 (2015: approximately HK$343,707,000) and approximately HK$375,225,000 (2015: approximately HK$175,356,000), respectively. Current and quick ratios as at 31 December 2016 were approximately 1.47 (2015: approximately 1.16) and approximately 1.11 (2015: approximately 0.44), respectively. Both the current ratio and quick ratio improved remarkably and the Group is devoted to continuing exploring possible means to further rationalize the financial position from time to time.

PLEDGE OF ASSETS

As at 31 December 2016, bank borrowings from certain PRC banks of approximately HK$68,494,000 (2015: approximately HK$73,494,000) were secured by property, plant and equipment and the prepaid lease payments of the Group with a carrying value of approximately HK$100,371,000 (2015: approximately HK$119,635,000). As at 31 December 2016, the Group had pledged bank deposit of RMB530,000 (equivalent to approximately HK$596,000) for a bank guarantee of RMB500,000 issued to the landlord of the Group's golf bags facilities (2015: RMB500,000).

CAPITAL STRUCTURE

On 8 July 2016, the Company, Wealth Sailor Limited (the "**Subscriber**") and Surplus Excel Limited and Mr. Jiang Jianhui (collectively as warrantors) entered into a subscription agreement (the "**Subscription Agreement**") pursuant to which, the Company has conditionally agreed to allot and issue to the Subscriber and the Subscriber has conditionally agreed to subscribe for: (i) an aggregate of 2,861,000,000 subscription shares (the "**Subscription Shares**") at the Subscription price of HK$0.114 per Subscription Share and (ii) the convertible bond (the "**Convertible Bond**") in the aggregate principal amount of HK$74,100,000, which entitle the Subscriber to subscribe for 650,000,000 conversion shares at the initial conversion price of HK$0.114 per conversion share (collectively, the "**Subscriptions**"). The resolutions approving, among other things, the Subscription Agreement and the transactions contemplated thereunder, as well as the whitewash waiver, were passed by shareholders of the Company on 20 October 2016, and the Subscription Shares and the Convertible Bond were issued and allotted to the Subscriber in accordance with the terms and conditions of the Subscription Agreement on 7 November 2016. Immediately after completion of the Subscriptions and assuming no conversion of the Convertible Bond, there were 5,201,250,000 shares of the Company in issue, and as at 31 December 2016, the number of issued shares of the Company remained the same. For details, please refer to the announcements dated 13 July 2016, 19 July 2016, 1 August 2016, 5 September 2016, 29 September 2016, 20 October 2016 and 7 November 2016, and the circular dated 30 September 2016.

USE OF PROCEEDS

The gross proceeds from the Subscriptions amounted to approximately HK$400,254,000. The net proceeds, after taking into account the expenses in relation to the Subscriptions, were approximately HK$396,019,000, and the Company applied the net proceeds of (i) approximately HK$249,338,000 for the settlement of the 12% interest bearing promissory note issued by the Group in May 2016 with the principal amount of HK$235,700,000 for the Acquisition; (ii) approximately HK$135,556,000 for the development costs of the 1st phase of the development of the hotel resorts and/or timeshare condominiums on the Properties; and (iii) the remaining net proceeds of approximately HK$11,125,000 as the general working capital of the Group.

CHANGE OF CONTROLLING SHAREHOLDER

Following completion of the Subscriptions and assuming no conversion of the Convertible Bond, the Subscriber held 2,861,000,000 ordinary shares, representing approximately 55.01% of the entire issued share capital of the Company as at 31 December 2016. For details, please refer to the announcements dated 13 July 2016, 19 July 2016, 1 August 2016, 5 September 2016, 29 September 2016, 20 October 2016 and 7 November 2016, and the circular dated 30 September 2016.

INVESTMENT POSITION AND PLANNING

On 16 May 2016, the Group has completed its acquisition in the entire interest of the Lucky Fountain Group at a consideration of HK$235,700,000 settling through issue of the promissory note.

The principal assets of the Lucky Fountain Group are the properties comprising twelve land parcels with a total site area of approximately 79,529 square metres located in Saipan, which is an attractive market for golf related tourism and is home to a host of golf courses. The Board is of the view that the acquisition is in line with the Group's intention to expand its existing business for better growth potential and presents good investment opportunities for the Group with a potential of capital appreciation in the long run.

The Lucky Fountain Group have become subsidiaries of the Company and their results, assets and liabilities have been consolidated into the consolidated financial statements of the Group.

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 2016. 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 2016, 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.

Another 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$1,535,000 with damages of approximately RMB55,000, equivalent to approximately HK$62,000, together with interest thereon and costs. On 25 November 2016, the PRC court gave judgment and ordered that (i) the plaintiff should be responsible for repairing, replacement and/or rework within 30 days of the court order so as to rectify to make those machinery and equipment sold to the defendant to be in compliance with the terms and standards set out in the sales and purchase contract and (ii) upon fulfillment of the court order by the plaintiff, the defendant shall pay within 10 days a sum of approximately RMB1,036,000 to the plaintiff as full and final settlement of its claim for the balance of purchase consideration. As at 31 December 2016, the plaintiff had not fulfilled the court order to complete the repairing, replacement and/or rework in compliance with the terms of the contract. The Directors are of the view that no provision for any potential liability needed to be made in the consolidated financial statements of the Group as it is uncertain whether or not the plaintiff will be able to fulfill the court order to complete the required work.

Other than as disclosed, the Group had no significant contingent liabilities as at 31 December 2016.

EVENT AFTER THE REPORTING PERIOD

No significant event has taken place subsequent to 31 December 2016.

CAPITAL COMMITMENTS

As at 31 December 2016, 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$664,000 (2015: approximately HK$1,552,000).

CHANGE OF DIRECTORS

(i) Mr. Zhang Yi resigned as an executive Director; (ii) Mr. Wong Hin Shek was re-designated as a non-executive Director and ceased to be the Chairman of the Board; (iii) Mr. Huang Youlong was appointed as the Chairman of the Board and an executive Director; and (iv) Mr. Liu Tianmin and Mr. Tung Sung-Yuan were appointed as non-executive Directors, all with effect from 7 November 2016. For details, please refer to the announcement dated 7 November 2016.

APPOINTMENT OF EXECUTIVE DIRECTOR AND CHIEF INVESTMENT OFFICER

Mr. Zhao Zheng was appointed an executive Director and the chief investment officer of the Company with effect from 11 November 2016. For details, please refer to the announcement dated 11 November 2016.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2016, the Group had approximately 910 employees located mainly in Hong Kong and the PRC. It is the Group's strategy to maintain a harmonious relationship with its employees through provision of competitive remuneration packages and career development opportunities. The employees are remunerated based on their duties, experience and performance as well as market practices. The remuneration packages are reviewed annually to assure fairness and appropriateness and discretionary bonuses may be awarded to employees based on individual performance.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. HUANG Youlong, aged 40, was appointed as an executive Director, the Chairman of the Board and the chairman of the Nomination Committee on 7 November 2016. He is an experienced business entrepreneur and a professional investor who has invested in other Hong Kong listed companies. As at the date of this report, Mr. Huang is interested in (i) through his wholly-owned company, Gold Ocean Media Inc., approximately 4.97% of the issued share capital of Alibaba Pictures Group Limited (Stock Code: 1060); (ii) through his wholly-owned company, Gold Ocean Investments Group Inc., 26.79% of the issued share capital of Jade Passion Limited, which in turn is interested in approximately 55.97% of the issued share capital of Yunfeng Financial Group Limited (Stock Code: 376); and (iii) 20.59% of the issued share capital of Jin Bao Bao Holdings Limited (Stock Code: 1239). Alibaba Pictures Group Limited, Yunfeng Financial Group Limited and Jin Bao Bao Holdings Limited are companies listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Mr. Huang is a non-executive director of Yunfeng Financial Group Limited (Stock Code: 376). Mr. Huang is also the chairman of Damo Gold Ocean Group Limited (大漠金海集團有限公司), the chairman of Mongolian Desert Resources LLC. (蒙古大漠資源有限責任公司) and the chairman of Grand Asia Pacific Investment Holding Pte. Ltd. (新亞太投資控股公司). Mr. Huang was the founder of Pattra Resort Guangzhou (廣州增城金葉子溫泉度假酒店).

Mr. ZHAO Zheng, aged 47, was appointed as an executive Director, the chief investment officer of the Company and a member of the Remuneration Committee on 11 November 2016. Mr. Zhao graduated from the School of Law of Inner Mongolia University in 1994 and obtained lawyer qualification in China in 1995, possessing profound legal and investment experience. Since 1995, Mr. Zhao has worked with Baotou Iron & Steel Group Company (包頭鋼鐵集團公司) and Guangdong Pengsheng Law Firm (廣東鵬盛律師事務所). Since 2006, Mr. Zhao was a partner of Beijing Longan (Shenzhen) Law Firm (北京隆安(深圳)律師事務所), specialising in litigations and non-contentious matters. Since 2010, Mr. Zhao has been the Legal Director of Mongolian Desert Resources LLC. (蒙古大漠資源有限責任公司) where he takes overall responsibilities for legal matters relating to the group's investments in Mongolia. Since 2013, Mr. Zhao has also been the Legal Director and Investment Director of Damo Gold Ocean Group Limited (大漠金海集團有限公司) where he takes overall responsibilities for legal matters relating to the group and the group's foreign investment projects. Mongolian Desert Resources LLC. (蒙古大漠資源有限責任公司) and Damo Gold Ocean Group Limited (大漠金海集團有限公司) are companies controlled by Mr. Huang Youlong, the Chairman and an executive Director.

Mr. CHU Chun Man, Augustine, aged 59, 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 33 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.

NON-EXECUTIVE DIRECTORS

Mr. LIU Tianmin, aged 55, was appointed as a non-executive Director on 7 November 2016. He has over eight years of experience in strategic investments and portfolio management. In March 2003, Mr. Liu was appointed as the vice president of Tongfang and the general manager of "Digital TV System" Division of Tongfang. Such division focuses on enhancing technological products and services on digital television network, and Mr. Liu was responsible for strategic investment and management of extensive portfolio of companies with business covering information technology, new media, internet, broadcasting services, telecommunication and information technologies equipment, such as Beijing Tongfang Ehero Co., Ltd (北京同方易豪科技有限公司), Beijing Tsinghua Tongfang Innovative Investment Co., Ltd. (北京同方創新投資有限公司), Know China International Holdings Limited (知網國際控股有限公司), Beijing Tongfang Legend Silicon Tech. Co., Ltd (北京同方凌訊科技有限公司) and Beijing Tongfang Gigamega Tech Co., Ltd (北京同方吉兆科技有限公司). Mr. Liu left Tongfang in 2009 and subsequently joined SB China Venture Capital (軟銀中國創業投資有限公司) as Managing Partner in November 2009. Established in 2000, SB China Venture Capital is a one of the top 10 venture capital firms in the PRC as ranked by CNBWeekly in 2009. Mr. Liu applies his previous experience in investing in technological fields in the management of the SB China Venture Capital's related funds.

Mr. Liu is an independent non-executive director of Neo-Neon Holdings Limited (同方友友控股有限公司) (Stock code: 1868) and a non-executive director of Technovator International Limited (同方泰德國際科技有限公司) (Stock code: 1206). Neo-Neon Holdings Limited and Technovator International Limited are listed on the Main Board of the Stock Exchange. Mr. Liu is also an independent director of Taiwan Wax Company, Ltd (Taiwan Stock code: 1742), a company listed on the Taiwan Stock Exchange.

Mr. TUNG Sung-Yuan, aged 44, was appointed as a non-executive Director on 7 November 2016. He is the founding partner of M Square Capital Partners. Mr. Tung has extensive experience in private equity, specializing in areas such as growth capital, mergers and acquisitions, restructuring. Mr. Tung possesses profound investment experience in media and retail sectors in the PRC and overseas.

From July 2008 to July 2011, Mr. Tung was the Chief Investment Officer of China Media (Tianjin) Investment Management Co., Ltd. (華人文化（天津）投資管理有限公司), where he managed China Media Capital (華人文化產業投資基金). Prior to being invited to join China Media (Tianjin) Investment Management Co., Ltd., Mr. Tung founded M Square Capital Partners in January 2008. Prior to founding M Square Capital Partners, Mr. Tung was a partner at Sycamore Ventures from 2001 to 2007, where he was responsible for Sycamore's investment activities in China. Sycamore Ventures was spun-off from Citigroup Venture Capital in 1995. Citigroup Venture Capital, founded in 1970's, is one of the earliest private equity fund management companies, and remains as a shareholder of Sycamore Asia and the largest limited partner of Sycamore's funds. Prior to joining Sycamore Ventures, Mr. Tung worked at Merrill Lynch New York's Global Debt Group specializing in structured finance products such as asset-backed securities, collateralized mortgage obligations, collateralized bond obligations, and commercial mortgage-backed security. Prior to joining Merrill Lynch, Mr. Tung began his career working in the Portfolio Management Unit at MetLife where he analyzed credit exposure, risk and returns of several fixed-income portfolios.

Mr. Tung previously served as chairman of Sakura (China) Co., Ltd., one of the PRC's largest branded kitchen appliance manufacturers. Mr. Tung was the lead arranger in the acquisition of Shaw Brothers by a consortium led by Dr. Charles Chan in 2011, whereby the consortium became the indirect single largest shareholder of Television Broadcasts Limited. Mr. Tung also was the lead executor of China Media Capital's acquisition of a controlling stake in Star China Media, which compose certain News Corporation's Asian assets, in 2010.

Mr. Tung graduated from Syracuse University, majoring in Finance.

Mr. WONG Hin Shek, aged 47, was appointed as an executive Director on 24 August 2015 and acted as the Chairman of the Board and the chairman of nomination committee of the Company from 14 September 2015 to 7 November 2016. Mr. Wong was re-designated as a non-executive Director after ceasing to be the Chairman of the Board on 7 November 2016. He obtained a Bachelor of Commerce degree from the University of Toronto in Canada and a Master of Science degree in Financial Management from the University of London in the United Kingdom. Mr. Wong has over 23 years of experience in the investment banking industry. He has been involved in the management, business development and strategic investment of listed companies in Hong Kong, having operations in environmental protection, hotel, and manufacturing industries. Mr. Wong is the 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 is currently the chairman and an executive director of DeTai New Energy Group Limited (stock code: 559), an executive director of Dongwu Cement International Limited (stock code: 695) and the chief executive officer and an executive director of Bisu Technology Group International Limited (stock code: 1372). He 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 these companies are listed on the Main Board of the Stock Exchange.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. CHU Yin Yin, Georgiana, aged 46, was appointed as an independent non-executive Director on 24 August 2015. Ms. Chu is also a member of each of the audit committee, the remuneration committee and the nomination committee of the Company. She 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. Ms. Chu 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 Bisu Technology Group International Limited (stock code: 1372). The shares of these companies are listed on the Main Board of the Stock Exchange.

