Sino Golf Holdings Limited
順龍控股有限公司

(Incorporated in Bermuda with limited liability)

Stock Code: 00361

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. HUANG Youlong *(Chairman) (Note 1)*
Mr. HUANG Bangyin *(Chairman) (Note 2)*
Mr. ZHAO Zheng *(Note 3)*
Mr. CHU Chun Man, Augustine
Mr. WANG Chuang *(Note 4)*

Non-Executive Directors

Mr. LIU Tianmin *(Note 5)*
Mr. TUNG Sung-Yuan *(Note 6)*
Mr. WONG Hin Shek
Mr. WEI Chung-Hsiang *(Note 7)*

Independent Non-Executive Directors

Mr. CHAN Kai Wing *(Note 8)*
Ms. CHU Yin Yin, Georgiana *(Note 9)*
Mr. YIP Tai Him *(Note 10)*
Mr. SHENG Baojun *(Note 11)*
Mr. HO Kwong Yu *(Note 12)*
Ms. LIN Lin *(Note 13)*

AUDIT COMMITTEE

Mr. CHAN Kai Wing *(Chairman) (Note 8)*
Ms. CHU Yin Yin, Georgiana *(Note 9)*
Mr. YIP Tai Him *(Note 10)*
Mr. HO Kwong Yu *(Chairman) (Note 12)*
Mr. SHENG Baojun *(Note 11)*
Ms. LIN Lin *(Note 13)*

REMUNERATION COMMITTEE

Mr. YIP Tai Him *(Chairman) (Note 10)*
Mr. CHAN Kai Wing *(Note 8)*
Ms. CHU Yin Yin, Georgiana *(Note 9)*
Mr. ZHAO Zheng *(Note 3)*
Mr. SHENG Baojun *(Chairman) (Note 11)*
Mr. HO Kwong Yu *(Note 12)*
Ms. LIN Lin *(Note 13)*

NOMINATION COMMITTEE

Mr. HUANG Youlong *(Chairman) (Note 1)*
Mr. HUANG Bangyin *(Chairman) (Note 2)*
Mr. CHAN Kai Wing *(Note 8)*
Ms. CHU Yin Yin, Georgiana *(Note 9)*
Mr. YIP Tai Him *(Note 10)*
Mr. SHENG Baojun *(Note 11)*
Mr. HO Kwong Yu *(Note 12)*
Ms. LIN Lin *(Note 13)*

COMPANY SECRETARY

Ms. CHOI Ka Ying

AUTHORISED REPRESENTATIVES

Mr. ZHAO Zheng *(Note 14)*
Mr. CHU Chun Man, Augustine *(Note 14)*
Ms. CHOI Ka Ying

CORPORATE INFORMATION

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

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

STOCK CODE

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

WEBSITE

http://www.sinogolf.com

Notes:

1. Mr. HUANG Youlong resigned as the chairman of the Board, an executive director and the chairman of the Nomination Committee of the Board on 17 April 2018.

2. Mr. HUANG Bangyin was appointed as the chairman of the Board, an executive director and the chairman of the Nomination Committee of the Board on 20 April 2018.

3. Mr. ZHAO Zheng resigned as an executive director and a member of the Remuneration Committee of the Board on 17 April 2018.

4. Mr. WANG Chuang was appointed as an executive director on 20 April 2018 and resigned on 4 April 2019.

5. Mr. LIU Tianmin resigned as a non-executive director on 29 June 2018.

6. Mr. TUNG Sung-Yuan resigned as a non-executive director on 20 April 2018.

7. Mr. WEI Chung-Hsiang was appointed as a non-executive director on 20 April 2018 and resigned on 4 April 2019.

8. Mr. CHAN Kai Wing resigned as an independent non-executive director, the chairman of Audit Committee, a member of Remuneration Committee and Nomination Committee on 9 November 2018.

9. Ms. CHU Yin Yin, Georgiana resigned as an independent non-executive director, a member of Audit Committee, Remuneration Committee and Nomination Committee on 4 April 2019.

10. Mr. YIP Tai Him resigned as an independent non-executive director, the chairman of Remuneration Committee, a member of Audit Committee and Nomination Committee on 9 November 2018.

11. Mr. SHENG Baojun was appointed as an independent non-executive director, the chairman of Remuneration Committee, a member of Audit Committee and Nomination Committee on 9 November 2018.

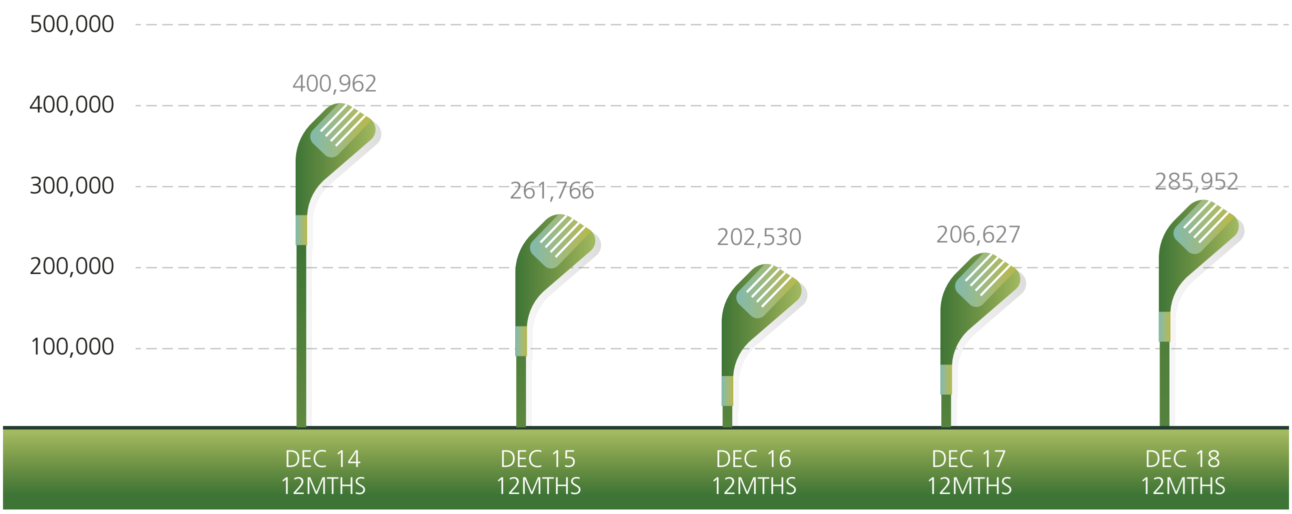
12. Mr. HO Kwong Yu was appointed as an independent non-executive director, the chairman of Audit Committee, a member of Remuneration Committee and Nomination Committee on 9 November 2018.

13. Ms. LIN Lin was appointed as an independent non-executive director, a member of Audit Committee, Remuneration Committee and Nomination Committee on 4 April 2019.

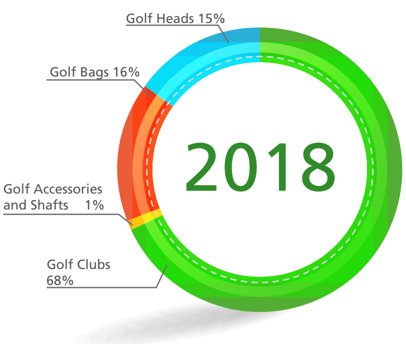
14. Mr. ZHAO Zheng ceased to be an authorised representative on 17 April 2018 and Mr. CHU Chun Man, Augustine was appointed as an authorised representative with effect from 17 April 2018.

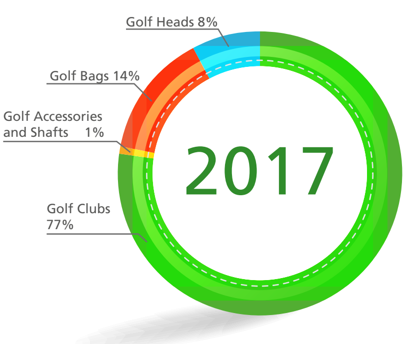
Revenue

(HK$'000)

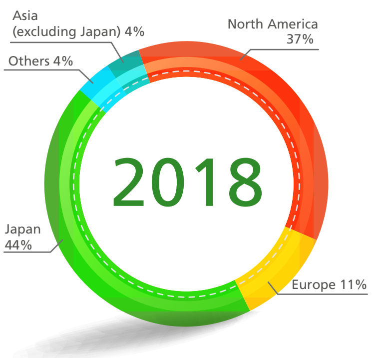


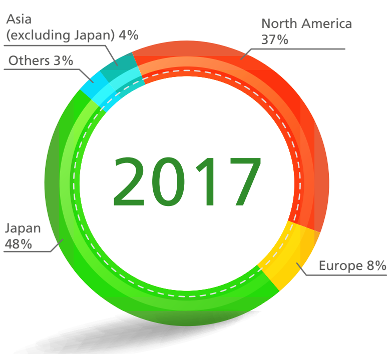
REVENUE BY PRODUCT



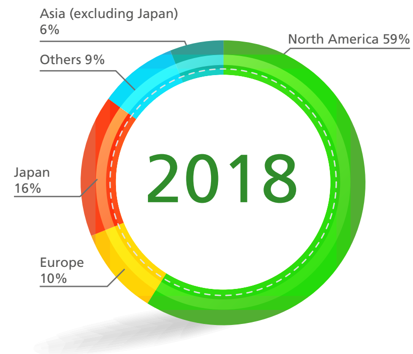


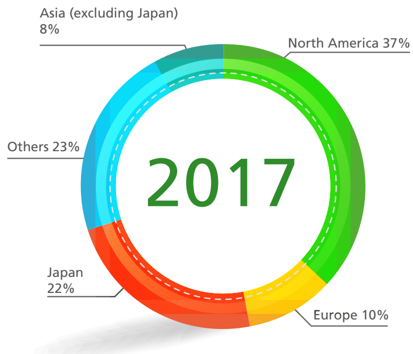
REVENUE (GOLF EQUIPMENT) BY GEOGRAPHICAL AREA





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 2018.

BUSINESS REVIEW AND PROSPECTS

For 2018, we made great strides to our revenue for the golf business, including the golf equipment and the golf bags segments. The revenue of the Group for the year ended 31 December 2018 increased by approximately 38.4% to approximately HK$285,952,000 (2017: approximately HK$206,627,000). However, the operating expenses escalated substantially during the year to erode contributions generated from the sales and the Group had incurred a loss for the year under huge cost burden. Loss for the year attributable to owners of the Company was approximately HK$40,502,000 compared to a loss of approximately HK$31,972,000 in 2017.

In light of the threats and potential impact attributable to the current trade conflicts between China and the United states, the Group adopts a cautious view on the prospect of the golf business for the foreseeable future. It is anticipated that the golf business of the Group will remain relatively stable in the ensuing year and operate in a highly dynamic market with great challenge and intense competition.

APPRECIATION

On behalf of the Board, I would like to express my sincere gratitude to the relentless support of all our valuable shareholders, investors, suppliers, business partners and customers. The management team and all staff members of the Group will continue striving for better results for the Group and bringing value to the Company and returns to the shareholders.

HUANG Bangyin
Chairman
Hong Kong, 27 March 2019

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS AND BUSINESS REVIEW

The golf business of the Group rebounded persistently in 2018 to drive up revenues of both the golf equipment and the golf bags segments. During the year, sales to the largest customer increased by approximately 75% over that of the preceding year while the business with other key customers grew remarkably under the Group's marketing initiatives. There was no revenue generated by the hospitality segment in 2018. Impacted by the cost hikes and the increase in purchase of out-sourced components which reduced the consumption of self-produced components in the manufacturing process, the gross profit margin of the Group diminished for the current year. In addition, the operating expenses escalated substantially during the year to further erode contributions generated from the sales and the Group had incurred a loss for the year under huge cost burden. Strategically, the Board will be exploring more and different potential development opportunities to expand and diversify the business of the Group. In light of the current trade conflicts between China and the United States, it is anticipated that the Group will be operating in a highly volatile economic environment facing intense competition with depressed market demand in the ensuing year.

The Group's revenue for the year ended 31 December 2018 rose about 38.4% to approximately HK$285,952,000 (2017: approximately HK$206,627,000). Loss for the year attributable to owners of the Company was approximately HK$40,502,000 compared to the loss of approximately HK$31,972,000 incurred in 2017. The loss for the year went up mainly due to the cost hikes and the increased operating expenses as evidenced by the surge in payroll costs, social insurance, retirement expenses and various government taxes and levies incurred in China. Basic and diluted loss per share were both approximately HK0.78 cent for the year ended 31 December 2018 (2017: basic and diluted loss per share were both approximately HK0.61 cent).

GOLF EQUIPMENT BUSINESS

The golf equipment segment has dominated as the main operating segment to account for approximately 84.2% of the Group's revenue for the year (2017: approximately 86.0%). Golf equipment sales for the year increased by approximately 35.4% to approximately HK$240,633,000 from approximately HK$177,659,000 in 2017.

During the year, sales to the largest segmental customer, before taking into account the golf bags sales to this customer, amounted to approximately HK$115,899,000 (2017: approximately HK$70,291,000), representing approximately 48.2% (2017: approximately 39.6%) of the segment revenue or approximately 40.5% (2017: approximately 34.0%) of the Group's revenue for the year, respectively. Through taking up new programs and additional orders, the segmental revenue generated from this customer surged approximately 64.9% during the year. With the Group's diverse marketing efforts, the revenue of golf equipment from other key segmental customers grew remarkably by over 20% compared to that of the preceding year. Revenue generated from the top five segmental customers increased by about 38.7% to approximately HK$233,707,000 (2017: approximately HK$168,529,000), representing approximately 97.1% (2017: approximately 94.9%) of the segment revenue or approximately 81.7% (2017: approximately 81.6%) of the Group's revenue for the year, respectively. The Group is devoted to working closely with the existing customers for long-term development and mutual interest as well as exploring business opportunities with other reputable golf name brands for growth and expansion.

To combat cost hikes, the Group has transformed the Guangdong manufacturing operations from self-run production into subcontracting arrangements with independent subcontractors possessing expertise in golf equipment manufacturing to carry out the production function effectively under the Group's supervision. This helped rationalize the manufacturing cost with assured quality for the product output from the Guangdong operations. Throughout the years, the Shandong manufacturing facility has been operating in a relatively cost effective environment in Shandong Province, China and is responsible for producing the majority of the Group's products. To further monitor costs and streamline the Shandong manufacturing operations, the Group has implemented programs to allow production personnel to participate in sharing cost savings achieved against the cost targets established for the relevant production divisions. Besides, the Shandong manufacturing facility continued to optimize its work force to commensurate with the business volume and market conditions. The Group had carried out an assessment of the property, plant and equipment (the "**PPE**") of the golf equipment segment as at 31 December 2018 to ascertain the existence of any impairment. Same as the preceding year, no impairment loss was recognised in respect of the PPE of the golf equipment segment for the current year.

Impacted by the cost burden, the golf equipment segment recorded a segment loss of approximately HK$20,274,000 for the year compared to the segment loss of HK$10,371,000 incurred in 2017. Taking into consideration the prevailing market conditions and the order book status, it is anticipated that the golf equipment business will operate in a highly volatile economic environment with great challenge in light of the current trade conflicts between China and the United States. To substantiate the long-term development, the Group is committed to strengthening the customer relationship augmented by diverse marketing initiatives as well as exploring new business opportunities. The management has maintained a cautious view with prudence on the prospect of the golf equipment business for the ensuing year.

GOLF BAGS BUSINESS

The golf bags business continued to rebound in the current year mainly attributable to the bulk orders placed by the Group's largest customer. In addition to customarily purchasing golf clubs from the Group, this customer started to separately purchase golf bags from the Group since last year making itself the largest golf bags customer as well. The Group's revenue attributable to the golf bags segment, defined as comprising the sales of golf bags and accessories to external customers, increased substantially by approximately 56.4% to approximately HK$45,319,000 (2017: approximately HK$28,968,000), representing approximately 15.8% of the Group's revenue for the year (2017: approximately 14.0%). Total sales of the golf bags segment, before elimination of the inter-segmental sales of approximately HK$14,995,000 (2017: approximately HK$10,595,000), rose approximately 52.5% in 2018 to approximately HK$60,314,000 (2017: approximately HK$39,563,000). The inter-segmental sales represented the golf bags produced as components for the orders of golf club sets placed by customers with the golf equipment segment. The sales of the golf club sets had been classified as the revenue of the golf equipment segment in accordance with the Group's policy.

The segment revenue for the year comprised golf bags sales of approximately HK$37,573,000 (2017: approximately HK$24,362,000) and accessories sales mainly sports bags of approximately HK7,746,000 (2017: approximately HK$4,606,000), representing approximately 82.9% (2017: approximately 84.1%) and approximately 17.1% (2017: approximately 15.9%) of the segment revenue, respectively. The golf bags sales surged approximately 54.2% over that of the preceding year mainly due to the bulk orders of golf bags separately placed by the Group's largest customer. During the year, sales to the largest segmental customer increased by nearly 1.3 times to approximately HK$30,269,000 (2017: approximately HK$13,233,000), representing approximately 66.8% (2017: approximately 45.7%) of the segment revenue or approximately 10.6% (2017: approximately 6.4%) of the Group's revenue for the year. Sales to other key segmental customers grew remarkably to bring additional contribution for the segment. The aggregate sales generated from the top five segmental customers increased by about 82.0% to approximately HK$40,155,000 (2017: approximately HK$22,063,000), representing approximately 88.6% (2017: approximately 76.2%) of the segment revenue or approximately 14.0% (2017: approximately 10.7%) of the Group's revenue for the year. To facilitate the continued development of the golf bags business, the Group has pursued effective measures to streamline the operations and persistently rationalise costs of the golf bags segment with an aim to uphold our competitiveness amidst a highly volatile market.

Benefiting from the growth of sales, the golf bags segment achieved better result and recorded a segment profit of approximately HK$4,366,000 for the year, up approximately 20.4% compared to the segment profit of approximately HK$3,626,000 in 2017. Taking into account the current market conditions and the order book status, the management has expected a stable performance for the golf bags segment and maintained a cautious view on the outlook of the golf bags business for the ensuing year.

