Sino Golf Holdings Limited
順龍控股有限公司

(Incorporated in Bermuda with limited liability)

Stock Code: 00361

2013 ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. CHU Chun Man, Augustine *(Chairman)*
Mr. CHU Yuk Man, Simon
Mr. CHANG Hua Jung

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. CHIU Lai Kuen, Susanna
Mr. CHOY Tak Ho
Mr. ZHU Shengli (appointed on 10 June 2013)
Mr. HSIEH Ying Min (retired on 10 June 2013)

AUDIT COMMITTEE

Ms. CHIU Lai Kuen, Susanna *(Chairman)*
Mr. CHOY Tak Ho
Mr. ZHU Shengli (appointed on 10 June 2013)
Mr. HSIEH Ying Min (retired on 10 June 2013)

REMUNERATION COMMITTEE

Mr. ZHU Shengli *(Chairman)* (appointed on 10 June 2013)
Ms. CHIU Lai Kuen, Susanna
Mr. CHOY Tak Ho
Mr. CHU Chun Man, Augustine
Mr. CHU Yuk Man, Simon
Mr. HSIEH Ying Min *(Chairman)* (retired on 10 June 2013)

NOMINATION COMMITTEE

Mr. CHU Chun Man, Augustine *(Chairman)*
Mr. CHU Yuk Man, Simon
Ms. CHIU Lai Kuen, Susanna
Mr. CHOY Tak Ho
Mr. ZHU Shengli (appointed on 10 June 2013)
Mr. HSIEH Ying Min (retired on 10 June 2013)

COMPANY SECRETARY

Mr. CO Man Kwong

AUTHORISED REPRESENTATIVES

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

AUDITORS

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

INTERNAL CONTROL REVIEW ADVISOR

SHINEWING Risk Services Limited
43/F., The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong

PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited
Standard Chartered Bank (Hong Kong) Limited

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited *(Note 1)*
26 Burnaby Street
Hamilton, HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
26th Floor, Tesbury Centre
28 Queen's Road East, Wanchai
Hong Kong *(Note 2)*

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton, HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS

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

STOCK CODE

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

WEBSITE

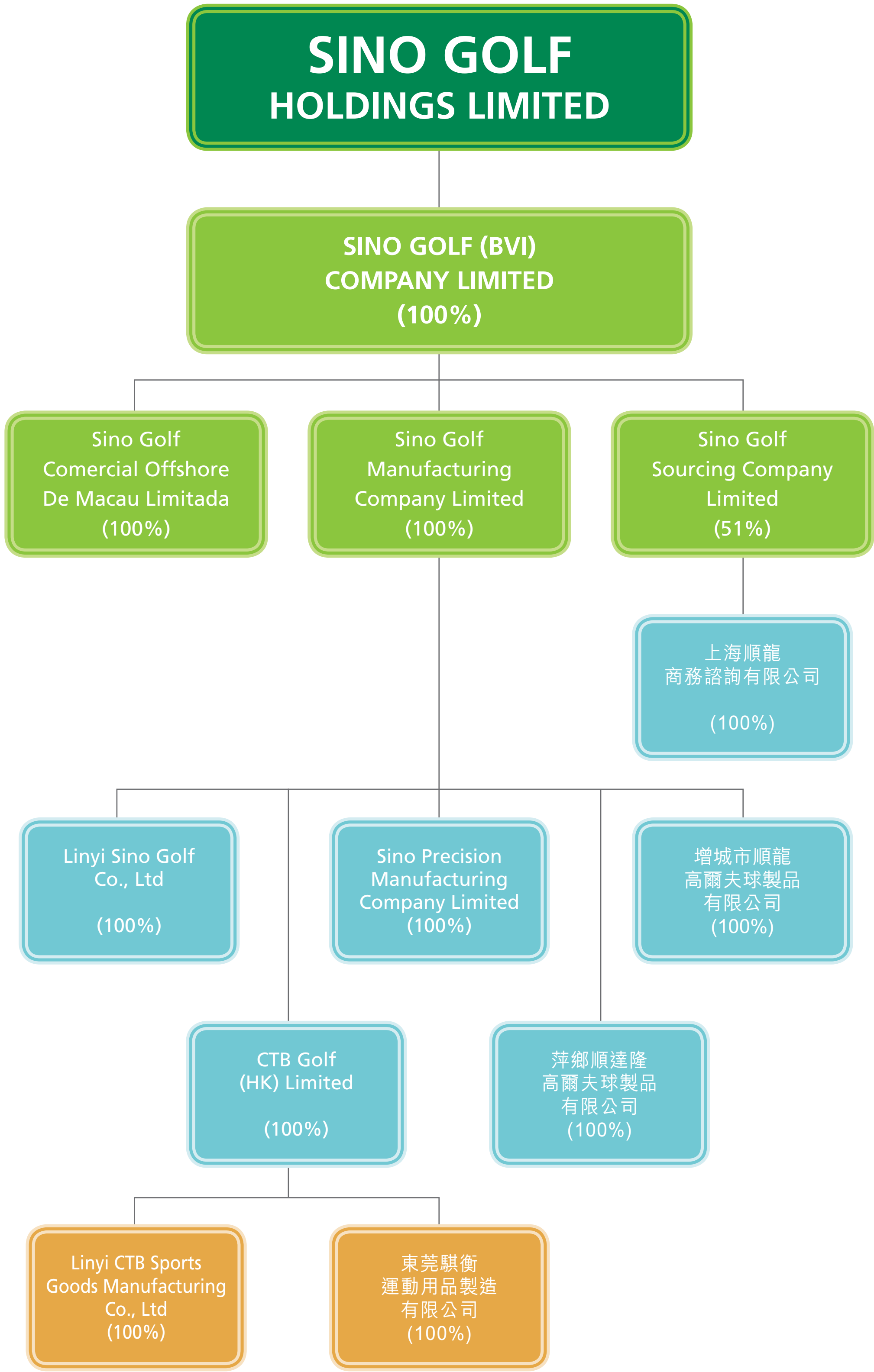
http://www.sinogolf.com

Notes:

1. Formerly known as "Butterfield Fulcrum Group (Bermuda) Limited" which changed the name on 30 September 2013.
2. Tricor Tengis Limited has notified to change its address to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 31 March 2014.
3. The Company changed the address of its principal place of business from Room 1901, 19th Floor, Delta House, 3 On Yiu Street, Shatin, New Territories, Hong Kong on 1 November 2013.