Mr. YIP Tai Him, aged 46, 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, a member of each of the audit committee and the nomination committee of the Company. He has been a practising accountant in Hong Kong since 1999. Mr. Yip is a fellow 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 Shentong Robot Education Group Company Limited (stock code: 8206), GCL-Poly Energy Holdings Limited (stock code: 3800), Redco Properties Group Limited (stock code: 1622), Bisu Technology Group International Limited (stock code: 1372) and Epicurean and Company, Limited (stock code: 8213). 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 Vinco Financial Group Limited (stock code: 8340) from May 2008 to August 2016, Lajin Entertainment Network Group Limited (previously 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 56, was appointed as an independent non-executive Director on 24 August 2015. Mr. Chan is also the chairman of the audit committee of the Company, a member of each of the remuneration committee and the nomination committee of the Company. He obtained a Bachelor's Degree in Economics from Macquarie University in Sydney, Australia in April 1986. Mr. Chan 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 People's Republic of China, 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), Bisu Technology Group International Limited (stock code: 1372) and Nanfang Communication Holdings Limited (stock code: 1617). The shares of these companies 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 People's Republic of China from 1991 to 1999.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Ms. WONG Po Ling, Pauline, aged 39, was the Company Secretary during the year up to 31 March 2017. 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.

Ms. CHOI Ka Ying, aged 32, was appointed as the Company Secretary with effect from 31 March 2017. Ms. Choi joined the Group since January 2017 and was appointed as the Chief Financial Officer of the Company on 16 January 2017. Ms. Choi has obtained a Bachelor of Business degree. She is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of The Association of Chartered Certified Accountants. Prior to joining the Company, she worked for international audit firm and has over 10 years of experience in accounting, auditing and financial management.

Mr. LEE Yan Fai, aged 32, 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 47, is the senior marketing manager of the Group. Ms. Lee has over 24 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 function of the Group's golf business.

Mr. HE Xin Hong, aged 53, 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 the golf bags operation and the purchasing function of the Group's golf business. Mr. He has more than 25 years of experience in the golf manufacturing industry.

Mr. HUNG Yi Chuan, aged 54, 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 the golf equipment operation. Mr. Hung has more than 29 years of experience in golf manufacturing industry.

DIRECTORS' REPORT

The Directors present their report and the audited consolidated financial statements of the Group for the year ended 31 December 2016.

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 42 to the consolidated financial statements. During the year of 2016, the Group completed its Acquisition in Sapian. The Acquisition provides the Group with opportunities to dip into the hospitality segment of Saipan and savor in the development of the tourism and golf related industries in Saipan. Accordingly, the hospitality segment of Saipan has become a new segment of the Group's principal activities.

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 15 of this Annual Report.

The financial risk management objectives and policies of the Group are shown in Note 7 to 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 15 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 15 of this Annual Report.

The above discussions form part of the Directors' Report.

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.

DIRECTORS' REPORT

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2016 and the state of affairs of the Group at that date are set out on pages 58 to 60 of this Annual Report.

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

FINANCIAL SUMMARY

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 132 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 the 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 2016.

CHARITABLE DONATIONS

During the year, no charitable donations were made by the Group (2015: 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 41(iii) to the consolidated financial statements and in the consolidated statement of changes in equity on pages 61 to 63, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2016, 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 approximately HK$399,369,000, 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 85.1% of the total sales for the year and sales to the largest customer included therein amounted to approximately HK$87,753,000. 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

Mr. HUANG Youlong *(Chairman) (Note 1)*
Mr. ZHAO Zheng *(Note 2)*
Mr. CHU Chun Man, Augustine
Mr. WONG Hin Shek *(Note 3)*
Mr. ZHANG Yi *(Note 4)*

NON-EXECUTIVE DIRECTORS

Mr. LIU Tianmin *(Note 5)*
Mr. TUNG Sung-Yuan *(Note 5)*
Mr. WONG Hin Shek *(Note 3)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHAN Kai Wing
Ms. CHU Yin Yin, Georgiana
Mr. YIP Tai Him

Notes:

1. Mr. HUANG Youlong has been appointed as an executive Director, the Chairman of the Board and the Chairman of the Nomination Committee on 7 November 2016.

2. Mr. ZHAO Zheng has been appointed as an executive Director and a member of the Remuneration Committee on 11 November 2016.

3. Mr. WONG Hin Shek has ceased to be the Chairman of the Board and the Chairman of the Nomination Committee on 7 November 2016. He was re-designated as a non-executive Director from an executive Director on 7 November 2016.

4. Mr. ZHANG Yi has ceased to be an executive Director on 7 November 2016.

5. Mr. LIU Tianmin and Mr. TUNG Sung-Yuan have been appointed as non-executive Directors on 7 November 2016.

In accordance with Bye-law 86(2) of the Company's Bye-laws, since Mr. ZHAO Zheng was appointed as a Director by the Board on 11 November 2016, who so appointed by the Board will hold office until the next following annual general meeting of the Company and, being eligible, will offer himself for re-election at the forthcoming annual general meeting.

In accordance with Bye-laws 87(1) and 87(2) of the Company's Bye-laws, Ms. CHU Yin Yin, Georgiana, Mr. YIP Tai Him and Mr. CHAN Kai Wing will retire by rotation and, being eligible, will offer themselves 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.

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 Independent non-executive Directors 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.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 16 to 19 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 40 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 28 and 40 to the consolidated financial statements.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2016, 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 AND UNDERLYING SHARES OF THE COMPANY:

	Number of shares held and interests in underlying shares, 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. HUANG Youlong	–	–	3,511,000,000*	3,511,000,000	67.50%
Mr. CHU Chun Man, Augustine	46,460,520	750,000	–	47,210,520	0.91%

* On 7 November 2016, pursuant to the Subscription Agreement, an aggregate of 2,861,000,000 shares and 650,000,000 underlying shares were issued and allotted to the controlled corporation, Wealth Sailor Limited, upon the completion of the Subscription. Wealth Sailor Limited is an investment holding company incorporated in the British Virgin Islands. Mr. Huang is the sole ultimate beneficial shareholder and sole director of Wealth Sailor Limited, indirectly holding 100% of the issued share capital of Wealth Sailor Limited through his wholly-owned company, Prominent Victory Limited.

(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 2016, 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 Notes 30 and 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.

At 31 December 2016, no outstanding share option was held by the Directors (2015: nil). There were no share options granted, exercised, cancelled, lapsed or forfeited during the year ended 31 December 2016 (2015: 8,000,000 share options were exercised and no share options were granted, cancelled, lapsed or forfeited).

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

At 31 December 2016, the following interests of 5% or more of the issued share capital and underlying shares 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 and interest in underlying shares**	**Percentage of the Company's issued share capital**
Wealth Sailor Limited	(a)	Directly beneficially owned	3,511,000,000	67.50%
Prominent Victory Limited	(b)	Through a controlled corporation	3,511,000,000	67.50%
Ms. Zhao Wei	(c)	Through spouse	3,511,000,000	67.50%
Surplus Excel Limited	(d)	Directly beneficially owned	984,754,355	18.93%
Mr. Jiang Jianhui	(e)	Through a controlled corporation	984,754,355	18.93%

Notes:

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

(b) The interest disclosed are the shares directly beneficially owned by Wealth Sailor Limited, the issued share capital of which is wholly held by Prominent Victory Limited. Accordingly, Prominent Victory Limited is deemed to be interested in the shares owned by Wealth Sailor Limited.

(c) Ms. Zhao Wei is the spouse of Mr. Huang Youlong. Accordingly, Ms. Zhao Wei is deemed to be interested in the shares held by Mr. Huang Youlong.

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

(e) 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 2016, 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 nine years ended 31 December 2016 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 Directors' Report was approved and authorised for issue by the board of Directors.

ON BEHALF OF THE BOARD

HUANG Youlong
Chairman

Hong Kong
29 March 2017

CORPORATE GOVERNANCE REPORT

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 2016, 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 6 November 2016, the Board comprised six Directors, with three executive Directors, namely Mr. WONG Hin Shek (Chairman); Mr. ZHANG Yi and Mr. CHU Chun Man, Augustine and three independent non-executive Directors, namely Ms. CHU Yin Yin, Georgiana; Mr. YIP Tai Him and Mr. CHAN Kai Wing.

On 7 November 2016, (i) Mr. ZHANG Yi resigned as an executive Director; (ii) Mr. WONG Hin shek was re-designated as a non-executive Director and ceased to be the Chairman of the Board; (iii) Mr. HUANG Youlong was appointed as the Chairman of the Board and an executive Director; and (iv) Mr. LIU Tianmin and Mr. TUNG Sung-Yuan were appointed as non-executive Directors.

Also, on 11 November 2016, Mr. ZHAO Zheng was appointed as an executive Director.

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 16 to 19 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. ZHAO Zheng was appointed as a director by the Board on 11 November 2016, who so appointed by the Board will hold office until the next following annual general meeting of the Company and, being eligible, will offer himself for re-election at the forthcoming annual general meeting.

In accordance with Bye-laws 87(1) and 87(2) of the Company's Bye-laws, Ms. CHU Yin Yin, Georgiana, Mr. YIP Tai Him and Mr. CHAN Kai Wing will retire by rotation and, being eligible, will offer themselves 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 three retiring directors who will stand for re-election as independent non-executive Directors at the 2017 annual general meeting of the Company.

The Company's circular regarding the notice of 2017 annual general meeting contains detailed information of the Directors standing for re-election as executive Directors and independent non-executive Directors.

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. WONG Hin Shek acted as the Chairman of the Board and was also responsible for overseeing the general operations of the Group during the year up to 6 November 2016. Mr. HUANG Youlong started to act as the Chairman of the Board from 7 November 2016 onwards and took up the responsibility for overseeing the general operations of the Group from Mr. Wong since then. The Company does not have an officer with the title "Chief Executive Officer". The overall responsibility of supervising and ensuring that the Group functions in line with the order of the Board in terms of day-to-day operations and execution is vested in the Board itself. The deviation is deemed appropriate and the Board believes that even vesting the roles of both chairman and chief executive officer in the same person could still provide the Company with strong and consistent leadership and allow for effective and efficient planning and implementation of business decisions and strategies. The Board further considers that the current structure does not impair the balance of power and authority between the Board and the management of the Company.

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 non-executive Directors and independent non-executive Directors 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 Independent non-executive Directors 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 Independent non-executive Directors. The Board considers each of the Independent non-executive Directors to be independent by reference to the factors as set out in Rule 3.13 of the Listing Rules. The Independent non-executive Directors 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 executive Directors 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 risk management and internal control systems;
- 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 2016 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 meetings, Nomination Committee meetings and the general meetings of the Company held during the year is set out in the following table:

Meetings held for the year ended 31 December 2016

	Board	Audit Committee	Remuneration Committee	Nomination Committee	Independent Board Committee	General Meeting
Executive Directors						
Mr. HUANG Youlong (Chairman) (Note 1)	1/3	N/A	N/A	N/A	N/A	N/A
Mr. ZHAO Zheng (Note 2)	1/1	N/A	N/A	N/A	N/A	N/A
Mr. CHU Chun Man, Augustine	15/19	N/A	N/A	N/A	N/A	1/4
Mr. WONG Hin Shek (Note 3)	16/16	N/A	N/A	2/3	N/A	4/4
Mr. ZHANG Yi (Note 4)	0/16	N/A	N/A	N/A	N/A	0/4
Non-Executive Directors						
Mr. LIU Tianmin (Note 5)	0/3	N/A	N/A	N/A	N/A	N/A
Mr. TUNG Sung-Yuan (Note 5)	2/3	N/A	N/A	N/A	N/A	N/A
Mr. WONG Hin Shek (Note 3)	1/3	N/A	N/A	N/A	N/A	N/A
Independent Non-Executive Directors						
Mr. CHAN Kai Wing	15/19	2/2	3/3	3/3	2/2	2/4
Ms. CHU Yin Yin, Georgiana	19/19	2/2	3/3	3/3	2/2	4/4
Mr. YIP Tai Him	16/19	2/2	2/3	2/3	2/2	4/4
Total number of meetings held	19	2	3	3	2	4

Notes:

1. Mr. HUANG Youlong has been appointed as an executive Director, the Chairman of the Board and the Chairman of the Nomination Committee on 7 November 2016.

2. Mr. ZHAO Zheng has been appointed as an executive Director and a member of the Remuneration Committee on 11 November 2016.

3. Mr. WONG Hin Shek has ceased to be the Chairman of the Board and the Chairman of the Nomination Committee on 7 November 2016. He was re-designated as a non-executive Director from an executive Director on 7 November 2016.

4. Mr. ZHANG Yi has ceased to be an executive Director on 7 November 2016.

5. Mr. LIU Tianmin and Mr. TUNG Sung-Yuan have been appointed as non-executive Directors on 7 November 2016.

Code provision A.6.7 of the CG Code requires that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders.

Mr. Chan Kai Wing, an independent non-executive Director, did not attend the special general meetings of the Company ("**SGM(s)**") held on 6 January 2016 and 20 October 2016 respectively due to his other business engagement. However, the Board believes that the presence of other independent non-executive Directors at such general meeting still allowed the Board to develop a balanced understanding of the views of shareholders.

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 Independent non-executive Directors. 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, the Audit Committee consisted of three independent non-executive Directors, namely Mr. CHAN Kai Wing (Chairman of the Audit Committee), Mr. YIP Tai Him and Ms. CHU Yin Yin, Georgiana. 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 2016, 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 2015 annual report and annual results announcement and the 2016 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.

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

(d) It has reviewed the audit plan for the financial year ended 31 December 2016, 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, risk management and internal control and financial reporting matters. The Audit Committee has also reviewed the Group's results for the year ended 31 December 2016. 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 2016.

2. REMUNERATION COMMITTEE

During the year up to 10 November 2016, the Remuneration Committee consisted of three independent non-executive Directors, namely Mr. YIP Tai Him (Chairman of the Remuneration Committee), Mr. CHAN Kai Wing and Ms. CHU Yin Yin, Georgiana. On 11 November 2016, Mr. ZHAO Zheng was appointed as an executive Director and as an additional member 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 2016 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	
	2016	2015
Nil to HK$1,000,000	**3**	3
HK$1,000,000 – HK$1,500,000	**0**	0
	3	3

3. NOMINATION COMMITTEE

During the year up to 6 November 2016, there were four members of the Nomination Committee of which one member is an executive Director, namely Mr. WONG Hin Shek (Chairman of the Nomination Committee) and three independent non-executive Directors, namely, Ms. CHU Yin Yin, Georgiana, Mr. YIP Tai Him and Mr. CHAN Kai Wing. On 7 November 2016, Mr. WONG Hin Shek ceased to be chairman of the Nomination Committee, and Mr. HUANG Youlong has been appointed as a member and 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 Independent non-executive Directors;

(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 2016 to (i) review the structure, size and composition of the Board; (ii) assess the independence of all Independent non-executive Directors of the Company; and (iii) review the effectiveness of the Board Diversity Policy.

4. INDEPENDENT BOARD COMMITTEE

On 8 July 2016, the Company entered into the Subscription Agreement with the Subscriber and the warrantors in relation to the subscription of the Subscription Shares and the Convertible Bond. An independent board committee comprising all three independent non-executive Directors, namely, Mr. CHAN Kai Wing, Ms. CHU Yin Yin, Georgiana and Mr. YIP Tai Him was formed to make a recommendation to the Board on 19 July 2016 to appoint Royal Excalibur Corporate Finance Company Limited as the independent financial adviser of the Company (the "**IFA**") in accordance with Rule 2.1 of the code on Takeovers and Mergers issued by the Securities and Futures Commission in Hong Kong to advise the independent shareholders as to the fairness and reasonableness of the terms of the Subscription Agreement and the whitewash waiver.

Taking into account the terms of the Subscription Agreement and the whitewash waiver and the independent advice from the IFA, the independent board committee considered that the terms of the Subscription Agreement and the whitewash waiver were fair and reasonable so far as the independent shareholders were concerned. Accordingly, the independent board committee recommended the independent shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM in respect of the Subscription Agreement and the transactions contemplated thereunder, as well as the whitewash waiver on 20 October 2016. The independent shareholders were recommended to read the full text of the letter from the IFA set out in the circular dated 30 September 2016.