HOSPITALITY BUSINESS

The Board has been exploring appropriate diversification business opportunities and/or investments to expand the revenue sources and enhance the long-term growth potential of the Group. With the optimistic view of the tourism and golf related industries in Saipan, the Group acquired Lucky Fountain Holdings Limited and its subsidiaries (the "**Lucky Fountain Group**") in 2016. The principal assets of the Lucky Fountain Group are the twelve land parcels located at Lot 007 A 02, Lot 007 A 03, Lot 007 A 04, Lot 022 A 02, Lot 022 A 03, Lot 007 A 05, Lot 007 A 06, Lot 007 A 07, Lot 036 D 01, Lot 010 A 02, Lot 010 A 17 and Lot 032 A 01 in Saipan with a total site area of approximately 79,529 square metres. The acquisition of the Lucky Fountain Group provides the Group with opportunities to dip into the hospitality segment of Saipan and savor in the development of the tourism and golf related industries in Saipan.

Subsequent to the acquisition of the Lucky Fountain Group, due to the shortage of local construction workers and uncertainty of overseas working visa quota in Saipan since 2017, the development of hospitality business has been postponed. The development will be postponed until all external factors have been solved.

During the year ended 31 December 2018, no revenue (2017: nil) was generated from the hospitality business.

PROSPECTS

The golf business rebounded strongly in 2018 to boost sales of both the golf equipment and the golf bags segment. Through diverse marketing initiatives, the Group's revenue increased significantly by more than one third during the year. Notwithstanding that, the Group had been operating under huge cost burden which undermined contributions from sales and hampered the pace to rebut loss. The Group had incurred a loss for the year against the increased revenue, of which the golf equipment segment recorded a segment loss substantially in excess of the segment profit contributed by the golf bags segment. In light of the threats and potential impact attributable to the current trade conflicts between China and the United States, the Company adopts a cautious view on the prospect of the golf business for the foreseeable future. It is anticipated that the golf business of the Group will remain relatively stable in the ensuing year and operate in a highly dynamic market with great challenge and intense competition. The management nevertheless considers that the Group's financial position stays solid with adequate funds available to finance its operations.

On the other hand, the acquisition of the Lucky Fountain Group in 2016 provides the Group with the opportunity to diversify its business and the potential to enhance its revenue sources. Although the development plan in Saipan has been postponed at the current stage, the Group will continue to observe the hospitality industry trend in Saipan from time to time and start the development plan in best entry time.

Looking ahead, the Group will continue to pursue a cautious business approach to 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 2018 (2017: nil).

FINANCIAL RESOURCES, LIQUIDITY AND GEARING

As at 31 December 2018, bank balances and cash, which were mostly denominated in United States dollars, Hong Kong dollars and Renminbi, amounted to approximately HK$126,249,000 (2017: approximately HK$49,383,000). As at 31 December 2018, interest-bearing borrowings of the Group comprising bank borrowings aggregated to approximately HK$60,227,000 (2017: approximately HK$63,095,000), of which all were repayable within one year and carried interest at approximately 5.87% (2017: 5.22%) per annum. Bank borrowings were fixed rate borrowings denominated in Renminbi as at 31 December 2018 and 2017. Amount due to a related company of approximately HK$1,316,000 as at 31 December 2018 (2017: approximately HK$1,316,000) and amounts due to directors of approximately HK$94,192,000 as at 31 December 2018 (2017: approximately HK$98,777,000) were both unsecured, non-interest bearing and repayable on demand.

As at 31 December 2018, the gearing ratio, defined as bank and other borrowings, amounts due to directors, amount due to a related company and convertible bond less bank balances and cash and pledged bank deposit of approximately HK$85,237,000 (2017: approximately HK$164,544,000) divided by the total equity of approximately HK$303,791,000 (2017: approximately HK$348,230,000) was approximately 28.1% (2017: approximately 47.3%).

As at 31 December 2018, the total assets and the net asset value of the Group amounted to approximately HK$563,064,000 (2017: approximately HK$620,164,000) and approximately HK$303,791,000 (2017: approximately HK$348,230,000), respectively. Current and quick ratios as at 31 December 2018 were approximately 1.16 (2017: approximately 1.26) and approximately 0.81 (2017: approximately 0.82), respectively. Both the current ratio and quick ratio remained stable and the Group is devoted to exploring possible means to further rationalize and improve its financial position from time to time.

PLEDGE OF ASSETS

As at 31 December 2018, bank borrowings from a PRC bank of RMB53,000,000 which was equivalent to approximately HK$60,227,000 (2017: RMB53,000,000 which was equivalent to approximately HK$63,095,000) were secured by property, plant and equipment and the prepaid lease payments of the Group with a carrying value of approximately HK$104,585,000 (2017: approximately HK$98,664,000). As at 31 December 2018, the Group had pledged bank deposit of RMB530,000 which was equivalent to approximately HK$602,000 (31 December 2017: RMB530,000 which was equivalent to approximately HK$631,000) for a bank guarantee of RMB500,000 (31 December 2017: RMB500,000) issued to the landlord of the Group's golf bags facilities.

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 2018. 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 2018, an indirect wholly-owned subsidiary of the Company had been named as defendant in a Hong Kong High Court action as a writ of summons 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 indirect wholly-owned subsidiary had been named as defendant as a writ of summons 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$1,570,000 with damages of approximately RMB55,000, equivalent to approximately HK$63,000, together with interest thereon and costs. On 25 November 2016, the court ordered the plaintiff to repair, replace or rework the equipment. During the year ended 31 December 2017, the court decision has been made in which the Group did not have further obligation to pay since the Plaintiff did not fulfil its obligation for repair, replace or rework. The judgement is final.

Other than as disclosed, the Group had no significant contingent liabilities as at 31 December 2018.

EVENTS AFTER THE REPORTING PERIOD

No significant event has taken place subsequent to 31 December 2018.

CAPITAL COMMITMENTS

As at 31 December 2018, the Group had capital commitments, which are contracted but not provided in the consolidated financial statements in respect of plant and machinery amounting to approximately HK$319,000 (2017: approximately HK$1,120,000).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2018, the Group had approximately 980 employees (2017: 1,060 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.

EXECUTIVE DIRECTORS

Mr. HUANG Youlong, aged 42, was appointed as an executive director, the Chairman of the Board and the Chairman of the nomination committee (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.

Mr. Huang is 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) and a non-executive director of Yunfeng Financial Group Limited (Stock Code: 376) from November 2015 to January 2018. Reference is made to the announcement of the Company dated 10 November 2017, which sets out certain recent information about Mr. Huang. Mr. Huang resigned as the chairman of the Board, an executive director and the chairman of the Nomination Committee of the Board on 17 April 2018.

Mr. HUANG Bangyin, aged 43, was appointed as the chairman of the Board, an executive director of the Company and the chairman of the Nomination Committee on 20 April 2018. He obtained lawyer qualification in China in 1999 and received his master's degree in business administration from Peking University in 2015. After practising as a lawyer and dealing with legal affairs in investment banking for nearly 10 years, Mr. Huang started his career in hog breeding industry in 2008 and established Global Benefits Holding Limited (潤民集團有限公司) (a corporation providing products and services which cover the whole hog breeding industrial chain), where he served as the chairman of the board and president. Mr. Huang serves as the chairman of the board of Runmin (China) Holdings Limited (潤民(中國)控股有限公司), an executive director of China Association for the Promotion of International Agricultural Cooperation (中國農業國際合作促進會), a committee member of Guangdong Provincial Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議廣東省委員會) and the president of Shenzhen Animal Agriculture Association (深圳市畜牧行業協會). Mr. Huang was named as one of the Shenzhen Top 100 Industry Leaders in both 2014 and 2017.

Mr. ZHAO Zheng, aged 49, was appointed as an executive director, the chief investment officer of the Company and a member of the remuneration committee (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 as well as 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. Zhao resigned as an executive director and a member of the Remuneration Committee of the Board on 17 April 2018.

Mr. WANG Chuang, aged 46, was appointed as an executive director and vice president of the Company on 20 April 2018. Mr. Wang graduated from Shenzhen University major in international trading in 1997. In June 1997, he joined China Resources Vanguard Co., Ltd. (華潤萬家有限公司), a company operating supermarket chain, as manager of purchasing department and manager of merchants department. Since June 2004, Mr. Wang worked at RenRenLe Commercial Group Co., Ltd (人人樂連鎖商業集團股份有限公司), a group operating supermarkets and department stores, as manager of South China purchasing department and manager of national purchasing department, until he became the managing director of Shenzhen Dinghui Food Co., Ltd. (深圳市鼎匯食品有限公司) in June 2007. Since October 2015, he has been the managing director of Shenzhen Runmin Modern Agriculture Development Limited (深圳潤民現代生態農業發展有限公司). Since September 2018, he has been the director of Yiguo Group (易果集團), which is a self-operated business operator at Tmall Supermarket for fresh products (天猫超市自營生鮮運營商), and has been responsible for the retail business of poultry and egg products. Mr. Wang resigned as an executive director of the Company on 4 April 2019.

Mr. CHU Chun Man, Augustine, aged 61, 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's 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 35 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 – Guangdong Province.

NON-EXECUTIVE DIRECTORS

Mr. LIU Tianmin, aged 57, was appointed as a non-executive director of the Company 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 from June 2014 to November 2017. Mr. Liu resigned as a non-executive director of the Company on 29 June 2018.

Mr. TUNG Sung-Yuan, aged 46, 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 and 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. Tung resigned as a non-executive director on 20 April 2018.

Mr. WEI Chung-Hsiang, aged 59, was appointed as a non-executive director of the Company on 20 April 2018. Mr. Wei graduated from National Taiwan University with a bachelor's degree in law in 1988 and master's degree in business administration in 2018. He possesses nearly 20 years of experience as chairman of board. Mr. Wei founded Giraffe Cultural Enterprises Co., Limited (長頸鹿文化事業股份有限公司) in Taipei in October 1998 and has been the chairman of its board since then. Mr. Wei resigned as a non-executive director of the Company on 4 April 2019.

Mr. WONG Hin Shek, aged 49, 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 Master of Science degree in Financial Management from the University of London in the United Kingdom and a Bachelor of Commerce degree from the University of Toronto in Canada. Mr. Wong has over 24 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). Mr. Wong was an executive director of Bisu Technology Group International Limited (Stock Code: 1372) from July 2015 to November 2018 and was a non-executive director from November 2018 to April 2019. The shares of these companies are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Mr. Wong was an executive director of GET Holdings Limited (stock code: 8100) from September 2017 to April 2019, whose shares are listed on the Growth Enterprise Market of the Stock Exchange. He was an executive director of Dongwu Cement International Limited (Stock Code: 695) from November 2016 to August 2017. The shares of this company are listed on the Main Board of the Stock Exchange.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. CHU Yin Yin, **Georgiana**, aged 48, 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 "**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 the Hong Kong Institute of Certified Public Accountants, the Association of the Chartered Certified Accountants and 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 17 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). She was an independent non-executive director of Bisu Technology Group International Limited (stock code: 1372) from July 2015 to November 2018. The shares of these companies are listed on the Main Board of the Stock Exchange. Ms. Chu resigned as an independent non-executive director, a member of the Audit Committee, Remuneration Committee and the Nomination Committee of the Company on 4 April 2019.

Mr. YIP Tai Him, aged 48, 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 21 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) and Bisu Technology Group International Limited (stock code: 1372). The shares of these companies are listed on the Main Board or the Growth Enterprise Market (the "**GEM**") of the Stock Exchange. Mr. Yip was an independent non-executive director of each of 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, HJ Capital (International) Holdings Company Limited (previously known as iOne Holdings Limited) (stock code: 982) from April 2009 to July 2014, Kaisa Health Group Holdings Limited (previously known as MEGA MEDICAL TECHNOLOGY LIMITED) (stock code: 876) from February 2001 to June 2014, Larry Jewelry International Company Limited (stock code: 8351) from May 2014 to October 2014 and New Wisdom Holding Company Limited (stock code: 8213) from November 2016 to March 2018 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. Yip resigned as an independent non-executive director, the Chairman of the Remuneration Committee, a member of the Audit Committee and the Nomination Committee of the Company on 9 November 2018.

Mr. CHAN Kai Wing, aged 58, 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. Mr. Chan resigned as an independent non-executive director, the Chairman of the Audit Committee, a member of the Remuneration Committee and the Nomination Committee of the Company on 9 November 2018.

Mr. SHENG Baojun, aged 54, was appointed as an independent non-executive director, the Chairman of the Remuneration Committee, a member of the Audit Committee and the Nomination Committee of Company on 9 November 2018. Mr. Sheng was admitted as a lawyer in the PRC in 1997. He received his master's degree in business administration from Fudan University in 1998, and his master's degree in law from Chicago-Kent College of Law in the U.S.A. in 2004.

Mr. Sheng has been working as a lawyer for nearly 21 years and has been a partner of a law firm since 2004. Mr. Sheng is currently a partner of Beijing Zhong Lun Law Firm Shenzhen Office (北京市中倫(深圳)律師事務所), and had conducted related businesses for a number of companies, primarily including corporate restructuring, mergers and acquisitions, restructuring, listing, banking and finance, real estate development and management, and related arbitration and litigation. Mr. Sheng is also a director of Shenzhen Globalbrands Technology Co., Ltd. (深圳迅銷科技股份有限公司) and an arbitrator of Shenzhen Court of International Arbitration.

Mr. Sheng is currently an independent non-executive director of Shenzhen Tianyuan Dic Information Technology Co., Ltd. (深圳市天源迪科信息技術股份有限公司) (Stock Code: 300047), Shenzhen Clou Electronics Co., Ltd. (深圳市科陸電子科技股份有限公司) (Stock Code: 002121) and Shenzhen Dvision Co., Ltd. (深圳市迪威迅股份有限公司) (Stock Code: 300167), shares of each of which are listed on the Shenzhen Stock Exchange.

Mr. HO Kwong Yu, aged 33, was appointed as an independent non-executive director, the chairman of the Audit Committee, and a member of the Remuneration Committee and the Nomination Committee of the Company on 9 November 2018. He graduated from the Chinese University of Hong Kong with a Bachelor of Business Administration degree in professional accountancy in 2008. He has been a member of the Hong Kong Institute of Certified Public Accountants since 2011.

Prior to joining the Company, Mr. Ho has worked in an international audit firm and also listed companies, and has over ten years of audit, accounting and financial management experience. Mr. Ho is currently the company secretary and chief financial officer of Space Group Holdings Limited (Stock Code: 2448) where he is mainly responsible for overall management of financial matters and company secretarial matters. Mr. Ho is also an independent non-executive director and the Chairman of the audit committee of Most Kwai Chung Limited (Stock Code: 1716). The shares of the aforesaid companies are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

Ms. LIN Lin, aged 40, was appointed as an independent non-executive director, a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company with effect from 4 April 2019. Ms. Lin was admitted as a lawyer in the PRC in 2005. She received her bachelor degree in law from Shantou University in 2001.

Ms. Lin has over eighteen years of experience in the legal field, having been engaged in corporate legal affairs at Shenzhen Foreign Trade Property Management Limited from September 2001 to June 2004. From March 2005 to May 2006, Ms. Lin worked as a legal assistant in Guangdong Huatu Law Office and as a solicitor in the same firm from June 2006 to December 2017. From January 2018 to now, Ms. Lin is a solicitor in Guangdong VBorn Law Office, and has conducted related business for a number of companies, primarily covering corporate restructuring, mergers and acquisitions, restructuring, venture capital, and related arbitration and litigation.

SENIOR MANAGEMENT

Ms. WONG Po Ling, Pauline, aged 41, was the company's secretary up to 31 March 2017. She obtained a bachelor's degree in accountancy and a master's 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 34, 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 34, was appointed as financial controller on 18 September 2015 and resigned on 7 December 2018. He obtained a bachelor's 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 49, is the senior marketing manager of the Group. Ms. Lee has over 25 years of experience in the golf equipment manufacturing industry. She graduated with a bachelor's 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 55, 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 26 years of experience in the golf manufacturing industry.

Mr. HUNG Yi Chuan, aged 56, 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 30 years of experience in golf manufacturing industry.

The Directors present their report and the audited consolidated financial statements of the Group for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in Note 39 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

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 13 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 13 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 13 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.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2018 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 pages 141 to 142 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 31 and 32 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 2018.

CHARITABLE DONATIONS

During the year, no charitable donations were made by the Group (2017: 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 38(iii) to the consolidated financial statements and in the consolidated statement of changes in equity on pages 61 to 62, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2018, 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 92.8% of the total sales for the year, and sales to the largest customer included therein amounted to approximately HK$146,168,000, representing 51.1% of the total sales for the year. 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 during the year were:

EXECUTIVE DIRECTORS

Mr. HUANG Youlong *(Chairman)* (resigned on 17 April 2018)
Mr. HUANG Bangyin *(Chairman)* (appointed on 20 April 2018)
Mr. ZHAO Zheng (resigned on 17 April 2018)
Mr. CHU Chun Man, Augustine
Mr. WANG Chuang (appointed on 20 April 2018)

NON-EXECUTIVE DIRECTORS

Mr. LIU Tianmin (resigned on 29 June 2018)
Mr. TUNG Sung-Yuan (resigned on 20 April 2018)
Mr. WONG Hin Shek
Mr. WEI Chung-Hsiang (appointed on 20 April 2018)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHAN Kai Wing (resigned on 9 November 2018)
Ms. CHU Yin Yin, Georgiana (resigned on 4 April 2019)
Mr. YIP Tai Him (resigned on 9 November 2018)
Mr. SHENG Baojun (appointed on 9 November 2018)
Mr. HO Kwong Yu (appointed on 9 November 2018)
Ms. LIN Lin (appointed on 4 April 2019)

In accordance with Bye-law 86(2) of the Company's Bye-laws, since Mr. SHENG Baojun and Mr. HO Kwong Yu were appointed as Directors by the Board on 9 November 2018 and Ms. LIN Lin was appointed as a Director by the Board on 4 April 2019, they will hold office until the next following general meeting of the Company and, being eligible, will offer themselves 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, Mr. HUANG Bangyin, Mr. CHU Chun Man, Augustine and Mr. WONG Hin Shek will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

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 of Hong Kong Limited (the "**Listing Rules**") from each of the independent non-executive Directors, Mr. SHENG Baojun, Mr. HO Kwong Yu and Ms. LIN Lin, 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 14 to 18 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 37 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, and no contract of significance between the Company or any of its subsidiaries and the Company's controlling shareholder or any of its subsidiaries, 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 27 and 37 to the consolidated financial statements. All of such related party transactions are regarded as exempt continuing connected transactions of the Company under Rule 14A.76(1) of the Listing Rules.