CORPORATE STRUCTURE

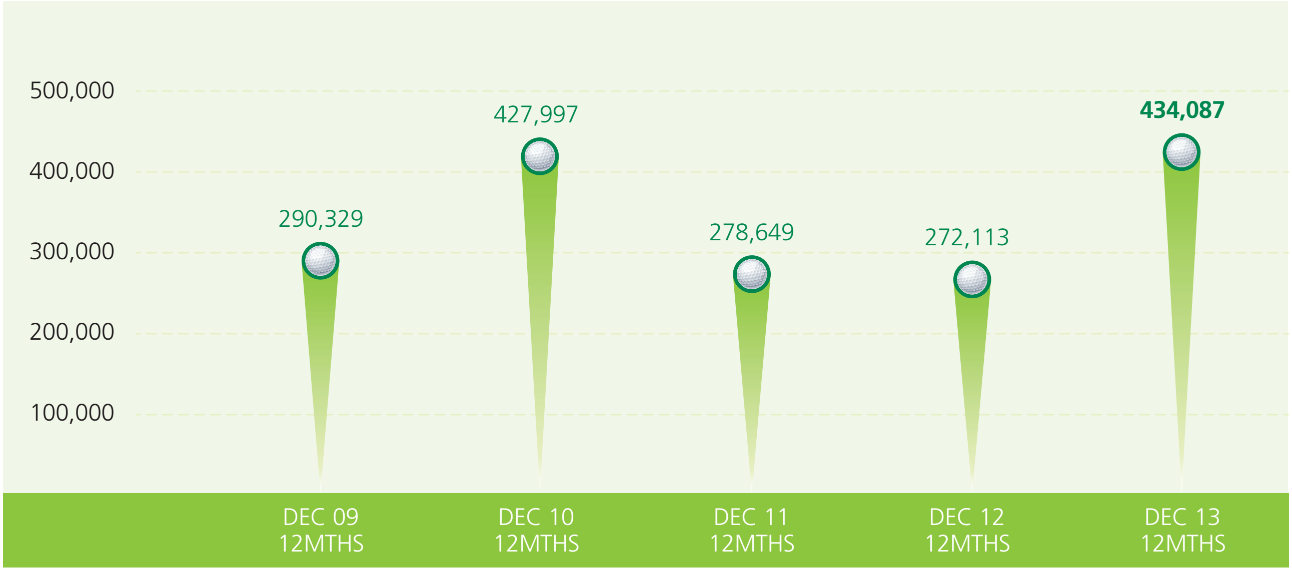
As at 31 December 2013



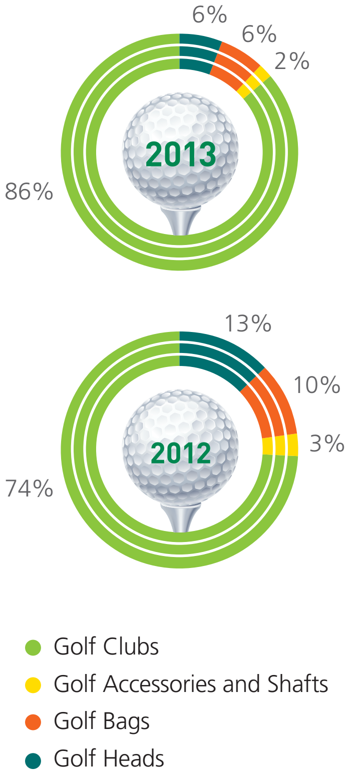
FINANCIAL HIGHLIGHTS

TURNOVER

(HK$'000)



TURNOVER BY PRODUCT



TURNOVER (CLUB) BY GEOGRAPHICAL AREA

TURNOVER (BAG) BY GEOGRAPHICAL AREA

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors (the "Board") of Sino Golf Holdings Limited (the "Company"), I am pleased to report to shareholders the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2013.

Chu Chun Man, Augustine
Chairman

RESULTS AND DIVIDENDS

The consolidated turnover of the Group increased to HK$434,087,000 for the year ended 31 December 2013 (2012: HK$272,113,000). Profit for the year attributable to owners of the Company amounted to HK$13,661,000 in contrast to a loss of HK$18,531,000 sustained in the preceding year of 2012. Earnings per share was HK2.97 cents (2012: Loss per share of HK4.03 cents) and the diluted earnings per share was HK2.97 cents (2012: Diluted loss per share of HK4.03 cents with no dilutive potential ordinary shares in existence).

The Board did not recommend the payment of a dividend in respect of the year ended 31 December 2013 (2012: Nil).

BUSINESS REVIEW

OVERVIEW

With the improved market conditions, the global economy has gained a partial recovery in 2013 to motivate businesses. Our Group had benefited from the rebound of major export markets to realize a boost in revenues and successfully reverted to profitability during 2013. The Group's business progressed steadily to restore a growth pattern as key customers generally pursued a more aggressive approach to tape the increased market demand in a recovering economy. This has led to a surge in business volume that generates additional revenues for the Group. During the year, the Group has achieved a significant rebound in the golf equipment sales despite a continued slow-down in the golf bags business.