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 2016.

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 auditor's 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.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for maintaining and reviewing the effectiveness of the Group's risk management and internal control system. The risk management and internal control systems are 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 risk management and internal control systems 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 risk management and 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 risk management and internal control systems and evaluating findings on any deficiencies in the design of the risk management and 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 risk management and internal control systems:

(a) the policies regarding procedures of risk management 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, risk management and 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 Company engaged professional firms in possession of relevant expertise to conduct annual independent reviews of the risk management and internal control systems of the Group for the financial year ended 31 December 2016, in order to ensure (i) proper process used to identify, evaluate and manage significant risks; (ii) main features of the risk management and internal control systems were identified; (iii) the systems were designed to manage the risks to achieve business objectives and provide reasonable assurance against material misstatement or loss; (iv) appropriate process to resolve material risk management and internal control defects; and (v) effective procedures of risk management and internal controls for inside information management.

The Board has conducted a review on the effectiveness of risk management and internal control systems 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 risk management and internal control systems are effective and adequate and the Company has complied with the code provisions on the risk management and 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 meetings 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 2017 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 2 June 2016 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 2016 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 16 June 2017 and will be conducted by way of poll for resolutions put to the vote thereat.

During the year of 2016, three SGMs were held for the purposes of considering the following matters:–

(a) Capital Reorganisation and Bonus Issue

On 6 January 2016, a SGM was held 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

(b) Major Transaction – Acquisition of Lucky Fountain Holdings Limited

On 16 May 2016, a SGM was held at 8th Floor, Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong for the purpose of considering and passing the resolution as follows:

"To approve, confirm and ratify the Agreement (as amended and supplemented by the supplemental agreement dated 5 April 2016) and the transactions contemplated thereunder including but not limited to the issue of the Promissory Note and to authorise any one Director to do all such acts and things as he/she considers necessary, desirable or expedient in connection with the implementation of or giving effect to the Agreement and the transactions contemplated thereunder and to agree with such variation, amendment or waiver as, in the opinion of the Directors, in the interests of the Company and its shareholders as a whole"

The Directors believed that the acquisition is 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 resolution have been posted on the websites of the Stock Exchange and the Company, respectively."

(c) (i) Proposed subscription of Subscription Shares and Convertible Bond; (ii) application for Whitewash Waiver; and (iii) appointment of Directors

On 20 October 2016, a SGM was held 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 confirm, approve and ratify the Subscription Agreement and the transactions contemplated thereunder, including but not limited to the allotment and issue of the Subscription Shares, the issue of the Convertible Bond and the allotment and issue of the Conversion Shares upon exercise of the conversion rights attaching to the Convertible Bond;

(ii) Subject to the granting of Whitewash Waiver by the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any of his delegate(s) and any conditions that may be imposed thereon, to approve the Whitewash Waiver;

(iii) To approve the appointment of Huang Youlong as an executive Director with effect from the completion of the Subscriptions and to authorise the Board to fix his remuneration;

(iv) To approve the appointment of Liu Tianmin as a non-executive Director with effect from the completion of the Subscriptions and to authorise the Board to fix his remuneration; and

(v) To approve the appointment of Tung Sung-Yuan as a non-executive Director with effect from the completion of the Subscriptions and to authorise the Board to fix his remuneration."

The Directors believed that the Subscriptions 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 resolution have been posted on the websites of the Stock Exchange and the Company, respectively.

COMPANY SECRETARY

Ms. WONG Po Ling, Pauline, who had been the company secretary of the Company, resigned from the position of the Company Secretary on 31 March 2017. Ms. CHOI Ka Ying was appointed as the company secretary of the Company to fill the vacancy on 31 March 2017. 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.

CORPORATE GOVERNANCE REPORT

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, SHINEWING (HK) CPA Limited and its affiliate company, in respect of audit services and non-audit services for the year ended 31 December 2016, are set out below:

	HK$'000
Audit services	980
Non-audit services:	
– Taxation services*	32
– Others	435
	467
	1,447

* Performed by SHINEWING (HK) CPA Limited's affiliate company

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) 3976 6928 during normal business hours, by fax at (852) 3976 6916 or by e-mail at admin@sinogolfholdings.com.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Introduction

Sino Golf Holdings Limited (the "Company") is listed on the Main Board of The Stock Exchange of Hong Kong Limited (Stock Code: 361). The Company with its subsidiaries (collectively referred to as the "Sino Golf Group" or the "Group" or "we"), focuses on its business in (i) manufacturing and trading of golf equipment, golf bags and accessories; and (ii) developing hospitality services.

This section is our first report outlining our commitments and strategies to environmental protection, social responsibility and governance. Our report provides an overview of the environment, community, employment and labor practices and operation convention for the year ended 31 December 2016, with a coverage of the Company's Hong Kong office and its operation site in Shandong. Our report serves two main purposes:

- Ensuring that our environmental, social and governance performance is clearly and openly communicated with our stakeholders; and

- Stimulating discussion with and soliciting input from our stakeholders in the shaping of our business.

Relevant disclosures of this report are made in accordance with the Environmental, Social and Governance Reporting Guide published by The Stock Exchange of Hong Kong Limited, highlighting our performance in various aspects of the guide in the current financial year. The scope of reporting covers the Group's headquarters and its subsidiary operating companies and contains only the most material segment information of the Group. Considering that the impact of hospitality services business was immaterial in the current financial year, our first report only included the manufacture and trade of golf equipment, gold bags and accessories business.

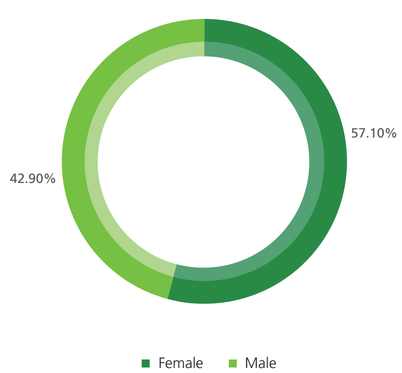
Scope of this Report

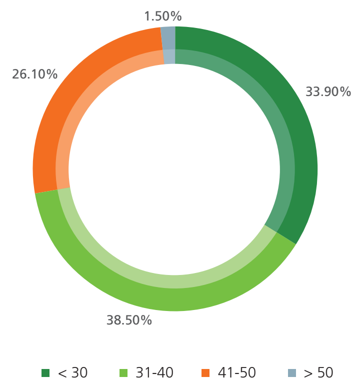
This report covers material issues arising from the Company's principal activities in Hong Kong and its operation site in Shandong during 1 January 2016 to 31 December 2016. Considering that the hospitality business was newly acquired and its impact was immaterial in the current financial year, our first report with particular focus on impacts arising from our manufacturing and trading of golf equipment, golf bags and accessories operations, which are the core of our business and account for the whole share of our revenues.

OUR PEOPLE

We recognise that our team of about 910 employees are the most valuable assets of the Group at all time and in every aspect. We have guidelines relating to remuneration, compensation and dismissal, recruitment and promotion, working hours, equal opportunity and diversity, anti-discriminations, and other benefits and welfare of the employees.

COMPOSITION OF OUR PEOPLE BY GENDER AND AGE IN 2016





Talent Acquisition and Retention

The Group seeks and welcomes talented and passionate people. We have particular personnel and department to handle stringent recruitment process. Job applicants are to be interviewed and tested fairly for their capabilities thoroughly. As an equal opportunity employer, the Group is committed to employing a diverse and suitable workforce according to relevant laws and regulations in local areas. We adopt a zero tolerance approach to unethical labour practices including child labour and forced labour. Throughout 2015 and 2016, there were no reported cases of child labour and forced labour.

At all time, we strictly comply with Employment Ordinance in local areas for the protection of benefits of employees. Meanwhile, the Group has established a comprehensive performance review mechanism in order to evaluate performance of employees openly and fairly. The Group offers competitive remuneration and benefit package to employees to express our great gratitude towards their effort.

Equal Opportunity and Diversity

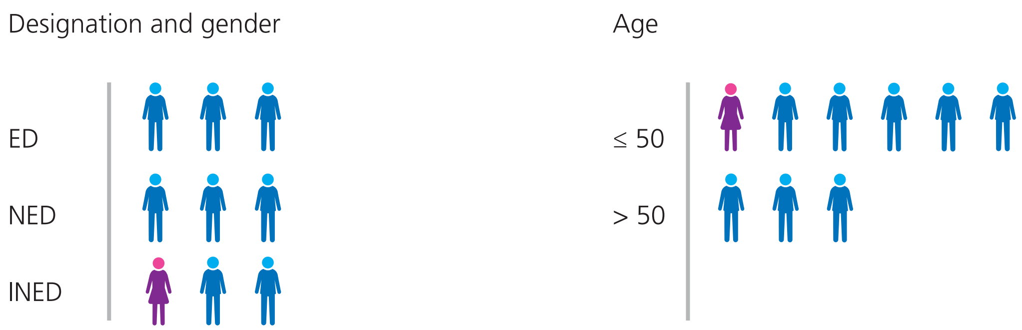
As an equal opportunity employer, we recruit new talent based on their professional competence, personal qualities and commitment. Recruitment opportunities are open to all, regardless of race, age or gender. We identify prospective new hires using appropriate assessment tools and regularly review our recruitment mechanism to ensure criteria for recruitment aligns with our up-to-date requirements. As at 31 December 2016, the Group had a total of approximately 670 staff members based in our main operation site located in Shandong.

There were no reported cases on discrimination, child labour and forced labour for the year 2016 (2015: nil).

Our Board

We believe board diversity enhances decision-making capability. We recognise that board diversity is a vital element contributing to the sustainable development and growth of the Group. In designing our Board's composition, we consider a number of aspects, including but not limited to gender, age, cultural and education background, professional experience, skills and knowledge. We will also consider the Group's business model and specific needs from time to time in determining the optimal composition of the Board.

COMPOSITION OF OUR BOARD BY GENDER AND AGE IN 2016



OCCUPATIONAL SAFETY AND HEALTH

Management and Prevention

Safety is the top priority in everything we do. Our Group pays special attention to providing a healthy and safe working environment for our employees and business partners. We strive to ensure the safety and wellbeing of our employees and business partners by:

- complying straightly with all applicable laws and regulations
- providing trainings regularly to enhance staffs' awareness of relevant health and safety issues
- reviewing and revising safety guidelines from time to time
- performing quarterly check on machines and equipment to ensure they are properly functioning

As well as attending to day-to-day health and safety considerations, we also prepare for the unexpected. Occupational safety signs are posted everywhere in the operation site to alert manufacturing workers to the importance of wearing protective equipment. Meanwhile, we also carry out regular emergency drills to augment the ability of emergency preparedness and response of our employees.

In the event of any safety incident at work, our employees have to report and investigate the incident in accordance with the Group's policy. All employees must report to their supervisors in respect of any accident at work for immediate implementation of appropriate protective measures.

Performance Statistic

Group Safety Performance	Year 2016	Year 2015
Fatalities	**0**	0
Number of lost time injuries	**4**	9
Number of days lost	**100**	213.5
Number of occupational disease	**0**	0

Group Safety Performance by Region in 2016	Hong Kong	Mainland China	Total
Fatalities	0	0	0
Number of lost time injuries	0	4	4
Number of days lost	0	100	100
Number of occupational disease	0	0	0

Development and Training

Our Group considers that the capabilities of our employees are the key requirements to maintain the Group's sustainability and to increase the revenue for the Group. Hence, the Group encourages its employees to attend relevant training courses to enhance their knowledge and skills for discharging duties at work. Regular meetings were held throughout the reporting period not only to provide internal trainings, but also to provide more channels for staffs from different departments to gather together to exchange their opinions and concerns.

In 2016, training courses held included:

- Management of hazardous waste
- Environmental protection training
- Safety way to operate machinery
- Updates in relevant laws and regulations

Relevant certificates were granted to attendees upon completion of training courses.

Employee training statistic (Average hours per employee)	**Year 2016**
By training type	
Pre-service training	**24**
On-the job training	**23**
By professional category	
Managerial	**20**
General and technical staff	**23**
By region	
Hong Kong	**2.5**
Mainland China	**23**

OUR ENVIRONMENT

> **"If the world's renewable natural resources were divided among everyone on Earth in 2012, each would have 1.7 global hectares (gha) on Earth. However, an average Hong Kong person needed 6.7 gha." (WWF Hong Kong, 2016)**

We recognise the damages that mankind make to this planet, and we are committed to reducing negative impact to our environment by conducting our business in an environmentally responsible manner. It is our policy to comply fully with applicable laws and regulations to integrate environmental considerations into all aspects of our business operation.

Our Approach

We are committed to serving as a good steward of the environment. We mitigate effects on the environment by ensuring that our day to day operations promote and implement responsible environmental practices and continual improvement. All employees are responsible and accountable for operating and working in an environmentally responsible manner.

During the year, the Group has engaged the Hong Kong Productivity Council (the "Productivity Council") to advise us on the environmental issues over (i) manufacturing systems, and (ii) energy saving and environmental protection. Throughout the engagement, the Productivity Council assessed our main production process, energy efficiency of peripheral devices and released their opinions on energy savings policies of the Group.

The Group has integrated advice from the Hong Kong Productivity Council and formulated some internal guidelines in order to achieve cost saving and reduction on consumption of energy.

Electricity

- Office temperature generally maintained at 25.5°C
- Air conditioning zoning in office to reduce unnecessary energy wastage
- Lights switched off when not in use

Waste

- General recycling programs launched for a wide variety of non-hazardous waste items including plastic, metals and paper
- Total paper recycled in the headquarter office for the current year reached 20 kg

Paper

- Duplex printing adopted in office
- Staffs encouraged to use recycled paper where possible

Gas

- Natural gas used in place of diesel fuel in our Shandong manufacturing plant

Shandong Factory Energy Assessment

The Group is concerned most about the environmental impact on the production plant in Shandong as it contributed over 80% of the Group's revenue. Since 2012, the Group has engaged Tancheng County Environmental Monitor Station, an independent monitor organisation, to carry out a one-day assessment every year to assess emission levels of our Shandong factory. Testings were conducted in aspects of wasted gas, wastewater and noise.

