Sino Golf Holdings Limited
順龍控股有限公司

(Incorporated in Bermuda with limited liability)

Stock Code: 00361

ANNUAL REPORT

2019

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. HUANG Bangyin *(Chairman)*
Mr. CHU Chun Man, Augustine
Mr. WANG Chuang *(Note 1)*

Non-Executive Directors

Mr. WONG Hin Shek
Mr. WEI Chung-Hsiang *(Note 2)*

Independent Non-Executive Directors

Ms. CHU Yin Yin, Georgiana *(Note 3)*
Mr. SHENG Baojun
Mr. HO Kwong Yu
Ms. LIN Lin *(Note 4)*

AUDIT COMMITTEE

Mr. HO Kwong Yu *(Chairman)*
Ms. CHU Yin Yin, Georgiana *(Note 3)*
Mr. SHENG Baojun
Ms. LIN Lin *(Note 4)*

REMUNERATION COMMITTEE

Mr. SHENG Baojun *(Chairman)*
Ms. CHU Yin Yin, Georgiana *(Note 3)*
Mr. HO Kwong Yu
Ms. LIN Lin *(Note 4)*

NOMINATION COMMITTEE

Mr. HUANG Bangyin *(Chairman)*
Ms. CHU Yin Yin, Georgiana *(Note 3)*
Mr. SHENG Baojun
Mr. HO Kwong Yu
Ms. LIN Lin *(Note 4)*

COMPANY SECRETARY

Ms. CHOI Ka Ying

AUTHORISED REPRESENTATIVES

Mr. CHU Chun Man, Augustine
Ms. CHOI Ka Ying

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
4th floor North
Cedar House
41 Cedar Avenue
Hamilton HM12
Bermuda *(Note 5)*

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong *(Note 6)*

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. WANG Chuang resigned from the position of executive director on 4 April 2019.

2. Mr. WEI Chung-Hsiang resigned from the position of non-executive director on 4 April 2019.

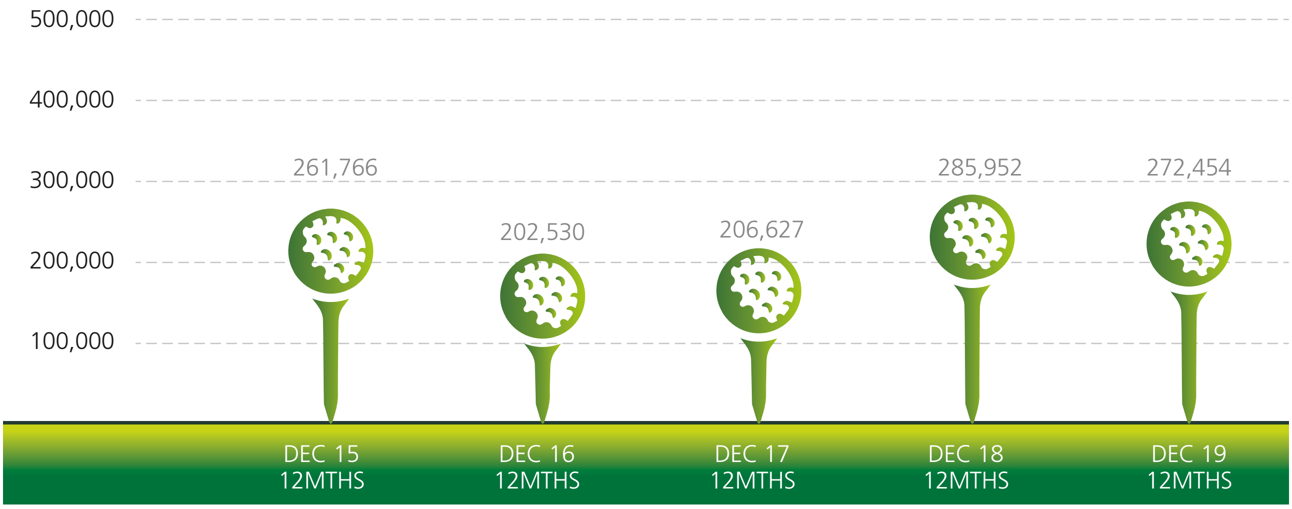
3. Ms. CHU Yin Yin, Georgiana resigned from the position of independent non-executive director, a member of Audit Committee, Remuneration Committee and Nomination Committee on 4 April 2019.

4. 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.

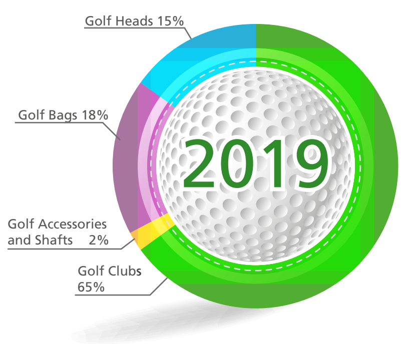
5. MUFG Fund Services (Bermuda) Limited changed the address of its Bermuda principal share registrar and transfer office from The Belvedere Building, 69 Pitts Bay Road, Pembroke HM08, Bermuda on 19 July 2019.

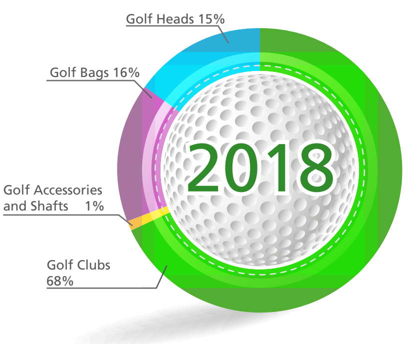
6. Tricor Tengis Limited changed the address of its Hong Kong branch share registrar and transfer office from Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong on 11 July 2019.

Revenue
(HK$'000)

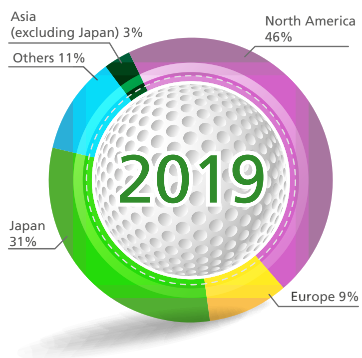


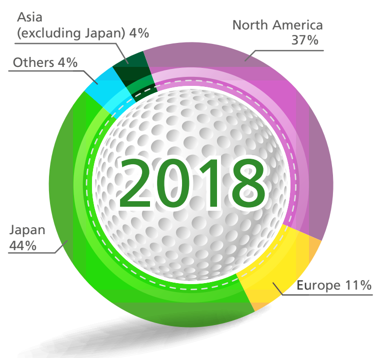
REVENUE BY PRODUCT



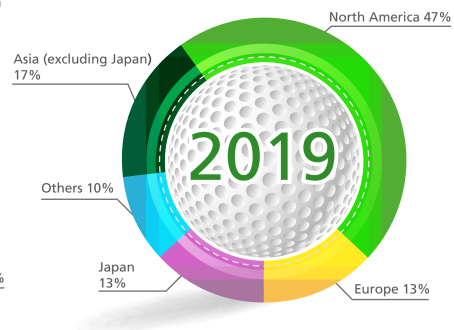


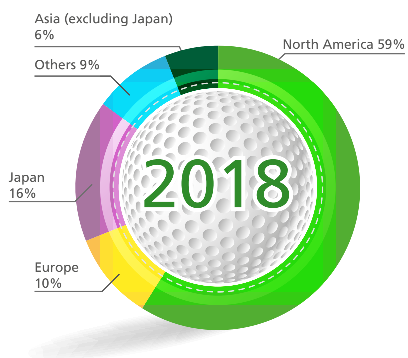
REVENUE (GOLF EQUIPMENT) BY GEOGRAPHICAL AREA





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 am delighted to present the annual results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2019.

BUSINESS REVIEW AND PROSPECTS

The revenue of the Group for the year ended 31 December 2019 is slightly decreased by 4.7% to approximately HK$272,454,000 (2018: approximately HK$285,952,000). During 2019, there is unsettled trade conflicts between China and the United States. The Group managed to maintain stably in overall business by leveraging its efficient operational management capability and budget control protocols to enhance its gross profit and trying to minimise the loss for the year.

Looking forward, 2020 will be challenging as the global economy is shrouded in the shadow of unsettled trade conflicts and the outbreak of pneumonia caused by the new corona-virus. The Group will continue to pursue a cautious business approach to closely monitor the golf business and seise other growth opportunities to enhance competitiveness and strive for the best return and interest for the shareholders.

APPRECIATION

Last but not least, I would like to take this opportunity to extend my sincere gratitude to 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, 26 March 2020

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS AND BUSINESS REVIEW

The economic environment deteriorated notably in 2019 mainly due to the unsettled trade conflicts between China and the United States. During the year, tariffs were progressively levied by the United States on goods shipped from China which impacted most of the mainland manufacturers. The golf business of the Group was adversely affected as nearly half of the products were exported to the United States. Notwithstanding the volatile economy, the Group managed to broaden its customer portfolio through diverse marketing initiatives to partly compensate for the revenue curtailment attributable to the reduced orders from existing customers. During the year, the golf equipment sales dropped moderately whilst the golf bags sales retarded in the first six months followed by a rebound in the second half year. Sales to the Group's largest customer decreased 6.8% in 2019 whereas the business with other key customers shrunk generally by various extent. There was no revenue generated by the hospitality segment during the year as the development of the hospitality business had been postponed due to external restricting factors prevailing in Saipan. To combat with the economic downturn, the Group continued to strengthen its rationalisation programs to optimise costs and enhance efficiency. Strategically, the Board is devoted to exploring more and different potential development opportunities to expand and diversify the business of the Group. In light of the economic uncertainties, it is anticipated that the Group will be operating in a highly volatile market with great challenges in the ensuing year.

The Group's revenue for the year ended 31 December 2019 decreased 4.7% to approximately HK$272,454,000 (2018: approximately HK$285,952,000). Loss for the year attributable to owners of the Company was reduced to approximately HK$23,119,000 (2018: approximately HK$40,502,000). Basic and diluted loss per share were both approximately HK0.44 cent for the year ended 31 December 2019 (2018: basic and diluted loss per share were both approximately HK0.78 cent).

GOLF EQUIPMENT BUSINESS

The golf equipment business has constituted the main operating segment of the Group throughout the years. It generated about 82.3% of the Group's revenue for the year ended 31 December 2019 (2018: 84.2%). Impacted by the depressed market, the golf equipment sales decreased 6.9% to approximately HK$224,147,000 in 2019 (2018: approximately HK$240,633,000).

During the year, sales to the largest segmental customer, before taking into account the golf bags sales to this customer, dropped 6.8% to approximately HK$107,987,000 (2018: approximately HK$115,899,000), accounting for approximately 48.2% (2018: approximately 48.2%) of the segment revenue or approximately 39.6% (2018: approximately 40.5%) of the Group's revenue for the year, respectively. Sales to other key segmental customers declined generally under the aggravated economic environment. Through diverse marketing efforts, the Group had successfully established business with new customers to partly compensate for the revenue curtailment caused by the reduced orders from existing customers. Sales generated from the top five segmental customers decreased 9.2% to approximately HK$212,159,000 (2018: approximately HK$233,707,000), representing approximately 94.7% (2018: approximately 97.1%) of the segment revenue or approximately 77.9% (2018: approximately 81.7%) of the Group's revenue for the year, respectively. The Group has put great emphasise on the long-term development of the golf equipment business and is committed to persistently working with and best serving the customers for mutual interests as well as exploring business opportunities with other credible golf market participants.

To rationalise costs and enhance productivity, the Group has engaged independent subcontractors with relevant manufacturing expertise to substitute for the self-run manufacturing operations in Guangdong province, China. The competent subcontractors assumed the manufacturing role to effectively perform the production function under the Group's supervision and instructions. This arrangement allows the Group to continually rationalise the manufacturing cost while assuring high product quality. On the other hand, the Shandong manufacturing facility was responsible for producing the majority of the Group's products throughout these years. It has been operating in a comparatively lower cost environment in Shandong Province, China to help optimise the costing structure and improve contribution margins. To persistently streamline the Shandong manufacturing operations for higher productivity, the Group has implemented incentive programs to enable its production personnel to participate in sharing cost savings achieved against preset cost targets. Besides, the Shandong manufacturing facility kept watching out feasible ways to optimise its work force commensurate with the business volume and market conditions. In compliance with applicable regulatory requirements, the Group conducted an assessment of the non-current assets comprising machinery, plant and equipment of the golf equipment segment to ascertain the existence of any impairment as at the year end. It was concluded that no impairment had been revealed and hence no impairment loss was recognised for the current year.