DIRECTORS’ INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2018, 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:

Name of Director	Number of shares held and interests in underlying shares, capacity and nature of interest: Directly beneficially owned	Through spouse	Through controlled corporations	Total	Percentage of the company's issued share capital
Mr. CHU Chun Man, Augustine	46,460,520	750,000	–	47,210,520	0.91%

(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 2018, 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 29 and 32 to the consolidated financial statements, at no time during the year or at the end of 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 or fellow 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 32 to the consolidated financial statements. The maximum number of shares which may be allotted and issued upon exercise of all options to be granted under the New Share Option Scheme was 190,025,000 (2017: 190,025,000) shares, which represented approximately 3.65% (2017: 3.65%) of the shares of the Company in issue as at 31 December 2018 and up to the date of this annual report.

At 31 December 2018, no outstanding share option was held by the Directors (2017: nil). There were no share options granted, exercised, cancelled, lapsed or forfeited during the year ended 31 December 2018 (2017: no share options were exercised, granted, cancelled, lapsed or forfeited). There were no share options' outstanding at the beginning and at the end of the year.

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

At 31 December 2018, 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
China Huarong Asset Management Co., Ltd.	(a)	Security interest held by controlled corporation	3,511,000,000	67.50%
China Huarong International Holdings Limited	(a)	Security interest held by controlled corporation	3,511,000,000	67.50%
Right Select International Limited	(a)	Security interest held by controlled corporation	3,511,000,000	67.50%
Plenty Choice Investments Limited	(a) / (b)	Security interest	3,511,000,000	67.50%
Wealth Sailor Limited	(c)	Beneficial owner	3,511,000,000	67.50%
Prominent Victory Limited	(b) / (d)	Beneficial interest held by controlled corporation	3,511,000,000	67.50%
Mr. Huang Youlong	(e)	Beneficial interest held by controlled corporation	3,511,000,000	67.50%
Ms. Zhao Wei	(f)	Interest of spouse	3,511,000,000	67.50%
Surplus Excel Limited	(g)	Beneficial owner	984,754,355	18.93%
Mr. Jiang Jianhui	(h)	Beneficial interest held by controlled corporation	984,754,355	18.93%

Notes:

(a) Plenty Choice Investments Limited is a company wholly and beneficially owned by Right Select International Limited. Right Select International Limited is a company wholly and beneficially owned by China Huarong International Holdings Limited. China Huarong Asset Management Co., Ltd. is the ultimate beneficial owner of Plenty Choice Investments Limited. Each of Right Select International Limited, China Huarong International Holdings Limited and China Huarong Asset Management Co., Ltd. is deemed to be interested in the Shares which Plenty Choice Investments Limited has security interest by virtue of the SFO.

(b) As at 31 December 2018, Wealth Sailor Limited has provided a first fixed share charge in respect of the 2,861,000,000 Shares held by it and a first fixed charge in respect of the convertible bonds held by it convertible into 650,000,000 Shares in favour of Plenty Choice Investments Limited to secure the payment obligations under the secured notes issued by Prominent Victory Limited to Plenty Choice Investments Limited.

(c) Wealth Sailor Limited is a company incorporated in the BVI with limited liability.

(d) 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.

(e) This represents the 2,861,000,000 shares and the convertible bonds (convertible into 650,000,000 shares) held by Wealth Sailor Limited. 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.

(f) Ms. Zhao Wei is the spouse of Mr. Huang Youlong. Accordingly, Ms. Zhao Wei is deemed to be interested in the Shares Mr. Huang Youlong is interested in.

(g) Surplus Excel Limited is a company incorporated in the BVI with limited liability.

(h) 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 2018, 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 eleven years ended 31 December 2018 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 Bangyin
Chairman

Hong Kong
27 March 2019

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 2018, 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

From 1 January 2018 to 16 April 2018, the Board comprised nine Directors, with three executive Directors, namely Mr. HUANG Youlong (Chairman); Mr. ZHAO Zheng and Mr. CHU Chun Man, Augustine; three independent non-executive Directors, namely Ms. CHU Yin Yin, Georgiana; Mr. YIP Tai Him and Mr. CHAN Kai Wing and three non-executive Directors, namely Mr. WONG Hin Shek, Mr. LIU Tianmin and Mr. TUNG Sung-Yuan.

On 17 April 2018, Mr. HUANG Youlong and Mr. ZHAO Zheng resigned as executive Directors.

On 20 April 2018, Mr. TUNG Sung-Yuan resigned as a non-executive Director and Mr. HUANG Bangyin and Mr. WANG Chuang were appointed as executive Directors and Mr. WEI Chung-Hsiang was appointed as a non-executive Director.

On 15 June 2018, (i) Mr. HUANG Bangyin, Mr. CHU Chun Man, Augustine and Mr. WANG Chuang were re-elected as executive Directors and (ii) Mr. WONG Hin Shek and Mr. WEI Chung-Hsiang were re-elected as non-executive Directors.

On 29 June 2018, Mr. LIU Tianmin resigned as a non-executive Director.

On 9 November 2018, (i) Mr. CHAN Kai Wing and Mr. YIP Tai Him resigned as independent non-executive Directors and (ii) Mr. SHENG Baojun and Mr. HO Kwong Yu were appointed as independent non-executive Directors.

On 4 April 2019, (i) Mr. WANG Chuang resigned as an executive Director; (ii) Mr. WEI Chung-Hsiang resigned as a non-executive Director; (iii) Ms. CHU Yin Yin, Georgiana resigned as an independent non-executive Director and (iv) Ms. LIN Lin was appointed as an independent non-executive Director.

Save as disclosed in the section header "Biographical Details of Directors and Senior Management", there is no financial, business, family or other material relationship among the members of the Board.

The Board considers that the composition of the Board 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 14 to 18 of this annual report under the Biographical Details of Directors and Senior Management section.

The Company's circular regarding the notice of 2019 annual general meeting contains detailed information of the Directors standing for re-election as executive Directors, non-executive Director 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.

During the year, Mr. HUANG Youlong (from 1 January 2018 to 16 April 2018) and Mr. Huang Bangyin (from 20 April 2018 to 31 December 2018), respectively, acts as the Chairman of the Board and is also responsible for overseeing the general operations of the Group. 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. Mr. HUANG Youlong resigned from the Board on 17 April 2018. On 20 April 2018, Mr. HUANG Bangyin was appointed as an executive Director and the Chairman of the Board.

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.

As required by the Company's Bye-laws, non-executive Directors and independent non-executive Directors are required to retire by rotation once every three years and subject to re-election at the Company's annual general meeting. 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 2018 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. The following summarises the compliance status of all Directors of the Company in respect of code provision A.6.5 during the year:

	In compliance with code provision A.6.5
Executive Directors	
Mr. HUANG Youlong (Chairman) (Note 1)	✓
Mr. HUANG Bangyin (Chairman) (Note 2)	✓
Mr. ZHAO Zheng (Note 3)	✓
Mr. CHU Chun Man, Augustine	✓
Mr. WANG Chuang (Note 4)	✓
Non-Executive Directors	
Mr. LIU Tianmin (Note 5)	✓
Mr. TUNG Sung-Yuan (Note 6)	✓
Mr. WONG Hin Shek	✓
Mr. WEI Chung-Hsiang (Note 7)	✓
Independent Non-Executive Directors	
Mr. CHAN Kai Wing (Note 8)	✓
Ms. CHU Yin Yin, Georgiana (Note 9)	✓
Mr. YIP Tai Him (Note 10)	✓
Mr. SHENG Baojun (Note 11)	✓
Mr. HO Kwong Yu (Note 12)	✓

Notes:

1. Mr. HUANG Youlong resigned as the chairman of the Board, an executive director and the chairman of the Nomination Committee on 17 April 2018.

2. Mr. HUANG Bangyin was appointed as the chairman of the Board, an executive director and the chairman of the Nomination Committee on 20 April 2018.

3. Mr. ZHAO Zheng resigned as an executive director and a member of the Remuneration Committee on 17 April 2018.

4. Mr. WANG Chuang was appointed as an executive director on 20 April 2018 and resigned on 4 April 2019.

5. Mr. LIU Tianmin resigned as a non-executive director on 29 June 2018.

6. Mr. TUNG Sung-Yuan resigned as a non-executive director on 20 April 2018.

7. Mr. WEI Chung-Hsiang was appointed as a non-executive director on 20 April 2018 and resigned on 4 April 2019.

8. Mr. CHAN Kai Wing resigned as an independent non-executive director, the chairman of the Audit Committee, a member of the Remuneration Committee and the Nomination Committee on 9 November 2018.

9. Ms. CHU Yin Yin, Georgiana resigned as an independent non-executive director, a member of the Audit Committee, the Remuneration Committee and the Nomination Committee on 4 April 2019.

10. Mr. YIP Tai Him resigned as an independent non-executive director, the chairman of the Remuneration Committee, a member of the Audit Committee and the Nomination Committee on 9 November 2018.

11. Mr. SHENG Baojun was appointed as an independent non-executive director, the chairman of the Remuneration Committee, a member of the Audit Committee and the Nomination Committee on 9 November 2018.

12. Mr. HO Kwong Yu was appointed as an independent non-executive director, the chairman of the Audit Committee, a member of the Remuneration Committee and the Nomination Committee on 9 November 2018.

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 2018

	Board	Audit Committee	Remuneration Committee	Nomination Committee	General Meeting
Executive Directors					
Mr. HUANG Youlong (Chairman) (Note 1)	0/1	N/A	N/A	0/1	N/A
Mr. HUANG Bangyin (Chairman) (Note 2)	3/3	N/A	N/A	1/1	1/1
Mr. ZHAO Zheng (Note 3)	1/1	N/A	1/1	N/A	N/A
Mr. CHU Chun Man, Augustine (Note 4)	5/5	N/A	N/A	N/A	1/1
Mr. WANG Chuang (Note 5)	3/3	N/A	N/A	N/A	1/1
Non-Executive Directors					
Mr. LIU Tianmin (Note 6)	2/2	N/A	N/A	N/A	0/1
Mr. TUNG Sung-Yuan (Note 7)	1/2	N/A	N/A	N/A	N/A
Mr. WONG Hin Shek (Note 8)	5/5	N/A	N/A	N/A	1/1
Mr. WEI Chung-Hsiang (Note 9)	3/3		N/A	N/A	1/1
Independent Non-Executive Directors					
Mr. CHAN Kai Wing (Note 10)	4/4	2/2	3/3	3/3	1/1
Ms. CHU Yin Yin, Georgiana (Note 11)	4/5	2/2	3/3	3/3	1/1
Mr. YIP Tai Him (Note 12)	4/4	2/2	3/3	3/3	1/1
Mr. SHENG Baojun (Note 13)	1/1	N/A	N/A	N/A	N/A
Mr. HO Kwong Yu (Note 14)	1/1	N/A	N/A	N/A	N/A
Total number of meetings held	5	2	3	3	1

Notes:

1. Mr. HUANG Youlong resigned as the chairman of the Board, an executive director and the chairman of the Nomination Committee on 17 April 2018.

2. Mr. HUANG Bangyin was appointed as the chairman of the Board, an executive director and the chairman of the Nomination Committee on 20 April 2018. Mr. HUANG was re-elected as an executive director and the chairman of the Nomination Committee on 15 June 2018.

3. Mr. ZHAO Zheng resigned as an executive director and a member of the Remuneration Committee on 17 April 2018.

4. Mr. CHU Chun Man, Augustine was re-elected as an executive director on 15 June 2018.

5. Mr. WANG Chuang was appointed as an executive director on 20 April 2018. Mr. WANG was re-elected as an executive director on 15 June 2018 and resigned on 4 April 2019.

6. Mr. LIU Tianmin resigned as a non-executive director on 29 June 2018.

7. Mr. TUNG Sung-Yuan resigned as a non-executive director on 20 April 2018.

8. Mr. WONG Hin Shek was re-elected as a non-executive director on 15 June 2018.

9. Mr. WEI Chung-Hsiang was appointed as a non-executive director on 20 April 2018. Mr. WEI was re-elected as a non-executive director on 15 June 2018 and resigned on 4 April 2019.

10. Mr. CHAN Kai Wing resigned as an independent non-executive director, the chairman of the Audit Committee, a member of the Remuneration Committee and the Nomination Committee on 9 November 2018.

11. Ms. CHU Yin Yin, Georgiana resigned as an independent non-executive director, a member of the Audit Committee, the Remuneration Committee and the Nomination Committee on 4 April 2019.

12. Mr. YIP Tai Him resigned as an independent non-executive director, the chairman of the Remuneration Committee, a member of the Audit Committee and the Nomination Committee on 9 November 2018.

13. Mr. SHENG Baojun was appointed as an independent non-executive director, the chairman of the Remuneration Committee, a member of the Audit Committee and the Nomination Committee on 9 November 2018.

14. Mr. HO Kwong Yu was appointed as an independent non-executive director, the chairman of the Audit Committee, a member of the Remuneration Committee and the Nomination Committee on 9 November 2018.

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. LIU Tianmin, a non-executive director, did not attend the annual general meeting of the Company held on 15 June 2018 due to his other business engagement. However, the Board believes that the presence of the other non-executive Directors and all 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

From 1 January 2018 to 8 November 2018, 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. On 9 November 2018, Mr. CHAN Kai Wing and Mr. YIP Tai Him ceased to be members of the Audit Committee due to their resignations from the positions of director. On the same day, Mr. SHENG Baojun and Mr. HO Kwong Yu were appointed as members of the Audit Committee, with Mr. HO Kwong Yu appointed as the chairman of the Audit Committee. On 4 April 2019, Ms. CHU Yin Yin, Georgiana ceased to be a member of the Audit Committee due to her resignation from the position of director. On the same day, Ms. LIN Lin was appointed as a member of the Audit Committee. The specific written terms of reference of the Audit Committee is available on the Company's website.

The main duties of the Audit Committee include the followings:

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

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

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

In 2018, 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 2017 annual report and annual results announcement and the 2018 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 2018, 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 2018. 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 2018.

2. *REMUNERATION COMMITTEE*

From 1 January 2018 to 16 April 2018, the Remuneration Committee consisted of three independent non-executive Directors, namely Mr. YIP Tai Him (Chairman of the Remuneration Committee), Mr. CHAN Kai Wing, Ms. CHU Yin Yin, Georgiana, and an executive Director, Mr. ZHAO Zheng. On 17 April 2018, Mr. ZHAO Zheng resigned from the Board. On 9 November 2018, Mr. CHAN Kai Wing and Mr. YIP Tai Him ceased to be members of the Remuneration Committee due to their resignations from the positions of director. On the same day, Mr. SHENG Baojun and Mr. HO Kwong Yu were appointed as members of the Remuneration Committee, with Mr. SHENG Baojun appointed as the chairman of the Remuneration Committee. On 4 April 2019, Ms. CHU Yin Yin, Georgiana ceased to be a member of the Remuneration Committee due to her resignation from the position of director. On the same day, Ms. LIN Lin was appointed as a member of the Remuneration Committee. The specific written terms of reference of the Remuneration Committee is available on the Company's website.

The Remuneration Committee has adopted the model code described in code provision B.1.2(c)(i) of the CG Code in its terms of reference. 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 three times during the year ended 31 December 2018 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 as well as the remuneration packages of the new Directors.

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	
	2018	2017
Nil to HK$1,000,000	**4**	4
HK$1,000,000 – HK$1,500,000	**0**	0
	4	4

3. *NOMINATION COMMITTEE*

From 1 January 2018 to 16 April 2018, there were four members of the Nomination Committee of which one member is an executive director, namely Mr. HUANG Youlong (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. Mr. HUANG Youlong resigned from the Board on 17 April 2018 and on 20 April 2018, Mr. HUANG Bangyin was appointed as an executive Director, the Chairman of the Board and the Chairman of the Nomination Committee. On 9 November 2018, Mr. CHAN Kai Wing and Mr. YIP Tai Him ceased to be members of the Nomination Committee due to their resignations from the positions of director. On the same day, Mr. SHENG Baojun and Mr. HO Kwong Yu were appointed as members of the Nomination Committee. On 4 April 2019, Ms. CHU Yin Yin, Georgiana ceased to be a member of the Nomination Committee due to her resignation from the position of director. On the same day, Ms. LIN Lin was appointed as a member 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 three times during the year ended 31 December 2018 to (i) review the structure, size and composition of the Board; (ii) assess the independence of all independent non-executive Directors of the Company; (iii) review the effectiveness of the Board Diversity Policy; (iv) review the terms of reference of the Nomination Committee; and (v) discuss the appointment of new directors.

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 2018.

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. The main features of the risk management and internal control systems of the Company are comprehensive risk management which covers the entire business process of the Company and penetrates full-process control and monitoring.

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 are reviewed with action plans approved by the Audit Committee or the Board.

The Board assesses the effectiveness of the risk management and internal control system of the Group once a 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 2018, 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 of the Company's accounting, internal audit and financial reporting functions 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 2019 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 15 June 2018 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 2018 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 13 June 2019 and will be conducted by way of poll for resolutions put to the vote thereat.

DIVIDEND POLICY

Pursuant to the dividend policy adopted by the Company, declaration and/or payment of dividends is subject to the Board's determination on whether such declaration and/or payment is in the best interests of the Group and the shareholders of the Company. In determining whether any distribution shall be made and the amount of dividends, the Board shall take into account the following factors:

- the Group's actual and expected financial performance;
- the retained earnings and distributable reserves of the Group and each of the members of the Group;
- the level of the Group's debts-to-equity ratio, return on equity and the relevant financial covenants;
- the Group's capacity for current and future operation and future commitments at the time of preparing and making the distribution;
- any restrictions on payment of dividends that may be imposed by the Group's lenders;
- any restrictions under the laws of Hong Kong and Bermuda and the Company's Articles of Association;
- the dividends received from the Group's subsidiaries and associates, which in turn depends on the ability of those subsidiaries and associates to pay a dividend;
- the Group's expected working capital requirements;
- general economic conditions, business cycle of the Group's core business and other internal or external factors that may have an impact on the business or financial performance and position of the Group; and
- any other factors that the Board deems appropriate.