Air and Greenhouse Gas Emissions Emitted from the Furnace

Type	Year 2016 Mean value	Year 2015 Mean value	Tolerance standard value	Standard
Dust (mg/m^3)	12.7	12.5	20	DB37/2375-2013 Graph 2
SO_2 (mg/m^3)	57	126	200	DB37/2375-2013 Graph 2
NO_X (mg/m^3)	104	97	200	DB37/2375-2013 Graph 2
Smoke gas emission volume (m^3/h)	384	376	N/A	N/A

Air and Greenhouse Gas Emissions Emitted from the Diesel Generator

Type	Year 2016 Mean value	Year 2015 Mean value	Tolerance standard value	Standard
Dust (mg/m^3)	13.7	10.7	20	DB37/2375-2013 Graph 2
SO_2 (mg/m^3)	121	120	200	DB37/2375-2013 Graph 2
NO_X (mg/m^3)	91	90	200	DB37/2375-2013 Graph 2
Smoke gas emission volume (m^3/h)	218	213	N/A	N/A

Concentration of Wastewater

Type	Year 2016	Year 2015	Tolerance standard value	Standard
Chemical Oxygen Demand volume (mg/L)	**N/A**	46	50	Note 1
	386	N/A	500	Note 2
Ammonia-N (mg/L)	**N/A**	3.98	5	Note 1
	15.6	N/A	35	Note 2
Suspension (mg/L)	**N/A**	12	20	Note 1
	240	N/A	300	Note 2
Total Phosphorus (mg/L)	**N/A**	5.62	10	Note 1
	3.67	N/A	4	Note 2

Note 1: DB37/599-2006 Standard was adopted in year 2015

Note 2: Development Zone Sewage Treatment Plant Water Quality Standard was adopted in year 2016

Emissions of Noise

Type	Year 2016	Year 2015	Tolerance standard value	Standard
Average of Noise from Daytime (dBA)	**57.3**	56.9	60	GB12348-2008 Category II Functional Zone
Average of Noise from Night (dBA)	**45.9**	45.8	50	GB12348-2008 Category II Functional Zone

Knowing that the top emission hotspots were furnace and diesel generator, we have developed measures to reduce emissions in those areas. Relevant personnel in certain departments are assigned to check and monitor the quality of the emissions regularly so as to mitigate the hazardous emissions. We also hold regular meetings relating to the handling of hazardous and non-hazardous wastes, initiatives of reduction of hazardous emissions, and ways of achievement in creating better environment.

Our Performance

Statistics has proved our effort in mitigating emissions. Group emissions of Chemical Oxygen Demand ("COD"), NH_3-N, SO_2 and NO_x in 2016, decreased by 10%, 0%, 13% and 33% respectively. Key emissions of the Group decreased by 17%. However, while key hazardous waste of the Group decreased by 35% when compared to 2015, levels of waste mineral oil and waste paint bucket and waste increased by 4.8%. Considering that the production of hazardous waste was unavoidable during normal courses of production, the Group will alternatively find ways to mitigate the effect that hazardous waste will bring to the environment, such as recycle of hazardous waste.

Key Emissions Data in Shandong Production Plant

Emissions type	Year 2016 (Tons)	Year 2015 (Tons)	Variances
COD	**1.8**	2.0	↓10%
NH_3-N	**0.2**	0.2	–
SO_2	**0.7**	0.8	↓13%
NO_x	**1.0**	1.5	↓33%

Key Hazardous Waste Data in Shandong Production Plant

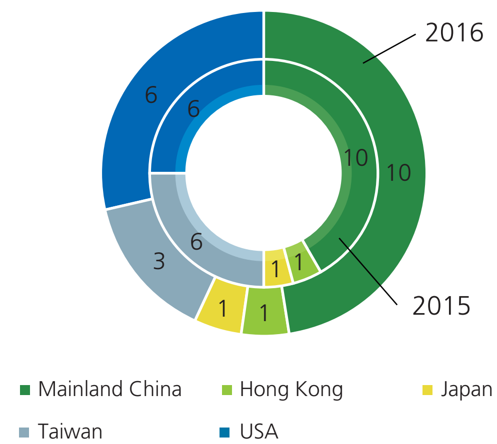
Hazardous waste type	Year 2016 (Tons)	Year 2015 (Tons)	Variances
Waste Organic Solvent (900-403-06)	**2.6**	5.0	↓48%
Waste Mineral Oil (900-200-08)	**1.3**	1.24	↑4.8%
Waste Water Treatment Sludge (364-064-17)	**0.5**	0.5	–

OUR SUPPLY CHAIN

Our suppliers provide a wide range of products and services. We recognise the positive impact we can have on our suppliers by clearly communicating our expectations on sustainability issues. We believe that our commitment to enhancing the quality of products is instrumental in maintaining our overall reputation.

There were no significant changes to the Group's key supply chain in 2016. We procured from 21 (2015: 24) key suppliers[1] for a total of HK$49,472,000 (2015: HK$75,482,000) in 2016, which constitutes to 57% (2015: 64%) of our total purchase in the current year. 38% (2015: 32%) of the total key suppliers amount was from local suppliers in Hong Kong and Mainland China, thus supporting the local community while meeting the Group's business needs.

Number of Key Suppliers by Region



Key Suppliers Purchase Amount by Region

Region	Year 2016	Year 2015
Mainland China	**34%**	30%
Hong Kong	**4%**	2%
Japan	**2%**	2%
Taiwan	**27%**	25%
United States	**33%**	41%
Total	**100%**	100%

1 Suppliers who supply goods to the Group over HK$1,000,000 each year

Supplier Assessment

Suppliers are assessed for their capability to fulfil our business needs based on a price and non-price factors such as labor practices, environment and quality.

Our Group has implemented consistent appropriate measures with the aim of managing environmental and social risks of the supply chain. We hold periodical meetings with our suppliers so as to improve our business relationship and to solve any problems and difficulties. Meanwhile, our procurement department continuously seeks potential new suppliers in an attempt to find more reliable and price competitive raw materials for our production.

Product Responsibility

The Group continually not only meets, but exceeds our customers' needs. Providing our customers with on-time delivery, quality and safe products is our all-time target. We conduct stringent quality assurance programs and quality control procedures. Toolings are precisely produced from the beginning. Products are fully inspected in accordance with high standard quality control procedures at various stages of the manufacturing process. A full range of quality control and testing instruments and equipment including X-ray machines, salt-sprays, air-cannons, spectrometers, coefficient of Restitution (C.O.R.), graphite shaft frequency and torque, shaft loading and various other equipment, are used to properly and effectively conduct the related quality assurance programs. In case of any non-compliance or material quality issues found on our products, we also have recall procedures to recall our products as necessary. There was zero case of non-compliance of product responsibility in Hong Kong and the Mainland China for the year 2016 (2015: zero case).

Anti-corruption

We are committed to providing quality products to customers and all employees must perform duties at the highest level of integrity, commitment and professionalism. The Group has implemented anti-corruption measures which were covered by the Code of Conducts and employee guidelines to prohibit the employees from engaging in activities relating to bribery, extortion, fraud and money laundering. We also provide guidance for all employees which are made for the purpose of setting out the standard of behavior expected for our employees, such as acceptance/offer of gifts or entertainment during the course of soliciting business, conflict of interest and outside employment. A complete whistle-blowing system was also established to encourage and enable employees to raise serious and material concerns from within the Company. The Group has not received any non-compliance matters in this aspect throughout the period up to the reporting date. There was no convicted case of corruption during the year 2016 (2015: nil).

OUR COMMUNITY

Community Involvement

As a responsible enterprise, we believe in the importance of giving back to society while operating our business. The Group supports a harmonious and sustainable working environment. Concerning the needs of local community, the Group creates job opportunities in our main operating site located in Shandong by employing approximately 670 local residents there.

Community Contribution

We have chosen charitable organization with mission of building a caring society to donate our community service. We also encourage our employees to actively participate in charities activities at all the time.

Charity donation box is placed in our office to encourage donations to people in needs.

OUTLOOK

> **"Excellence is not a destination; it is a continuous journey that never ends."**

We would like to take this opportunity to extend our sincere gratitude to our employees, suppliers, shareholders and other stakeholders for their long-term support and trust to the Group. The feedbacks from these parties are of great value to us in forming our business strategy to focus on their needs. We will continue to strive to implement the best practices in corporate social responsibility to advance the global sustainability agenda at large.

INDEPENDENT AUDITOR'S REPORT

信永中和 ShineWing

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

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

OPINION

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 58 to 131, which comprise the consolidated statement of financial position as at 31 December 2016, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code") and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of property, plant and equipment and prepaid lease payments

Refer to notes 18 and 19 to the consolidated financial statements and the accounting policies on pages 77 and 81 to 82.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2016, the carrying amounts of property, plant and equipment and the prepaid lease payments were approximately HK$111,956,000 and HK$228,785,000. In view of the loss generating status with all segment losses during the year ended 31 December 2016, the management had performed impairment testing on the abovementioned assets. Based on the calculation of the recoverable amount of each cash-generating unit, the management determined that impairment of property, plant and equipment of approximately HK$10,147,000 have been recognised. We have identified the impairment of property, plant and equipment and prepaid lease payments as a key audit matter because of their significance to the consolidated financial statements and the involvement of a significant degree of judgements and estimates made by the management for the profit forecast and cash flows projection for the value-in-use calculation and the fair value calculation made by the independent valuer.	Our procedures were designed to review the management's assessment on the indication of possible impairment and the reasonableness of the judgements and estimates used by the management in the value-in-use calculation and the fair value calculation made by the independent valuer. We have discussed the indication of possible impairment with the management and, where such indicators were identified by the management, assessed the impairment testing performed by the management. We tested the profit forecast and cash flow projection on whether they were agreed to the budgets approved by the directors of the Company and compared with actual results available up to the report date. We also challenged the appropriateness of the management judgements and estimates used in the profit forecast and cash flows projection, including the sales growth rates and gross profit margins, against latest market expectations. We also challenged the discount rates adopted in the value-in-use calculations by reviewing its basis of calculations and comparing the input data to market sources. In respect of the impairment assessment of prepaid lease payments as at 31 December 2016, we have challenged the underlying data and inputs made by the management and independent valuer in fair value calculation.

Write-off of inventories

Refer to note 23 to the consolidated financial statements and the accounting policies on page 78.

The key audit matter	How the matter was addressed in our audit
For the year ended 31 December 2016, the golf equipment and golf bags segments suffered gross loss status and indicate that the carrying amount of inventories might not state at lower of cost and net realisable value. For the year ended 31 December 2016, write-down of inventories of approximately HK$47,791,000 has been made. In making this judgement, 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. We have identified the write-off of inventories as a key audit matter since the write-off of inventories involved significant degree of judgements and estimates made by the management on the calculation of inventory provisions.	Our procedures were designed to assess the management judgements and estimates used in the calculation of the inventory write-off. We reviewed management's identification of slow-moving or obsolete inventories, and critically assessed whether appropriate write-off had been established for slow-moving or obsolete items. When considering management's assessment on the inventory write-off, we had also taken into account the most recent prices achieved on sales of different products and the level of inventories to be utilised after the year end.

Valuation of convertible bond

Refer to note 30 to the consolidated financial statements and the accounting policies on pages 80 to 81.

The key audit matter	How the matter was addressed in our audit
On 7 November 2016, the Company issued an interest-free convertible bond to an independent third party with principal amount of HK$74,100,000 with maturity date on 6 November 2021. The bondholder is entitled to convert the convertible bond into ordinary shares of the Company at a conversion price of HK$0.114 per ordinary share. The convertible bond bifurcated into two components, financial liability portion for the interest-free bond and equity portion for the conversion option. Independent valuer was engaged by the management for the valuation of the financial liability portion at the issue date. The valuation requires significant judgements and estimates made by the independent valuer since the calculation of the discount rate involves determination of the Group's credit rating and selection of the comparable bonds in the market. We have identified the valuation of the convertible bond as a key audit matter since the carrying amount of the convertible bond was significant to the consolidated financial statements and the valuation of the convertible bond includes significant judgements and estimates adopted by the independent valuer.	Our procedures were designed to challenge the reasonableness of the determination of the Group's credit rating and the selection of the comparable bonds in the market used in the calculation of the discount rate by the independent valuer. We also challenged the discount rate employed in the valuation of financial liability portion by reviewing its methodology used in the calculation of the discount rate and comparing the input data to market sources.

Valuation of promissory note

Refer to note 26 to the consolidated financial statements and the accounting policies on pages 80 to 81.

The key audit matter	How the matter was addressed in our audit
On 16 May 2016, the Company issued a promissory note with principal amount of HK$235,700,000 to Top Force Ventures Limited ("Top Force") upon the completion of acquisition of Lucky Fountain Holdings Limited and its subsidiaries. The promissory note bears interest of 12% per annum with early redemption option entitled by the Company. The promissory note bifurcated into two components, financial liability portion for the interest-bearing note and derivative portion for the early redemption option that are separately accounted for. Independent valuer was engaged by the management for the valuation of the financial liability and derivative portions at the issue date. The valuation requires significant judgements and estimates made by the independent valuer since the calculation of the discount rate involves determination of the Group's credit rating and selection of the comparable notes in the market. We have identified the valuation of the promissory note as a key audit matter since the carrying amount of the promissory note was significant to the consolidated financial statements and the valuation of the promissory note involves significant judgements and estimates.	Our procedures were designed to challenge the reasonableness of the determination of the Group's credit rating and the selection of the comparable notes in the market used in the calculation of the discount rate by the independent valuer. We also challenged the discount rate employed in the valuation of financial liability and derivative portions by reviewing its methodology used in the calculation of the discount rate and comparing the input data to market sources.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we concluded that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion, solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act and our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.

- conclude on the appropriateness of the directors of the Company's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Wong Chuen Fai.

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

Hong Kong
29 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	NOTES	2016 HK$'000	2015 HK$'000
Revenue	9	**202,530**	261,766
Cost of sales		**(198,106)**	(240,102)
Gross profit		**4,424**	21,664
Other operating income	9	**1,440**	1,857
Gain on disposal of a subsidiary	34	**–**	93
Write-off of inventories		**(47,791)**	(31,671)
Selling and distribution expenses		**(2,742)**	(3,736)
Administrative expenses		**(57,788)**	(59,053)
Impairment loss on goodwill	20	**–**	(14,820)
Impairment loss on property, plant and equipment	18	**(10,147)**	–
Loss on early redemption of liability component of the promissory note	26	**(9,266)**	–
Loss on derecognition of derivatives component of the promissory note	26	**(2,041)**	–
Finance costs	11	**(19,856)**	(5,402)
Loss before tax		**(143,767)**	(91,068)
Income tax expense	12	**(251)**	–
Loss for the year	13	**(144,018)**	(91,068)
Other comprehensive expense			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(6,114)**	(16,200)
Exchange fluctuation reserve released on the deregistration of subsidiaries		**–**	(96)
Exchange fluctuation reserve released on the disposal of a subsidiary		**–**	(14,983)
		(6,114)	(31,279)
Items that will not be reclassified subsequently to profit or loss:			
Gain on revaluation of leasehold land and buildings under revaluation model		**239**	489
Deferred tax relating to leasehold land and buildings under revaluation model	31	**(60)**	(122)
		179	367
Other comprehensive expense for the year		**(5,935)**	(30,912)
Total comprehensive expense for the year		**(149,953)**	(121,980)
Loss for the year attributable to:			
Owners of the Company		**(144,018)**	(91,068)
Non-controlling interests		**–**	–
		(144,018)	(91,068)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(149,953)**	(121,980)
Non-controlling interests		**–**	–
		(149,953)	(121,980)
		HK cents	*HK cents*
LOSS PER SHARE	14		
Basic and diluted		**(5.20)**	(3.91)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	NOTE	2016 HK$'000	2015 HK$'000
Non-current assets			
Property, plant and equipment	18	**111,956**	135,518
Prepaid lease payments	19	**220,009**	9,032
Goodwill	20	**–**	–
Club debentures	21	**2,897**	2,897
Pledged bank deposit	25	**596**	639
Deposits and other receivables	22	**583**	625
Prepayments for the acquisition of property, plant and equipment		**567**	740
		336,608	149,451
Current assets			
Inventories	23	**65,645**	119,841
Trade and other receivables	24	**169,494**	56,414
Prepaid lease payments	19	**8,776**	336
Short-term bank deposit	25	**–**	602
Bank balances and cash	25	**24,424**	17,063
		268,339	194,256
Current liabilities			
Trade and other payables	27	**33,989**	29,670
Amounts due to related companies	28	**53,373**	59,684
Amounts due to directors	28	**17,135**	–
Tax payable		**–**	160
Bank and other borrowings	29	**77,994**	78,494
		182,491	168,008
Net current assets		**85,848**	26,248
Total assets less current liabilities		**422,456**	175,699
Non-current liabilities			
Deferred tax liabilities	31	**403**	343
Convertible bond	30	**46,828**	–
		47,231	343
Net assets		**375,225**	175,356