Irrespective of the decline in sales revenue, the golf equipment segment managed to narrow down and record a segment loss of approximately HK$6,412,000 for the year, which was 68.4% less than the segment loss of approximately HK$20,274,000 sustained in 2018. Taking into consideration the order book status and the anticipated market conditions, it is expected that the golf equipment segment will operate in a highly unstable market facing great challenges in light of the unsettled trade conflicts between China and the United States and the severe impact of the new corona-virus ("**COVID-19**") outbreak in the world since the end of January 2020. To substantiate the long-term development, the Group is committed to strengthening the customer relationship through diverse marketing initiatives and extensive client services as well as exploring business opportunities with other credible golf market participants. The management has maintained a prudent view with caution on the prospect of the golf equipment business for the ensuing year.

GOLF BAGS BUSINESS

The golf bags business retarded during the first half of 2019 but then rebounded in the second half year to achieve an overall increase in the annual segment revenue. The Group's revenue attributable to the golf bags segment, defined as comprising the sales of golf bags and accessories to external customers, rose 6.6% to approximately HK$48,307,000 (2018: approximately HK$45,319,000), representing approximately 17.7% of the Group's revenue for the year (2018: approximately 15.8%). Total sales of the golf bags segment, before elimination of the inter-segmental sales of approximately HK$10,870,000 (2018: approximately HK$14,995,000), remained solid and fell 1.9% in 2019 to approximately HK$59,177,000 (2018: approximately HK$60,314,000). 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 have been properly 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$42,990,000 (2018: approximately HK$37,573,000) and accessories sales mainly sports bags of approximately HK$5,317,000 (2018: approximately HK$7,746,000), representing approximately 89.0% (2018: approximately 82.9%) and approximately 11.0% (2018: approximately 17.1%) of the segment revenue, respectively. As sound marketing practice, the Group focused more on the golf bags sales of higher price and contribution which rose 14.4% in 2019 whereas the accessories sales mainly sports bags of lower value and contribution diminished as a trade-off. Sales to the largest segmental customer decreased 6.5% during the year to approximately HK$28,299,000 (2018: approximately HK$30,269,000), representing approximately 58.6% (2018: approximately 66.8%) of the segment revenue or approximately 10.4% (2018: approximately 10.6%) of the Group's revenue for the year. Sales to other key segmental customers dropped generally but was more than compensated by the revenue generated from the new customers to achieve an overall increase in the annual segment revenue. The aggregate sales generated from the top five segmental customers increased 11.4% to approximately HK$44,731,000 (2018: approximately HK$40,155,000), representing approximately 92.6% (2018: approximately 88.6%) of the segment revenue or approximately 16.4% (2018: approximately 14.0%) of the Group's revenue for the year. To substantiate the long-term development, the golf bags segment has pursued effective measures to persistently streamline its operations with an aim to continually rationalise costs and improve profitability.

With the increased sales and the effective cost controls, the golf bags segment achieved a better performance to record a segment profit of approximately HK$7,777,000 for the year, demonstrating a surge of 78.1% compared to the segment profit of approximately HK$4,366,000 in 2018. Taking into account the order book status and the prevailing market conditions, it is expected that the golf bags segment will operate under great challenges with intense competition amidst the economic turmoil and the severe impact of the COVID-19 outbreak in the world since the end of January 2020. The management has adopted 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 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 2019, no revenue (2018: nil) was generated from the hospitality business.

PROSPECTS

The unsettled trade conflicts between China and the United States adversely affected the economic environment in 2019. During the year, import tariffs were progressively levied by the United States on goods shipped from China. In addition, the impact of the outbreak of COVID-19 in the world since the end of the January 2020 has intensified the economic and financial threat to the global economy. The PRC government has extended the lunar new-year holiday and rescheduled the date of resumption of corporate operations to 10 February 2020 or after. The Group's factories and its subcontractors in China have resumed operations on about 10 February 2020 in compliance with the relevant government notifications. It is anticipated that the Group will be operating under great challenges with intense competition in 2020. Notwithstanding the hindrance, the Group is committed to strengthening the customer relationship through extensive client services and diverse marketing initiatives for the long-term development of the golf business. The Group's financial position has remained solid with adequate funds to finance its operations and discharge the liabilities when due. The Group adopts a prudent view with caution on the prospect of the golf business for the foreseeable future.

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.

Going forward, the Group will continue to pursue a cautious business approach to closely monitor the golf business and seise other growth opportunities to enhance competitiveness and strive for the best return and interest for the shareholders.

DIVIDEND

The Board resolved not to recommend the payment of any dividend for the year ended 31 December 2019 (2018: nil).

FINANCIAL RESOURCES, LIQUIDITY AND GEARING

The Group meets its working capital and other funding requirements principally through cash generated from operations, borrowings and advances from a director. As at 31 December 2019, bank balances and cash, which were mostly denominated in United States dollars, Hong Kong dollars and Renminbi, amounted to approximately HK$118,995,000 (2018: approximately HK$126,249,000). As at 31 December 2019, interest-bearing borrowings of the Group comprising bank borrowings amounted to RMB53,000,000 which was equivalent to approximately HK$58,889,000 (2018: RMB53,000,000 equivalent to approximately HK$60,227,000), of which all were repayable within one year and carried interest at approximately 5.66% to 5.87% (2018: 5.87%) per annum. Bank borrowings were fixed rate borrowings denominated in Renminbi as at 31 December 2019 and 2018. Amount due to a related company of approximately HK$1,316,000 as at 31 December 2019 (2018: approximately HK$1,316,000) was unsecured, non-interest bearing and repayable on demand. Amount due to a director of approximately HK$73,780,000 as at 31 December 2019 was unsecured, carrying interest at 5% per annum and repayable on demand (2018: approximately HK$94,192,000 which was unsecured, non-interest bearing and repayable on demand).

As at 31 December 2019, the gearing ratio, defined as bank borrowings, amount due to a director, amount due to a related company and convertible bond less bank balances and cash and pledged bank deposit of approximately HK$76,220,000 (2018: approximately HK$85,237,000) divided by the total equity of approximately HK$279,210,000 (2018: approximately HK$303,791,000) was approximately 27.3% (2018: approximately 28.1%).

As at 31 December 2019, the total assets and the net asset value of the Group amounted to approximately HK$539,844,000 (2018: approximately HK$563,064,000) and approximately HK$279,210,000 (2018: approximately HK$303,791,000), respectively. Current and quick ratios as at 31 December 2019 were approximately 1.09 (2018: approximately 1.16) and approximately 0.89 (2018: approximately 0.81), respectively. Both the current ratio and quick ratio remained relatively stable and reasonable. The Group has continued to pursue feasible means to further rationalise and improve its financial position from time to time.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES

The Group did not have any material acquisition or disposal of subsidiaries, associated companies or joint ventures for the year ended 31 December 2019.

PLEDGE OF ASSETS

As at 31 December 2019, bank borrowings from a PRC bank of RMB53,000,000 which was equivalent to approximately HK$58,889,000 (2018: RMB53,000,000 which was equivalent to approximately HK$60,227,000) were secured by property, plant and equipment and the right-of-use assets/prepaid lease payments of the Group with a carrying value of approximately HK$99,324,000 (2018: approximately HK$104,585,000). As at 31 December 2019, the Group had pledged bank deposit of RMB530,000 which was equivalent to approximately HK$589,000 (31 December 2018: RMB530,000 which was equivalent to approximately HK$602,000). Such pledged bank deposit serves as the security in respect of the lease of the Group's golf bags factory 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 2019. 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 2019, an indirect wholly-owned subsidiary of the Company had been named as a 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 had filed a full defense to this writ in May 2011 and no further action was initiated by the plaintiff since then. 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.

Other than as disclosed, the Group had no significant contingent liabilities as at 31 December 2019.

EVENTS AFTER THE REPORTING PERIOD

The outbreak of COVID-19 since the end of January 2020 has brought great impact and instability to the global economy and financial markets. The Group has resumed the manufacturing operations in China on about 10 February 2020 after the extended lunar new-year holiday and there is no material interruption to the Group's production. The Group will closely monitor the sales order status in reaction to the market situation.

CAPITAL COMMITMENTS

As at 31 December 2019, 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$232,000 (2018: approximately HK$319,000).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2019, the Group had approximately 860 employees (2018: 980 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 Bangyin, aged 44, was appointed as the chairman of the Board, an executive director of the Company and the chairman of the Nomination Committee (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. WANG Chuang, aged 47, 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 62, 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 36 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. WEI Chung-Hsiang, aged 60, 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 21 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 50, 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 26 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 a responsible officer of Veda Capital Limited, a licensed corporation which carries out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance. He 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. He was an executive director of Dongwu Cement International Limited (Stock Code: 695) from November 2016 to August 2017. The shares of these companies are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). From September 2017 to April 2019, Mr. Wong was also an executive director of GET Holdings Limited (stock code: 8100), whose shares are listed on the Growth Enterprise Market of the Stock Exchange.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. CHU Yin Yin, **Georgiana**, aged 49, 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 (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 18 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. SHENG Baojun, aged 55, 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 22 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 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). He was 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) from April 2013 to April 2019. The shares of each of these companies are listed on the Shenzhen Stock Exchange.

Mr. HO Kwong Yu, aged 34, 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 11 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 41, 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 19 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. CHOI Ka Ying, aged 35, is as the company secretary and chief financial officer of the Company since 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 14 years of experience in accounting, auditing and financial management.

Ms. LEE May Yee, aged 50, is the senior marketing manager of the Group. Ms. Lee has over 26 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 56, 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 27 years of experience in the golf manufacturing industry.

Mr. HUNG Yi Chuan, aged 57, 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 31 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 2019.

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 2019 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 135 to 136 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 2019.

CHARITABLE DONATIONS

During the year, no charitable donations were made by the Group (2018: 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 2019, 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 88.3% of the total sales for the year, and sales to the largest customer included therein amounted to approximately HK$136,286,000, representing 50.0% 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 Bangyin *(Chairman)*
Mr. CHU Chun Man, Augustine
Mr. WANG Chuang (resigned on 4 April 2019)

NON-EXECUTIVE DIRECTORS

Mr. WONG Hin Shek
Mr. WEI Chung-Hsiang (resigned on 4 April 2019)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. CHU Yin Yin, Georgiana (resigned on 4 April 2019)
Mr. SHENG Baojun
Mr. HO Kwong Yu
Ms. LIN Lin (appointed on 4 April 2019)

In accordance with Bye-laws 87(1) and 87(2) of the Company's Bye-laws, Mr. HO Kwong Yu and Ms. LIN Lin 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 16 of this Annual Report.

PERMITTED INDEMNITY PROVISION

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

DIRECTORS' SERVICE CONTRACTS

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

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

DIRECTORS' REMUNERATION

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in Note 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 2019, the interests and short positions of the Directors in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**"), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**"), were as follows:

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

	Number of shares held and interests in underlying shares, capacity and nature of interest				
Name of Director	Directly beneficially owned	Through spouse	Through controlled corporations	Total	Percentage of the company's issued share capital
Mr. 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 2019, 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 (2018: 190,025,000) shares, which represented approximately 3.65% (2018: 3.65%) of the shares of the Company in issue as at 31 December 2019 and up to the date of this annual report.

At 31 December 2019, no outstanding share option was held by the Directors (2018: nil). There were no share options granted, exercised, cancelled, lapsed or forfeited during the year ended 31 December 2019 (2018: 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 2019, 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 2019, 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 2019, 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 twelve years ended 31 December 2019 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
26 March 2020

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 2019, except with the deviations from code provisions A.2.1 and A.4.1 of the CG Code as more fully explained hereinafter. The Company has also put in place certain Recommended Best Practices as set out in the CG Code.

THE BOARD

COMPOSITION OF THE BOARD

From 1 January 2019 to 3 April 2019, the Board comprised eight Directors, with three executive Directors, namely Mr. HUANG Bangyin (Chairman), Mr. CHU Chun Man, Augustine and Mr. WANG Chuang; three independent non-executive Directors, namely Ms. CHU Yin Yin, Georgiana, Mr. SHENG Baojun and Mr. HO Kwong Yu; and two non-executive Directors, namely Mr. WONG Hin Shek and Mr. WEI Chung-Hsiang.

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 16 of this annual report under the Biographical Details of Directors and Senior Management section.

The Company's circular regarding the notice of 2020 annual general meeting contains detailed information of the Directors standing for re-election as executive Directors, non-executive Directors and independent non-executive Directors.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provision A.2.1 of the CG Code requires that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

During the year, Mr. HUANG Bangyin acted as the Chairman of the Board and was 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.