The Board endeavours to maintain a balance between the expectations of its shareholders and prudent capital management with a sustainable dividend policy.

COMPANY SECRETARY

Ms. CHOI Ka Ying has been the company secretary of the Company since 31 March 2017. She has 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 GENERAL MEETINGS

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

CONSTITUTIONAL DOCUMENTS

The Memorandum of Association and the Bye-laws of the Company have been posted to the website of the Company at www.sinogolf.com in accordance with the requirements of the Listing Rules.

AUDITOR'S INDEPENDENCE AND REMUNERATION

The Audit Committee is mandated to review and monitor the independence of the external auditor to ensure objectivity and the effectiveness of the audit of the financial statements in accordance with applicable standards. Members of the Audit Committee were of the view that the Company's auditor, SHINEWING (HK) CPA Limited, is independent and have 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 companies, in respect of audit services and non-audit services for the year ended 31 December 2018, are set out below:

	HK$'000
Audit services	1,060
Non-audit services:	
– Taxation services*	44
– Others*	200
	1,304

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

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.

ABOUT ESG REPORT

This is the third Environmental, Social and Governance Report (the "**ESG Report**") of Sino Golf Holdings Limited (the "**Company**") and its subsidiaries (collectively the "**Group**" or "**we**"). The ESG Report not only elaborates our commitments and strategies but also summarizes our efforts and achievements on corporate social responsibility and sustainable development from 1 January to 31 December 2018 (the "**Year**"). As for the information of corporate governance, please refer to the Corporate Governance Report of this Annual Report.

SCOPE OF THE REPORT

The ESG Report focuses on our sustainability approach and performance in environmental and social aspects of our core business, namely manufacturing and trading of golf equipment, golf bags and accessories in the People's Republic of China (the "**PRC**") and Hong Kong during the Year. Key Performance indicators ("**KPIs**") are disclosed in the ESG Report, including all the KPIs of Environmental Aspects (Subject Area A) and part of the KPIs of Social Aspects (Subject Area B). The environmental KPIs and the social KPIs relating to employment and labour practices are derived from the data of the Group's major subsidiary Linyi Sino Golf Company Limited ("**Linyi Sino Golf Company**") in Shandong Province, while the social KPIs of operating practices and community represent the data of the whole Group.

REPORTING FRAMEWORK

The ESG Report has been prepared in accordance with Appendix 27 "Environmental, Social and Governance Reporting Guide" to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

STAKEHOLDER ENGAGEMENT

We have engaged employees from different departments in the preparation of ESG Report, which enables us to better recognize our current environmental and social development. The information and data collected is not only a summary of our environmental and social initiatives carried out during the Year, but also forms the basis for us to map out short-term and long-term strategies for sustainable development.

FEEDBACKS

Your opinions will be highly valued by the Group. If you have any advice, please contact us via: admin@sinogolfholdings.com.

ENVIRONMENTAL PROTECTION

WASTEWATER DISCHARGE AND AIR EMISSIONS

The wastewater generated by the Group mainly included general effluent, production wastewater (such as wastewater from manufacturing processes, waste liquid and circulating cooling water) and wastewater from washing equipment, testing solutions, and cleansing water. We strictly abide by the Law of the PRC on Prevention and Control of Water Pollution and other laws and regulations. The wastewater is treated in the factory through filtration, bio-oxidation and sedimentation sequentially to reach the influent standards of local wastewater treatment company before being discharged into sewage treatment plant through municipal pipeline. The wastewater quality at the discharge outlet tested by the local environmental monitoring station during the Year is shown in the table below.

	Discharge concentration		Discharge	
Pollutants	**2018**	2017	**standard**	**Unit**
Chemical oxygen demand ("**COD**")	**336**	230	500	mg/L
Ammonia-nitrogen	**28**	23	35	mg/L
Suspended solids	**240**	200	300	mg/L

The Group's air emissions mainly come from flue dust generated during the casting process and industrial waste gas generated during the cleaning process of products. We strictly abide by the Law of the PRC on Prevention and Control of Atmospheric Pollution and other laws and regulations. The exhaust gas is purified through a specific exhaust gas collection system to meet the 3rd period emission standard of Integrated Emission Standard of Regional Air Pollutants in Shandong Province (DB37/2376-2013) before being emitted into the atmosphere. The air emissions during the production process tested by the local environmental monitoring station are shown in the table below.

	Discharge concentration		Discharge	
Pollutants	**2018**	2017	**standard**	**Unit**
Flue dust	**<5**	<5	20	mg/m^3
Sulfur dioxide	**5**	<15	200	mg/m^3
Nitrogen oxides	**111**	100	200	mg/m^3
Flue gas	**1,146**	413	N/A	mg/h

Besides, sulfur dioxide, nitrogen oxides and particulate matter generated by fuel consumption of vehicles also contribute to air pollution of the Group. The emissions from the use of vehicles during the Year are shown in the table below.

Pollutants	**2018**	2017	**Unit**
Sulfur oxides	**128**	160	g
Nitrogen oxides	**5,737**	7,263	g
Particulate matter	**422**	488	g

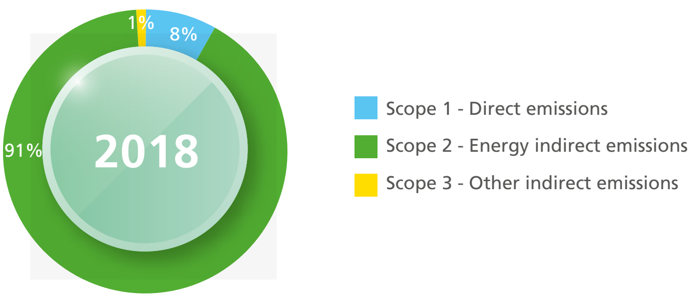
In order to ensure that wastewater discharge and air emissions meet corresponding standards and to mitigate the environmental impacts caused by our operation, we have not only established internal management systems, such as the "Wastewater and Exhaust Gas Management and Control Procedures" and "Regulations on Wastewater Quality Inspection", but also regularly commissioned qualified testing organizations to test the quality of wastewater discharge and air emissions. In case of failure to meet the emission standards, the non-compliance shall be handled in accordance with the "Procedures for the Control of Corrective and Preventive Measures". During the Year, we abided by applicable laws and standards on wastewater discharge and air emissions. Non-compliance such as excessive discharge was not observed.

GREENHOUSE GAS EMISSIONS

The greenhouse gas ("**GHG**") emissions from our production and operation activities can be divided into three scopes: Scope 1 – Direct emissions from sources, including emissions from fuel consumption by boilers, gas cooking stoves and vehicles; Scope 2 – Energy indirect emissions, including emissions from purchased electricity and heating; Scope 3 – Other indirect emissions, including emissions from business travel by airplane, electricity consumption for fresh water and sewage processing, and disposal of waste paper at landfills. The GHG emissions during the Year are shown in the following table.

	Emission amount		
GHG emissions	**2018**	2017	**Unit**
Scope 1 – Direct emissions	**702**	650	tonnes CO_2e
Scope 2 – Energy indirect emissions	**8,222**	6,644	tonnes CO_2e
Scope 3 – Other indirect emissions	**89**	91	tonnes CO_2e
Total GHG emissions	**9,013**	7,385	tonnes CO_2e
GHG emission intensity	**13.08**	9.85	tonnes CO_2e/employee

GREENHOUSE GAS EMISSIONS BY SCOPE

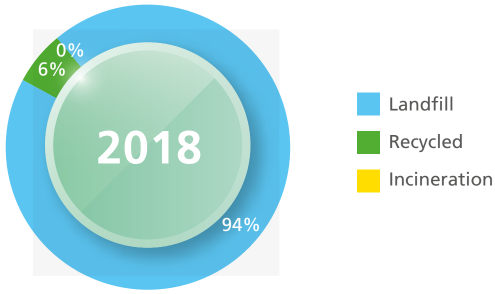


WASTE MANAGEMENT AND DISPOSAL

The non-hazardous waste generated by the Group mainly includes waste paper, waste metal and daily garbage, while the hazardous waste mainly includes industrial waste, sludge and residues from wastewater treatment, waste organic solvent, waste paint buckets and waste paint residues. The amounts of waste generated during the Year by type and by handling method are shown in the following table and figure respectively.

	Generation amount		
Waste	**2018**	2017	**Unit**
Non-hazardous waste	**531**	211	tonnes
Intensity	**0.77**	0.28	tonnes/employee
Hazardous waste	**11**	8	tonnes
Intensity	**0.02**	0.01	tonnes/employee

NON-HAZARDOUS WASTE BY HANDLING METHOD



To prevent land contamination, we strictly comply with relevant provisions, such as the Law of the PRC on Prevention of Environmental Pollution by Solid Waste and the Standard for Pollution Control on Hazardous Waste Storage (GB 18597-2001). We strive to properly manage wastes generated by the Group and the whole process, including waste collection, transfer, storage and disposal, are under supervision. After waste collection, the waste is regularly transferred to and stored in a designated area for further sorting. We have different storage zones for storing general waste and hazardous waste, in which fire service, proper ventilation, leakage prevention and seepage control measures are in place. The administration department of the Group is responsible for overseeing and inspecting waste disposal. Corrective measures will be carried out immediately once any misplacement or misclassification of waste is reported.

We uphold the principle of "reduction, harmlessness and recycling" of wastes and place three types of waste bins, namely recyclable, non-recyclable and hazardous waste bins in the production, office and living areas. For recyclable waste, components which can be reused by the Group are directly handled by relevant departments, while the remaining parts are disposed of by qualified manufacturers regularly. For example, waste oil pens and correction fluid bottles are replaced with new ones and collected by the administration department for disposal, while waste toner cartridges are all collected by copier suppliers. Non-recyclable waste is regularly collected by the local sanitation department, while hazardous waste is disposed of by corresponding suppliers regularly in accordance with the Measures on the Management of Hazardous Waste Transfer Manifest, Measures for the Administration of Hazardous Waste Operating Permit and other relevant requirements.

NOISE CONTROL

In view of the potential noise impacts caused by our operation, the Group is dedicated to strictly controlling the noise level during both daytime and nighttime. The boundary noise levels measured by the local environmental monitoring station, with the corresponding standard from Emission Standards for Noise at Factory Boundary of Industrial Enterprise (GB 12348-2008 Functional Zone II), are shown in the table below.

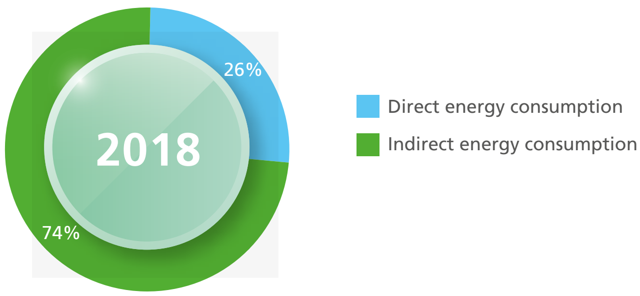
Average noise level	**2018**	2017	**Standard**	**Unit**
At daytime	**57**	57	60	dB(A)
At nighttime	**48**	46	50	dB(A)

USE OF RESOURCES

The Group's energy consumption can be classified into direct energy consumption and indirect energy consumption. Direct energy consumption includes combustion of fossil fuels in boilers, gas cooking stoves and vehicles, while indirect energy consumption includes purchased electricity and heating. For water consumption, production and daily consumption in office have accounted for the majority of water usage of the Group. The energy and water consumption and the distribution of energy consumption by type during the Year are shown in the following table and figure respectively.

Resource	2018	2017	Unit
Energy			
Direct energy consumption	**3,489**	3,224	MWh
Indirect energy consumption	**9,751**	7,784	MWh
Total energy consumption	**13,240**	11,008	MWh
Intensity	**19.22**	14.68	MWh/employee
Water	**148,769**	141,132	m^3
Intensity	**215.92**	188.20	m^3/employee

ENERGY CONSUMPTION BY TYPE



In terms of product packaging, the packaging materials used by the Group are mainly plastic materials and paper materials. In addition to customer-specified packaging materials, the Group prefers the purchase of recyclable and environmentally-friendly packaging materials. The weight of packaging materials consumed during the Year is shown in the following table.

	Consumption (tonnes)		Intensity (kg/piece of product)	
Packaging materials	**2018**	2017	**2018**	2017
Plastic materials	**18**	6	**0.15**	0.15
Paper materials	**57**	28	**0.30**	0.30
Total packaging material consumption	**75**	34	**N/A**	N/A

We understand that saving energy and reducing consumption is not only an important way for enterprises to reduce cost and increase efficiency, but also one of the most important tasks to achieve sustainable development. Therefore, we have promulgated the "Provisions on Energy Conservation and Emission Reduction in Office" to enhance electricity management, reduce consumption of water, paper and office supplies and optimize employees' commuting. Meanwhile, we have integrated the concept of saving resources and eliminating wastage into every aspect of our daily operation and encouraged employees' joint participation so as to maximize the utilization efficiency of resources and reduce waste generation. In production process, we have not only adopted measures like recycling cooling water to reduce resource consumption, but also actively researched and developed applications for new technologies and processes to increase production efficiency and reduce energy and material consumption.

Electricity conservation

- Replacing ordinary lamps with LED lamps, using natural light as much as possible during daytime, and turning off "long light";
- Setting computers, copiers, printers and other office equipment to automatically enter the low-energy sleep state when idle and to shut down in time when not in use for a long time so as to reduce standby energy consumption;
- Adjusting the brightness of computer monitors to a suitable level; and
- Turning off power supply of computers, water dispensers, lamps and other indoor facilities before getting off work.

Water conservation

- Strengthening the maintenance and management of water equipment and drainage systems and water-saving renovation to eliminate the running, spraying, leakage, dripping and long-flowing of water;
- Lowering the water level of toilet tanks, and reducing the pressure of water taps as well as water flow of urinals;
- Establishing and improving the rules and regulations on water conservation, and actively promoting the use of water-saving equipment; and
- Posting water-saving slogans in toilets, and employing special personnel to inspect taps, toilet tanks and water dispensers irregularly to avoid water leakage.

Paper and office supplies

- Standardizing the provision, procurement and receiving of office supplies, and giving priority to office equipment with low energy consumption and environmental impact;
- Making full use of office automation platform, and sending general notices, documents and data through network to reduce the use of printers and faxes;
- Approving the number of documents to be issued accurately, avoiding copying documents that can be circulated and implementing double-sided printing;
- Simplifying meetings, and coordinating the arrangements for reception work efficiently and economically; and
- Conducting regular statistics of resource consumption, and strengthening quantitative management.

Commuting

- Using internet, telephone, video conferencing and other electronic means of communication to reduce unnecessary travel;
- Encouraging employees to ride bicycles or walk in the factory in non-emergency situations;
- Encouraging carpooling in public activities to reduce air pollution; and
- Improving driving skills of drivers for scientific and standardized driving, strengthening maintenance of vehicles, and reducing abnormal loss of vehicle components.

ENVIRONMENT AND NATURAL RESOURCES PROTECTION

With sustainable development being the consistent goal, we attach great importance to improve the environmental quality of regions where the Group operates. We keep planting trees in and around the factory and give careful care to all vegetation.

In order to reduce environmental risk posed by potential accidents, we have compiled the "Emergency Plan for Environmental Incidents", "Risk Assessment Report for Sudden Environmental Incidents" and "Environmental Emergency Resources Investigation Report" according to the requirements of local environmental protection departments. Emergency drills on accidents such as chemical leakage are organized on a regular basis and the implementation of contingency plans and other related measures are also continuously reviewed and strengthened.

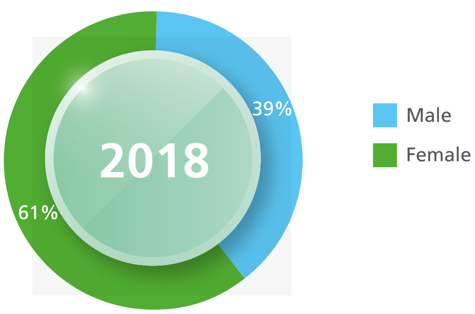
EMPLOYMENT AND LABOUR PRACTICES

EMPLOYMENT POLICIES

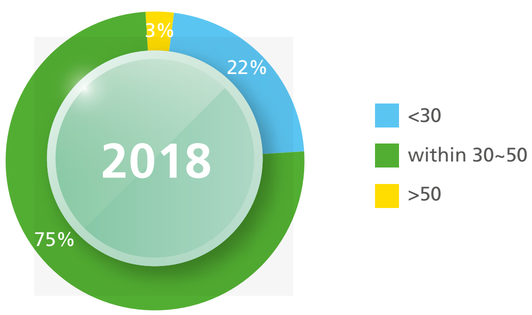
Employees are the most valuable assets of the Group. We have formulated our employment policies in accordance with the Labour Law of the PRC, the Employment Ordinance of Hong Kong and other applicable laws and regulations. Equal opportunities are offered to our employees in every aspect, including recruitment, promotion, remuneration and training. Discrimination on grounds of ethnicity, age, gender, religion, disability and other factors is not tolerated under any circumstances.

We welcome applicants of all ages, professions and cultures to join us in an effort to diversify the workforce and maximize the advantages of every staff member. In line with the principle of "Open Recruitment, Comprehensive Assessment and Merit-based Admission", recruitment is carried out based on job requirements and applicant's qualification, ability and experience. We strictly abide by the Provisions on the Prevention of Using Child Labour of the PRC and other relevant laws. The human resources department will strictly verify the identity card of job applicants to ensure they have reached the legal working age. In case child labour is found, the employment will be terminated immediately. Subsequent investigation will be conducted to identify the culprits along with the implementation of remedial actions to prevent future recurrence. As at 31 December 2018, the total workforce by gender and age of Linyi Sino Golf Company is shown in the following figures.