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	NOTE	2016 HK$'000	2015 HK$'000
Capital and reserves			
Share capital	*32*	**52,013**	46,805
Reserves		**320,482**	125,821
Equity attributable to owners of the Company		**372,495**	172,626
Non-controlling interests		**2,730**	2,730
Total equity		**375,225**	175,356

The consolidated financial statements on pages 58 to 131 were approved and authorised for issue by the board of directors on 29 March 2017 and are signed on its behalf by:

Huang Youlong
Director

Chu Chun Man, Augustine
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	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 2015	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 buildings 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
Issues of shares upon exercise of share options (note 32(ii))	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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Attributable to owners of the Company												
	Share capital HK$'000	Share premium HK$'000	Share options reserve HK$'000	Convertible bond equity reserve HK$'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$'000	Retained profits (accumulated losses) HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2016	46,805	105,276	–	–	10,564	48	366	17	5,806	3,744	172,626	2,730	175,356
Loss for the year	–	–	–	–	–	–	–	–	–	(144,018)	(144,018)	–	(144,018)
Other comprehensive (expense) income for the year:													
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	–	(6,114)	–	(6,114)	–	(6,114)
Gain on revaluation of leasehold land and buildings under revaluation model	–	–	–	–	–	–	239	–	–	–	239	–	239
Deferred tax relating to leasehold land and buildings under revaluation model (note 31)	–	–	–	–	–	–	(60)	–	–	–	(60)	–	(60)
Other comprehensive income (expense) for the year	–	–	–	–	–	–	179	–	(6,114)	–	(5,935)	–	(5,935)
Total comprehensive income (expense) for the year	–	–	–	–	–	–	179	–	(6,114)	(144,018)	(149,953)	–	(149,953)
Capital reduction (note 32(i))	(42,124)	–	–	–	42,124	–	–	–	–	–	–	–	–
Issue of bonus shares (note 32(i))	18,722	–	–	–	(18,722)	–	–	–	–	–	–	–	–
Issue of shares upon share subscription (note 32(iii))	28,610	297,544	–	–	–	–	–	–	–	–	326,154	–	326,154
Transaction cost attributable to share subscription	–	(3,451)	–	–	–	–	–	–	–	–	(3,451)	–	(3,451)
Legal reserve released on the deregistration of a subsidiary (note 35)	–	–	–	–	–	(48)	–	–	–	–	(48)	–	(48)
Recognition of equity component of convertible bond, net of transactions cost (note 30)	–	–	–	27,167	–	–	–	–	–	–	27,167	–	27,167
At 31 December 2016	52,013	399,369	–	27,167	33,966	–	545	17	(308)	(140,274)	372,495	2,730	375,225

Notes:

(i) The Group's contributed surplus represents (i) 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; and (ii) the credit arising from the reduction of share capital of the Company in January 2016 from par value of HK$0.1 to HK$0.01 each, partially net off by the bonus issue as disclosed in note 32(i).

(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 2016

	NOTES	2016 HK$'000	2015 HK$'000
OPERATING ACTIVITIES			
Loss before tax		**(143,767)**	(91,068)
Adjustments for:			
Finance costs		**19,856**	5,402
Interest income		**(33)**	(23)
Depreciation of property, plant and equipment		**8,634**	12,278
Amortisation of prepaid lease payments		**4,567**	336
Impairment loss of goodwill		**–**	14,820
Impairment loss of property, plant and equipment		**10,147**	–
Impairment loss recognised in respect of trade receivables		**–**	1
Loss on disposal of property, plant and equipment		**1,582**	3,836
Loss on early redemption of derivative component of the promissory note		**2,041**	–
Loss on early redemption of liabilities component of the promissory note		**9,266**	–
Write-off of inventories		**47,791**	31,671
Gain on disposal of a subsidiary	*34*	**–**	(93)
Gain on deregistration of subsidiaries	*35*	**(48)**	(275)
Operating cash flows before movements in working capital		**(39,964)**	(23,115)
Decrease (increase) in inventories		**2,637**	(7,111)
Decrease (increase) in trade and other receivables		**20,198**	(16,921)
Decrease (increase) in deposits and other receivables		**42**	(355)
Increase (decrease) in trade and other payables		**6,555**	(4,259)
Cash used in operations		**(10,532)**	(51,761)
Hong Kong Profits Tax paid		**–**	(88)
NET CASH USED IN OPERATING ACTIVITIES		**(10,532)**	(51,849)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	NOTES	2016 HK$'000	2015 HK$'000
INVESTING ACTIVITIES			
Interest received		**33**	23
Proceeds on disposal of property, plant and equipment		**1,411**	655
Net cash inflow from disposal of a subsidiary	34	**–**	35,859
Net cash outflow from acquisition of a subsidiary	36	**(1,754)**	–
Purchase of property, plant and equipment		**(5,208)**	(3,818)
Prepayments for the acquisition of property, plant and equipment		**(567)**	(740)
Placement of pledged bank deposit		**–**	(639)
Deposit paid for the construction of property, plant and equipment		**(135,556)**	–
NET CASH (USED IN) GENERATED FROM INVESTING ACTIVITIES		**(141,641)**	31,340
FINANCING ACTIVITIES			
Repayments of bank borrowings		**(67,012)**	(103,041)
Interest and factoring charges paid		**(3,776)**	(6,516)
Repayments of obligations under finance leases		**–**	(368)
Repayment to non-controlling shareholder of a subsidiary		**–**	(462)
New bank and other borrowings raised		**72,994**	78,494
(Repayment to) advance from related companies		**(6,311)**	59,684
Proceeds on issue of shares under share options		**326,154**	2,960
Expenses paid for issuing of shares		**(3,451)**	–
Proceeds from issuing convertible bond		**74,100**	–
Expenses paid for issuing convertible bond		**(784)**	–
Repayments of principal and interest portion of the promissory note upon early redemption		**(249,339)**	–
Advance from (repayment to) a director		**17,135**	(7,589)
NET CASH GENERATED FROM FINANCING ACTIVITIES		**159,710**	23,162
NET INCREASE IN CASH AND CASH EQUIVALENTS		**7,537**	2,653
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**17,665**	15,684
Effect of foreign exchange rate changes		**(778)**	(672)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**24,424**	17,665
Analysis of components of cash and cash equivalents:			
Bank balances and cash	25	**24,424**	17,063
Short-term bank deposit	25	**–**	602
		24,424	17,665

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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 and the development of integrated resort in Saipan. The principal activities of its subsidiaries are set out in note 42.

The functional currency of the Company and its subsidiaries (collectively referred to as the "Group") incorporated in Hong Kong is United States dollars ("US$") while the functional currency of the subsidiaries established in the PRC and Saipan are Renminbi ("RMB") and US$ respectively. 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 ("HKFRSs")

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 2012 – 2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations

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.

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

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]
HKFRS 16	Lease[3]
Amendments to HKAS 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[2]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[2]
Amendments to HKFRS 15	Clarification to HKFRS 15[2]

1 Effective for annual periods beginning on or after 1 January 2017.
2 Effective for annual periods beginning on or after 1 January 2018.
3 Effective for annual periods beginning on or after 1 January 2019.
4 Effective date not yet been determined.
5 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

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.

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

New and revised HKFRSs issued but not yet effective (Continued)

HKFRS 9 (2014) Financial Instruments (Continued)

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.

- 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.

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

New and revised HKFRSs issued but not yet effective (Continued)

HKFRS 9 (2014) Financial Instruments (Continued)

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

The Group is in the process of assessing the potential impact on the financial performance resulting from the adoption of HKFRS 9. So far it has concluded that the adoption of HKFRS 9 may have an impact on the Group's results and financial position, including the measurement of financial assets. For instance, the Group will be required to replace the incurred loss impairment model in HKAS 39 with the expected loss impairment model for its exposure to credit risk. Until a detailed review of the impact of adopting HKFRS 9 is performed, it is not possible to ascertain an accurate quantified estimate to assess the significance of the likely impact on the financial statements.

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 the amounts reported and disclosures made in the Group's combined financial statements. The Group is in the process of making an assessment of the potential impact of the application of HKFRS 15 and it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until a detailed review is performed by the Group. The impact to the Group is expected to include more comprehensive disclosure as requested by the new standard. In addition, contract that contains two or more performance obligations would be accounted for separately and this might have an impact on the pattern of revenue and profit recognition.

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

New and revised HKFRSs issued but not yet effective (Continued)

HKFRS 16 Leases

HKFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees.

In respect of the lessee accounting, the standard introduces a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases with the lease term of more than 12 months, unless the underlying asset has a low value.

At the commencement date of the lease, the lessee is required to recognise a right-of-use asset at cost, which consists of the amount of the initial measurement of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. A lease liability is initially recognised at the present value of the lease payments that are not paid at that date.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. Lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payment made, and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. Depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirements of HKAS 16 *Property, Plant and Equipment*, while interest accrual on lease liability will be charged to profit or loss.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

HKFRS 16 will supersede the current lease standards including HKAS 17 *Leases* and the related Interpretations when it becomes effective. HKFRS 16 replaces all existing lease accounting requirements and represents a significant change in the accounting and reporting of leases, with more assets and liabilities to be reported on the consolidated statement of financial position and a different recognition of lease costs.

Application of HKFRS 16 will result in the Group's recognition of right-of-use assets and corresponding liabilities in respect of many of the Group's lease arrangements. These assets and liabilities are currently not required to be recognised but certain relevant information is disclosed to the consolidated financial statements. As set out in note 37 to the consolidated financial statements, total operating lease commitment of the Group in respect of offices and factories as at 31 December 2016 and 2015 amounted to approximately HK$3,009,000 and HK$7,577,000. The directors of the Company do not expect the application of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group's result but it is expected that certain portion of these lease commitments may be required to be recognised in the consolidated statements of financial position as right-of-use assets and lease liabilities.

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

New and revised HKFRSs issued but not yet effective (Continued)

Amendment to HKAS 7 Disclosure Initiative

The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments do not prescribe a specific method to fulfil the new disclosure requirements. However, the amendments indicate that one way is to provide a reconciliation between the opening and closing balances for liabilities arising from financing activities.

Amendments to HKAS 7 will become effective for annual periods beginning on or after 1 January 2017 with early application permitted.

The directors of the Company anticipate that the adoption of Amendments to HKAS 7 in the future may have significant impact on presentation and additional disclosure of the Group's financial consolidated statement of cash flows. However, it is not practicable to provide a reasonable estimate of the effect of Amendments to HKAS 7 until the Group performs a detailed review.

Amendments to HKFRS 15 Revenue from Contracts with Customers

The amendments to HKFRS 15 provide certain clarification and outline as follows:

- clarify when a promised good or service is separately identifiable from other promises in a contract (i.e. distinct within the context of the contract), which is part of an entity's assessment of whether a promised good or service is a performance obligation;
- clarify how to apply the principal versus agent application guidance to determine whether the nature of an entity's promise is to provide a promised good or service itself (i.e. the entity is a principal) or to arrange for goods or services to be provided by another party (i.e. the entity is an agent);
- clarify for a licence of intellectual property when an entity's activities significantly affect the intellectual property to which the customer has rights, which is a factor in determining whether the entity recognises revenue over time or at a point in time;
- clarify the scope of the exception for sales-based and usage-based royalties related to licences of intellectual property (the royalty constraint) when there are other promised goods or services in the contract; and
- add two practical expedients to the transition requirements of HKFRS 15 for:

    (a) completed contracts under the full retrospective transition approach; and

    (b) contract modifications at transition.

The amendments to HKFRS 15 do not change the effective date of HKFRS 15 and therefore are effective for annual reporting periods beginning or after 1 January 2018. Early application the amendments to HKFRS 15 together with HKFRS 15 continue to be permitted.

The directors of the Company anticipate that the application of amendments to HKFRS 15 together with the 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 amendments to HKFRS 15 until the Group performs a detailed review.

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 policies 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

Leasehold land and buildings (Continued)

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. 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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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.

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 profits 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.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 and short-term bank deposit 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 bank balances and cash and short-term bank 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.

Effective interest method

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Loans and receivables

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments

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

Equity instruments

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

Financial liabilities

Financial liabilities, including trade and other payables, amounts due to directors, amounts due to related companies, bank and other borrowings and promissory note, are subsequently measured at the amortised cost, using the effective interest method.

Effective interest method

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

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

Convertible bond

Convertible bond issued by the Group that contain both the liability and conversion option components are classified separately into respective items on initial recognition in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible bonds and the fair value assigned to the liability component, representing the conversion option for the holder to convert the bond into equity, is included in equity (convertible bond equity reserve).

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible bond equity reserve until the embedded option is exercised (in which case the balance stated in convertible bonds equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible bonds equity reserve will be released to the retained earnings. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Convertible bond (Continued)

Transaction costs that relate to the issue of the convertible bond are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bond using the effective interest method.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when a derivative contract is entered into and are subsequently measured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

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.

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.

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) (Continued)

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 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.

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 and convertible bond as a significant source of liquidity. As at 31 December 2016, the Group has available unutilised bank loan facilities of approximately HK$11,236,000 (2015: HK$12,048,000). 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.

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.

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.

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

Key sources of estimation uncertainty (Continued)

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 was recognised. No impairment loss has been recognised for the year ended 31 December 2016. Details of the impairment testing and the recoverable amount calculation are disclosed in note 20.

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 2016, the carrying amount of inventories was approximately HK$65,645,000 (2015: HK$119,841,000). Write-off of inventories of approximately HK$47,791,000 (2015: HK$31,671,000) was recognised for the year ended 31 December 2016. Details of the write-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 2016, 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$20,612,000 (2015: HK$29,801,000, net of allowance for doubtful debts of approximately HK$1,000), HK$8,459,000, net of allowance for doubtful debts of approximately HK$5,093,000 (2015: HK$17,325,000) and HK$136,000 (2015: HK$178,000) respectively. As at 31 December 2015, impairment loss in respect of trade and other receivables of approximately HK$1,000 was recognised. No impairment loss has been recognised for the year ended 31 December 2016.

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

Key sources of estimation uncertainty (Continued)

Impairment of property, plant and equipment 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 and prepaid lease payments of approximately HK$111,956,000 (2015: HK$135,518,000) and HK$228,785,000 (2015: HK$9,368,000), 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 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, an impairment loss on property, plant and equipment of approximately HK$10,147,000 has been recognised for the year ended 31 December 2016 (2015: nil).

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 2016, the revalued amount of leasehold land and buildings was approximately HK$88,315,000 (2015: HK$96,759,000).

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 2016 and 2015, there were no changes on the useful lives and residual value of property, plant and equipment.

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.

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

Key sources of estimation uncertainty (Continued)

Fair value of the convertible bond

At described in note 30, the directors of the Company use their judgements in selecting an appropriate valuation technique for the convertible bond not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For the convertible bond, assumptions are made based on quoted market rates adjusted for specific features of the instrument. If the inputs and estimates applied in the model are different, the carrying amount of these derivatives may change. The carrying amount of the convertible bond as at 31 December 2016 is HK$46,828,000 (2015: nil). Details of the assumptions used are disclosed in note 30. The directors of the Company believe that the chosen valuation techniques and assumptions are appropriate in determining the fair value of convertible bond.