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 2019 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 Bangyin (Chairman)	✓
Mr. CHU Chun Man, Augustine	✓
Mr. WANG Chuang (Note 1)	✓
Non-Executive Directors	
Mr. WONG Hin Shek	✓
Mr. WEI Chung-Hsiang (Note 2)	✓
Independent Non-Executive Directors	
Ms. CHU Yin Yin, Georgiana (Note 3)	✓
Mr. SHENG Baojun	✓
Mr. HO Kwong Yu	✓
Ms. LIN Lin (Note 4)	✓

Notes:

1. Mr. WANG Chuang resigned from the position of executive director on 4 April 2019.

2. Mr. WEI Chung-Hsiang resigned from the position of non-executive director on 4 April 2019.

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

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

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 2019

	Board	Audit Committee	Remuneration Committee	Nomination Committee	General Meeting
Executive Directors					
Mr. HUANG Bangyin (Chairman)	3/5	N/A	N/A	2/2	1/1
Mr. CHU Chun Man, Augustine	4/5	N/A	N/A	N/A	1/1
Mr. WANG Chuang (Note 1)	1/2	N/A	N/A	N/A	N/A
Non-Executive Directors					
Mr. WONG Hin Shek	4/5	N/A	N/A	N/A	1/1
Mr. WEI Chung-Hsiang (Note 2)	1/2	N/A	N/A	N/A	N/A
Independent Non-Executive Directors					
Ms. CHU Yin Yin, Georgiana (Note 3)	1/2	1/1	1/2	1/2	N/A
Mr. SHENG Baojun	4/5	2/2	2/2	2/2	1/1
Mr. HO Kwong Yu	5/5	2/2	2/2	2/2	1/1
Ms. LIN Lin (Note 4)	3/3	1/1	N/A	N/A	1/1
Total number of meetings held	5	2	2	2	1

Notes:

1. Mr. WANG Chuang resigned from the position of executive director on 4 April 2019.

2. Mr. WEI Chung-Hsiang resigned from the position of non-executive director on 4 April 2019.

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

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

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.

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 2019 to 3 April 2019, the Audit Committee consisted of three independent non-executive Directors, namely Mr. HO Kwong Yu (Chairman of the Audit Committee), Mr. SHENG Baojun and Ms. CHU Yin Yin, Georgiana. 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 an independent non-executive Director and 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 2019, 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 auditor the accounting principles and practices adopted by the Group, the accuracy and fairness of the 2018 annual report and annual results announcement and the 2019 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 2019, assessed the external auditor's independence, approved the engagement of external auditor 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 2019. 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 2019.

2. REMUNERATION COMMITTEE

From 1 January 2019 to 3 April 2019, the Remuneration Committee consisted of three independent non-executive Directors, namely Mr. SHENG Baojun (Chairman of the Remuneration Committee), Mr. HO Kwong Yu, Ms. CHU Yin Yin, Georgiana. 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 an independent non-executive Director and 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 two times during the year ended 31 December 2019 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 Director.

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	
	2019	2018
Nil to HK$1,000,000	**3**	4
HK$1,000,000 – HK$1,500,000	**1**	0
	4	4

3. *NOMINATION COMMITTEE*

From 1 January 2019 to 3 April 2019, there were four members of the Nomination Committee of which one member is an executive director, namely Mr. HUANG Bangyin (Chairman of the Nomination Committee) and three independent non-executive Directors, namely, Ms. CHU Yin Yin, Georgiana, Mr. SHENG Baojun and Mr. HO Kwong Yu. 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 an independent non-executive Director and 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 nomination policy adopted by the Company (the "**Nomination Policy**") and 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 Nomination Policy, pursuant to which the Nomination Committee takes into consideration 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. The Nomination Committee may adopt any process it deems appropriate in evaluating the suitability of the candidates, such as interviews and background checks. An external recruitment agency may be engaged to carry out the recruitment and selection process when necessary. Upon considering whether a candidate is suitable for the directorship, the Nomination Committee will hold a meeting and/or by way of written resolutions to, if thought fit, approve the recommendation to the Board for appointment. The selected candidate will be recommended to the Board for appointment.

For the nomination and appointment of Ms. LIN Lin as independent non-executive Director of the Company, the criteria and procedures set out above have been applied.

The Nomination Committee met two times during the year ended 31 December 2019 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 a new director.

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 2019.

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 2019, 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 2020 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 auditor had attended the AGM of the Company held on 13 June 2019 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 2019 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 26 June 2020 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 Bye-laws;
- 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 2019, are set out below:

	HK$'000
Audit services	1,060
Non-audit services:	
– Taxation services*	36
– Others*	200
	1,296

* 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 fourth Environmental, Social and Governance ("**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 2019 (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 related to employment and labour practices are derived from the data of the Group's subsidiary Linyi Sino Golf Company Limited ("**Linyi Sino Golf Company**") in Shandong Province, while the other social KPIs represent the data of the 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 issued by The Stock Exchange of Hong Kong Limited.

STAKEHOLDER ENGAGEMENT

The Group believes that active participation and continuous support of its stakeholders play an important role in the long-term success of the Group. We hope to communicate with various stakeholders to improve the Group's sustainable development management system and implement sustainable development goals. Through different communication methods, stakeholders from different fields can express their opinions on the Group, and hence we can respond to their expectations and concerns specifically, which help improve our ESG performance and strategies as well as our future development.

Stakeholders	Expectations	Management Responses/ Communication Channels
Government and Regulators	• Compliance with national policies, laws and regulation • Support for local economic growth • Contribution in local employment • Tax payment in full and on time • Safe production	• Regular information reporting • Regular meetings with regulators • Dedicated reports • Inspection and monitoring
Shareholders	• Returns • Compliance operations • Rise in company value • Transparency and effective communication	• Annual general meetings • Announcements • Email, telephone conversation and company website
Partners	• Operation with integrity • Equal Rivalry • Performance of contracts • Mutual benefits	• Review and appraisal meetings • Business communication • Discussion and exchange of opinions • Engagement and cooperation

Stakeholders	Expectations	Management Responses/ Communication Channels
Customers	• Outstanding products and services • Health and safety • Performance of contracts • Operation with integrity	• Customer satisfaction surveys • Meetings with customers
Environment	• Compliance with emission regulations • Energy saving and emission reduction • Environmental protection	• Communication with local environmental departments • Communication with local people • ESG reporting • Regular inspection
Industry	• Formulation of industrial standards • Support for industrial development	• Site visits with peers
Employees	• Protection of rights • Occupational health • Remunerations and benefits • Career development	• Meetings with employees • Employee mailbox • Training and workshop • Employee activities
Community and the public	• Enhancement of community environment • Transparency	• Company website • Announcements

We have engaged employees from different departments in the preparation of the ESG Report, which enables us to better recognize our current environmental and social performance. 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

We value your views on this report. If you have any comments or suggestions, please contact us via: admin@sinogolfholdings.com.

ENVIRONMENTAL PROTECTION

WASTEWATER DISCHARGE AND AIR EMISSIONS

Despite the fact that production of golf equipment and bags generates only a small amount of air and water pollutants, the Group, as a manufacturer that attaches great importance to environmental protection, spares no effort to control emissions in the production process and regularly arrange environmental compliance inspections to ensure that the Group complies with applicable environmental laws.

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 People's Republic of China on Prevention and Control of Water Pollution and Water Quality Standards for Sewage Discharge into Urban Sewers. In the factory, there is a small-scale water treatment plant. The wastewater generated in the factory is treated through filtration, bio-oxidation and sedimentation so that the pollution level of the wastewater can be limited to that set by the contracted wastewater treatment company. Water discharged from the small-scale water treatment plant will then be transferred to the contracted company for further treatment. The wastewater quality at the discharge outlet tested by the local environmental monitoring station during the Year is shown in the table below.

Pollutants	Discharge concentration 2019	 2018	Discharge standard	Unit
Chemical oxygen demand ("**COD**")	**352**	336	500	mg/L
Ammonia-nitrogen	**26**	28	35	mg/L
Suspended solids	**226**	240	300	mg/L

In order to reduce the exhaust emissions generated during the sand blasting process, paint spraying process and casting of clubs, the Group has adopted corresponding control measures to meet the 3rd period emission standard of the Integrated Emission Standard of Regional Air Pollutants in Shandong Province (DB37/2376-2013). For example, flue gas is treated by baghouse filters and discharged through the 15m-long discharged pipe while dust is collected through water curtain dust collector. We strictly abide by the Law of the People's Republic of China on Prevention and Control of Atmospheric Pollution and other laws and regulations. The air emissions during the production process tested by the local environmental monitoring station are shown in the table below.

Pollutants	Discharge concentration 2019	 2018	Discharge standard	Unit
Flue dust	**<5**	<5	20	mg/m^3
Sulfur dioxide	**6**	5	200	mg/m^3
Nitrogen oxides	**96**	111	200	mg/m^3

Besides, sulfur oxides, 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	2019	2018	Unit
Sulfur oxides	**131**	128	g
Nitrogen oxides	**5,938**	5,737	g
Particulate matter	**437**	422	g

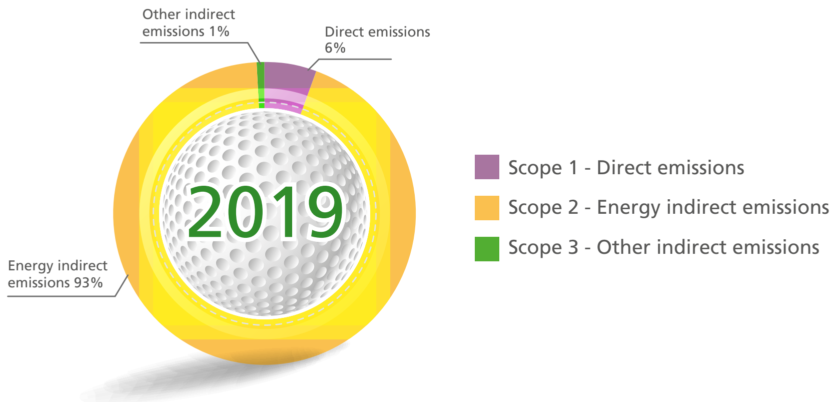
In order to ensure that wastewater discharge and air emissions can meet the corresponding standards and to mitigate the environmental impacts caused by our operation, we have established internal management systems such as Wastewater and Exhaust Gas Management and Control Procedures and Regulations on Wastewater Quality Inspection. We also regularly arrange qualified testing organizations to test the quality of wastewater discharge and air emissions. In case of failure to meet the emission standards, we follow the Emergency Plan for Environmental Accidents to carry out emergency and corrective plans. During the Year, we abided by all applicable laws and standards on wastewater discharge and air emissions. Non-compliance such as excessive discharge was not observed.

GREENHOUSE GAS EMISSIONS

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. In order to reduce emission of GHG, we have started using electricity to replace some of the natural gas used for heat production in the production process. The GHG emissions during the Year are shown in the following table.

GHG emissions	**2019**	2018	**Unit**
Scope 1 – Direct gas emissions	**450**	702	tonnes CO_2e
Scope 2 – Energy indirect emissions	**7,077**	8,222	tonnes CO_2e
Scope 3 – Other indirect emissions	**62**	89	tonnes CO_2e
Total GHG emissions	**7,589**	9,013	tonnes CO_2e
GHG emission intensity	**13.90**	13.08	tonnes CO_2e/employee

GREENHOUSE GAS EMISSIONS BY SCOPE

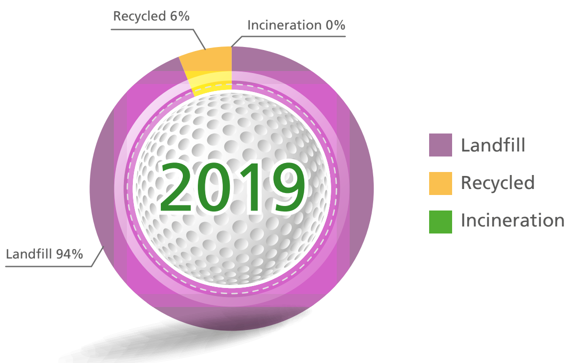


WASTE MANAGEMENT AND DISPOSAL

In order to build a clean and sustainable working and living environment for our employees and the community, the Group conducts proper waste management. The non-hazardous waste generated by the Group mainly includes waste paper and paper box, waste metal, waste plastics and daily garbage, while the hazardous waste mainly includes industrial oil, waste organic solvent, waste paint buckets, waste paint residues and chemical waste. The amounts of waste generated during the Year by type and by handling method are shown in the following table and figure respectively.