TOTAL WORKFORCE BY GENDER

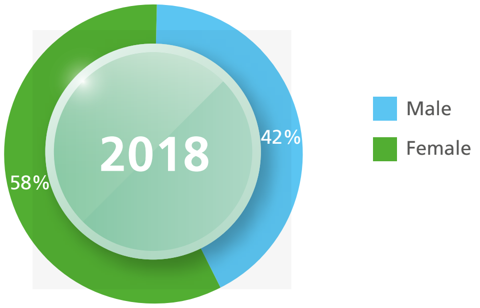


TOTAL WORKFORCE BY AGE

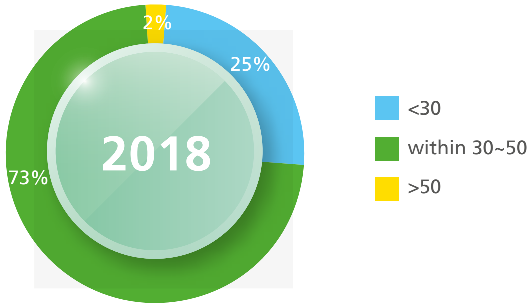


Whenever an employee requests to resign or being laid off, an exit interview will be arranged by department heads to find out the reasons of resignation with a view to further improving the Group's operation. During the Year, the turnover rates by gender and age of Linyi Sino Golf Company are shown as below.

TURNOVER RATE BY GENDER



TURNOVER RATE BY AGE



In terms of working hours, we have adopted standard working hours system for our employees, under which employees are stipulated to work no more than 8 hours per day and 40 hours per week. In addition to statutory holidays, they are also entitled to marriage leave, maternity leave, paternity leave, funeral leave and other holidays. We are committed to safeguarding employees' right to rest and prohibit any form of forced labour. Shift work is applied for special positions that working hours are subject to the job nature and production requirement. If overtime work is required during the rest period, overtime pay and holiday shift will be arranged for employees according to relevant laws and regulations.

We offer a competitive remuneration package to employees. On the one hand, we conduct performance appraisal and reward employees based on the position level, job duty, working conditions, technical strength and work performance. On the other hand, we provide employees with various benefits and grants such as medical subsidies, social insurance, high-temperature subsidies, holiday bonus and free dormitory to enhance their sense of belonging. In addition, we commend and reward outstanding employees from all departments on a quarterly basis so as to stimulate employees' working initiatives and establish advanced models.

DEVELOPMENT AND TRAINING

We believe that employees is the core driving force for our long-term growth and sustainability. To help employees improve their qualifications and acquire knowledge and skills, we not only formulate training plans on a regular basis but also closely supervise their implementation. The training can be divided into two types, namely induction training and on-the-job training.

Induction training, involving company profile, corporate culture, internal rules and regulations, and codes of conduct, is provided to newly recruited employees to acquaint them with the Group and adapt to their working environment. Based on the number of new employees, the induction training is generally conducted from time to time through internal training by the human resources department.

We also provide various on-the-job training, such as professional skills, general management skills, and career development and mentality from both internal and external channels. Internal training is carried out by our part-time lecturer, external trainers or professional institutions, while external training is offered through arranging employees to participate in training activities organized by professional institutions or the Group's subsidiaries. The average training hours of each employee in Linyi Sino Golf Company during the Year was 20 hours (2017: 23 hours). The following table shows the average training hours by training type and professional category of Linyi Sino Golf Company.

Training	Average training hours 2018	2017
By training type		
Induction training	**24**	24
On-the-job training	**20**	23
By professional category		
Management	**32**	20
General and technical employees	**20**	23

Different training programmes were also provided to the employees in Hong Kong, and the average training hours per employee during the Year was 3 hours (2017: 2.5 hours).

OCCUPATIONAL SAFETY AND HEALTH

It is our eternal responsibility to protect the health and safety of employees. Eliminating safety accidents and ensuring safety production are the primary tasks of our production and operation. In accordance with relevant laws and regulations, we have formulated a series of policies to continuously enhance the management of occupational health and safety, such as the "Occupational Health Management System", "Detection System of Occupational Disease Hazards", "Management Measures for Personal Protective Supplies" and "Safety Operation Regulations on Various Production Procedures". The relevant measures implemented in our operation include:

- Signing the "Notification of Occupational Hazards", which lists all kinds of hazardous protective measures, with new employees;
- Providing occupational health examinations and establishing occupational health records for employees;
- Arranging proper positions for employees with contraindications;
- Providing protective clothing, safety shoes, dust masks, earmuffs and other personal protective equipment in light of job requirements, and conducting regular assessment of the effectiveness of the equipment;
- Posting warning signs for positions with serious occupational hazards;
- Organizing qualified units to detect the level of occupational hazards on the production site regularly, and putting forward handling suggestions for unqualified workshops;
- Adopting new technologies, processes and materials that are conducive to the prevention and control of occupational diseases;
- Providing safety training for employees.

As for the prevention and handling of accidents, we have formulated a set of regulations, including the "Emergency Response Plan for Production Safety Incidents" and "Medical Emergency System for Employees". To ensure prompt, correct and effective emergency response and reduce casualties and economic losses in the face of accidents, we provide medical emergency training for first aiders in various departments and workshops, and organize drills regularly. The number of work-related fatalities and lost days due to work injury of Linyi Sino Golf Company are presented in the table below.

Safety indicators	2018	2017	Unit
Number of work-related fatalities	**0**	0	person
Number of work-related injuries	**5**	7	person
Lost days due to work injuries	**53**	230	day

OPERATING PRACTICES

SUPPLY CHAIN MANAGEMENT

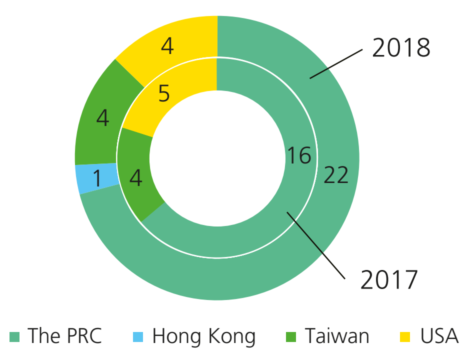
The suppliers of raw materials for production are preliminarily evaluated based on categories, specifications, quality and prices of their products together with their business strength, production scale and capability, technical level, corporate creditability, management level and geographical location. Suppliers with satisfactory product quality, good delivery performance, reasonable price and quality service are further investigated to ensure that their products can satisfy the requirements of our production procedures. Suppliers will be regarded as qualified only under the circumstance that their pilot productions are of satisfactory quality.

We have established a mechanism to track the source of each batch of materials. Any defective material found during inspection upon arrival or in production process will be returned to the supplier for processing. In order to effectively supervise suppliers and ensure a stable supply of materials, we conduct quarterly assessments of major material suppliers in terms of delivery quality, schedule, safety and timeliness. Suppliers who failed in the assessment for three times in succession will be disqualified for further cooperation.

In addition to the above-mentioned requirements, performance in the management of environmental impacts and the protection of employees' rights are also taken into account. For instance, we examine whether the outsourcers have implemented labour protection system, chemical control measures and environmental impact assessment on designated projects. With the aim of reducing carbon emissions and transportation cost, we give priority to purchasing general supplies within the province. For particular production materials, we select suppliers nearby on the premise of meeting customers' requirements and production needs. The geographical distribution of the cooperating suppliers who supply goods worth HK$1,000,000 or above to the Group ("**key suppliers**") during the Year is shown in the table and figure below.

	Purchase amount from key suppliers	
Geographical region	**2018**	2017
The PRC	**64%**	56%
Hong Kong	**2%**	N/A
Taiwan	**18%**	20%
USA	**16%**	24%
Total	**100%**	100%

KEY SUPPLIER NUMBER BY REGION



QUALITY CONTROL

We are committed to providing customers with safe and high-quality products. Apart from the comprehensive supervision on the production process of each product in accordance with industrial standards and customers' requirements, we have also formulated internal quality management systems such as the "Operation Instructions" and "Procedures and Requirements of IQC Internal Quality Control" to guide the practical operation as well as the analysis and inspection of materials and samples. Prior to producing new products, we provide trainings to employees to enhance their technical skills. On-site inspection for each process is also performed to examine the appearance and functionality of accessories, rough products and finished products. In the meantime, professional organizations are commissioned to calibrate our inspection equipment every year to guarantee its accuracy.

To ensure the health and safety of our products, we engage SGS Hong Kong Limited or other testing organizations to analyze our products on different parameters, such as heavy metal content, in order to ensure they all meet the standards. In addition, we also procure environmentally-friendly materials, such as paints that meet EU requirements.

CUSTOMER SERVICE

The Group is devoted to providing excellent services for and maintaining a good relationship with customers. In respect of complaint handling, we require relevant departments to initiate a preliminary investigation within 2 hours upon receiving customer complaints and reply to customers after analyzing the problems and determining improvement measures. Meanwhile, the employee in charge of complaint handling shall take follow-up actions on the improvement and complete the complaint record sheet so as to optimize product quality and avoid the recurrence of similar problems. Recall procedure will be initiated when significant quality problems of delivered products are reported. During the Year, no large-scale product recall was reported.

ADVERTISEMENT

We usually carry out our marketing activities through periodically visiting clients and attending trade exhibition. All sales and marketing information is carefully verified before publication to ensure its validity and compliance with the Advertising Law of the PRC and other applicable laws and regulations.

PRIVACY PROTECTION

To protect the privacy of both the Group and customers, we strictly abide by the Personal Data (Privacy) Ordinance of Hong Kong and other relevant laws, and have stipulated in the "Employee Handbook" that employees must not reveal any confidential information during or after their employment. For management cadres, department heads and other personnel who have access to confidential information, non-disclosure agreement has to be signed which specifies their duties of confidentiality and violation responsibility. In addition, we have also improved the backup, hierarchical storage and management of data by strengthening the establishment of management information system (MIS) so as to ensure that important information is properly kept.

ANTI-CORRUPTION

We understand the importance of corruption-free business operation and have hence set up a reporting system to preclude malpractices such as corruption in our daily operation. Employees are encouraged to report potential cases regarding any violation of internal regulations and infringement upon the interests of the Group or other employees. To reinforce employees' anti-corruption awareness and stress the importance of anti-corruption, we have conveyed the message and knowledge of anti-corruption to employees by sending emails and holding meetings. During the Year, we rigorously abided by relevant laws and regulations, such as the Criminal Law of the PRC, Anti-Money Laundering Law of the PRC and Prevention of Bribery Ordinance of Hong Kong. No legal cases regarding corrupt practices were reported.

COMMUNITY INVESTMENT

Apart from concentrating on our business development, as an enterprise citizen, we continued to fulfill our corporate responsibility by promoting and encouraging our employees to participate in public welfare activities during the Year.

信永中和
ShineWing

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

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

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 140, which comprise the consolidated statement of financial position as at 31 December 2018, 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 2018, 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 4, 18 and 19 to the consolidated financial statements and the accounting policies on page 90.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2018, the carrying amounts of property, plant and equipment and prepaid lease payments were approximately HK$108,722,000 and HK$222,404,000. In view of the loss generating status of golf equipment and hospitality segments for the year ended 31 December 2018, the management had performed impairment test on the abovementioned assets. Based on the estimation of the recoverable amount of each cash-generating unit by reference to a value-in-use calculation and where appropriate, fair value of the prepaid lease payments made by the independent valuers, the management determined that no impairment of property, plant and equipment and prepaid lease payments is required. 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 and independent valuers in determining the future cash flows and key inputs and assumptions for the value-in-use calculation as well as fair value of certain prepaid lease payments.	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 of the Group when determining the recoverable amount of each cash-generating unit and the fair value calculations of the prepaid lease payments made by independent valuers. 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 and the independent valuers. We tested the cash flows projections 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 cash flows projections, 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 their basis of calculations and comparing the input data to market sources. In respect of the fair value of prepaid lease payments as at 31 December 2018, we have challenged the underlying data and inputs made by the management and independent valuers.

Carrying amount of inventories

Refer to notes 4 and 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
As at 31 December 2018, the carrying amount of the inventories was approximately HK$64,072,000. The carrying amount of and the allowance for inventories are reviewed by the management of the Group periodically, which involves significant degree of estimates on the net realisable value. We have identified the carrying amount of the inventories as a key audit matter since the carrying amount of inventories was significant to the consolidated financial statements and the assessment on the allowance for inventories involves significant judgements and estimates made by the management.	Our procedures in relation to the carrying amount of inventories were designed to review the judgements and estimates made by the management on the assessment on the allowance for inventories as at 31 December 2018. We have discussed with the management for the long-aged inventories identified at 31 December 2018 and challenged their judgements and estimates on the provision of such inventories. We have reviewed the utilisation of inventories up to the date of the report. We have also reviewed the subsequent selling price of the inventories as at 31 December 2018 and compared with their carrying amounts to consider whether the inventories were stated at lower of their costs or net realisable values.

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 of the Company and Audit Committee 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.

The Audit Committee is 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 judgement 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 Company's directors' 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 the Audit Committee 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 the Audit Committee 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 the Audit Committee, 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. Kwan Chi Fung.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Kwan Chi Fung
Practising Certificate Number: P06614

Hong Kong
27 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	NOTES	**2018 HK$'000**	2017 HK$'000
Revenue	9	**285,952**	206,627
Cost of sales		**(260,192)**	(180,813)
Gross profit		**25,760**	25,814
Other operating income	9	**2,888**	1,470
Write-off of inventories		**(316)**	(16)
Selling and distribution expenses		**(4,452)**	(3,409)
Administrative expenses		**(55,506)**	(48,000)
Finance costs	11	**(8,159)**	(8,067)
Loss before tax		**(39,785)**	(32,208)
Income tax (expense) credit	12	**(717)**	236
Loss for the year	13	**(40,502)**	(31,972)
Other comprehensive (expense) income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(4,486)**	5,249
Items that will not be reclassified subsequently to profit or loss:			
Gain (loss) on revaluation of leasehold land and buildings under revaluation model		**732**	(363)
Deferred tax relating to leasehold land and buildings under revaluation model	30	**(183)**	91
		549	(272)
Other comprehensive (expense) income for the year		**(3,937)**	4,977
Total comprehensive expense for the year		**(44,439)**	(26,995)
Loss for the year attributable to:			
Owners of the Company		**(40,502)**	(31,972)
Non-controlling interests		**–**	–
		(40,502)	(31,972)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(44,439)**	(26,995)
Non-controlling interests		**–**	–
		(44,439)	(26,995)
		HK cent	HK cent
LOSS PER SHARE	14		
Basic and diluted		**(0.78)**	(0.61)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	NOTES	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment	18	**108,722**	114,100
Prepaid lease payments	19	**215,468**	222,769
Goodwill	20	**–**	–
Club debentures	21	**2,897**	2,897
Pledged bank deposit	25	**602**	631
Deposits and other receivables	22	**–**	135
Prepayments for the acquisition of property, plant and equipment		**370**	1,227
		328,059	341,759
Current assets			
Inventories	23	**64,072**	89,754
Trade and other receivables	24	**37,748**	132,313
Prepaid lease payments	19	**6,936**	6,955
Bank balances and cash	25	**126,249**	49,383
		235,005	278,405
Current liabilities			
Trade and other payables	26	**46,805**	57,300
Amount due to a related company	27	**1,316**	1,316
Amounts due to directors	27	**94,192**	98,777
Income tax payable		**129**	–
Bank borrowings	28	**60,227**	63,095
		202,669	220,488
Net current assets		**32,336**	57,917
Total assets less current liabilities		**360,395**	399,676
Non-current liabilities			
Convertible bond	29	**56,353**	51,370
Deferred tax liabilities	30	**251**	76
		56,604	51,446
Net assets		**303,791**	348,230

	NOTE	2018 HK$'000	2017 HK$'000
Capital and reserves			
Share capital	31	**52,013**	52,013
Reserves		**249,048**	293,487
Equity attributable to owners of the Company		**301,061**	345,500
Non-controlling interests		**2,730**	2,730
Total equity		**303,791**	348,230

The consolidated financial statements on pages 58 to 140 were approved and authorised for issue by the board of directors on 27 March 2019 and are signed on its behalf by:

Huang Bangyin
Director

Chu Chun Man, Augustine
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Attributable to owners of the Company										
	Share capital HK$'000	Share premium HK$'000	Convertible bond equity reserve HK$'000	Contributed surplus HK$'000 (Note (i))	Assets revaluation reserve HK$'000	Statutory surplus reserve HK$'000 (Note (ii))	Exchange fluctuation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non–controlling interests HK$'000	Total HK$'000
At 1 January 2017	52,013	399,369	27,167	33,966	545	17	(308)	(140,274)	372,495	2,730	375,225
Loss for the year	–	–	–	–	–	–	–	(31,972)	(31,972)	–	(31,972)
Other comprehensive (expense) income for the year:											
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	5,249	–	5,249	–	5,249
Loss on revaluation of leasehold land and buildings under revaluation model	–	–	–	–	(363)	–	–	–	(363)	–	(363)
Deferred tax relating to leasehold land and buildings under revaluation model (note 30)	–	–	–	–	91	–	–	–	91	–	91
Other comprehensive (expense) income for the year	–	–	–	–	(272)	–	5,249	–	4,977	–	4,977
Total comprehensive (expense) income for the year	–	–	–	–	(272)	–	5,249	(31,972)	(26,995)	–	(26,995)
At 31 December 2017	52,013	399,369	27,167	33,966	273	17	4,941	(172,246)	345,500	2,730	348,230

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Attributable to owners of the Company										
	Share capital HK$'000	Share premium HK$'000	Convertible bond equity reserve HK$'000	Contributed surplus HK$'000 (Note (i))	Assets revaluation reserve HK$'000	Statutory surplus reserve HK$'000 (Note (ii))	Exchange fluctuation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2018	52,013	399,369	27,167	33,966	273	17	4,941	(172,246)	345,500	2,730	348,230
Loss for the year	–	–	–	–	–	–	–	(40,502)	(40,502)	–	(40,502)
Other comprehensive income (expense) for the year:											
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	(4,486)	–	(4,486)	–	(4,486)
Gain on revaluation of leasehold land and buildings under revaluation model	–	–	–	–	732	–	–	–	732	–	732
Deferred tax relating to leasehold land and buildings under revaluation model (note 30)	–	–	–	–	(183)	–	–	–	(183)	–	(183)
Other comprehensive income (expense) for the year	–	–	–	–	549	–	(4,486)	–	(3,937)	–	(3,937)
Total comprehensive income (expense) for the year	–	–	–	–	549	–	(4,486)	(40,502)	(44,439)	–	(44,439)
At 31 December 2018	52,013	399,369	27,167	33,966	822	17	455	(212,748)	301,061	2,730	303,791

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 capital reorganisation of the Company, partially offset by the bonus issue, as set out in the circular of the Company dated 14 December 2015.