Fair value of the promissory note

At described in note 26, the directors of the Company use their judgements in selecting an appropriate valuation technique for the promissory note not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For the promissory note, assumptions are made based on quoted market rates adjusted for specific features of the instrument. If the inputs and estimates applied in the model are different, the carrying amount of these derivatives may change. Details of the assumptions used are disclosed in note 26. The directors of the Company believe that the chosen valuation techniques and assumptions are appropriate in determining the fair value of the promissory note.

The fair value of the promissory note and the derivative component of the promissory note are approximately HK$224,891,000 and asset of approximately HK$2,041,000 on the issue date of 16 May 2016 respectively.

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 related companies and directors disclosed in note 28, bank and other borrowings disclosed in note 29, convertible bond 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.

5. CAPITAL RISK MANAGEMENT (Continued)

The Group monitors its capital by using a gearing ratio, which consists of net debt divided by the total equity. The Group's policy is to maintain the gearing ratio at not more than 100% (2015: 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:

	2016 ***HK$'000***	2015 *HK$'000*
Amounts due to directors	**17,135**	–
Amounts due to related companies	**53,373**	59,684
Bank and other borrowings	**77,994**	78,494
Convertible bond	**46,828**	–
Less: bank balances and cash	**(24,424)**	(17,063)
Less: short-term and long-term bank deposits	**(596)**	(1,241)
Net debts	**170,310**	119,874
Equity attributable to owners of the Company	**372,495**	172,626
Non-controlling interests	**2,730**	2,730
Total equity	**375,225**	175,356
Gearing ratio	**45%**	68%

6. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2016 ***HK$'000***	2015 *HK$'000*
Financial assets		
Loans and receivables (including bank balances and cash)	**57,876**	69,058
Financial liabilities		
Financial liabilities at amortised cost	**228,798**	167,375

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include deposits and other receivables, certain trade and other receivables, bank balances and cash, pledged bank deposits, short-term bank deposits, trade and other payables, amounts due to related companies and directors, bank and other borrowings and convertible bond 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 6% (2015: 4%) 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	
	2016	2015
	HK$'000	*HK$'000*
RMB	**567**	1,360

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 2016 and 2015, hence no sensitivity analysis is presented.

(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). 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 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.

Sensitivity analysis

No sensitivity analysis has been presented for the year ended 31 December 2016 and 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 2016, 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 64% and 84% (2015: 74% and 90%) of the total trade receivables which are due from the Group's largest customer and the five largest customers, respectively. However, management consider the credit risk is under control since the management exercises due care in granting credit and reviews the recoverable amount of each balance at the end of each reporting period to ensure adequate impairment losses have been made for irrecoverable amounts.

The Group's concentration of credit risk by geographical locations is mainly in North America, which accounted for 74% (2015: 78%) of the total trade receivables as at 31 December 2016.

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 and convertible bond as a significant source of liquidity. As at 31 December 2016, the Group has available short-term bank loan facilities of approximately HK$11,236,000 (2015: HK$12,048,000).

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 2016			
	Within one year or on demand *HK$'000*	**One to five years** *HK$'000*	**Total contractual undiscounted cash flows** *HK$'000*	**Carrying amount** *HK$'000*
Non-derivative financial liabilities				
Trade and other payables	**33,468**	**–**	**33,468**	**33,468**
Bank and other borrowings	**79,752**	**–**	**79,752**	**77,994**
Amounts due to related companies	**53,373**	**–**	**53,373**	**53,373**
Amounts due to directors	**17,135**	**–**	**17,135**	**17,135**
Convertible bond	**–**	**74,100**	**74,100**	**46,828**
	183,728	**74,100**	**257,828**	**228,798**

	At 31 December 2015			
	Within one year or on demand *HK$'000*	One to five years *HK$'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

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:

	2016	2015
	HK$'000	*HK$'000*
Revenue:		
Sales of golf equipment and related components and parts	**187,426**	218,574
Sales of golf bags, other accessories and related components and parts	**15,104**	43,192
	202,530	261,766
Other operating income:		
Interest income	**33**	23
Sales of scrap materials	**29**	237
Sample income	**164**	519
Tooling income	**431**	322
Gain on deregistration of subsidiaries (note 35)	**48**	275
Sundry income	**735**	481
	1,440	1,857

10. SEGMENT INFORMATION

Information reported to the board of directors, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered. The directors of the Company have chosen to organise the Group around differences in products and services. No operating segments identified by the CODM 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.

Hospitality – The development of integrated resort in Saipan.

During the year ended 31 December 2016, the Group commenced a new reporting and operating segment, namely, hospitality segment as a result of the acquisition of Lucky Fountain Holdings Limited ("Lucky Fountain") and its subsidiaries (collectively referred to as the "Lucky Fountain Group") as set out in note 36.

10. SEGMENT INFORMATION (Continued)

(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		Hospitality		Eliminations		Consolidated	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:										
Sales to external customers	**187,426**	218,574	**15,104**	43,192	**–**	–	**–**	–	**202,530**	261,766
Inter-segment sales	**–**	–	**7,747**	3,799	**–**	–	**(7,747)**	(3,799)	**–**	–
Other operating income	**1,145**	1,179	**214**	380	**–**	–	**–**	–	**1,359**	1,559
Total	**188,571**	219,753	**23,065**	47,371	**–**	–	**(7,747)**	(3,799)	**203,889**	263,325
Segment results	**(95,237)**	(69,492)	**(2,566)**	(9,608)	**(4,281)**	–	**–**	–	**(102,084)**	(79,100)
Interest income									**33**	23
Gain on deregistration of subsidiaries (note 35)									**48**	275
Loss on early redemption of liability component of the promissory note (note 26)									**(9,266)**	–
Loss on derecognition of derivatives component of the promissory note (note 26)									**(2,041)**	–
Gain on disposal of a subsidiary (note 34)									**–**	93
Unallocated corporate expenses									**(10,601)**	(6,957)
Finance costs									**(19,856)**	(5,402)
Loss before tax									**(143,767)**	(91,068)

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment results represents the loss incurred by each segment without allocation of interest income, gain on deregistration of subsidiaries, loss on redemption of the promissory note, gain on disposal of a subsidiary, central administration costs, directors' emoluments and finance costs. This is the measure reported to the CODM 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		Hospitality		Consolidated	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Assets and liabilities:								
Segment assets	**210,175**	309,046	**10,225**	13,193	**355,891**	–	**576,291**	322,239
Unallocated corporate assets								
– Club debentures							**2,897**	2,897
– Bank balances and cash							**24,424**	17,063
– Others							**1,335**	1,508
Total assets							**604,947**	343,707
Segment liabilities	**25,676**	20,490	**5,858**	5,366	**–**	–	**31,534**	25,856
Unallocated corporate liabilities								
– Amounts due to related companies							**53,373**	59,684
– Amounts due to directors							**17,135**	–
– Tax payable							**–**	160
– Bank and other borrowings							**77,994**	78,494
– Convertible bond							**46,828**	–
– Deferred tax liabilities							**403**	343
– Others							**2,455**	3,814
Total liabilities							**229,722**	168,351

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 related companies, amounts due to directors, tax payable, bank and other borrowings, convertible bond, deferred tax liabilities and certain other payables. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

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	
	2016	2015
	HK$'000	*HK$'000*
North America	**73,017**	102,534
Japan	**84,584**	93,803
Europe	**19,140**	27,816
Asia (excluding Japan)	**17,915**	26,002
Others	**7,874**	11,611
	202,530	261,766

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.

	2016	2015
	HK$'000	*HK$'000*
Saipan	**211,855**	–
The PRC	**119,465**	143,809
Hong Kong (country of domicile)	**4,109**	4,378
	335,429	148,187

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		Hospitality		Unallocated		Consolidated	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Additions to non-current assets (note)	5,251	4,574	487	663	224,604	–	–	435	230,342	5,672
Amortisation of prepaid lease payments	298	336	–	–	4,269	–	–	–	4,567	336
Impairment loss recognised in respect of trade receivables	–	–	–	1	–	–	–	–	–	1
Impairment loss on property, plant and equipment	10,147	–	–	–	–	–	–	–	10,147	–
Write-off of inventories	47,595	28,671	196	3,000	–	–	–	–	47,791	31,671
Depreciation of property, plant and equipment	7,902	11,069	645	1,187	–	–	87	22	8,634	12,278
Impairment loss on goodwill	–	6,824	–	7,996	–	–	–	–	–	14,820
Loss on disposal of property, plant and equipment	1,582	3,196	–	640	–	–	–	–	1,582	3,836

Note: Non-current assets included property, plant and equipment, prepaid lease payment and prepayments for the acquisition of property, plant and equipment.

Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets:

For the year ended 31 December

	Golf equipment		Golf bags		Hospitality		Unallocated		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Interest income	(15)	(18)	(18)	(5)	–	–	–	–	(33)	(23)
Gain on deregistration of subsidiaries	(48)	–	–	–	–	–	–	(275)	(48)	(275)
Gain on disposal of a subsidiary (note 34)	–	(93)	–	–	–	–	–	–	–	(93)
Finance costs	3,034	5,130	–	196	–	–	16,822	76	19,856	5,402
Loss on early redemption of derivative component of the promissory note	–	–	–	–	–	–	2,041	–	2,041	–
Loss on early redemption of liability component of the promissory note	–	–	–	–	–	–	9,266	–	9,266	–
Income tax expense	–	–	–	–	–	–	251	–	251	–

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	2016 HK$'000	2015 HK$'000
Customer A	Golf equipment	**87,753**	103,748
Customer B	Golf equipment	**50,040**	63,974

11. FINANCE COSTS

	2016 HK$'000	2015 HK$'000
Factoring charges	–	788
Interest expenses on:		
– bank overdrafts	–	26
– bank and other borrowings	**4,735**	5,502
– advances from a director	–	196
– obligations under finance leases	–	4
– convertible bond (note 30)	**679**	–
– promissory note (note 26)	**15,182**	–
Total borrowing costs	**20,596**	6,516
Less: amounts capitalised (note)	**(740)**	(1,114)
	19,856	5,402

Note: Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 5.00% (2015: 6.00%) per annum to expenditure on qualifying assets.

12. INCOME TAX EXPENSE

	2016 HK$'000	2015 HK$'000
Hong Kong Profits Tax		
– Overprovision in prior years	(160)	–
PRC Enterprise Income Tax ("EIT")		
– Underprovision in prior years	411	–
	251	–

(i) No provision for Hong Kong Profits Tax has been made for 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 years ended 31 December 2016 and 2015.

(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 Comercial 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 corporate income tax in Saipan is calculated at 35% of the estimated profit for the year ended 31 December 2016. No provision for corporate income tax rate for the subsidiary incorporated in Saipan as no income has been derived from Saipan during the year ended 31 December 2016.

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

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

	2016 HK$'000	2015 HK$'000
Loss before tax	(143,767)	(91,068)
Tax calculated at rates applicable to profits in the respective tax jurisdiction concerned	(19,554)	(16,114)
Underprovision in prior years	251	–
Tax effect of income not taxable for tax purposes	(8)	(99)
Tax effect of expense not deductible for tax purposes	2,431	3,512
Tax effect of deductible temporary difference not recognised	2,456	–
Tax effect of tax losses not recognised	15,275	12,701
Utilisation of tax losses previously not recognised	(600)	–
Income tax expense	251	–

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

13. LOSS FOR THE YEAR

	2016 HK$'000	2015 HK$'000
Loss 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	**66,182**	84,467
Retirement benefits schemes contributions	**6,638**	7,812
Compensation for lay-down of employees	**934**	6,646
Total staff cost	**73,754**	98,925
Amortisation of prepaid lease payments	**4,567**	336
Auditors' remuneration	**1,099**	1,094
Impairment loss recognised in respect of trade receivables	**–**	1
Cost of inventories sold, excluding write-off of inventories	**198,106**	240,102
Depreciation of property, plant and equipment	**8,634**	12,278
Exchange loss (net)	**2,820**	755
Loss on disposal of property, plant and equipment	**1,582**	3,836
Impairment loss on goodwill (note 20)	**–**	14,820
Impairment loss on property, plant and equipment	**10,147**	–
Operating leases rentals in respect of land and buildings	**3,946**	4,158
Research and development costs recognised as an expense	**623**	1,055

14. LOSS PER SHARE

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

	2016 HK$'000	2015 HK$'000
Loss		
Loss for the purpose of basic and diluted loss per share	**(144,018)**	(91,068)

	2016 '000	2015 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**2,770,182**	2,328,634

The computation of diluted loss per share does not assume the conversion of the Company's outstanding convertible bond since its exercise would result in a decrease in loss per share from the operation.

Note: The number of shares for the purpose of calculating basic loss per share for the year ended 31 December 2015 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 2016, nor has any dividend been proposed since the end of the reporting period (2015: Nil).

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

	2016	2015
	HK$'000	*HK$'000*
Salaries, allowances and other benefits in kind	**61,633**	80,695
Compensation for lay-off employees (note (iii))	**934**	6,646
Retirement benefits schemes contributions	**6,608**	7,783
	69,175	95,124

(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 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 2016, a total contribution of approximately HK$203,000 (2015: 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% (2015: 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 2016, a total contribution of approximately HK$6,405,000 (2015: approximately HK$7,593,000) was made by the Group in respect of this scheme.

(iii) Compensation for lay-off employees

In 31 December 2015, the workforce of Guangzhou factory was reduced from over 220 employees to about 20 employees which incurred severance payment of approximately HK$6,646,000 upon laying off the redundant workers.

In 31 December 2016, the workforce of Shandong factory was reduced by 187 employees which incurred severance payment of approximately HK$934,000 upon laying off the redundant workers.

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 ten (2015: eleven) directors, including the chief executive, were as follows:

For the year ended 31 December 2016

	Executive directors				Non-executive directors			Independent non-executive directors			
	Huang Youlong[1]	Zhao Zheng[2]	Zhang Yi[3, 7]	Chu Chun Man, Augustine[4]	Liu Tianmin[5]	Tung Sung-Yuan[5]	Wong Hin Shek[6]	Chu Yin Yin, Georgiana[7]	Yip Tai Him[7]	Chan Kai Wing[7]	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*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	–	108	–	984	108	108	2,094	144	144	144	3,834
Contributions to retirement benefits schemes	–	–	–	12	–	–	18	–	–	–	30
Discretionary bonus	–	–	–	15	–	–	–	–	–	–	15
Other benefits (note (iv))	–	–	–	700	–	–	–	–	–	–	700
Total emoluments	–	108	–	1,711	108	108	2,112	144	144	144	4,579

For the year ended 31 December 2015

	Executive directors					Independent non-executive directors						
	Wong Hin Shek[6]	Zhang Yi[3, 7]	Chu Chun Man, Augustine[4]	Chu Yuk Man, Simon[8]	Chang Hua Jung[8]	Chu Yin Yin, Georgiana[7]	Yip Tai Him[7]	Chan Kai Wing[7]	Choy Tak Ho[8]	Chiu Lai Kuen, Susanna[8]	Zhu Shengli[8]	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'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 (iv))	–	–	840	225	–	–	–	–	–	–	–	1,065
Total emoluments	852	–	1,662	461	413	51	51	51	90	125	45	3,801

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

(a) Directors' and chief executive's remuneration (Continued)

1. Appointed as executive director and as chairman on 7 November 2016.
2. Appointed on 11 November 2016.
3. Resigned on 7 November 2016.
4. Stepped down his position as chairman on 14 September 2015 and remain as an executive director.
5. Appointed on 7 November 2016.
6. Appointed as executive director on 24 August 2015 and as chairman on 14 September 2015. Stepped down his position as chairman on 7 November 2016 and redesignated as a non-executive director.
7. Appointed on 24 August 2015.
8. Resigned on 14 September 2015.