Waste	2019	2018	Unit
Non-hazardous waste	**444**	531	tonnes
Intensity	**0.81**	0.77	tonnes/employee
Hazardous waste	**11**	11	tonnes
Intensity	**0.02**	0.02	tonnes/employee

NON-HAZARDOUS WASTE BY HANDLING METHOD



The Group handles all the waste with great carefulness. We strictly comply with relevant provisions, such as the Law of the PRC on Prevention of Environmental Pollution by Solid Waste, Regulations on the Administration of City Appearance and Environmental Sanitation and the Standard for Pollution Control on Hazardous Waste Storage (GB 18597-2001). We put great efforts in monitoring the entire waste handling process, including waste collection, transfer, storage and disposal. All waste are regularly collected 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 Group has signed contracts with qualified waste removal operators to collect waste at regular intervals. Hazardous waste is removed in accordance with requirements such as the Measures on the Management of Hazardous Waste Transfer Manifest and the Measures for the Administration of Permit for Operation of Dangerous Wastes.

Regarding waste reduction, 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 area, office and living area. For recyclable waste, components which can be reused by the Group are directly used by relevant departments, while other recyclable waste will be collected by a qualified recycler. For example, some waste molds for making golf clubs are collected by relevant parties for making fire bricks.

NOISE CONTROL

Given the possible 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.

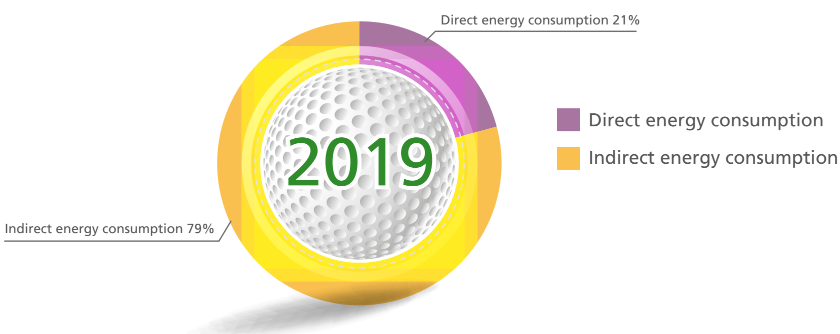
Average noise level	**2019**	2018	**Standard**	**Unit**
At daytime	**56**	57	60	dB(A)
At nighttime	**47**	48	50	dB(A)

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.

Resources	**2019**	2018	**Unit**
Energy			
Total energy consumption	**10,666**	13,240	MWh
Direct energy consumption	**2,288**	3,489	MWh
Indirect energy consumption	**8,378**	9,751	MWh
Intensity	**19.54**	19.22	MWh/employee
Water			
Total water consumption	**97,255**	148,769	m^3
Intensity	**178.12**	215.92	m^3/employee

ENERGY CONSUMPTION BY TYPE



In addition to implementing the goal of reducing emissions, the Group also promotes the concept of resource conservation internally and raises employees' awareness of environmental protection. Energy and water saving not only reduce operational costs of the Group, but also contribute to the Group's 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. For example, we encourage our employees to switch off unnecessary lights and electronic equipment while not in use, maximize the use of natural lighting, limit font size to reduce paper use, check for hidden water leakage periodically and fix dripping taps immediately once problems are found, and replace business trips with conference calls if possible. In production process, we have adopted measures such as recycling cooling water to reduce resource consumption, and have searched 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 value;
- 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 water pressure 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;
- 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;
- 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;
- Riding bicycles or walking in the factory in non-emergency situations;
- Encouraging carpooling in public activities to reduce air pollution;
- Improving driving skills of drivers for scientific and standardized driving, strengthening maintenance of vehicles, and reducing abnormal loss of vehicle components.

The Group's main packaging materials are paper and plastic. Unless specified by customers, the Group prefers using recyclable and environmentally-friendly materials for packaging. The amount of packaging materials consumed during the Year is shown in the following table.

Packaging materials[1]	**Total (piece)**	Intensity (piece/piece of product)
Plastic materials	**1,547,150**	0.50
Paper materials	**164,543**	0.12

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 for the purpose of greening and reducing carbon emissions. To avoid suspended particles that may affect the health of people and the environment, we install sprinklers throughout the factory.

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 Investigation Report for Environmental Emergency Resources 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.

1 Due to the update of the record system of packaging materials, the amounts of packaging materials are presented in piece starting from the Year.

EMPLOYMENT AND LABOUR PRACTICES

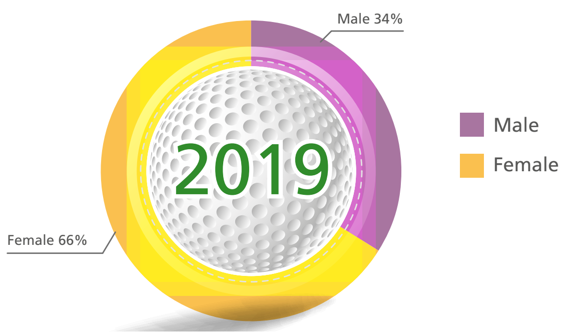
EMPLOYMENT POLICIES

Employees are the most valuable assets of the Group. We have formulated our employment policies in accordance with the Labour Law of the People's Republic of China, 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.

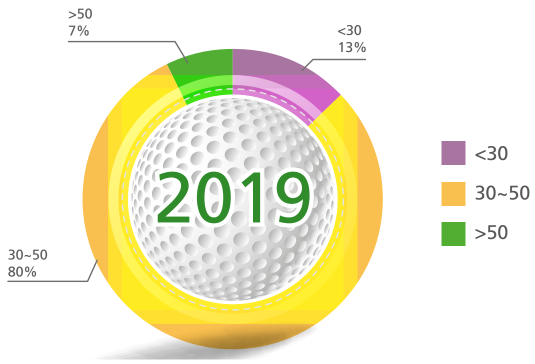
We welcome applicants of all ages, professions and cultures to join us in an effort to diversify the workforce and maximize the advantages of every staff member. In line with the principle of "Open Recruitment, Comprehensive Assessment and Merit-based Admission", recruitment is carried out based on job requirements and applicant's qualification, ability and experience. Job seekers and employees will not be discriminated against based on gender, religion, race, color, place, age, physique or hobby.

With regard to child labour, we strictly abide by the Provisions on the Prevention of Using Child Labour of the People's Republic of China and other relevant laws. The human resources department will strictly verify the identity 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 2019, the total workforce by gender and age of Linyi Sino Golf Company is shown in the following figures.

TOTAL WORKFORCE BY GENDER

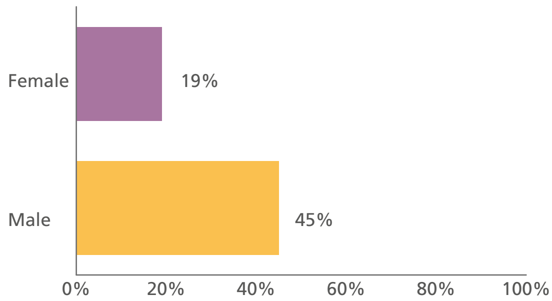


TOTAL WORKFORCE BY AGE

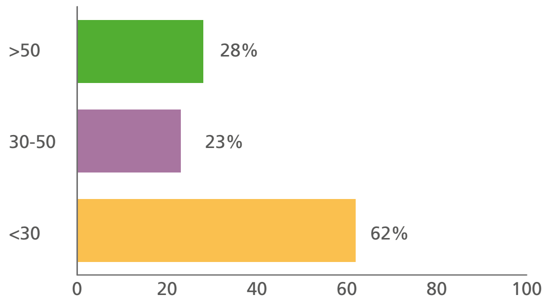


Whenever an employee requests to resign or being laid off, an exit interview will be arranged by department heads to find out the reasons of resignation with a view to further improving the Group's operation. During the Year, the turnover rate by gender and age of Linyi Sino Golf Company is shown as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

TURNOVER RATE BY GENDER



TURNOVER RATE BY AGE



In terms of working hours, we have adopted standard working hour system for our employees according to the Group's Employee Manual, under which employees are stipulated to work no more than 8 hours per day and 40 hours per week. Shift work is applied for special positions that working hours are subject to the job nature and production requirement. We are committed to safeguarding employees' right to rest and prohibit any form of forced labour. 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.

REMUNERATION AND WELFARE

Advocating the balance of life and work and providing attractive benefits represent our respect for talents. The Group adopted a comprehensive remuneration policy that employees are rewarded based on their position levels, job duty, working conditions, technical strength and work performance. All the basic salary, overtime pay, allowance, bonus, leaves and penalties are considered when calculating the monthly wages of employees. Also, 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 to statutory holidays, they are also entitled to marriage leave, maternity leave, paternity leave, funeral leave and other holidays. Besides, 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

The Group is committed to nurturing talents as they are the core driving force for the Group's long-term growth and sustainability. Thus, we provide clear development and promotion paths for our employees so that they can grow together with the Group. To make employees qualified for higher position, we not only formulate training plans on a regular basis, but also closely supervise the implementation of the training plans so that employees are able to acquire suitable knowledge and skills. Training organized by the Group can be divided into two types, namely induction training and on-the-job training.

Induction training, which covers 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 help them 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 both internally and externally, such as those on professional skills, general management skills, career development and psychological development. Internal training is carried out by our part-time lecturers, external trainers or professional institutions, while external training is offered through arranging employees to participate in training activities organized by professional institutes. The following table shows the percentage of employees trained and the average training hours completed per employee by gender and employee category of Linyi Sino Golf Company in the Year.

Training	Percentage of employees trained (%)	Average training hours (hrs)
By gender		
Male	100	20
Female	100	20
By employee category		
Senior staff	100	20
Junior staff	100	20

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 (2018: 3 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, Policy on Personal Protective Supplies Management and Safety Operation Procedures for Production Processes. 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	2019	2018	2017	Unit
Number of work-related fatalities	**0**	0	0	person
Number of work-related injuries	**4**	5	7	person
Lost days due to work injuries	**112**	53	230	day

OPERATING PRACTICES

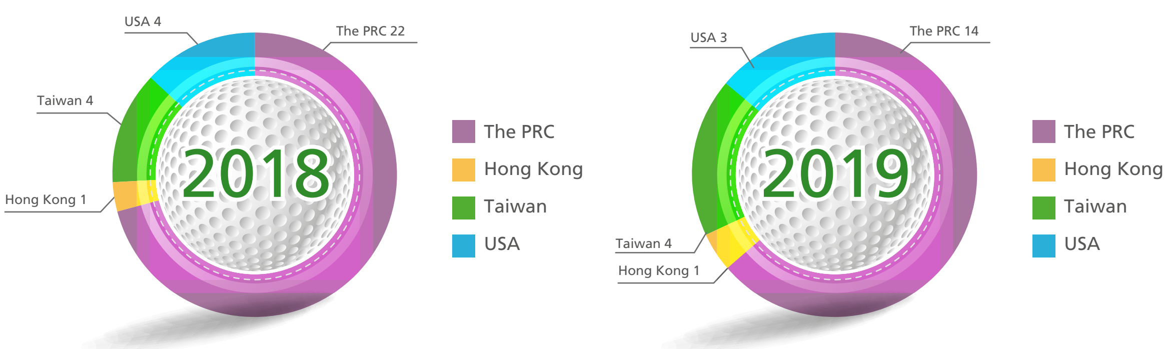
SUPPLY CHAIN MANAGEMENT

The Group relies on a range of suppliers to provide raw materials for its production, thus, proper management of the supply chain is of high importance. We pay high attention to the selection of suppliers that suppliers 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. Besides that, we also take into account their performance in the management of environmental impacts and protection of employees' rights. For instance, we examine whether our suppliers or outsourcers have implemented labour protection system, chemical control measures and environmental impact assessment on designated projects.

Suppliers with satisfactory product quality, good delivery performance, reasonable price and quality service will be selected for further review. Suppliers will be regarded as qualified only if their products meet our production requirements and our pilot productions are of satisfactory quality.

As a responsible enterprise, the Group also integrates the idea of carbon reduction in its supply chain management and procurement. 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 whose production sites are close to our factory on the premise of meeting customers' requirements and production needs. The Group also procures environmentally-friendly materials such as paints that meet EU requirements. 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.

KEY SUPPLIER NUMBER BY REGION



In order to effectively monitor the performance of suppliers and ensure a stable supply of materials, we conduct assessments of major material suppliers quarterly in terms of delivery quality, schedule, safety and timeliness. Suppliers who failed in the assessment for three times in succession will be disqualified from further cooperation. The Group has also established a mechanism to track the source of each batch of materials so that defective materials found during inspection upon arrival or during production can be returned to the supplier for processing.