(ii) 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 2018

	2018 HK$'000	2017 HK$'000
OPERATING ACTIVITIES		
Loss before tax	**(39,785)**	(32,208)
Adjustments for:		
Finance costs	**8,159**	8,067
Amortisation of prepaid lease payments	**6,936**	6,855
Depreciation of property, plant and equipment	**5,515**	6,356
Impairment of trade receivables	**–**	63
Loss on disposal of property, plant and equipment	**18**	53
Write-off of inventories	**316**	16
Interest income	**(1,103)**	(135)
Operating cash flows before movements in working capital	**(19,944)**	(10,933)
Decrease (increase) in inventories	**22,790**	(20,786)
Decrease (increase) in trade and other receivables	**4,174**	(8,270)
Decrease in deposits and other receivables	**135**	448
(Decrease) increase in trade and other payables	**(9,452)**	14,446
Cash Used In Operating Activities	**(2,297)**	(25,095)
PRC Enterprise Income Tax paid	**(596)**	–
NET CASH USED IN OPERATING ACTIVITIES	**(2,893)**	(25,095)
INVESTING ACTIVITIES		
Refund from deposit paid for the construction of property, plant and equipment	**90,486**	180,556
Proceeds from disposal of property, plant and equipment	**170**	169
Interest received	**1,103**	135
Deposit paid for the construction of property, plant and equipment	**–**	(135,486)
Payment for the prepaid lease payments	**–**	(7,301)
Purchase of property, plant and equipment	**(3,033)**	(1,403)
Prepayments for the acquisition of property, plant and equipment	**(370)**	(1,206)
NET CASH GENERATED FROM INVESTING ACTIVITIES	**88,356**	35,464

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	2018 HK$'000	2017 HK$'000
FINANCING ACTIVITIES		
New bank borrowings raised	**64,959**	60,920
(Repayment to) advance from a director	**(4,585)**	29,698
Repayments of bank and other borrowings	**(64,972)**	(79,569)
Advance from the director of a subsidiary of the Company	**–**	7,410
Interest paid	**(3,483)**	(4,295)
Repayment to a related company	**–**	(113)
NET CASH (USED IN) GENERATED FROM FINANCING ACTIVITIES	**(8,081)**	14,051
NET INCREASE IN CASH AND CASH EQUIVALENTS	**77,382**	24,420
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**49,383**	24,424
Effect of foreign exchange rate changes	**(516)**	539
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented the bank balances and cash	**126,249**	49,383

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 immediate holding company and ultimate controlling party are Wealth Sailor Limited (incorporated in the British Virgin Islands) (the "BVI") ("Wealth Sailor") and Mr. Huang Youlong, respectively.

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 39.

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, for its first time, 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").

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and related Amendments
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property
HK (IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration

The impact of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers have been summarised below. The application of other new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 superseded HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard established a five-step model for determining whether, how much and when revenue is recognised. The Group has elected to adopt the modified retrospective approach for contracts with customers that are not completed as at the date of initial application (i.e. 1 January 2018) with the cumulative effect of initially applying HKFRS 15 as an adjustment to the opening balance of retained earnings and comparative information is not restated. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 Revenue.

The Group's accounting policies for its revenue streams are disclosed in detail in note 3 below.

The impact of transition to HKFRS 15 was insignificant on the retained earnings at 1 January 2018.

The adoption of HKFRS 15 did not have material impact on the Group's consolidated statement of financial position at 1 January 2018 except that "receipt in advance" of approximately HK$1,292,000 is reclassified to "contract liabilities" using terminology under HKFRS15 and continues to be reported under "trade and other payables" line item.

At 31 December 2018, "receipt in advance" of approximately HK$2,169,000 is presented as contract liabilities under HKFRS 15.

HKFRS 9 Financial instruments

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The Group has applied HKFRS 9 retrospectively to financial instruments that have not been derecognised at the date of initial application (i.e. 1 January 2018) in accordance with the transition provisions under HKFRS 9, and chosen not to restate comparative information. Differences in the carrying amounts of financial assets and financial liabilities on initial application are recognised in retained earnings as at 1 January 2018.

The Group's accounting policies for the classification and measurement of financial instruments and the impairment of financial assets are disclosed in detail in note 3 below.

(i) Classification and measurement of financial instruments

The directors of the Company reviewed and assessed the Group's existing financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date and concluded that all recognised financial assets and financial liabilities that are within the scope of HKFRS 9 continued to be measured at amortised cost as were previously measured under HKAS 39.

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

HKFRS 9 Financial instruments (Continued)

(ii) Loss allowance for expected credit losses ("ECL")

The adoption of HKFRS 9 has changed the Group's accounting for impairment losses for financial assets by replacing HKAS 39's incurred loss model with a forward-looking ECL approach. As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirement of HKFRS 9.

It is concluded that, as at 1 January 2018, no additional credit loss allowance has been recognised against retained earnings as the estimated allowance under the ECL model were not significantly different to the impairment losses previously recognised under HKAS 39.

New and revised HKFRSs issued but not yet effective

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

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]

1 Effective for annual periods beginning on or after 1 January 2019.
2 Effective for annual periods beginning on or after 1 January 2021.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for business combinations and assets acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
5 Effective for annual periods beginning on or after 1 January 2020.

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

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 Leases. 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.

Application of HKFRS 16 will result in the Group's recognition of right-of-use assets and corresponding liabilities in respect of the Group's lease arrangements unless they qualify for low value or short term leases. 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 34, total operating lease commitments of the Group in respect of offices and factories as at 31 December 2018 amounted to approximately HK$1,359,000 (2017: HK$1,808,000). 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 statement of financial position as right-of-use assets and lease liabilities.

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 Company 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

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.

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

Policy applicable to the year ended 31 December 2018 (with applicable of HKFRS 15)

Revenue is recognised to depict the transfer of promised goods and services to customers at an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services to a customer. Specifically, the Group uses a five-step approach to recognise revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligations is transferred to customer.

A performance obligation represents a good (or a bundle of goods) that is distinct or a series of distinct goods that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Policy applicable to the year ended 31 December 2018 (with applicable of HKFRS 15) (Continued)

Descriptions of the Group's performance obligations in contracts with customers and significant judgments applied in revenue recognition are as follows:

(a) Sales of goods

The Group produces and sells golf equipment, golf bags and accessories. Revenue from the sales of goods is generally recognised when control of the product has been transferred to the customer. Control of the product is considered transferred to the customer, being at the point the products are delivered to the customer's specific location and the customer has accepted the products. Certain of the Group's golf products are made-to-order with no alternative use for others, but the Group has no enforceable right to the customer's payment for the performance completed to date. Therefore, the directors of the company consider that the control over such goods are transferred at a point in time, instead of over time.

A receivable is recognised when the products are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. Payment of the transaction price is usually due within 30-60 days of the date when control of the products is transferred to the customer.

(b) Other income

Other income from the sales of raw materials, scrap materials and sample and tooling income is recognised when control of the product has been transferred to the customer, being at the point the products are delivered to the customer's specific location and the customer has accepted the products.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Policy applicable to the year ended 31 December 2017

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Taxation

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

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

Leasehold land and buildings held for use in the production or supply of goods are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any. Revaluations are performed with sufficient regularity such that the carrying amount of leasehold land and buildings does not differ materially from that which would be determined using fair value at the end of the reporting period. Any increase in carrying amount of leasehold land and buildings as a result of a revaluation is recognised in other comprehensive income and accumulated in equity under the heading of assets revaluation reserve while any decrease resulted is recognised in profit or loss. However, an increase is recognised to profit and loss when that it reverses a revaluation decrease of the same asset previously recognised in profit or loss while a decrease is recognised in other comprehensive income when it reduces the related amount accumulated in assets revaluation reserve.

The assets revaluation reserve in respect of the leasehold land and buildings held for use in the production or supply of goods at revalued amount is transferred directly to retained profits when it is realised on retirement or disposal.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Prepaid lease payments

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

Club debentures

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

Inventories

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

Cash and cash equivalents

Bank balances and cash and short-term bank deposit (included in bank balances and cash) in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalent consist of 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. 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.

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 (other than financial assets at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets, and financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets

Classification and subsequent measurement under HKFRS 9 (applicable on or after 1 January 2018)

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group's financial assets are classified at financial assets at amortised cost.

Financial assets at amortised cost (debt instruments)

The Group measures financial assets subsequently at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the 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.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement under HKFRS 9 (applicable on or after 1 January 2018) (Continued)

Financial assets at amortised cost (debt instruments) (Continued)

(i) Amortised cost and 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) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Interest income is recognised in profit or loss and is included in the "Other operating income" line item (note 9).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement under HKFRS 9 (applicable on or after 1 January 2018) (Continued)

Impairment of financial assets

The Group always recognises lifetime ECL for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group measures the loss allowance equal to 12-month ECL, unless when there has a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement under HKFRS 9 (applicable on or after 1 January 2018) (Continued)

Impairment of financial assets (Continued)

Significant increase in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular debtor, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term, and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement under HKFRS 9 (applicable on or after 1 January 2018) (Continued)

Impairment of financial assets (Continued)

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

The Group considers that default has occurred when a financial asset is more than 30-60 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or the disappearance of an active market for that financial asset because of financial difficulties.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement under HKFRS 9 (applicable on or after 1 January 2018) (Continued)

Impairment of financial assets (Continued)

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over one year past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement under HKAS 39 (applicable on or before 1 January 2018)

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.

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).

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement under HKAS 39 (applicable on or before 1 January 2018) (Continued)

Impairment loss of financial assets (Continued)

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 assets (Continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

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 entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

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

Financial liabilities subsequently measured at amortised cost

The Group's financial liabilities including trade and other payables, amounts due to directors, amount due to a related company and bank borrowings are subsequently measured at amortised cost using the 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 amortised cost of a financial liability.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

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 derivative (under HKFRS 9 applicable on or after 1 January 2018)

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of HKFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortised cost or fair value as appropriate.

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of HKFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Embedded derivatives (under HKAS 39 applicable on or before 1 January 2018)

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 of financial liabilities

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of tangible assets and club debentures (other than impairment of goodwill set out in accounting policy of goodwill above)

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 judgements, 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 borrowings, amounts due to directors and convertible bond as a significant source of liquidity. As at 31 December 2018, the Group has available unutilised bank loan facilities of approximately HK$42,045,000 (2017: HK$22,619,000). The directors of the Company consider that the Group will be able to renew the banking facilities upon maturity.

Classification of leasehold land and buildings

When a lease includes both land and building elements, the directors of the Company assess the classification of each element as a finance lease or an operating lease separately based on the assessment as to whether substantially all the risk and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

As at 31 December 2018, the directors of the Company determine that the lease payments of leasehold land and buildings of approximately HK$96,591,000 (2017: HK$90,000,000) cannot be allocated reliably between the land and buildings elements due to infeasibility of the allocation of purchase price between the leasehold land and buildings. The total amount has been classified as a finance lease under the property, plant and equipment.

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

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.

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 2018, the carrying amount of inventories was approximately HK$64,072,000 (2017: HK$89,754,000). Write-off of inventories of approximately HK$316,000 (2017: HK$16,000) was recognised for the year ended 31 December 2018. Details of the write-off of inventories are disclosed in note 23.

Impairment of property, plant and equipment and prepaid lease payments

At the end of the reporting period, the management of the Group reviews the carrying amounts of its property, plant and equipment and prepaid lease payments of approximately HK$108,722,000 (2017: HK$114,100,000) and HK$222,404,000 (2017: HK$229,724,000), respectively, and identified if there is indication that those assets may suffer an impairment loss. Accordingly, the recoverable amounts of the relevant cash-generating units to which the property, plant and equipment and prepaid lease payments are allocated are estimated in order to determine the extent of the impairment loss. The recoverable amount is determined based on the higher of the value-in-use (the "VIU") calculation and fair value less cost of disposal. The VIU calculation requires the Group to estimate, among others, the sales growth rates and gross profit margins, in order to derive the future cash flows, expected to generate from the cash-generating units and an appropriate discount rate in order to calculate the present value of the future cash flows. In addition, the group engaged independent valuer to perform the valuation on prepaid lease payments. The management works closely with qualified external valuers to establish the appropriate valuation techniques and inputs to the model to estimate the valuation of prepaid lease payments. Where the actual future cash flows are less than expected, a material impairment loss may arise. The carrying amounts of the property, plant and equipment and prepaid lease payments are disclosed in notes 18 and 19 to the consolidated financial statements respectively.

Based on the estimated recoverable amount, no impairment loss on property, plant and equipment and prepaid lease payments has been recognised for the year ended 31 December 2017 and 2018.

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

Key sources of estimation uncertainty (Continued)

Impairment of trade receivables

Starting from 1 January 2018, the impairment provisions for trade receivables are measured using ECL model which requires the Group to use judgement in making assumptions and selecting the inputs to the impairment calculation, based on the number of days that an individual receivable is outstanding as well as the Group's historical experience and forward-looking information at the end of the reporting period. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment loss in profit or loss. At 31 December 2018, loss allowance of trade receivables is HK$63,000 (2017: HK$63,000 based on incurred loss model).

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 adjusted transacted price. As at 31 December 2018, the revalued amount of leasehold land and buildings was approximately HK$96,591,000 (2017: HK$90,000,000).

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 2018 and 2017, there were no changes on the useful lives and residual value of property, plant and equipment.

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

Key sources of estimation uncertainty (Continued)

Income taxes

As at 31 December 2018, no deferred tax asset has been recognised on (i) deductible temporary difference arising from the impairment loss of property, plant and equipment of approximately HK$7,842,000 (2017: HK$8,995,000); and (ii) unused tax losses amounting to approximately HK$117,794,000 (2017: HK$94,517,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal takes place.

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 directors and a related company disclosed in note 27, bank borrowings disclosed in note 28, convertible bond disclosed in note 29, 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% (2017: 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:

	2018 HK$'000	2017 HK$'000
Amounts due to directors	94,192	98,777
Amount due to a related company	1,316	1,316
Bank borrowings	60,227	63,095
Convertible bond	56,353	51,370
Less: bank balances and cash	(126,249)	(49,383)
Less: pledged bank deposit	(602)	(631)
Net debts	85,237	164,544
Equity attributable to owners of the Company	301,061	345,500
Non-controlling interests	2,730	2,730
Total equity	303,791	348,230
Gearing ratio	28%	47%

6. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2018 HK$'000	2017 HK$'000
Financial assets		
Loans and receivables (including bank balances and cash)	–	178,421
Financial assets at amortised cost	162,080	–
	162,080	178,421
Financial liabilities		
Financial liabilities at amortised cost	256,724	270,566

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 directors and a related company, bank 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 5% (2017: 6%) 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	
	2018	2017
	HK$'000	HK$'000
RMB	**1,093**	535

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 2018 and 2017, hence no sensitivity analysis is presented.

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Market risk (Continued)

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to bank borrowings (see note 28 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.

Credit risk

At 31 December 2018, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. 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.

Under HKAS 39, impairment losses are made when there is objective evidence of impairment loss. Upon the application of HKFRS 9 from 1 January 2018, the Group applies simplified approach on trade receivables to provide for ECL prescribed by HKFRS 9. To measure the ECL, the trade receivables have been grouped based on share credit risk characteristics and past due status.

For other non-traded related receivables, the Group has assessed whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

The Group's exposure and the credit ratings of its counterparties are continuously monitored and controlled by credit limits. The Group's current credit practices include assessment and valuation of customer's credit reliability and periodic review of their financial status to determine credit limits to be granted.

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

The Group's concentrations of credit risk are 68% and 89% (2017: 66% and 95%) of the total trade receivables which are due from the Group's largest customer and the five largest customers, respectively. However, management considers the credit risk is under control since the management exercises due care in granting credit and reviews the recoverable amount at the end of each reporting period to ensure adequate impairment losses have been made for irrecoverable amounts.

The credit risk on liquid fund is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. Hence no loss allowance has been made in these consolidated financial statements.

The Group has concentration of credit risk on liquid funds deposited with several banks, which are mainly state-owned banks and with high credit ratings assigned by international credit-rating agencies in the PRC and Hong Kong.

The Group's concentration of credit risk by geographical locations is mainly in North America, which accounted for 85% (2017: 79%) of the total trade receivables as at 31 December 2018.

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising ECL
Performing	For financial assets where there has low risk of default or has not been a significant increase in credit risk since initial recognition and that are not credit impaired (refer to as Stage 1)	12-month ECL
Doubtful	For financial assets where there has been a significant increase in credit risk since initial recognition but that are not credit impaired (refer to as Stage 2)	Lifetime ECL – not credit impaired
Default	Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred (refer to as Stage 3)	Lifetime ECL – credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

The tables below detail the credit quality of the Group's financial assets, as well as the Group's maximum exposure to credit risk by credit risk rating grades.

At 31 December 2018	Internal credit rating	12-month or lifetime ECL	Gross carrying amount HK$'000	Loss allowance HK$'000	Net carrying amount HK$'000
Trade receivables	(Note (i))	Lifetime ECL (not credit-impaired	32,304	(63)	32,241
Deposits and other receivables	Performing	12-month ECL (Note (ii))	2,988	–	2,988

Notes:

(i) The Group applied simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL and determines the expected credit losses by using a provision matrix, details of which are set out in note 24.

(ii) The management of the Group considered that there has been no significant increase in credit risk in these receivables, therefore no loss allowance was recognised.

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by 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 borrowings, amounts due to directors and convertible bond as a significant source of liquidity. As at 31 December 2018, the Group has available short-term bank loan facilities of approximately HK$42,045,000 (2017: HK$22,619,000).

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.

The table includes both interest and principal cash flows.

	At 31 December 2018			
	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	44,636	–	44,636	44,636
Bank borrowings	61,624	–	61,624	60,227
Amount due to a related company	1,316	–	1,316	1,316
Amounts due to directors	94,192	–	94,192	94,192
Convertible bond	–	74,100	74,100	56,353
	201,768	74,100	275,868	256,724

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

	At 31 December 2017			
	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	56,008	–	56,008	56,008
Bank borrowings	64,455	–	64,455	63,095
Amount due to a related company	1,316	–	1,316	1,316
Amounts due to directors	98,777	–	98,777	98,777
Convertible bond	–	74,100	74,100	51,370
	220,556	74,100	294,656	270,566

8. FAIR VALUE MEASUREMENTS

The directors of the Company consider that the fair values of the long-term portion of financial assets recorded at amortised cost approximate to their carrying amounts as the discounting impact is not significant.