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 until 7 November 2016. Since 7 November 2016, Mr. Huang Youlong becomes the chief executive of the Company.

The emoluments of Mr. Chu Chun Man, Augustine, Mr. Wong Hin Shek and Mr. Huang Youlong disclosed above included those for services rendered by them as the Chief Executive.

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 2016 and 2015.

(iii) The discretionary bonus is determined by the Remuneration Committee having regard to the individual performance of the directors of the Company.

(iv) Other benefits represented housing benefits of approximately HK$700,000 (2015: HK$840,000) and nil (2015: HK$225,000) 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.

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, two (2015: two) were directors of the Company whose emoluments are set out above. The emoluments of the remaining three (2015: three) highest paid individuals were as follows:

	2016 ***HK$'000***	2015 *HK$'000*
Salaries, allowances and other benefits in kind	**2,623**	3,546
Contributions to retirement benefits schemes	**41**	54
	2,664	3,600

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

(b) Employees' emoluments (Continued)

Their emoluments were within the following bands:

	Number of individuals	
	2016	2015
Nil to HK$1,000,000	**2**	1
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 2016 and 2015.

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 2015	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
Exchange realignment	(7,370)	(16)	(4,074)	(295)	(145)	(1,438)	(13,338)
Revaluation	(931)	–	–	–	–	–	(931)
Additions	57	1,222	2,091	122	60	2,359	5,911
Disposals	(532)	(655)	(20,668)	(1,910)	(330)	–	(24,095)
Transfers	332	–	4,298	90	–	(4,720)	–
At 31 December 2016	88,315	1,840	39,655	3,204	4,399	17,536	154,949
ACCUMULATED DEPRECIATION AND IMPAIRMENT							
At 1 January 2015	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 (note 34)	(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
Exchange realignment	(1,380)	(2)	(2,885)	(254)	(139)	–	(4,660)
Provided for the year	2,632	273	4,998	265	466	–	8,634
Eliminated on disposals	(82)	(338)	(19,195)	(1,896)	(331)	–	(21,842)
Eliminated on revaluation	(1,170)	–	–	–	–	–	(1,170)
Impairment loss	–	860	8,771	516	–	–	10,147
At 31 December 2016	–	1,043	34,865	3,035	4,050	–	42,993
CARRYING VALUES							
At 31 December 2016	88,315	797	4,790	169	349	17,536	111,956
At 31 December 2015	96,759	1,039	14,832	793	760	21,335	135,518

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 2016 and 2015 have 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.

If the leasehold land and buildings have not been revalued, they would have been included in these consolidated financial statements at historical cost less accumulated depreciation of HK$78,560,000 (31 December 2015: HK$87,243,000).

The leasehold land and buildings, which was 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 2016. In estimating the fair value of the leasehold land and buildings, the highest and best use was their current use.

18. PROPERTY, PLANT AND EQUIPMENT (Continued)

(c) (Continued)

The following table gives information about how the fair values of the leasehold land and buildings as at 31 December 2016 and 2015 were determined (in particular, the valuation techniques and inputs used):

	Fair value hierarchy	Fair value as at 31 December 2016 *'000*	Valuation techniques and key inputs	Significant unobservable inputs	Range	Relationship of key inputs and significant unobservable inputs to fair value
Leasehold land and buildings	Level 3	HK$88,315 (equivalent to RMB78,600) (2015:HK$96,759 (equivalent to RMB80,310))	Depreciated replacement cost ("DRC") approach	Market replacement cost per square metre	From RMB2,300 to RMB3,333 (2015: from RMB710 to RMB2,490)	The higher the market 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 2015	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
Exchange realignment	(5,990)
Additions	57
Transfer	332
Depreciation	(2,632)
Disposal	(450)
Net increase in fair value recognised in other comprehensive income	239
At 31 December 2016	88,315

18. PROPERTY, PLANT AND EQUIPMENT (Continued)

(c) (Continued)

During the year ended 31 December 2016, the net increase in fair value recognised in other comprehensive income of approximately HK$239,000 (2015: HK$489,000) was included in asset revaluation reserve in equity.

(d) At 31 December 2016, the Group's leasehold land and buildings and plant and machinery with carrying values of approximately HK$88,315,000 and HK$3,606,000 (2015: HK$96,759,000 and HK$13,508,000) was pledged as security for the banking facilities granted to the Group respectively.

(e) During the year, as a result of the identification of operating loss status with operating cash outflows of the Group, the directors of the Company conducted a review of the Group's property, plant and equipment and determined that a number of those assets were impaired. Accordingly, impairment loss of approximately HK$10,147,000 has been recognised in respect of property, plant and equipment. The recoverable amounts of the relevant assets have been determined on the basis of their value in use. The pre-tax discount rate in measuring the amounts of value in use was 16.26% in relation to discounting the future cash flows of the cash generating units in which the property, plant and equipment belonged to.

19. PREPAID LEASE PAYMENTS

	2016	2015
	HK$'000	*HK$'000*
Leases held under medium term		
– PRC	**8,450**	9,368
– Saipan	**123,537**	–
	131,987	9,368
Leases held under long term		
– Saipan	**96,798**	–
	228,785	9,368

The carrying amount of prepaid lease payments is analysed as follow:

	2016	2015
	HK$'000	*HK$'000*
Carrying amount at 1 January	**9,368**	10,297
Addition upon acquisition of subsidiaries (note 36)	**224,604**	–
Amortisation during the year	**(4,567)**	(336)
Exchange realignment	**(620)**	(593)
	228,785	9,368
Less: Current portion	**(8,776)**	(336)
Non-current portion	**220,009**	9,032

19. PREPAID LEASE PAYMENTS (Continued)

At 31 December 2016, the Group's prepaid lease payments with carrying value of approximately HK$8,450,000 (2015: HK$9,368,000) was pledged as security for the banking facilities granted to the Group.

The prepaid lease payments are amortised on a straight-line basis over the term of the lease of the leasehold land.

20. GOODWILL

	2016 ***HK$'000***	2015 *HK$'000*
COST		
At 1 January and 31 December	**14,820**	14,820
IMPAIRMENT		
At 1 January	**(14,820)**	–
Impairment loss recognised during the year	**–**	(14,820)
At 31 December	**(14,820)**	(14,820)
CARRYING AMOUNT		
At 31 December	**–**	–

Impairment test on goodwill

For the purpose of impairment testing, goodwill set out above had been allocated to two individual cash-generating units during the year ended 31 December 2015.

During the year ended 31 December 2015, the Group recognised an impairment loss of HK$6,824,000 and HK$7,996,000 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. No impairment loss has been recognised during the year ended 31 December 2016.

20. GOODWILL (Continued)

Impairment test on goodwill (Continued)

The basis of the recoverable amounts of the above cash-generating units and their major underlying assumptions were summarised below:

Golf equipment

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

During the year ended 31 December 2015, the recoverable amount had been determined based on a value in use calculation. That calculation used cash flows projections based on the financial budgets approved by the management covering a period of five years, and pre-tax discount rate of 13.87%. The golf equipment's cash flows beyond 5-year period were projected using 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 believed that the budgeted gross margins were reasonable. The recoverable amount of the golf equipment segment was HK$142,532,000. The directors of the Company 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 was considered necessary.

The impairment loss had been included in profit or loss of the consolidated financial statements for the year ended 31 December 2015.

Golf bags

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

During the year ended 31 December 2015, the recoverable amount had been determined based on a value in use calculation. That calculation used cash flows projection based on the financial budgets approved by the management covering a period of five years at a pre-tax discount rate of 14.67%. The golf bags' cash flows beyond 5-year period were projected using 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 believed that the budgeted gross margins were reasonable. The recoverable amount of the golf bags segment was HK$1,731,000. The directors of the Company 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 was considered necessary.

The impairment loss had been included in profit or loss of the consolidated financial statements for the year ended 31 December 2015.

21. CLUB DEBENTURES

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

	2016	2015
	HK$'000	*HK$'000*
COST		
At 1 January and 31 December	**3,397**	3,397
ACCUMULATED IMPAIRMENT		
At 1 January and 31 December	**(500)**	(500)
CARRYING AMOUNT		
At 31 December	**2,897**	2,897

Note: 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$136,000 (2015: HK$178,000) 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

	2016	2015
	HK$'000	*HK$'000*
Raw materials	**29,512**	62,572
Work in progress	**22,248**	33,609
Finished goods	**13,885**	23,660
	65,645	119,841

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 was incurred and reflected in the consolidated financial statements. During the year ended 31 December 2016, as a result of loss of customers, the Group had conducted a review on the inventories and write-off of inventories of approximately HK$47,791,000 was incurred and reflected in the consolidated financial statements.

24. TRADE AND OTHER RECEIVABLES

	2016 HK$'000	2015 HK$'000
Trade receivables	20,612	29,802
Less: allowance for impairment of trade receivables	–	(1)
	20,612	29,801
Deposit paid for the construction of property, plant and equipment (note (v))	135,556	–
Other receivables	8,459	17,325
Prepayments	1,069	5,043
Prepayments to suppliers	3,798	4,245
	169,494	56,414

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.

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

	2016 HK$'000	2015 HK$'000
1 January	1	2
Impairment loss recognised in respect of trade receivables	–	1
Amount write-off as uncollectible	(1)	(2)
31 December	–	1

For the year ended 31 December 2015, included in the allowance for impairment of trade receivables were individually impaired trade receivables with an aggregate balances of approximately of HK$1,000 due to long outstanding. No impairment loss in respect of trade receivables was recognised for the year ended 31 December 2016. The amount of approximately HK$1,000 (2015: HK$2,000) has been written-off as uncollectible as a result of the loss of contact of the debtors with impaired balances.

24. TRADE AND OTHER RECEIVABLES (Continued)

(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:

	2016	2015
	HK$'000	*HK$'000*
0 to 30 days	**15,094**	24,516
31 to 90 days	**5,455**	5,023
91 to 180 days	**63**	262
	20,612	29,801

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

	Total	**Neither past due nor impaired**	**Past due but not impaired 0 to 90 days**
	HK$'000	*HK$'000*	*HK$'000*
At 31 December 2016	**20,612**	**18,452**	**2,160**
At 31 December 2015	29,801	28,443	1,358

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.

(v) The amount represented refundable deposit paid to a construction company, an independent third party, for the development of prepaid lease payments located in Saipan. The deposit has been refunded in full subsequently to the end of the reporting period.

25. PLEDGED BANK DEPOSITS/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:

	2016	2015
	HK$'000	*HK$'000*
Bank balances and cash (note (i))	**24,424**	17,063
Short-term bank deposit (note (ii))	**–**	602
Cash and cash equivalents	**24,424**	17,665

(i) Bank balances carry interest at market rates which ranged from 0.01% to 0.50% per annum (2015: 0.01% to 0.50% per annum).

(ii) Short-term bank deposit carried interest at 2.0% per annum with a maturity date of 3 months for the year ended 31 December 2015.

(iii) At 31 December 2016, the Group's bank balances and cash denominated in RMB amounted to approximately RMB7,647,000, equivalent to approximately HK$8,592,000 (2015: RMB8,016,000, equivalent to approximately HK$9,658,000). 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. PROMISSORY NOTE

On 16 May 2016, the Company issued a promissory note with principal amount of HK$235,700,000 to Top Force, an independent third party, upon the completion of the acquisition of Lucky Fountain as disclosed in note 36.

The promissory note carried interest at a rate of 12% per annum and is unsecured. The outstanding principal amount plus any accrued interest will be repayable on the maturity date falling on the second anniversary of the date of the promissory note, i.e. 15 May 2018. The Company may at any time before the maturity date to redeem the promissory note (in whole or in part).

The promissory note is subsequently measured at amortised cost, using effective interest rate of 14%.

The principal amount of HK$235,700,000 and interest of approximately HK$13,639,000 were fully repaid on 8 November 2016, resulting an aggregate loss on early redemption of approximately HK$11,307,000.

The movements of the liability and early redemption derivative component of the promissory note and the reconciliation of Level 3 fair value measurement during the reporting period are set out below:

	Liability component of the promissory note	**Early redemption derivative component of the promissory note**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2015, 31 December 2015 and 1 January 2016	–	–	–
Issued on 16 May 2016	224,891	(2,041)	222,850
Imputed interest expense	15,182	–	15,182
Loss on early redemption	9,266	2,041	11,307
Repayment of principal and interest portion of the promissory note upon early redemption	(249,339)	–	(249,339)
At 31 December 2016	–	–	–

27. TRADE AND OTHER PAYABLES

	2016 *HK$'000*	2015 *HK$'000*
Trade and bills payables	**29,272**	25,637
Customers' deposits received	**521**	473
Accruals and other payables (note (iii))	**4,196**	3,560
	33,989	29,670

(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:

	2016 *HK$'000*	2015 *HK$'000*
0 to 90 days	**22,988**	19,365
91 to 180 days	**5,308**	5,279
181 to 365 days	**424**	266
Over 365 days	**552**	727
	29,272	25,637

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:

	2016 *HK$'000*	2015 *HK$'000*
RMB	**567**	1,360

(iii) Included in accruals and other payables are the interest payable of approximately HK$1,035,000 (2015: HK$76,000) from the other borrowings.

28. AMOUNTS DUE TO DIRECTORS AND RELATED COMPANIES

The amounts due to directors at 31 December 2016 were unsecured, non-interest bearing and repayable on demand (2015: nil).

The amounts due to related companies of approximately HK$51,944,000 and HK$1,429,000 (2015: 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

	2016	2015
	HK$'000	*HK$'000*
Term loans	**68,494**	73,494
Other borrowings	**9,500**	5,000
	77,994	78,494
Secured	**68,494**	73,494
Unsecured	**9,500**	5,000
Carrying amount repayable within one year	**77,994**	78,494

(i) At 31 December 2016, bank borrowings of approximately HK$68,494,000 (2015: HK$73,494,000) are fixed-rate borrowings. The fixed-rate borrowings carry interest ranging from 5.00% to 5.45% (2015: 5.00% to 6.15%) per annum.

(ii) During the year ended 31 December 2016, the Group renewed new bank borrowings and other borrowings of approximately HK$68,494,000 (2015: HK$73,494,000) and HK$4,500,000 (2015: HK$5,000,000) respectively to finance its working capital.

(iii) At 31 December 2016, the bank facilities of the Group were secured by leasehold land and buildings, plant and machinery and prepaid lease payments of approximately HK$88,315,000 (note 18(d)), HK$3,606,000 (note 18(d)) and HK$8,450,000 (note 19) (2015: HK$96,759,000, HK$13,508,000 and HK$9,368,000) respectively.

(iv) At the end of the reporting period, the Group had unused banking facilities of approximately HK$11,236,000 (2015: HK$12,048,000).

(v) At 31 December 2016, except for bank borrowings equivalent to approximately HK$68,494,000 (2015: HK$73,494,000) denominated in RMB, all other bank borrowings are denominated in HK$.