QUALITY CONTROL

In an effort to provide our customers with products of high quality, the Group has been striving for excellence in the quality of its products since its establishment. In terms of compliance, we strictly comply with the Product Quality Law of the People's Republic of China. We also follow all relevant industrial standards on product quality and ensure that all the products meet our customers' requirements on quality and product health and safety.

From the management perspective, the Group has compiled the Quality Manual detailing the Quality Management System of the Group which meets the international standard of ISO9001:2000. The manual, which sets out clear quality management approach and objectives of the Group, acts as a guide for all relevant departments and personnel when performing quality management work. The Quality Management System allows the Group to achieve a high standard of monitoring on all quality control and inspection procedures such as incoming inspection, storage control, production facility control, final product inspection, packaging, labeling and documentation. It even guides the planning and implementation of employee training programmes designed for quality management and control.

In regard to inspection, the Group has set the Procedures for Product Inspection and Monitoring specifically for guiding the practical operation of inspection and quality control of purchased materials, intermediate goods and final products. Routine inspection of every checkpoint along the production process is performed to examine the appearance and functionality of materials and goods. We also employ professional organizations to calibrate our inspection equipment every year to guarantee its accuracy hence product quality.

CUSTOMER SERVICE

The Group is devoted to providing excellent services for and maintaining a good relationship with customers. We have developed a range of channels for gathering customers' opinions such as direct conversation with customers, customer complaint channels, survey and questionnaire, industrial reports as well as reports from consumer bodies.

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 People's Republic of China 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 the management information system so as to ensure that important information is properly kept.

ANTI-CORRUPTION

The Group understands the importance of corruption-free business operation therefore has compiled a set of regulations regarding employees' self-discipline and integrity. Staff at the management level are required to sign the undertaking of integrity, ensuring that they follow all the rules as set out in the regulations. 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 People's Republic of China, Anti-Money Laundering Law of the People's Republic of China and Prevention of Bribery Ordinance of Hong Kong. No legal cases regarding corrupt practices were reported during the Year.

To further strengthen the anti-corruption system of the Group, employees are encouraged to report potential cases regarding violation of internal regulations and infringement upon the interests of the Group or other employees through the reporting system to preclude the possibilities of malpractices in our daily operation. After receiving the reports, the relevant department will conduct an investigation within one month and refer the cases to the management for follow-up actions.

COMMUNITY INVESTMENT

At the same time of pursuing business development, the Group pursues the fulfillment of corporate responsibility, especially the social commitments to philanthropy. We always encourage our employees to participate in public welfare activities. In the long term, we will continue to strive to establish friendly relationships with the community and society.

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 134, which comprise the consolidated statement of financial position as at 31 December 2019, 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 2019, 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 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 right-of-use assets of land

Refer to notes 4, 18 and 19 to the consolidated financial statements and the accounting policies on pages 86-87.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2019, the carrying amounts of property, plant and equipment and right-of-use assets were approximately HK$102,465,000 and HK$217,920,000 respectively. Included in balances of property, plant and equipment and right-of-use assets, majority of property, plant and equipment and right-of-use assets of land belong to golf equipment and hospitality segments, which are regarded as separable cash-generating units. In view of the loss generating status of golf equipment and hospitality segments for the year ended 31 December 2019, the management had performed impairment test on the abovementioned assets of the two segments. 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 made by the independent valuers, the management determined that no impairment of these property, plant and equipment and right-of-use assets of land is required. We have identified the impairment of property, plant and equipment and right-of-use assets of land for golf equipment and hospitality segments 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 right-of-use assets of land.	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 right-of-use assets of land 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 right-of-use assets of land as at 31 December 2019, we have challenged the underlying data and inputs used 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 2019, the carrying amount of the inventories was approximately HK$40,285,000. 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 2019. We have discussed with the management for the obsolete inventories identified at 31 December 2019 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 2019 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. Lee Shun Ming.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Lee Shun Ming
Practising Certificate Number: P07068

Hong Kong
26 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	NOTES	**2019** **HK$'000**	2018 HK$'000
Revenue	9	**272,454**	285,952
Cost of sales		**(234,721)**	(260,192)
Gross profit		**37,733**	25,760
Other operating income	9	**4,732**	2,888
Write-off of inventories		**–**	(316)
Selling and distribution expenses		**(3,135)**	(4,452)
Administrative expenses		**(50,460)**	(55,506)
Finance costs	11	**(10,840)**	(8,159)
Loss before tax		**(21,970)**	(39,785)
Income tax expense	12	**(1,149)**	(717)
Loss for the year	13	**(23,119)**	(40,502)
Other comprehensive (expense) income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(1,464)**	(4,486)
Items that will not be reclassified subsequently to profit or loss:			
Gain on revaluation of ownership interest in leasehold land and buildings under revaluation model		**3**	732
Deferred tax relating to ownership interest in leasehold land and buildings under revaluation model	30	**(1)**	(183)
		2	549
Other comprehensive expense for the year		**(1,462)**	(3,937)
Total comprehensive expense for the year		**(24,581)**	(44,439)
Loss for the year attributable to:			
Owners of the Company		**(23,119)**	(40,502)
Non-controlling interests		**–**	–
		(23,119)	(40,502)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(24,581)**	(44,439)
Non-controlling interests		**–**	–
		(24,581)	(44,439)
		HK cent	HK cent
LOSS PER SHARE			
Basic and diluted	14	**(0.44)**	(0.78)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	NOTES	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment	18	**102,465**	108,722
Right-of-use assets	19	**217,920**	–
Prepaid lease payments	20	**–**	215,468
Goodwill	21	**–**	–
Club debentures	22	**2,897**	2,897
Pledged bank deposit	25	**–**	602
Deposits and other receivables	24	**41**	–
Prepayments for the acquisition of property, plant and equipment		**330**	370
		323,653	328,059
Current assets			
Inventories	23	**40,285**	64,072
Trade and other receivables	24	**56,322**	37,748
Prepaid lease payments	20	**–**	6,936
Pledged bank deposit	25	**589**	–
Bank balances and cash	25	**118,995**	126,249
		216,191	235,005
Current liabilities			
Trade and other payables	26	**61,693**	46,805
Amount due to a related company	27	**1,316**	1,316
Amount due to a director	27	**73,780**	94,192
Lease liabilities	19	**1,625**	–
Income tax payable		**354**	129
Bank borrowings	28	**58,889**	60,227
		197,657	202,669
Net current assets		**18,534**	32,336
Total assets less current liabilities		**342,187**	360,395
Non-current liabilities			
Convertible bond	29	**61,819**	56,353
Lease liabilities	19	**931**	–
Deferred tax liabilities	30	**227**	251
		62,977	56,604
Net assets		**279,210**	303,791

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	NOTE	2019 HK$'000	2018 HK$'000
Capital and reserves			
Share capital	31	**52,013**	52,013
Reserves		**224,467**	249,048
Equity attributable to owners of the Company		**276,480**	301,061
Non-controlling interests		**2,730**	2,730
Total equity		**279,210**	303,791

The consolidated financial statements on pages 58 to 134 were approved and authorised for issue by the board of directors on 26 March 2020 and are signed on its behalf by:

Huang Bangyin
Director

Chu Chun Man, Augustine
Director

	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 ownership interest in leasehold land and buildings under revaluation model	–	–	–	–	732	–	–	–	732	–	732
Deferred tax relating to ownership interest in 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

	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 2019	52,013	399,369	27,167	33,966	822	17	455	(212,748)	301,061	2,730	303,791
Loss for the year	–	–	–	–	–	–	–	(23,119)	(23,119)	–	(23,119)
Other comprehensive income (expense) for the year:											
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	(1,464)	–	(1,464)	–	(1,464)
Gain on revaluation of ownership interest in leasehold land and buildings under revaluation model	–	–	–	–	3	–	–	–	3	–	3
Deferred tax relating to ownership interest in leasehold land and buildings under revaluation model (note 30)	–	–	–	–	(1)	–	–	–	(1)	–	(1)
Other comprehensive income (expense) for the year	–	–	–	–	2	–	(1,464)	–	(1,462)	–	(1,462)
Total comprehensive income (expense) for the year	–	–	–	–	2	–	(1,464)	(23,119)	(24,581)	–	(24,581)
At 31 December 2019	52,013	399,369	27,167	33,966	824	17	(1,009)	(235,867)	276,480	2,730	279,210

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.

	Note	2019 HK$'000	2018 HK$'000
OPERATING ACTIVITIES			
Loss before tax		**(21,970)**	(39,785)
Adjustments for:			
Finance costs		**10,840**	8,159
Depreciation of property, plant and equipment		**5,040**	5,515
Depreciation of right-of-use assets / amortisation of prepaid lease payments		**8,405**	6,936
Gain on disposal of a subsidiary	39	**(12)**	–
(Gain) loss on disposal of property, plant and equipment		**(40)**	18
Write-off of inventories		**–**	316
Interest income		**(2,248)**	(1,103)
Operating cash flows before movements in working capital		**15**	(19,944)
Decrease in inventories		**23,787**	22,790
(Increase) decrease in trade and other receivables		**(18,574)**	4,174
(Increase) decrease in deposits and other receivables		**(41)**	135
Increase (decrease) in trade and other payables		**14,893**	(9,452)
Cash generated from (used in) operating activities		**20,080**	(2,297)
PRC Enterprise Income Tax paid		**(949)**	(596)
NET CASH GENERATED FROM (USED IN) OPERATING ACTIVITIES		**19,131**	(2,893)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
INVESTING ACTIVITIES			
Refund from deposit paid for the construction of property, plant and equipment		–	90,486
Proceeds from disposal of property, plant and equipment		673	170
Proceeds on disposal of a subsidiary	39	7	–
Interest received		2,248	1,103
Purchase of property, plant and equipment		(1,010)	(3,033)
Prepayments for the acquisition of property, plant and equipment		(362)	(370)
NET CASH GENERATED FROM INVESTING ACTIVITIES		1,556	88,356
FINANCING ACTIVITIES			
New bank borrowings raised		61,047	64,959
Repayment to a director		(20,412)	(4,585)
Repayments of bank borrowings		(60,076)	(64,972)
Interest paid		(5,661)	(3,483)
Payment of lease liabilities		(1,537)	–
NET CASH USED IN FINANCING ACTIVITIES		(26,639)	(8,081)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(5,952)	77,382
CASH AND CASH EQUIVALENTS AT 1 JANUARY		126,249	49,383
Effect of foreign exchange rate changes		(1,302)	(516)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented the bank balances and cash		118,995	126,249

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 AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied, for its first time, the following new and amendments to 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") which are effective for the year beginning on or after 1 January 2019, for the preparation of the Group's consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

The adoption of HKFRS 16 Leases resulted in changes in the Group's accounting policies and adjustments to the amounts recognised in the consolidated financial statement as 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 AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

Impacts on adoption of HKFRS 16 Leases

HKFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating lease and finance lease and requiring the recognition of right-of-use assets and a lease liability for all leases, except for short-term leases. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new accounting policies are described in note 3. The Group has applied HKFRS 16 retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of equity, where appropriate, at 1 January 2019, and has not restated comparatives for the 2018 reporting period as permitted under the specific transitional provisions in the standard. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 17 Leases.

On transition to HKFRS 16, the Group elected to apply HKFRS 16 using the modified retrospective approach and applied the practical expedient to grandfather the assessment of which arrangements are, or contain, leases. It applied HKFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

The Group as lessee

The major impacts of the adoption of HKFRS 16 on the Group's consolidated financial statements are described below:

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 (except for lease of low value assets and lease with remaining lease term of twelve months or less). These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5.71%.

The Group recognises right-of-use assets and measures them at an amount equal to the lease liability, adjusted by the amount of any prepaid lease payments.

The following tables summarise the impact of transition to HKFRS 16 at 1 January 2019. Line items that were not affected by the adjustments have not been included.

	Notes	**Carrying amount previously reported at 31 December 2018**	**Impact on adoption of HKFRS 16**	**Carrying amount as restated at 1 January 2019**
		HK$'000	HK$'000	HK$'000
Prepaid lease payments	(a)	222,404	(222,404)	–
Right-of-use assets	(a) & (b)	–	226,000	226,000
Lease liabilities	(b)	–	3,596	3,596

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

Impacts on adoption of HKFRS 16 Leases (Continued)

The Group as lessee (Continued)

(a) Prepaid lease payments of HK$222,404,000 which represent the upfront payments for leasehold lands in the PRC and Saipan were reclassified to right-of-use assets.