The directors of the Company consider that the fair value of the debt component of convertible bond approximates to its carrying amount.

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:

	2018 HK$'000	2017 HK$'000
Revenue from contracts with customers:		
Sales of golf equipment and related components and parts	240,633	177,659
Sales of golf bags, other accessories and related components and parts	45,319	28,968
	285,952	206,627

Note: The amounts for the years ended 31 December 2018 and 31 December 2017 were recognised under HKFRS 15 and HKAS 18 respectively.

Disaggregation of revenue by timing of recognition

	2018 HK$'000
Timing of revenue recognition	
At a point in time	285,952

9. REVENUE AND OTHER OPERATING INCOME (Continued)

The manufacturing contracts are with an original expected duration of less than one year. Accordingly, the Group has elected the practical expedient method and has not disclosed the amount of transaction price for the performance obligation that are unsatisfied as of the end of the reporting period.

	2018	2017
	HK$'000	HK$'000
Other operating income:		
Interest income	**1,103**	135
Sample income	**349**	218
Tooling income	**772**	667
Sales of scrap materials	**25**	–
Sundry income	**639**	450
	2,888	1,470

10. SEGMENT INFORMATION

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

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	
	2018 HK$'000	2017 HK$'000	**2018 HK$'000**	2017 HK$'000	**2018 HK$'000**	2017 HK$'000	**2018 HK$'000**	2017 HK$'000	**2018 HK$'000**	2017 HK$'000
Segment revenue:										
Sales to external customers	**240,633**	177,659	**45,319**	28,968	**–**	–	**–**	–	**285,952**	206,627
Inter-segment sales	**–**	–	**14,995**	10,595	**–**	–	**(14,995)**	(10,595)	**–**	–
Other operating income	**1,147**	1,112	**638**	223	**–**	–	**–**	–	**1,785**	1,335
Total	**241,780**	178,771	**60,952**	39,786	**–**	–	**(14,995)**	(10,595)	**287,737**	207,962
Segment results	**(20,274)**	(10,371)	**4,366**	3,626	**(7,196)**	(6,606)	**–**	–	**(23,104)**	(13,351)
Interest income									**1,103**	135
Unallocated corporate expenses									**(9,625)**	(10,925)
Finance costs									**(8,159)**	(8,067)
Loss before tax									**(39,785)**	(32,208)

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment results represent the profit/loss incurred by each segment without allocation of interest income, 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	
	2018 HK$'000	2017 HK$'000	**2018 HK$'000**	2017 HK$'000	**2018 HK$'000**	2017 HK$'000	**2018 HK$'000**	2017 HK$'000
Assets and liabilities:								
Segment assets	**207,349**	239,825	**11,448**	14,624	**214,423**	311,546	**433,220**	565,995
Unallocated corporate assets								
– Club debentures							**2,897**	2,897
– Bank balances and cash							**126,249**	49,383
– Others							**698**	1,889
Total assets							**563,064**	620,164
Segment liabilities	**30,544**	36,572	**7,486**	11,518	**7,470**	7,421	**45,500**	55,511
Unallocated corporate liabilities								
– Amount due to a related company							**1,316**	1,316
– Amounts due to directors							**94,192**	98,777
– Income tax payable							**129**	–
– Bank borrowings							**60,227**	63,095
– Convertible bond							**56,353**	51,370
– Deferred tax liabilities							**251**	76
– Others							**1,305**	1,789
Total liabilities							**259,273**	271,934

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 amount due to a related company, amounts due to directors, income tax payable, bank 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 other locations.

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

	Revenue from external customers	
	2018	2017
	HK$'000	HK$'000
North America	**114,889**	77,087
Japan	**112,105**	91,795
Europe	**32,052**	16,467
Asia (excluding Japan)	**13,495**	9,850
Others	**13,411**	11,428
	285,952	206,627

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.

	2018	2017
	HK$'000	HK$'000
Saipan	**207,759**	214,410
The PRC	**116,257**	123,521
Hong Kong (country of domicile)	**3,441**	3,062
	327,457	340,993

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	
	2018 HK$'000	2017 HK$'000	2018 HK$'000	2017 HK$'000	2018 HK$'000	2017 HK$'000	2018 HK$'000	2017 HK$'000	2018 HK$'000	2017 HK$'000
Additions to non-current assets (note)	3,308	3,194	374	188	–	7,301	–	31	3,682	10,714
Amortisation of prepaid lease payments	286	279	–	–	6,650	6,576	–	–	6,936	6,855
Impairment loss recognised in respect of trade receivables	–	–	–	63	–	–	–	–	–	63
Write-off of inventories	–	16	316	–	–	–	–	–	316	16
Depreciation of property, plant and equipment	5,257	5,785	198	478	–	–	60	93	5,515	6,356
(Gain) loss on disposal of property, plant and equipment	(170)	53	–	–	–	–	188	–	18	53

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

10. SEGMENT INFORMATION (Continued)

(d) Other segment information (Continued)

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	
	2018 HK$'000	2017 HK$'000	**2018 HK$'000**	2017 HK$'000	**2018 HK$'000**	2017 HK$'000	**2018 HK$'000**	2017 HK$'000	**2018 HK$'000**	2017 HK$'000
Interest income	**–**	–	**–**	–	**–**	–	**(1,103)**	(135)	**(1,103)**	(135)
Finance costs	**–**	–	**–**	–	**–**	–	**8,159**	8,067	**8,159**	8,067
Income tax expense (credit)	**565**	(236)	**152**	–	**–**	–	**–**	–	**717**	(236)

(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	2018 HK$'000	2017 HK$'000
Customer A	Golf equipment and Golf bags	**146,168**	83,524
Customer B	Golf equipment	**78,165**	65,072

11. FINANCE COSTS

	2018 HK$'000	2017 HK$'000
Interest expenses on:		
– bank borrowings	3,483	4,295
– convertible bond (note 29)	4,983	4,542
Total borrowing costs	8,466	8,837
Less: amounts capitalised (note)	(307)	(770)
	8,159	8,067

Note: Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 5.61% (2017: 5.00%) per annum to expenditure on qualifying assets.

12. INCOME TAX (EXPENSE) CREDIT

	2018 HK$'000	2017 HK$'000
PRC Enterprise Income Tax ("EIT")		
– Current year	(550)	–
– Underprovision in prior years	(175)	–
	(725)	–
Deferred tax (note 30)	8	236
	(717)	236

12. INCOME TAX (EXPENSE) CREDIT (Continued)

(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 offset by tax losses brought forward from previous years for the years ended 31 December 2018 and 2017.

(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.

(iii) The corporate income tax in Saipan is calculated at 35% of the estimated profit for the years ended 31 December 2018 and 31 December 2017. No provision for corporate income tax for the subsidiary incorporated in Saipan as no income has been derived from Saipan during the years ended 31 December 2018 and 31 December 2017.

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

The income tax expense (credit) 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:

	2018 HK$'000	2017 HK$'000
Loss before tax	(39,785)	(32,208)
Tax calculated at rates applicable to profits in the respective tax jurisdiction concerned	(9,460)	(4,687)
Underprovision in prior years	175	–
Tax effect of income not taxable for tax purposes	(77)	–
Tax effect of expense not deductible for tax purposes	4,750	2,324
Utilisation of deductible temporary difference not recognised	(306)	(272)
Tax effect of tax losses not recognised	5,770	2,492
Utilisation of tax losses previously not recognised	(135)	(93)
Income tax expense (credit)	717	(236)

Details of the deferred taxation are set out in note 30.

13. LOSS FOR THE YEAR

	2018 HK$'000	2017 HK$'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	72,596	61,203
Retirement benefits schemes contributions	6,068	5,089
Compensation for retirement of an employee	1,000	–
Total staff cost	79,664	66,292
Amortisation of prepaid lease payments	6,936	6,855
Auditors' remuneration	1,107	1,133
Cost of inventories sold	260,192	180,813
Depreciation of property, plant and equipment	5,515	6,356
Exchange loss, net	2,004	721
Loss on disposal of property, plant and equipment	18	53
Impairment loss recognised in respect of trade receivables	–	63
Operating leases rentals in respect of land and buildings	3,742	3,223
Research and development costs recognised as an expense	1,184	1,442

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:

	2018 HK$'000	2017 HK$'000
Loss		
Loss for the purpose of basic and diluted loss per share	(40,502)	(31,972)

	2018 '000	2017 '000
Number of shares		
Number of ordinary shares for the purpose of basic and diluted loss per share	5,201,250	5,201,250

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.

15. DIVIDENDS

No dividends were paid, declared or proposed during the year ended 31 December 2018, nor has any dividend been proposed since the end of the reporting period (2017: nil).

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

	2018 HK$'000	2017 HK$'000
Salaries, allowances and other benefits in kind	70,072	57,591
Compensation for retirement of an employee	1,000	–
Retirement benefits schemes contributions	6,044	5,053
	77,116	62,644

(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 2018, a total contribution of approximately HK$249,000 (2017: HK$214,000) 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 13% (2017: 5% to 13%) 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 2018, a total contribution of approximately HK$5,795,000 (2017: HK$4,839,000) was made by the Group in respect of this scheme.

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

(a) Directors' and chief executive's remuneration

The emoluments paid or payable to each of the fourteen (2017: nine) directors, including the chief executive, were as follows:

For the year ended 31 December 2018

	Executive directors					Non-executive directors				Independent non-executive directors					
	Huang Bangyin[1] HK$'000	Huang Youlong[2] HK$'000	Zhao Zheng[3] HK$'000	Chu Chun Man, Augustine HK$'000	Wang Chuang[4] HK$'000	Liu Tianmin[5] HK$'000	Tung Sung-Yuan[6] HK$'000	Wong Hin Shek HK$'000	Wei Chung Hsiang[7] HK$'000	Chu Yin Yin, Georgiana HK$'000	Yip Tai Him[8] HK$'000	Chan Kai Wing[9] HK$'000	Sheng Baojun[10] HK$'000	Ho Kwong Yu[11] HK$'000	Total HK$'000
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking:															
Fees	100	-	250	600	100	360	220	360	100	144	124	124	21	21	2,524
Salaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contributions to retirement benefits schemes	-	-	6	-	-	-	-	18	-	-	-	-	-	-	24
Total emoluments	100	-	256	600	100	360	220	378	100	144	124	124	21	21	2,548

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

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

For the year ended 31 December 2017

	Executive directors			Non-executive directors			Independent non-executive directors			
	Huang Youlong[2] HK$'000	Zhao Zheng[3] HK$'000	Chu Chun Man, Augustine HK$'000	Liu Tianmin[5] HK$'000	Tung Sung-Yuan[6] HK$'000	Wong Hin Shek HK$'000	Chu Yin Yin, Georgiana HK$'000	Yip Tai Him[8] HK$'000	Chan Kai Wing[9] HK$'000	Total HK$'000
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking:										
Fees	–	780	600	720	720	360	144	144	144	3,612
Salaries	–	–	–	–	–	–	–	–	–	–
Contributions to retirement benefits schemes	–	18	–	–	–	18	–	–	–	36
Total emoluments	–	798	600	720	720	378	144	144	144	3,648

1. Appointed on 20 April 2018
2. Resigned on 17 April 2018
3. Resigned on 17 April 2018
4. Appointed on 20 April 2018
5. Resigned on 29 June 2018
6. Resigned on 20 April 2018
7. Appointed on 20 April 2018
8. Resigned on 9 November 2018
9. Resigned on 9 November 2018
10. Appointed on 9 November 2018
11. Appointed on 9 November 2018

Mr. Huang Youlong was the chief executive of the Company until 17 April 2018. Since 20 April 2018, Mr. Huang Bangyin becomes the chief executive of the Company.

The emoluments of Mr. Huang Youlong and Mr. Huang Bangyin disclosed above included those for services rendered by them as the chief executive of the Company.

Neither the chief executive nor any of the directors waived or agreed to waive any emoluments during the years ended 31 December 2018 and 2017.

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

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, none (2017: three) was director of the Company. The emoluments of the remaining five (2017: two) highest paid individuals were as follows:

	2018 HK$'000	2017 HK$'000
Salaries, allowances and other benefits in kind	3,749	2,122
Contributions to retirement benefits schemes	54	36
Compensation for retirement of an employee	1,000	–
	4,803	2,158

Their emoluments were within the following bands:

	Number of individuals 2018	2017
Nil to HK$1,000,000	3	1
HK$1,000,001 to HK$1,500,000	2	1
	5	2

(c) Except for the compensation for retirement of an employee as disclosed above, 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 2018 and 2017.

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 2017	88,315	1,840	39,655	3,204	4,399	17,536	154,949
Exchange realignment	4,755	33	2,680	180	104	1,079	8,831
Revaluation	(3,070)	–	–	–	–	–	(3,070)
Additions	–	–	1,560	248	–	945	2,753
Disposals	–	–	(755)	–	–	–	(755)
At 31 December 2017	90,000	1,873	43,140	3,632	4,503	19,560	162,708
Exchange realignment	(3,789)	(27)	(2,160)	(155)	(39)	(889)	(7,059)
Revaluation	(1,909)	–	–	–	–	–	(1,909)
Additions	–	–	3,625	140	452	322	4,539
Disposals	–	(398)	(347)	(36)	(989)	–	(1,770)
Transfers	12,289	–	85	–	–	(12,374)	–
At 31 December 2018	96,591	1,448	44,343	3,581	3,927	6,619	156,509
ACCUMULATED DEPRECIATION AND IMPAIRMENT							
At 1 January 2017	–	1,043	34,865	3,035	4,050	–	42,993
Exchange realignment	93	5	2,129	173	99	–	2,499
Provided for the year	2,614	136	3,413	43	150	–	6,356
Eliminated on disposals	–	–	(533)	–	–	–	(533)
Eliminated on revaluation	(2,707)	–	–	–	–	–	(2,707)
At 31 December 2017	–	1,184	39,874	3,251	4,299	–	48,608
Exchange realignment	(84)	(7)	(1,840)	(143)	(39)	–	(2,113)
Provided for the year	2,725	104	2,394	81	211	–	5,515
Eliminated on disposals	–	(226)	(346)	(21)	(989)	–	(1,582)
Eliminated on revaluation	(2,641)	–	–	–	–	–	(2,641)
At 31 December 2018	–	1,055	40,082	3,168	3,482	–	47,787
CARRYING VALUES							
At 31 December 2018	96,591	393	4,261	413	445	6,619	108,722
At 31 December 2017	90,000	689	3,266	381	204	19,560	114,100

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 2018 and 2017 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$94,734,000 (31 December 2017: HK$89,651,000).

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.

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 2018 and 2017 were determined (in particular, the valuation techniques and inputs used):

	Fair value hierarchy	Fair value as at 31 December 2018 HK$'000	Valuation techniques and key inputs	Significant unobservable inputs	Range	Relationship of key inputs and significant unobservable inputs to fair value
Leasehold land and buildings	Level 3	HK$96,591 (2017: HK$90,000)	Sales comparison approach (2017: Sales comparison approach)	2018: Adjusted transacted price (2017: Adjusted transacted price)	RMB1,260 – RMB2,925 (2017: RMB970 – RMB3,488) per square meter	The higher the adjusted transaction price, the higher the fair value (2017: The higher the adjusted transaction price, the higher the fair value)

There was no transfer between the levels of fair value hierarchy during the year (2017: nil).

At 31 December 2017 and 2018, the fair value of the leasehold land and buildings located in the PRC is determined by the using the sales comparison approach. Sales comparison approach is determined with reference to the availability of the sales transactions in the relevant market and comparable properties in close proximity with adjustments to account for the difference in factors such as location, size and condition.

18. PROPERTY, PLANT AND EQUIPMENT (Continued)

(c) (Continued)

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 2017	88,315
Exchange realignment	4,662
Depreciation	(2,614)
Net decrease in fair value recognised in other comprehensive income	(363)
At 31 December 2017 and 1 January 2018	90,000
Exchange realignment	(3,705)
Transfer from completed construction	12,289
Depreciation	(2,725)
Net increase in fair value recognised in other comprehensive income	732
At 31 December 2018	96,591

During the year ended 31 December 2018, the net increase in fair value recognised in other comprehensive income of approximately HK$732,000 (2017: the net decrease of approximately HK$363,000) was included in asset revaluation reserve in equity.

(d) At 31 December 2018, the Group's leasehold land and buildings with carrying values of approximately HK$96,591,000 (2017: HK$90,000,000) was pledged as security for the banking facilities granted to the Group respectively.

(e) During the years ended 31 December 2018 and 2017, as a result of the identification of operating loss status with operating cash outflows of the Group, the management of the Group conducted a review of the Group's property, plant and equipment to assess if impairment loss is required to be recognised. No impairment loss has been recognised for the year ended 31 December 2018 (2017: nil). During the year ended 31 December 2018, the recoverable amounts of the relevant assets have been determined on the basis of their VIU calculation. The pre-tax discount rate in measuring the amounts of VIU was 16.56% (2017:16.26%) 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

	2018 HK$'000	2017 HK$'000
Leases held under medium term		
– The PRC	**7,994**	8,664
– Saipan	**65,490**	68,209
	73,484	76,873
Leases held under long term		
– Saipan	**148,920**	152,851
	222,404	229,724

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

	2018 HK$'000	2017 HK$'000
Carrying amount at 1 January	**229,724**	228,785
Addition	**–**	7,301
Amortisation during the year	**(6,936)**	(6,855)
Exchange realignment	**(384)**	493
	222,404	229,724
Less: current portion	**(6,936)**	(6,955)
Non-current portion	**215,468**	222,769

At 31 December 2018, the Group's prepaid lease payments with carrying value of approximately HK$7,994,000 (2017: HK$8,664,000) 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

	2018 HK$'000	2017 HK$'000
COST		
At 1 January and 31 December	**14,820**	14,820
IMPAIRMENT		
At 1 January	**(14,820)**	(14,820)
Impairment loss recognised during the year	**–**	–
At 31 December	**(14,820)**	(14,820)
CARRYING AMOUNT		
At 31 December	**–**	–

21. CLUB DEBENTURES

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

	2018 HK$'000	2017 HK$'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: At 31 December 2018, the unlisted club debenture of HK$2,897,000 (2017: HK$2,897,000) are stated at cost less impairment at the end of the reporting period. The management assessed for the impairment of the club debentures based on recent market prices of the identical club debentures. No impairment loss has been recognised during the years ended 31 December 2017 and 2018.