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 2016, other borrowing of HK$9,500,000 (2015: HK$5,000,000) is a fixed-rate borrowing from a licenced money lending company, an independent third party, which carries interest of 12% per annum. The loan is unsecured and repayable within one year.

30. CONVERTIBLE BOND

On 7 November 2016, the Company issued an interest-free convertible bond (the "CB") with principal amount of HK$74,100,000 to an independent third party with maturity date on 6 November 2021 (the "Maturity Date"). The CB is unsecured and denominated in Hong Kong dollars.

The principal terms of the CB are as follows:

Conversion: The holder of the CB is entitled to convert the CB into ordinary shares of the Company at a conversion price of HK$0.114 per ordinary share.

The conversion rights are exercisable at any time during the period commencing from the date of issue of the CB up to the Maturity Date.

Redemption: No early repayment option is granted either to the Company or the holder of CB. The CB will only be redeemed by the Company at the Maturity Date.

The CB contains two components, liability and equity elements. The equity element is presented in equity heading convertible bond equity reserve. The effective interest rate of the liability component is 9.7% per annum.

The movements of the liability and equity components of the CB and the reconciliation of Level 3 fair value measurement during the reporting period are set out below:

	Liability component of the CB *HK$'000*	**Equity component of the CB** *HK$'000*	**Total** *HK$'000*
At 1 January 2015, 31 December 2015 and 1 January 2016	–	–	–
Issued during the year	46,643	27,457	74,100
Transaction costs	(494)	(290)	(784)
Effective interest charge for the year	679	–	679
At 31 December 2016	46,828	27,167	73,995

No CB was converted into ordinary shares of the Company during the year ended 31 December 2016. No redemption, purchase or cancellation by the Company has been made in respect of the CB during the year ended 31 December 2016. As at 31 December 2016, the principal amount of the CB that remained outstanding amounted to HK$74,100,000 of which a maximum of 650,000,000 shares may fall to be issued upon their conversions, subject to anti-dilution adjustments provided in the terms of the CB. For details of the terms of the CB, please refer to the circular of the Company dated 30 September 2016.

At the date of issuance of the CB and at 31 December 2016, the fair value of the liabilities was valued by Vigers Appraisal & Consulting Limited, an independent qualified professional valuer, not connected with the Group. The fair value of the liabilities was estimated at the date of issue using discounted cash flows. The inputs into the model were as follows:

	At 7 November 2016 (date of issue)
Share price	HK$0.285
Conversion price	HK$0.114
Expected volatility	64%
Expected life	5 years
Risk-free rate	0.803%
Expected dividend yield	Nil

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*	**Total** *HK$'000*
At 1 January 2015	(2,219)	(221)	(2,440)
Reversed upon loss on revaluation of leasehold and building included in the disposal group	2,219	–	2,219
Credited to other comprehensive income	(122)	–	(122)
At 31 December 2015	(122)	(221)	(343)
Credited to other comprehensive income	(60)	–	(60)
At 31 December 2016	(182)	(221)	(403)

At the end of the reporting period, the Group had unused tax losses of approximately HK$186,598,000 (2015: HK$103,450,000) available for offset against future profits. Included in unused tax losses are losses of approximately HK$93,982,000 (2015: HK$82,740,000) that will expire in 5 years from the year of origination. Other losses may be carried forward indefinitely.

Under the EIT Law of PRC, withholding tax is imposed on dividends in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards (the "Post-2008 Earnings"). Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary difference attributable to the "Post-2008 Earnings" amounting to approximately HK$9,019,000 (2015: HK$10,603,000) 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.

At the end of the reporting period, the Group has deductible temporary difference of approximately HK$10,147,000 (2015: nil) arising from the impairment loss of property, plant and equipment for the year ended 31 December 2016. No deferred tax asset has been recognised as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

32. SHARE CAPITAL

	Number of shares	Share capital
	'000	*HK$'000*
Ordinary shares of HK$0.01 (2015: HK$0.10) each		
Authorised		
At 1 January 2015 and 31 December 2015	1,000,000	100,000
Sub-division (note (i))	9,000,000	–
At 31 December 2016	10,000,000	100,000
Issued and fully paid		
At 1 January 2015	460,050	46,005
Exercise of share options (note (ii))	8,000	800
At 31 December 2015	468,050	46,805
Capital reduction (note (i))	–	(42,124)
Issue of bonus issue (note (i))	1,872,200	18,722
Issue of shares upon share subscription (note (iii))	2,861,000	28,610
At 31 December 2016	5,201,250	52,013

Notes:

(i) On 30 November 2015, the Company announced (i) the capital reduction to reduce the nominal value of each issued share of the Company from HK$0.10 to HK$0.01 by cancelling the paid-up capital to the extent of HK$0.09 on each of its issued shares (the "Capital Reduction"); and (ii) to sub-divide the authorised shares of HK$0.10 each into ten new shares of HK$0.01 each (the "Sub-Division") (collectively referred to as the "Capital Reorganisation").

The Capital Reoganisation became effective on 6 January 2016 and the credit arising from the Capital Reduction of approximately HK$42,124,000 were applied for the bonus issue (the "Bonus Issue"), which issuing new shares on the basis of four bonus shares for every one share held by qualified shareholders, while the remaining credit of approximately HK$18,722,000 has been transferred to contributed surplus.

On 22 January 2016, a total of 1,872,200,000 shares of the Bonus Issue of HK$0.01 each were issued.

The shares rank pari passu with the existing shares in all aspects.

(ii) 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.

The shares rank pari passu with the existing shares in all aspects.

(iii) On 7 November 2016, 2,861,000,000 ordinary shares of HK$0.01 each were issued and allotted at a price of HK$0.114 per share, raising a total proceeds of HK$322,703,000, net of direct expense of HK$3,451,000.

The shares rank pari passu with the existing shares in all aspects.

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, would 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.

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.

33. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

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 2016 and 2015, no share option has remained outstanding under the New Share Option Scheme.

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, 1 January 2016 and 31 December 2016**
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

In respect of the share options exercised during the year ended 31 December 2015, the share price at the dates of exercise was HK$1.01.

At 31 December 2016 and 2015, no outstanding share option was held by the directors and employees.

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 Company Limited* ("Shen Tong") (廣州市紳通貿易有限公司) which was included in 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 and 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

For the year ended 31 December 2016

On 10 November 2016, a subsidiary of the Company, Sino Golf Comercial Offshore De Macau Limitada ("Sino Golf Macau") was voluntarily deregistered.

The reserve of Sino Golf Macau on the date of deregistration was as follows:

	HK$'000
Release of cumulative legal reserve	48
Gain on deregistration of Sino Golf Macau	48

For the year ended 31 December 2015

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

* The English name is for identification purpose only

36. ACQUISITION OF SUBSIDIARIES ACCOUNTED FOR AS ASSETS ACQUISITION

On 16 May 2016, Future Success Holdings Limited ("Future Success"), a wholly-owned subsidiary of the Company, completed the acquisition of entire equity interest in Lucky Fountain, from Top Force, an independent third party, at a consideration of HK$235,700,000 settling through issue of the promissory note (note 26). The Directors are of the opinion that the acquisition of Lucky Fountain is in substance an asset acquisition instead of a business combination, as the net assets of Lucky Fountain Group were mainly prepaid lease payments and Lucky Fountain Group engaged into property holding prior to the acquisition by the Group.

The net assets of the Lucky Fountain Group acquired are as follows:

	16 May 2016
	HK$'000
Net assets acquired at the date of acquisition are as follows:	
Prepaid lease payments	224,604
Bank balances and cash	7
	224,611
Satisfied by:	
Promissory note (note 26)	222,850
Directly attributable cost, settled by cash	1,761
	224,611
Cash outflows arising from acquisition, representing bank balances and cash	(1,754)

The consideration was settled by issuing the promissory note with principal amount of HK$235,500,000 on 16 May 2016, which is interest bearing at 12% per annum and payable on the maturity date, and will mature on the second anniversary from the date of issue of the promissory note. During the year ended 31 December 2016, interest expense of the promissory note with approximately HK$15,182,000 was recognised in profit or loss.

37. 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 five years (2015: one to six 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:

	2016	2015
	HK$'000	*HK$'000*
Within one year	**2,242**	3,813
In the second to fifth years, inclusive	**767**	3,764
	3,009	7,577

38. CAPITAL COMMITMENTS

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

	2016	2015
	HK$'000	*HK$'000*
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
Leasehold land and buildings	**–**	84
Plant and machinery	**664**	1,468
	664	1,552

39. MATERIAL LITIGATION

At 31 December 2016, 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$1,535,000, with damages of approximately RMB55,000, equivalent to HK$62,000, together with interest thereon and costs in relation to dispute involving supply of equipment by the plaintiff. On 25 November 2016, the court ordered the plaintiff to repair, replace or rework the equipment.

At 31 December 2016, the directors of the Company considered that no provision was required be made in the consolidated financial statements after the consideration of the court order issued on 25 November 2016 and the legal opinion obtained from the Company's legal counsel.

40. 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	2016 HK$'000	2015 HK$'000
Rental expenses	(a)	700	840
Rental expenses	(b)	–	225
Rental expenses	(c)	200	–
Company secretarial compliance services fee	(d)	757	214
Professional fee	(e)	1,743	12

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 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.

(d) 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.

(e) The professional 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:

	2016 HK$'000	2015 HK$'000
Short-term benefits	6,424	5,735
Post-employment benefits	53	52
	6,477	5,787

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

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

	NOTES	2016 HK$'000	2015 HK$'000
Non-current assets			
Property, plant and equipment		**326**	413
Deposit and other receivables		**447**	447
Investments in subsidiaries	*(i)*	**224,611**	–
		225,384	860
Current assets			
Amounts due from subsidiaries	*(ii)*	**135,013**	144,473
Prepayment and deposits		**202**	198
Bank balances and cash		**13,619**	3,185
		148,834	147,856
Current liabilities			
Other borrowing		**9,500**	5,000
Amount due to a subsidiary	*(ii)*	**4,611**	–
Amount due to a related company	*(ii)*	**1,429**	1,290
Other payables		**2,455**	1,186
		17,995	7,476
Net current assets		**130,839**	140,380
Net assets less net current liabilities		**356,223**	141,240
Non-current liability			
Convertible bond		**46,828**	–
		309,395	141,240
Capital and reserves			
Share capital		**52,013**	46,805
Reserves	*(iii)*	**257,382**	94,435
		309,395	141,240

41. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Notes:

(i) Investments in subsidiaries

	2016	2015
	HK$'000	*HK$'000*
COST		
At the beginning of the financial year	**15,717**	15,717
Additions	**224,611**	–
At the end of the year	**240,328**	15,717
IMPAIRMENT		
At the beginning of the financial year	**(15,717)**	–
Less: Impairment loss recognised during the year	**–**	(15,717)
At the end of the year	**(15,717)**	(15,717)
CARRYING AMOUNT		
Unlisted investments, carrying amount	**224,611**	–

(ii) The amounts are unsecured, non-interest bearing and repayable on demand. For the year ended 31 December 2016, impairment loss of approximately HK$145,086,000 (2015: HK$50,119,000) has been recognised in respect of the amounts due from subsidiaries.

41. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

(iii) Reserves

	Share premium *HK$'000*	Contributed surplus *HK$'000* *(note)*	Share options reserve *HK$'000*	Convertible bond equity reserve *HK$'000*	Retained profits/ (accumulated losses) *HK$'000*	Total *HK$'000*
At 1 January 2015	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
Loss and total comprehensive expense for the year	–	–	–	–	(181,715)	(181,715)
Capital reduction	–	42,124	–	–	–	42,124
Issue of bonus shares	–	(18,722)	–	–	–	(18,722)
Issue of shares upon share subscription	297,544	–	–	–	–	297,544
Transaction cost attributable to share subscription	(3,451)	–	–	–	–	(3,451)
Recognition of equity component of convertible bonds, net of transaction cost	–	–	–	27,167	–	27,167
At 31 December 2016	399,369	38,918	–	27,167	(208,072)	257,382

Note: The Company's contributed surplus represents (i) the difference between the fair value of the shares of the subsidiaries acquired over the nominal value of the Company's shares issued for the acquisition; and (ii) the credit arising from the reduction of share capital of the Company in January 2016 from par value of HK$0.1 to HK$0.01 each, partially net off by the bonus issue as disclosed in note 32(i). Under the Bermuda Companies Act, the Company may make distributions to its members out of the contributed surplus under certain circumstances.

42. PARTICULARS 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
			2016		2015		
			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$136,630,000 (2015: HK$124,486,000)	–	100	–	100	Manufacture and trading of golf equipment and accessories
Sino Golf Comercial Offshore De Macau Limitada (note 35)	Macau	MOP100,000	–	–	–	100	Trading of golf equipment and accessories
Billion Ventures (CNMI) Limited#	CNMI	US$500,000	–	100	–	–	Properties holding in Saipan and development of integrated resort

\# Subsidiary acquired upon the acquisition of Lucky Fountain during the year ended 31 December 2016

* The English name is for identification purpose only

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

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.

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**	**2016**	2015
Investment holding	BVI	**3**	–
Inactive	Hong Kong	**3**	2
Inactive	PRC	**1**	1
		7	3

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 2016 HK$'000	Year ended 31 December 2015 HK$'000	Year ended 31 December 2014 HK$'000	Year ended 31 December 2013 HK$'000	Year ended 31 December 2012 HK$'000
RESULTS					
Revenue	**202,530**	261,766	400,962	434,087	272,113
Cost of sales	**(198,106)**	(240,102)	(328,546)	(358,453)	(240,174)
Gross profit	**4,424**	21,664	72,416	75,634	31,939
Other operating income	**1,440**	1,857	2,099	1,553	1,986
Gain on disposal of a subsidiary	**–**	93	–	–	–
Write-off of inventories	**(47,791)**	(31,671)	–	–	–
Selling and distribution expenses	**(2,742)**	(3,736)	(4,790)	(3,131)	(2,615)
Administrative expenses	**(57,788)**	(59,053)	(53,415)	(48,727)	(41,143)
Impairment loss on goodwill	**–**	(14,820)	–	–	–
Impairment loss on property, plant and equipment	**(10,147)**	–	–	–	–
Loss on early redemption of liability component of the promissory note	**(9,266)**	–	–	–	–
Loss on derecognition of derivatives component of the promissory note	**(2,041)**	–	–	–	–
Finance costs	**(19,856)**	(5,402)	(7,591)	(9,328)	(8,475)
(LOSS) PROFIT BEFORE TAX	**(143,767)**	(91,068)	8,719	16,001	(18,308)
Income tax expense	**(251)**	–	(424)	(2,348)	(252)
(LOSS) PROFIT FOR THE YEAR	**(144,018)**	(91,068)	8,295	13,653	(18,560)
(Loss) Profit for the year attributable to:					
Owners of the Company	**(144,018)**	(91,068)	8,295	13,661	(18,531)
Non-controlling interests	**–**	–	–	(8)	(29)
	(144,018)	(91,068)	8,295	13,653	(18,560)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As At 31 December				
	2016 HK$'000	2015 HK$'000	2014 HK$'000	2013 HK$'000	2012 HK$'000
TOTAL ASSETS	**604,947**	343,707	463,649	496,004	478,003
TOTAL LIABILITIES	**(229,722)**	(168,351)	(150,364)	(191,151)	(189,667)
NON-CONTROLLING INTERESTS	**(2,730)**	(2,730)	(2,401)	(2,401)	(2,409)
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	**372,495**	172,626	310,884	302,452	285,927