(b) As at 1 January 2019, right-of-use assets were measured at an amount equal to the lease liability of approximately HK$3,596,000.

In the consolidated statement of cash flow, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. The total cash flows are unaffected. The adoption of HKFRS 16 has resulted in a significant change in presentation of cash flows within the cash flow statement.

Differences between operating lease commitments as at 31 December 2018, the date immediately preceding the date of initial application, discounted using the incremental borrowing rate, and the lease liabilities recognised as at 1 January 2019 are as follow:

	HK$'000
Operating lease commitment disclosed as at 31 December 2018	1,359
Less: Short-term leases and other leases with remaining lease term ended on or before 31 December 2019	(983)
Add: Termination options reasonably certain to be not exercised	3,507
	3,883
Discounting effect using the incremental borrowing rate at 1 January 2019	(287)
Lease liabilities recognised as at 1 January 2019	3,596
Analysed as:	
Current	1,295
Non-current	2,301
	3,596

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

Impacts on adoption of HKFRS 16 Leases (Continued)

Practical expedients applied

On the date of initial application of HKFRS 16, the Group has also used the following practical expedients permitted by the standard:

- not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK(IFRIC) 4;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January as short-term lease;
- reliance on assessments on whether leases are onerous by applying HKAS 37 Provision, Contingent Liabilities and Contingent Assets immediately before the date of initial application as an alternative to performing an impairment review.

New and amendments to HKFRSs issued but not yet effective

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

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting[4]

1 Effective for annual periods beginning on or after 1 January 2021.
2 Effective for annual periods beginning on or after a date to be determined.
3 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.
4 Effective for annual periods beginning on or after 1 January 2020.

The directors of the Company anticipate that the application of new and amendments HKFRSs will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis, except for ownership interest in 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

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 interest, 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.

Revenue Recognition

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

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.

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)

Leases

(Accounting Policy applicable on or after 1 January 2019)

Definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use assets and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liability

At the commencement date, the Group measures lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable; and
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;and
- the amount expected to be payable by the lessee under residual value guarantees; and
- the exercise price of purchase options if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

(Accounting Policy applicable on or after 1 January 2019) (Continued)

The Group as lessee (Continued)

Lease Liability (Continued)

Lease liability is remeasured (and with a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using revised discount rate.

- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

Right-of-use assets

The right-of-use assets comprises the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs, less lease incentives received. Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, provision is recognised and measured under HKAS 37 Provision, Contingent Liabilities and Contingent Assets. The costs are included in the related right-of-use assets, unless those costs are incurred to produce inventories.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses. It is depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use assets reflects that the Group expects to exercise a purchase option, the related right-of-use assets are depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line on the consolidated statement of financial position. The Group applies HKAS 36 Impairment of Assets to determine whether a right-of-use assets are impaired and accounts for any identified impairment loss as described in the "Impairment on tangible assets and club debenture" policy as described in this section.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

(Accounting Policy applicable on or after 1 January 2019) (Continued)

The Group as lessee (Continued)

Lease modification

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

(Accounting Policy applicable prior to 1 January 2019)

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.

Ownership interest in 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, ownership 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.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

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

Property, plant and equipment

Property, plant and equipment, other than ownership interest in 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.

Ownership interests in leasehold land and buildings

For payments of ownership interest of properties which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements, except for those that are classified and accounted for as investment properties.

Ownership interest in 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 ownership interest in 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 ownership interest in 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 ownership interest in 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

Ownership interests in leasehold land and buildings (Continued)

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

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

Prepaid lease payments

(Accounting Policy applicable prior to 1 January 2019)

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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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) 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 fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

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)

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

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)

Impairment of financial assets

The Group always recognises lifetime expected credit loss ("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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

Significant increase in credit risk (Continued)

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.

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 60 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

Measurement and recognition of expected credit losses (Continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

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.

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

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of HKFRS 9 Financial Instruments 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 fair value through 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.

Impairment of tangible assets and club debentures

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of tangible assets and club debentures (Continued)

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

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

Fair value measurement

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

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

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

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

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

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

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

4. CRITICAL ACCOUNTING JUDGEMENT 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 judgement in applying accounting policies

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

Liquidity

The Group relies on bank borrowings, amount due to a director and convertible bond as a significant source of liquidity. As at 31 December 2019, the Group has available unutilised bank loan facilities of approximately HK$41,111,000 (2018: HK$42,045,000). The directors of the Company consider that the Group will be able to renew the banking facilities upon maturity.

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 2019, the carrying amount of inventories was approximately HK$40,285,000 (2018: HK$64,072,000). No inventory was written off for the year ended 31 December 2019 (2018: HK$316,000).

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

Key sources of estimation uncertainty (Continued)

Impairment of property, plant and equipment and right-of-use assets

At the end of the reporting period, the management of the Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets of approximately HK$102,465,000 and HK$217,920,000 respectively (2018: property, plant and equipment and prepaid lease payment of approximately HK$108,722,000 and HK$222,404,000 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 right-of-use assets of land are allocated and estimated in order to determine the extent of the impairment loss. The recoverable amounts 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 right-of-use assets of land. The management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model to estimate the valuation of the right-of-use assets of land. 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 right-of-use assets 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 right-of-use assets has been recognised for the year ended 31 December 2018 and 2019.

Impairment of trade receivables

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 2019, there is no loss allowance of trade receivables (2018: HK$63,000).

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

Key sources of estimation uncertainty (Continued)

Estimation of fair value of ownership interest in 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 2019, the revalued amount of ownership interest in leasehold land and buildings was approximately HK$91,778,000 (2018: HK$96,591,000).

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 2019 and 2018, there were no changes on the useful lives and residual value of property, plant and equipment.

Income taxes

As at 31 December 2019, 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$6,050,000 (2018: HK$7,842,000); and (ii) unused tax losses amounting to HK$97,204,000 (2018: HK$117,794,000) 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 a director 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.

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% (2018: 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:

	2019 **HK$'000**	2018 HK$'000
Amount due to a director	**73,780**	94,192
Amount due to a related company	**1,316**	1,316
Bank borrowings	**58,889**	60,227
Convertible bond	**61,819**	56,353
Less: bank balances and cash	**(118,995)**	(126,249)
Less: pledged bank deposit	**(589)**	(602)
Net debts	**76,220**	85,237
Equity attributable to owners of the Company	**276,480**	301,061
Non-controlling interests	**2,730**	2,730
Total equity	**279,210**	303,791
Gearing ratio	**27%**	28%

6. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2019 HK$'000	2018 HK$'000
Financial assets		
Financial assets at amortised cost	171,495	162,080
Financial liabilities		
Financial liabilities at amortised cost	254,180	256,724

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include certain trade and other receivables, bank balances and cash, pledged bank deposit, trade and other payables, amounts due to a director 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% (2018: 5%) of the Group's purchase are denominated in currencies other than the functional currency of the group entity making the purchase.

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

	Liabilities	
	2019 HK$'000	2018 HK$'000
RMB	2,036	1,093

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.

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Market risk (Continued)

(i) Currency risk (Continued)

Sensitivity analysis

The Group is mainly exposed to the effects of fluctuation in RMB. Management of the Group considers the currency risk of the Group is insignificant for the years ended 31 December 2019 and 2018, hence no sensitivity analysis is presented.

(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 2019 and 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.

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 shared 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 38% and 89% (2018: 68% and 89%) 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 86% (2018: 85%) of the total trade receivables as at 31 December 2019.

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 2019	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)	48,094	–	48,094
Deposits and other receivables	Performing	12-month ECL (Note (ii))	3,817	–	3,817

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 determined 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 2019, the Group has available short-term bank loan facilities of approximately HK$41,111,000 (2018: HK$42,045,000).

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 2019			
	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	58,376	–	58,376	58,376
Bank borrowings	60,190	–	60,190	58,889
Amount due to a related company	1,316	–	1,316	1,316
Amount due to a director	73,780	–	73,780	73,780
Convertible bond	–	74,100	74,100	61,819
Lease liabilities	1,762	972	2,734	2,556
	195,424	75,072	270,496	256,736

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

	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
Amount due to a director	94,192	–	94,192	94,192
Convertible bond	–	74,100	74,100	56,353
	201,768	74,100	275,868	256,724

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:

	2019 HK$'000	2018 HK$'000
Revenue from contracts with customers:		
Sales of golf equipment and related components and parts	**224,147**	240,633
Sales of golf bags, other accessories and related components and parts	**48,307**	45,319
	272,454	285,952

Disaggregation of revenue by timing of recognition

	2019 HK$'000	2018 HK$'000
Timing of revenue recognition		
At a point in time	**272,454**	285,952

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.

	2019 HK$'000	2018 HK$'000
Other operating income:		
Interest income	**2,248**	1,103
Sample income	**145**	349
Tooling income	**640**	772
Sales of scrap materials	**50**	25
Sundry income	**972**	639
Gain on disposal of property, plant and equipment	**40**	–
Exchange gain, net	**637**	–
	4,732	2,888

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.

(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	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:										
Sales to external customers	**224,147**	240,633	**48,307**	45,319	**–**	–	**–**	–	**272,454**	285,952
Inter-segment sales	**–**	–	**10,870**	14,995	**–**	–	**(10,870)**	(14,995)	**–**	–
Other operating income	**2,059**	1,147	**425**	638	**–**	–	**–**	–	**2,484**	1,785
Total	**226,206**	241,780	**59,602**	60,952	**–**	–	**(10,870)**	(14,995)	**274,938**	287,737
Segment results	**(6,412)**	(20,274)	**7,777**	4,366	**(6,677)**	(7,196)	**–**	–	**(5,312)**	(23,104)
Interest income									**2,248**	1,103
Unallocated corporate expenses									**(8,243)**	(9,625)
Finance costs									**(10,663)**	(8,159)
Loss before tax									**(21,970)**	(39,785)

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 certain 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	
	2019 HK$'000	2018 HK$'000	**2019 HK$'000**	2018 HK$'000	**2019 HK$'000**	2018 HK$'000	**2019 HK$'000**	2018 HK$'000
Assets and liabilities:								
Segment assets	**192,855**	207,349	**15,269**	11,448	**207,768**	214,423	**415,892**	433,220
Unallocated corporate assets								
– Club debentures							**2,897**	2,897
– Bank balances and cash							**118,995**	126,249
– Others							**2,060**	698
Total assets							**539,844**	563,064
Segment liabilities	**45,275**	30,544	**10,026**	7,486	**7,471**	7,470	**62,772**	45,500
Unallocated corporate liabilities								
– Amount due to a related company							**1,316**	1,316
– Amount due to a director							**73,780**	94,192
– Income tax payable							**354**	129
– Bank borrowings							**58,889**	60,227
– Convertible bond							**61,819**	56,353
– Deferred tax liabilities							**227**	251
– Others							**1,477**	1,305
Total liabilities							**260,634**	259,273

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

- all assets are allocated to operating segments other than certain right-of-use assets, 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, amount due to a director, income tax payable, certain lease liabilities, 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.
- Upon application of HKFRS16, the Group's right-of-use assets and lease liabilities are now included in the measure of segment assets and segment liabilities respectively at 1 January 2019. Comparative information is not restated.

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	
	2019	2018
	HK$'000	HK$'000
North America	**126,159**	114,889
Japan	**75,665**	112,105
Europe	**26,161**	32,052
Asia (excluding Japan)	**14,864**	13,495
Others	**29,605**	13,411
	272,454	285,952

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.

	2019	2018
	HK$'000	HK$'000
Saipan	**207,759**	207,759
The PRC	**111,720**	116,257
Hong Kong (country of domicile)	**4,133**	3,441
	323,612	327,457

10. SEGMENT INFORMATION (Continued)

(d) Other segment information

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

For the year ended 31 December

	Golf equipment		Golf bags		Hospitality		Unallocated		Consolidated	
	2019 HK$'000	2018 HK$'000	**2019 HK$'000**	2018 HK$'000	**2019 HK$'000**	2018 HK$'000	**2019 HK$'000**	2018 HK$'000	**2019 HK$'000**	2018 HK$'000
Additions to non-current assets (note)	**1,421**	3,308	**230**	374	**–**	–	**468**	–	**2,119**	3,682
Write-off of inventories	**–**	–	**–**	316	**–**	–	**–**	–	**–**	316
Depreciation of property, plant and equipment	**4,799**	5,257	**232**	198	**–**	–	**9**	60	**5,040**	5,515
Depreciation of right-of-use assets / amortisation of prepaid lease payments	**277**	286	**1,264**	–	**6,650**	6,650	**214**	–	**8,405**	6,936
(Gain) loss on disposal of property, plant and equipment	**(40)**	(170)	**–**	–	**–**	–	**–**	188	**(40)**	18

Note: Non-current assets included property, plant and equipment, right-of-use assets and prepayments for the acquisition of property, plant and equipment.