22. DEPOSITS AND OTHER RECEIVABLES

Included in the deposits and other receivables of nil (2017: HK$94,000) represents loans advanced to employees of the Group. The loans are unsecured, non-interest bearing and fully repaid during the current year.

23. INVENTORIES

	2018 HK$'000	2017 HK$'000
Raw materials	**16,646**	23,262
Work in progress	**28,255**	43,265
Finished goods	**19,171**	23,227
	64,072	89,754

Note: During the year ended 31 December 2018, write-off of inventories of approximately HK$316,000 (2017: HK$16,000) was recognised as a result of being long-aged and obsolete.

24. TRADE AND OTHER RECEIVABLES

	2018 HK$'000	2017 HK$'000
Trade receivables	**32,304**	33,481
Less: allowance for impairment of trade receivables	**(63)**	(63)
	32,241	33,418
Refundable deposit for the construction of property, plant and equipment (note (v))	**–**	90,486
Deposits and other receivables	**2,988**	4,368
Prepayments	**2,289**	2,926
Prepayments to suppliers	**230**	1,115
	37,748	132,313

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 (2017: 30 and 60 days). The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management.

24. TRADE AND OTHER RECEIVABLES (Continued)

(ii) The following is an ageing 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:

	2018 **HK$'000**	2017 HK$'000
0 to 30 days	**23,788**	24,920
31 to 90 days	**8,453**	8,496
91 to 180 days	**–**	2
	32,241	33,418

(iii) As at 31 December 2017, included in the Group's trade receivable balance were debtors with aggregate carrying amount of HK$4,252,000 which were past due as at the end of the reporting period for which the Group had not provided for impairment loss because they 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. The Group did not hold any collateral over these balances. The average age of these receivables was 42 days.

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

	2017 HK$'000
31 to 90 days	4,250
91 to 180 days	2
	4,252

Starting from 1 January 2018, the Group measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

24. TRADE AND OTHER RECEIVABLES (Continued)

(iii) (Continued)

The Group recognised lifetime ECL for trade receivables based on the ageing of customers:

	Weighted average expected loss rate %	Gross carrying amount HK$'000	Loss allowance HK$'000
Current (not past due)	*	28,515	–
31 to 90 days past due	*	3,726	–
		32,241	–

* The weighted average expected loss rate is close to zero.

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

	2018 HK$'000	2017 HK$'000
1 January	63	–
Impairment loss recognised in respect of trade receivables	–	63
31 December	63	63

Based on historical experience, majority of trade receivables were settled within credit term and the Group received continuous settlements from these customers, hence the expected loss rate of current trade receivables is assessed to be immaterial, no loss allowance on trade receivable was recognised for the year ended 31 December 2018. In addition, the Group has concluded that the application of the ECL model has no material impact on the Group's loss allowance as at 1 January 2018 as compared to that recognised under HKAS 39.

24. TRADE AND OTHER RECEIVABLES (Continued)

(v) Due to the termination of a construction agreement in December 2017 as a result of shortage of local construction workers and uncertainty of overseas working visa quota in Saipan since 2017, the development of hospitality business has been postponed. The deposit paid of approximately HK$90,486,000 was fully refunded to the Group during the year ended 31 December 2018.

25. PLEDGED BANK DEPOSIT/BANK BALANCES AND CASH

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 asset.

The pledged bank deposit carries fixed interest rate of 4.8% (2017: 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:

	2018 HK$'000	2017 HK$'000
Bank balances and cash (note (i))	25,752	14,329
Short-term bank deposits included in bank balances and cash (note (ii))	100,497	35,054
Cash and cash equivalents	126,249	49,383

(i) Bank balances carry interest at market rates which ranged from 0.01% to 0.05% per annum (2017: 0.01% to 0.05% per annum).

(ii) Short-term bank deposits carried interest at 1.75% per annum (2017: 0.8% per annum) and mature within three months from the date of placement.

(iii) At 31 December 2018, the Group's bank balances and cash denominated in RMB amounted to approximately RMB9,927,000, equivalent to approximately HK$11,281,000 (2017: RMB8,314,000, equivalent to approximately HK$9,898,000). 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. TRADE AND OTHER PAYABLES

	2018 HK$'000	2017 HK$'000
Trade and bills payables	34,816	45,063
Contract liabilities	2,169	–
Receipt in advance	–	1,292
Accruals and other payables (note (ii))	9,820	10,945
	46,805	57,300

Contract liabilities represent advances received from customers prior to delivery of golf equipment and golf bags.

Depending on the relationship with the customers, the Group may not require advances payment unless new specification ordered. The Group typically receives deposit from customers ranging from 5% to 50% of the contract values when it receives the purchase order for sales of golf equipment and golf bags.

The significant changes in contract liabilities in 2018 was mainly due to new products order was received from a customer.

Revenue recognised during the year ended 31 December 2018 that was included in the contract liabilities as at 1 January 2018 is about HK$18,000. There was no revenue recognised in the current year that related to performance obligation that were satisfied in a prior year.

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

	2018 HK$'000	2017 HK$'000
0 to 90 days	25,346	34,923
91 to 180 days	8,000	8,504
181 to 365 days	389	1,030
Over 365 days	1,081	606
	34,816	45,063

The average credit period on purchases of goods is from 30 days to 90 days (2017: 30 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 accruals and other payables are the short-term advance of approximately US$950,000 (2017: US$950,000), equivalent to approximately HK$7,410,000 (2017: HK$7,410,000) from the director of a subsidiary of the Company which is unsecured and interest free.

27. AMOUNTS DUE TO DIRECTORS AND A RELATED COMPANY

The amounts due to directors at 31 December 2018 and 2017 were unsecured, non-interest bearing and repayable on demand.

The amount due to a related company of approximately HK$1,316,000 (2017: HK$1,316,000), which a director of the Company has beneficial interest in, is unsecured, non-interest bearing and repayable on demand.

28. BANK BORROWINGS

	2018 HK$'000	2017 HK$'000
Secured loans repayable within one year	**60,227**	63,095

(i) At 31 December 2018, bank borrowings of approximately HK$60,227,000 (2017: HK$63,095,000) are fixed-rate borrowings. The fixed-rate borrowings carry interest at only 5.87% (2017: 5.22%) per annum.

(ii) During the year ended 31 December 2018, the Group raised new bank borrowings of approximately HK$64,959,000 (2017: bank borrowings of approximately HK$60,920,000) to finance its working capital.

(iii) At 31 December 2018, the bank borrowings of the Group were secured by leasehold land and buildings and prepaid lease payments of approximately HK$96,591,000 (note 18(d)) and HK$7,994,000 (note 19) (2017: leasehold land and buildings and prepaid lease payments of approximately HK$90,000,000 and HK$8,664,000) respectively.

(iv) At the end of the reporting period, the Group had unused banking facilities of approximately HK$42,045,000 (2017: HK$22,619,000).

(v) At 31 December 2018, bank borrowings equivalent to approximately HK$60,227,000 (2017: HK$63,095,000) were denominated in RMB.

No foreign currency risk exposure is disclosed as currencies of the bank borrowings are denominated in the functional currencies of the respective subsidiaries of the Company.

29. 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 Wealth Sailor, the substantial shareholder and ultimate beneficial owner is Mr. Huang Youlong, with maturity date on 7 November 2021 (the "Maturity Date"). The CB is interest free, 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 redemption option is granted either to the Company or the holder of CB except for event of default (as defined in the terms and conditions of the convertible notes disclosed in the circular of the Company dated 30 September 2016) occurred. The CB will only be redeemed by the Company at the Maturity Date.

Subject to the occurrence of an event of default, the CB shall become due and payable on the giving of notice in writing by the bondholder to the Company.

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 2017	46,828	27,167	73,995
Effective interest charge for the year	4,542	–	4,542
At 31 December 2017 and 1 January 2018	51,370	27,167	78,537
Effective interest charge for the year	4,983	–	4,983
At 31 December 2018	56,353	27,167	83,520

29. CONVERTIBLE BOND (Continued)

No CB was converted into ordinary shares of the Company during the year ended 31 December 2018 (2017: nil). No redemption, purchase or cancellation by the Company has been made in respect of the CB during the year ended 31 December 2018 (2017: nil). As at 31 December 2018, the principal amount of the CB that remained outstanding amounted to HK$74,100,000 (2017: HK$74,100,000) of which a maximum of 650,000,000 (2017: 650,000,000) shares may fall to be issued upon their conversions, subject to anti-dilution adjustments provided in the terms of the CB. Details of the terms of the CB are set out in the Company's circular dated 30 September 2016.

At the date of issuance of the CB, 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

30. DEFERRED TAX LIABILITIES

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

	Revaluation of leasehold land and buildings HK$'000	**Accelerated tax depreciation** HK$'000	**Total** HK$'000
At 1 January 2017	182	221	403
Credited to profit or loss	(15)	(221)	(236)
Credited to other comprehensive income	(91)	–	(91)
At 31 December 2017	76	–	76
Credited to profit or loss	(8)	–	(8)
Charged to other comprehensive income	183	–	183
At 31 December 2018	251	–	251

At the end of the reporting period, the Group had unused tax losses of approximately HK$117,794,000 (2017: HK$94,517,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Included in unused tax losses are losses of approximately HK$29,367,000 (2017: HK$12,646,000) that will expire in 5 years from the year of origination in which unused tax losses of approximately HK$1,492,000 (2017: HK$12,647,000) was expired during the year ended 31 December 2018. 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$3,638,000 (2017: HK$8,440,000) 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$7,842,000 (2017: HK$8,995,000) arising from the impairment loss of property, plant and equipment for the year ended 31 December 2018. 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.

31. SHARE CAPITAL

	Number of shares '000	Share capital HK$'000
Ordinary shares of HK$0.01 (2017: HK$0.01) each		
Authorised		
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	10,000,000	100,000
Issued and fully paid		
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	5,201,250	52,013

32. 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.

32. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

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

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

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

At 31 December 2018 and 2017, no outstanding share option was held by the employees.

33. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the consolidated statement of cash flows as cash flows from financing activities.

	1 January 2018 HK$'000	Financing cash flows HK$'000	Interest expense accrued HK$'000	Exchange alignment HK$'000	31 December 2018 HK$'000
Advance from a director of a subsidiary (included in trade and other payables – accruals and other payables)	**7,410**	**–**	**–**	**–**	**7,410**
Amount due to a related company	**1,316**	**–**	**–**	**–**	**1,316**
Amounts due to directors	**98,777**	**(4,585)**	**–**	**–**	**94,192**
Bank borrowings	**63,095**	**(3,496)**	**3,483**	**(2,855)**	**60,227**
Convertible bond	**51,370**	**–**	**4,983**	**–**	**56,353**
	221,968	**(8,081)**	**8,466**	**(2.855)**	**219,498**

	1 January 2017 HK$'000	Financing cash flows HK$'000	Interest expense accrued HK$'000	Assignment of debt (note) HK$'000	Exchange alignment HK$'000	31 December 2017 HK$'000
Advance from a director of a subsidiary (included in trade and other payables – accruals and other payables)	–	7,410	–	–	–	7,410
Amounts due to related companies	53,373	(113)	–	(51,944)	–	1,316
Amounts due to directors	17,135	29,698	–	51,944	–	98,777
Bank and other borrowings	77,994	(22,944)	4,295	–	3,750	63,095
Convertible bond	46,828	–	4,542	–	–	51,370
	195,330	14,051	8,837	–	3,750	221,968

Note: During the year ended 31 December 2017, tripartite agreement has been signed between the subsidiary of the Company, a related company who is beneficially owned by Mr. Chu Chun Man, Augustine, the executive director of the Company, and Mr. Chu Chun Man, Augustine for the assignment of amount due to the related company to him of approximately HK$51,944,000.

34. OPERATING LEASE COMMITMENTS

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 in 2017 and 2018. 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:

	2018 HK$'000	2017 HK$'000
Within one year	1,359	1,770
In the second to fifth years, inclusive	–	38
	1,359	1,808

35. CAPITAL COMMITMENTS

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

	2018 HK$'000	2017 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of plant and machinery	319	1,120

36. MATERIAL LITIGATION

At 31 December 2018, an indirect wholly-owned subsidiary of the Company has been named as defendant in a Hong Kong High Court action since a writ was issued against it in April 2011 and it was claimed for an amount of approximately HK$1,546,000. The subsidiary has filed a full defence to this writ. In the opinion of the directors of the Company, based on the legal opinion obtained and the available information, no provision is considered necessary for the claim arising from the legal proceeding at the end of the reporting period.

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$1,570,000, with damages of approximately RMB55,000, equivalent to HK$63,000, 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. During the year ended 31 December 2017, the court decision has been made in which the Group did not have further obligation to pay since the plaintiff did not fulfil its obligation for repair, replace or rework. The judgement is final.

As such, the directors of the Company considered that no provision was required to be made in these consolidated financial statements.

37. RELATED PARTY AND CONNECTED PARTY TRANSACTIONS

(i) In addition to the related party balances detailed in note 27, the Group entered into the following significant transactions with related parties during the year:

	Notes	2018 HK$'000	2017 HK$'000
Rental expense paid to Sino Orange (China) Company Limited	(a)	980	960
Company secretarial compliance services fee paid to Veda Corporate Services Limited ("Veda")	(b)	–	185
Professional fee paid to Veda	(c)	–	219

Notes:

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

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

(c) The professional fee paid to a related company, which Mr. Wong Hin Shek, the 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 personnel

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

	2018 HK$'000	2017 HK$'000
Short-term benefits	5,332	6,256
Post-employment benefits	66	78
	5,398	6,334

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

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

	NOTES	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment		16	265
Deposit and other receivables		–	41
Investments in subsidiaries	(i)	224,611	224,611
		224,627	224,917
Current assets			
Amounts due from subsidiaries	(ii)	154	90,097
Prepayment, deposits and other receivables		623	1,016
Bank balances and cash		113,811	36,919
		114,588	128,032
Current liabilities			
Amount due to a subsidiary	(ii)	–	4,611
Amount due to a related company	(ii)	1,316	1,316
Other payables		1,305	1,790
		2,621	7,717
Net current assets		111,967	120,315
Total assets less current liabilities		336,594	345,232
Non-current liability			
Convertible bond		56,353	51,370
Net assets		280,241	293,862
Capital and reserves			
Share capital		52,013	52,013
Reserves	(iii)	228,228	241,849
		280,241	293,862

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

Notes:

(i) Investments in subsidiaries

	2018 HK$'000	2017 HK$'000
COST		
At the beginning and the end of the financial year	**240,328**	240,328
IMPAIRMENT		
At the beginning and the end of the financial year	**(15,717)**	(15,717)
CARRYING AMOUNT		
Unlisted investments	**224,611**	224,611

(ii) The amounts are unsecured, non-interest bearing and repayable on demand. For the year ended 31 December 2018, no impairment loss (2017: nil) has been recognised in respect of the amounts due from subsidiaries.

(iii) Reserves

	Share premium HK$'000	Contributed surplus HK$'000 (Note)	Convertible bond equity reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2017	399,369	38,918	27,167	(208,072)	257,382
Loss and total comprehensive expense for the year	–	–	–	(15,533)	(15,533)
At 31 December 2017 and 1 January 2018	399,369	38,918	27,167	(223,605)	241,849
Loss and total comprehensive expense for the year	–	–	–	(13,621)	(13,621)
At 31 December 2018	399,369	38,918	27,167	(237,226)	228,228

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 capital reorganisation of the Company, partially offset by the bonus issue, as set out in the circular of the Company dated 14 December 2015. Under the Bermuda Companies Act, the Company may make distributions to its members out of the contributed surplus under certain circumstances.

39. 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
			2018		2017		
			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$51,000,000 (2017: 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	–	100	–	100	Manufacture and trading of golf equipment and accessories
Billion Ventures (CNMI) Limited	Commonwealth of the Northern Mariana Islands	US$500,000	–	100	–	100	Properties holding in Saipan and development of integrated resort

* The English name is for identification purpose only

39. 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 substantial 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:

Principal activities	Principal place of business	Number of subsidiaries 2018	2017
Investment holding	BVI	**3**	3
Inactive	Hong Kong	**2**	2
Inactive	PRC	**2**	1
		7	6

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 2018 HK$'000	Year ended 31 December 2017 HK$'000	Year ended 31 December 2016 HK$'000	Year ended 31 December 2015 HK$'000	Year ended 31 December 2014 HK$'000
RESULTS					
Revenue	**285,952**	206,627	202,530	261,766	400,962
Cost of sales	**(260,192)**	(180,813)	(198,106)	(240,102)	(328,546)
Gross profit	**25,760**	25,814	4,424	21,664	72,416
Other operating income	**2,888**	1,470	1,440	1,857	2,099
Gain on disposal of a subsidiary	**–**	–	–	93	–
Write-off of inventories	**(316)**	(16)	(47,791)	(31,671)	–
Selling and distribution expenses	**(4,452)**	(3,409)	(2,742)	(3,736)	(4,790)
Administrative expenses	**(55,506)**	(48,000)	(57,788)	(59,053)	(53,415)
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 derivative component of the promissory note	**–**	–	(2,041)	–	–
Finance costs	**(8,159)**	(8,067)	(19,856)	(5,402)	(7,591)
(LOSS) PROFIT BEFORE TAX	**(39,785)**	(32,208)	(143,767)	(91,068)	8,719
Income tax (expense) credit	**(717)**	236	(251)	–	(424)
(LOSS) PROFIT FOR THE YEAR	**(40,502)**	(31,972)	(144,018)	(91,068)	8,295
(Loss) Profit for the year attributable to:					
Owners of the Company	**(40,502)**	(31,972)	(144,018)	(91,068)	8,295
Non-controlling interests	**–**	–	–	–	–
	(40,502)	(31,972)	(144,018)	(91,068)	8,295

FINANCIAL SUMMARY

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As At 31 December				
	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**563,064**	620,164	604,947	343,707	463,649
TOTAL LIABILITIES	**(259,273)**	(271,934)	(229,722)	(168,351)	(150,364)
NON-CONTROLLING INTERESTS	**(2,730)**	(2,730)	(2,730)	(2,730)	(2,401)
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	**301,061**	345,500	372,495	172,626	310,884