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

For the year ended 31 December

	Golf equipment		Golf bags		Hospitality		Unallocated		Total	
	2019 HK$'000	2018 HK$'000	**2019 HK$'000**	2018 HK$'000	**2019 HK$'000**	2018 HK$'000	**2019 HK$'000**	2018 HK$'000	**2019 HK$'000**	2018 HK$'000
Interest income	**–**	–	**–**	–	**–**	–	**(2,248)**	(1,103)	**(2,248)**	(1,103)
Finance costs	**–**	–	**177**	–	**–**	–	**10,663**	8,159	**10,840**	8,159
Income tax expense	**1,012**	565	**137**	152	**–**	–	**–**	–	**1,149**	717

10. SEGMENT INFORMATION (Continued)

(e) Information about major customers

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

	Revenue generated from	2019 HK$'000	2018 HK$'000
Customer A	Golf equipment and golf bags	**136,286**	146,168
Customer B	Golf equipment	**55,372**	78,165

11. FINANCE COSTS

	2019 HK$'000	2018 HK$'000
Interest expenses on:		
– bank borrowings	**3,442**	3,483
– convertible bond (note 29)	**5,466**	4,983
– amount due to a director (note 27)	**2,024**	–
– lease liabilities (note 19)	**195**	–
Total borrowing costs	**11,127**	8,466
Less: amounts capitalised (note (i))	**(287)**	(307)
	10,840	8,159

Note (i): Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 5.71% (2018: 5.61%) per annum to expenditure on qualifying assets.

12. INCOME TAX EXPENSE

	2019 HK$'000	2018 HK$'000
PRC Enterprise Income Tax ("EIT")		
– Current year	992	550
– Underprovision in prior years	182	175
	1,174	725
Deferred tax (note 30)	(25)	(8)
	1,149	717

(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 2019 and 2018.

(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 2019 and 31 December 2018. 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 2019 and 31 December 2018.

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

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

	2019 HK$'000	2018 HK$'000
Loss before tax	(21,970)	(39,785)
Tax calculated at rates applicable to profits in the respective tax jurisdiction concerned	(5,345)	(9,460)
Under-provision in prior years	182	175
Tax effect of income not taxable for tax purposes	(677)	(77)
Tax effect of expense not deductible for tax purposes	7,134	4,750
Utilisation of deductible temporary difference not recognised	(449)	(306)
Tax effect of tax losses not recognised	304	5,770
Utilisation of tax losses previously not recognised	–	(135)
Income tax expense	1,149	717

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

13. LOSS FOR THE YEAR

	2019 HK$'000	2018 HK$'000
Loss for the year has been arrived at after charging (crediting):		
Staff cost (including directors' and chief executive's emoluments):		
Salaries, wages and other benefits in kind	**60,048**	72,596
Retirement benefits schemes contributions	**4,900**	6,068
Compensation for retirement of an employee	**–**	1,000
Total staff cost	**64,948**	79,664
Auditors' remuneration	**1,086**	1,107
Cost of inventories sold	**234,721**	260,192
Depreciation of property, plant and equipment	**5,040**	5,515
Depreciation of right-of-use assets/amortisation of prepaid lease payments	**8,405**	6,936
Exchange (gain) loss, net	**(637)**	2,004
(Gain) loss on disposal of property, plant and equipment	**(40)**	18
Operating leases rentals in respect of land and buildings	**–**	3,742
Research and development costs recognised as an expense	**1,289**	1,184

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:

	2019 HK$'000	2018 HK$'000
Loss		
Loss for the purpose of basic and diluted loss per share	**(23,119)**	(40,502)

	2019 '000	2018 '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 2019, nor has any dividend been proposed since the end of the reporting period (2018: nil).

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

	2019 **HK$'000**	2018 HK$'000
Salaries, allowances and other benefits in kind	**58,436**	70,072
Compensation for retirement of an employee	**–**	1,000
Retirement benefits schemes contributions	**4,882**	6,044
	63,318	77,116

(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 2019, a total contribution of approximately HK$239,000 (2018: HK$249,000) 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% (2018: 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 2019, a total contribution of approximately HK$4,643,000 (2018: HK$5,795,000) was made by the Group in respect of this scheme.

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

(a) Directors' and chief executive's remuneration

The emoluments paid or payable to each of the nine (2018: fourteen) directors, including the chief executive, were as follows:

For the year ended 31 December 2019

	Executive directors			Non-executive directors		Independent non-executive directors				
	Huang Bangyin[1] HK$'000	Chu Chun Man, Augustine HK$'000	Wang Chuang[4] HK$'000	Wong Hin Shek HK$'000	Wei Chung Hsiang[7] HK$'000	Chu Yin Yin, Georgiana[8] HK$'000	Sheng Baojun[11] HK$'000	Ho Kwong Yu[12] HK$'000	Lin Lin[13] 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	144	600	38	360	38	38	144	144	106	1,612
Salaries	–	–	–	–	–	–	–	–	–	–
Contributions to retirement benefits schemes	–	–	–	18	–	–	–	–	–	18
Total emoluments	144	600	38	378	38	38	144	144	106	1,630

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

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

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$'000	Chu Yin Yin, Georgiana[8] HK$'000	Yip Tai Him[9] HK$'000	Chan Kai Wing[10] HK$'000	Sheng Baojun[11] HK$'000	Ho Kwong Yu[12] HK$'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

1. Appointed on 20 April 2018
2. Resigned on 17 April 2018
3. Resigned on 17 April 2018
4. Resigned on 4 April 2019
5. Resigned on 29 June 2018
6. Resigned on 20 April 2018
7. Resigned on 4 April 2019
8. Resigned on 4 April 2019
9. Resigned on 9 November 2018
10. Resigned on 9 November 2018
11. Appointed on 9 November 2018
12. Appointed on 9 November 2018
13. Appointed on 4 April 2019

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

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

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 2019 and 2018.

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, none (2018: none) was director of the Company. The emoluments of the remaining five (2018: five) highest paid individuals were as follows:

	2019 HK$'000	2018 HK$'000
Salaries, allowances and other benefits in kind	4,386	3,749
Contributions to retirement benefits schemes	72	54
Compensation for retirement of an employee	–	1,000
	4,458	4,803

Their emoluments were within the following bands:

	Number of individuals	
	2019	2018
Nil to HK$1,000,000	3	3
HK$1,000,001 to HK$1,500,000	2	2
	5	5

(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 2019 and 2018.

18. PROPERTY, PLANT AND EQUIPMENT

	Ownership interest in 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 2018	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
Exchange realignment	(2,086)	(12)	(1,071)	(75)	(28)	(153)	(3,425)
Revaluation	(2,727)	–	–	–	–	–	(2,727)
Additions	–	–	588	75	747	287	1,697
Disposals	–	–	(1,127)	–	–	(255)	(1,382)
At 31 December 2019	91,778	1,436	42,733	3,581	4,646	6,498	150,672
ACCUMULATED DEPRECIATION AND IMPAIRMENT							
At 1 January 2018	–	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
Exchange realignment	(163)	(5)	(884)	(68)	(21)	–	(1,141)
Provided for the year	2,893	56	1,736	92	263	–	5,040
Eliminated on disposals	–	–	(749)	–	–	–	(749)
Eliminated on revaluation	(2,730)	–	–	–	–	–	(2,730)
At 31 December 2019	–	1,106	40,185	3,192	3,724	–	48,207
CARRYING VALUES							
At 31 December 2019	91,778	330	2,548	389	922	6,498	102,465
At 31 December 2018	96,591	393	4,261	413	445	6,619	108,722

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:

Ownership interest in 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 ownership interest in leasehold land and buildings are held in the PRC under medium-term lease.

(c) Ownership interest in 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 ownership interest in leasehold land and buildings of the Group as at 31 December 2019 and 2018 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 ownership interest in 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$91,775,000 (31 December 2018: HK$94,734,000).

The ownership interest in 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 are observable. There were no transfers between levels of fair value hierarchy during the year.

In estimating the fair value of the ownership interest in 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 ownership interest in leasehold land and buildings as at 31 December 2019 and 2018 were determined (in particular, the valuation techniques and inputs used):

	Fair value hierarchy	Fair value as at 31 December 2019 HK$'000	Valuation techniques and key inputs	Significant unobservable inputs	Range	Relationship of key inputs and significant unobservable inputs to fair value
Ownership interest in leasehold land and buildings	Level 3	HK$91,778 (2018: HK$96,591)	Sales comparison approach (2018: Sales comparison approach)	2019: Adjusted transacted price (2018: Adjusted transacted price)	RMB1,600 – RMB2,800 (2018: RMB1,260 – RMB2,925) per square meter	The higher the adjusted transaction price, the higher the fair value (2018: 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 (2018: nil).

At 31 December 2018 and 2019, the fair value of the ownership interest in 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 ownership interest in leasehold land and buildings is as follows:

	Ownership interest in leasehold land and buildings HK$'000
At 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 and 1 January 2019	96,591
Exchange realignment	(1,923)
Depreciation	(2,893)
Net increase in fair value recognised in other comprehensive income	3
At 31 December 2019	91,778

During the year ended 31 December 2019, the net increase in fair value recognised in other comprehensive income of approximately HK$3,000 (2018: the net increase of approximately HK$732,000) was included in assets revaluation reserve in equity.

(d) At 31 December 2019, the Group's ownership interest in leasehold land and buildings with carrying values of approximately HK$91,778,000 (2018: HK$96,591,000) was pledged as security for the banking facilities granted to the Group.

(e) During the years ended 31 December 2019 and 2018, 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 2019 (2018: nil). During the year ended 31 December 2019, 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 12.26% (2018:16.56%) in relation to discounting the future cash flows of the cash generating units in which the property, plant and equipment and right-of-use assets belonged to.

19. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

(a) Right-of-use asset

Breakdown of balances as at 31 December 2019 and 1 January 2019

	31 December 2019 HK$'000	1 January 2019 HK$'000
Land	215,306	222,404
Building	2,614	3,596
	217,920	226,000

Right-of-use assets of approximately HK$7,547,000 (1 January 2019: HK$7,994,000) and HK$207,759,000 (1 January 2019: HK$214,410,000) represents land use right in PRC and Saipan respectively. At 31 December 2019, balance of approximately HK$7,547,000 was pledged to secure bank borrowing.

The Group has lease arrangements for buildings. The lease terms are generally ranged from 2 to 3 years. Addition to the right-of-use assets for the year ended 31 December 2019 amounted to approximately HK$468,000 due to new lease of buildings.

(b) Lease liabilities

	31 December 2019 HK$'000	1 January 2019 HK$'000
Non-current	931	2,301
Current	1,625	1,295
	2,556	3,596

Amounts payable under lease liabilities

	31 December 2019 HK$'000
Within one year	1,625
After one year but within two years	931
	2,556
Less: Amount due for settlement within 12 months	(1,625)
Amount due for settlement after 12 months	931

During the year ended 31 December 2019, a lease of property was signed, the Group recognised approximately HK$468,000 lease liabilities at initial recognition.

19. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (Continued)

(c) Amounts recognised in profit or loss

	31 December 2019 HK$'000
Depreciation on right-of-use assets	
– Land	**6,927**
– Building	**1,478**
Interest expense on lease liabilities	**195**
Expenses related to short term leases	**1,658**

(d) Others

During the year ended 31 December 2019, total cash outflow for leases including short-term leases amount to approximately HK$3,390,000. All lease payments of the Group are fixed.

20. PREPAID LEASE PAYMENTS

	2018 HK$'000
Leases held under medium term	
– The PRC	7,994
– Saipan	65,490
	73,484
Leases held under long term	
– Saipan	148,920
	222,404

20. PREPAID LEASE PAYMENTS (Continued)

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

	2018 HK$'000
Carrying amount at 1 January	229,724
Amortisation during the year	(6,936)
Exchange realignment	(384)
	222,404
Less: current portion	(6,936)
Non-current portion	215,468

At 31 December 2018, the Group's prepaid lease payments with carrying value of approximately HK$7,994,000 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 ownership interest in leasehold land during the year ended 31 December 2018.

Upon application of HKFRS16, the prepaid lease payments was reclassified to right-of-use assets at 1 January 2019. Comparative information is not restated.

21. GOODWILL

	2019 HK$'000	2018 HK$'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	**–**	–

22. CLUB DEBENTURES

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

	2019 HK$'000	2018 HK$'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 2019, the unlisted club debentures of HK$2,897,000 (2018: 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 2018 and 2019.

23. INVENTORIES

	2019 HK$'000	2018 HK$'000
Raw materials	**11,533**	16,646
Work in progress	**17,091**	28,255
Finished goods	**11,661**	19,171
	40,285	64,072

Note: During the year ended 31 December 2019, no inventories was written off as a result of being long-aged and obsolete (2018: HK$316,000).

24. TRADE AND OTHER RECEIVABLES

	2019 HK$'000	2018 HK$'000
Trade receivables	48,094	32,304
Less: allowance for impairment of trade receivables	–	(63)
	48,094	32,241
Deposits and other receivables	3,817	2,988
Prepayments	3,973	2,289
Prepayments to suppliers	479	230
	56,363	37,748

	2019 HK$'000	2018 HK$'000
Non-current	41	–
Current	56,322	37,748
	56,363	37,748

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 (2018: 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:

	2019 **HK$'000**	2018 HK$'000
0 to 30 days	**31,436**	23,788
31 to 90 days	**13,883**	8,453
91 to 180 days	**2,775**	–
	48,094	32,241

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.

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

For the year ended 31 December 2019

	Weighted average expected loss rate **%**	**Gross carrying amount** **HK$'000**	**Loss allowance** **HK$'000**
Current (not past due)	*****	**45,041**	**–**
31 to 90 days past due	*****	**3,053**	**–**
		48,094	**–**

For the year ended 31 December 2018

	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	*	3,789	(63)
		32,304	(63)

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

24. TRADE AND OTHER RECEIVABLES (Continued)

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

	2019 HK$'000	2018 HK$'000
1 January	63	63
Written off	(63)	–
31 December	–	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 2019 and 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. It will be matured in 2020.

The pledged bank deposit carries fixed interest rate of 4.8% (2018: 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:

	2019 HK$'000	2018 HK$'000
Bank balances and cash (note (i))	72,889	25,752
Short-term bank deposits (note (ii))	46,106	100,497
Cash and cash equivalents	118,995	126,249

(i) Bank balances carry interest at market rates which ranged from 0.01% to 0.05% (2018: 0.01% to 0.05%) per annum.

(ii) Short-term bank deposits carried interest at 1.95% (2018: 1.75%) per annum and mature within three months from the date of placement.

(iii) At 31 December 2019, the Group's bank balances and cash denominated in RMB amounted to approximately RMB9,566,000, equivalent to approximately HK$10,629,000 (2018: RMB9,927,000, equivalent to approximately HK$11,281,000). 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

	2019 HK$'000	2018 HK$'000
Trade payables (note (i))	**46,802**	34,816
Contract liabilities	**3,317**	2,169
Accruals and other payables (note (ii))	**11,574**	9,820
	61,693	46,805

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 2019 was mainly due to new products order received from a customer.

Revenue recognised during the year ended 31 December 2019 that was included in the contract liabilities as at 31 December 2018 is approximately HK$2,169,000. There was no revenue recognised in the current year that related to performance obligation that were satisfied in prior years.

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

	2019 HK$'000	2018 HK$'000
0 to 90 days	**38,401**	25,346
91 to 180 days	**5,328**	8,000
181 to 365 days	**1,788**	389
Over 365 days	**1,285**	1,081
	46,802	34,816

The average credit period on purchases of goods is from 30 days to 90 days (2018: 30 days to 90 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

(ii) Included in accruals and other payables are advance of approximately US$950,000 (2018: approximately US$950,000), equivalent to approximately HK$7,410,000 (2018: approximately HK$7,410,000) from the director of a subsidiary of the Company which is unsecured and interest free.

27. AMOUNTS DUE TO A DIRECTOR AND A RELATED COMPANY

The amount due to a director of approximately HK$73,780,000 carried fixed rate interest of 5% per annum unsecured and repayable on demand as at 31 December 2019. As at 31 December 2018, the amount was interest free, unsecured and repayable on demand.

The amount due to a related company of approximately HK$1,316,000 (2018: 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

	2019 **HK$'000**	2018 HK$'000
Secured loans repayable within one year	**58,889**	60,227

(i) At 31 December 2019, bank borrowings of approximately HK$58,889,000 (2018: HK$60,227,000) are fixed-rate borrowings. The fixed-rate borrowings carry interest ranging from 5.66% to 5.87% (2018: 5.87%) per annum.

(ii) During the year ended 31 December 2019, the Group raised new bank borrowings of approximately HK$61,047,000 (2018: HK$64,959,000) to finance its working capital.

(iii) At 31 December 2019, the bank borrowings of the Group were secured by ownership interest in leasehold land and buildings and right-of-use assets of land of approximately HK$91,778,000 (note 18(d)) and HK$7,547,000 (note 19) (2018: ownership interest in leasehold land and buildings and prepaid lease payments of approximately HK$96,591,000 and HK$7,994,000) respectively.

(iv) At the end of the reporting period, the Group had unused banking facilities of approximately HK$41,111,000 (2018: HK$42,045,000).

(v) At 31 December 2019, bank borrowings equivalent to approximately HK$58,889,000 (2018: HK$60,227,000) 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 2018	51,370	27,167	78,537
Effective interest charge for the year	4,983	–	4,983
At 31 December 2018 and 1 January 2019	56,353	27,167	83,520
Effective interest charge for the year	5,466	–	5,466
At 31 December 2019	61,819	27,167	88,986

29. CONVERTIBLE BOND (Continued)

No CB was converted into ordinary shares of the Company during the year ended 31 December 2019 (2018: nil). No redemption, purchase or cancellation by the Company has been made in respect of the CB during the year ended 31 December 2019 (2018: nil). As at 31 December 2019, the principal amount of the CB that remained outstanding amounted to HK$74,100,000 (2018: HK$74,100,000) of which a maximum of 650,000,000 (2018: 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 ownership interest in leasehold land and buildings HK$'000	Total HK$'000
At 1 January 2018	76	76
Credited to profit or loss	(8)	(8)
Charged to other comprehensive income	183	183
At 31 December 2018	251	251
Credited to profit or loss	(25)	(25)
Charged to other comprehensive income	1	1
At 31 December 2019	227	227

At the end of the reporting period, the Group had unused tax losses of approximately HK$97,204,000 (2018: HK$117,794,000) 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$6,934,000 (2018: HK$29,367,000) that will expire in 5 years from the year of origination in which unused tax losses of approximately HK$22,433,000 (2018: HK$1,492,000) was expired during the year ended 31 December 2019. 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$3,763,000 (2018: HK$3,638,000) 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$6,050,000 (2018: HK$7,842,000) arising from the impairment loss of property, plant and equipment for the year ended 31 December 2019. 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 (2018: HK$0.01) each		
Authorised		
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	10,000,000	100,000
Issued and fully paid		
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	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 2019 and 2018, 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 2019 HK$'000	Financing cash flows HK$'000	Addition HK$'000	Interest expense accrued HK$'000	Exchange alignment HK$'000	31 December 2019 HK$'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
Amount due to a director	94,192	(22,436)	–	2,024	–	73,780
Bank borrowings	60,227	(2,471)	–	3,442	(2,309)	58,889
Convertible bond	56,353	–	–	5,466	–	61,819
Lease liabilities	3,596	(1,732)	468	195	29	2,556
	223,094	(26,639)	468	11,127	(2,280)	205,770

	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

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 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
Within one year	1,359

35. CAPITAL COMMITMENTS

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

	2019 **HK$'000**	2018 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of plant and machinery	**232**	319

36. MATERIAL LITIGATION

At 31 December 2019, an indirect wholly-owned subsidiary of the Company has been named as a 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 had filed a full defence in May 2011 to this writ and no further action was initiated by plaintiff since then. 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 periods.

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	2019 HK$'000	2018 HK$'000
Rental expense paid to Sino Orange (China) Company Limited	(a)	1,155	980
Interest expense on amount due to a director	(b)	2,024	–

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 interest expense is paid to one of the directors of the Company. Details of the loan from a director was set out in note 27.

(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:

	2019 HK$'000	2018 HK$'000
Short-term benefits	4,561	5,332
Post-employment benefits	56	66
	4,617	5,398

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	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment		**7**	16
Right-of-use assets		**254**	–
Other receivables		**41**	–
Investments in subsidiaries	(i)	**224,611**	224,611
		224,913	224,627
Current assets			
Amounts due from subsidiaries	(ii)	**156**	154
Prepayment, deposits and other receivables		**653**	623
Bank balances and cash		**107,633**	113,811
		108,442	114,588
Current liabilities			
Amount due to a related company	(ii)	**1,316**	1,316
Lease Liability		**255**	–
Other payables		**1,224**	1,305
		2,795	2,621
Net current assets		**105,647**	111,967
Total assets less current liabilities		**330,560**	336,594
Non-current liability			
Convertible bond		**61,819**	56,353
Net assets		**268,741**	280,241
Capital and reserves			
Share capital		**52,013**	52,013
Reserves	(iii)	**216,728**	228,228
		268,741	280,241

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

Notes:

(i) Investments in subsidiaries

	2019 **HK$'000**	2018 HK$'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 2019, no impairment loss (2018: 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 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 and 1 January 2019	399,369	38,918	27,167	(237,226)	228,228
Loss and total comprehensive expense for the year	–	–	–	(11,500)	(11,500)
At 31 December 2019	399,369	38,918	27,167	(248,726)	216,728

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 2019 Directly	2019 Indirectly	2018 Directly	2018 Indirectly	Principal activities
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$64,760,000 (2018:HK$51,000,000)	–	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	Note	Number of subsidiaries 2019	2018
Investment holding	BVI		**3**	3
Inactive	Hong Kong	(a)	**1**	2
Inactive	PRC		**1**	2
			5	7

Note:

(a) Disposal of a subsidiary

On 7 May 2019, the Group entered into an agreement with an independent third party to sell the entire interest of Wisdom Loyal Limited ("Wisdom loyal"), a directly wholly-owned subsidiary of the Company at total consideration of approximately HK$7,000. Wisdom Loyal is an inactive company during the reporting period. The transaction was completed on 7 May 2019. As at the completion date, Wisdom Loyal had net liabilities of approximately HK$5,000. A gain on disposal of approximately HK$12,000 was recognised and included in other operating income. The transaction is insignificant to the Group.

40. EVENTS AFTER THE REPORTING PERIOD

The outbreak of the new corona-virus since the end of January 2020 has brought great impact and instability to the global economy and financial markets. The Group has resumed the manufacturing operations in the PRC on about 10 February 2020 after the extended lunar new-year holiday and there is no material interruption to the Group's production. The Group will closely monitor the sales order status in reaction to the market situation.

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 2019 HK$'000	Year ended 31 December 2018 HK$'000	Year ended 31 December 2017 HK$'000	Year ended 31 December 2016 HK$'000	Year ended 31 December 2015 HK$'000
RESULTS					
Revenue	**272,454**	285,952	206,627	202,530	261,766
Cost of sales	**(234,721)**	(260,192)	(180,813)	(198,106)	(240,102)
Gross profit	**37,733**	25,760	25,814	4,424	21,664
Other operating income	**4,732**	2,888	1,470	1,440	1,857
Gain on disposal of a subsidiary	**–**	–	–	–	93
Write-off of inventories	**–**	(316)	(16)	(47,791)	(31,671)
Selling and distribution expenses	**(3,135)**	(4,452)	(3,409)	(2,742)	(3,736)
Administrative expenses	**(50,460)**	(55,506)	(48,000)	(57,788)	(59,053)
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	**(10,840)**	(8,159)	(8,067)	(19,856)	(5,402)
LOSS BEFORE TAX	**(21,970)**	(39,785)	(32,208)	(143,767)	(91,068)
Income tax (expense) credit	**(1,149)**	(717)	236	(251)	–
LOSS FOR THE YEAR	**(23,119)**	(40,502)	(31,972)	(144,018)	(91,068)
Loss for the year attributable to:					
Owners of the Company	**(23,119)**	(40,502)	(31,972)	(144,018)	(91,068)
Non-controlling interests	**–**	–	–	–	–
	(23,119)	(40,502)	(31,972)	(144,018)	(91,068)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As At 31 December				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**539,844**	563,064	620,164	604,947	343,707
TOTAL LIABILITIES	**(260,634)**	(259,273)	(271,934)	(229,722)	(168,351)
NON-CONTROLLING INTERESTS	**(2,730)**	(2,730)	(2,730)	(2,730)	(2,730)
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	**276,480**	301,061	345,500	372,495	172,626