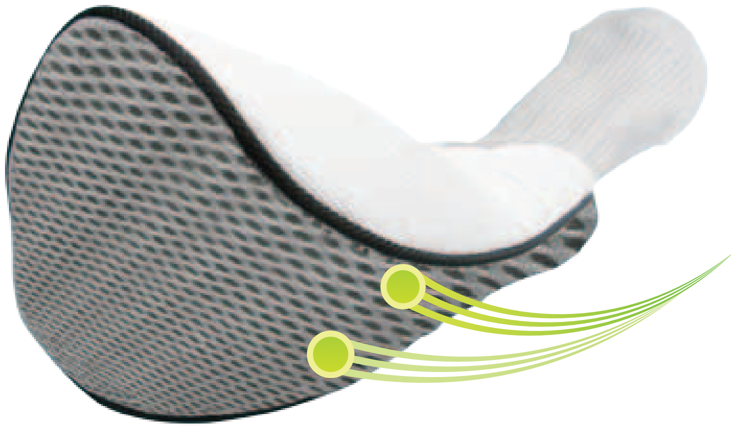
The Group's turnover increased by 59.5% in 2013 to HK$434,087,000 (2012: HK$272,113,000). Gross profit for the year grew to HK$75,634,000 (2012: HK$31,939,000). The average gross profit margin had improved to 17.4% (2012: 11.7%) mainly attributable to a boost in sales to recover fixed costs and enhance marginal contributions. To strengthen our competitive edge in a fluctuating economy, the Group reinforced the business reengineering and cost rationalization measures implemented to mitigate the impact of the cost hikes prevailing in recent years. The broadened customer base and the upgraded manufacturing capabilities of the Group have facilitated to uphold our role as a key market participant with notable influence. In fulfilling the corporate mission to provide one-stop premium services to customers, the Group has persistently emphasized to invest necessary resources on product innovation and clients' services with a goal to enhance the market share and enterprise recognition. The Group is committed towards long-term growth and development and endeavors to grow and explore our businesses with credible customers and other first-tier golf name brands. With the sound and effective management, we maintain a positive view with caution on the business outlook of the ensuing year in light of the prevailing market sentiment and clients' feedback.

In 2013, the golf equipment segment has achieved a significant rebound in sales aggregating to HK$408,459,000 (2012: HK$244,222,000), representing 94.1% (2012: 89.8%) of the Group's turnover for the year. On the other hand, sales of the golf bags segment, after eliminating inter-segmental sales of HK$12,128,000 (2012: HK$19,349,000), amounted to HK$25,628,000 (2012: HK$27,891,000) and accounted for 5.9% of the Group's turnover for the year (2012: 10.2%). Inspired by the strong sales, the Group recorded segmental profits of HK$31,147,000 for the golf equipment business (2012: Segmental loss of HK$5,275,000) and HK$771,000 for the golf bags business (2012: HK$1,167,000), respectively.

GOLF EQUIPMENT BUSINESS

The golf equipment segment persisted as the Group's main operating segment to account for 94.1% of the Group's turnover for the year (2012: 89.8%). With the improved economic conditions and our marketing initiatives, the golf equipment sales rebounded strongly in 2013 by 67.2% to HK$408,459,000 (2012: HK$244,222,000).

The segment turnover for the year comprised golf clubs sales of HK$373,450,000 (2012: HK$200,177,000) and components sales of HK$35,009,000 (2012: HK$44,045,000), representing 91.4% (2012: 82.0%) and 8.6% (2012: 18.0%), respectively of the segment revenues. During the year, the golf clubs sales surged dramatically while the components sales fell, mainly due to the increase in sales of the golf club sets that had nearly doubled versus a decline by more than one-fourth in the golf heads sales. Making up the golf clubs sales were club sets and individual clubs in the proportion of 86.0% (2012: 80.5%) and 14.0% (2012: 19.5%), respectively. As regards the components sales, golf heads declined but still accounted for 75.6% (2012: 81.5%) of the components sales with the shafts and other accessories taking up the remaining 24.4% (2012: 18.5%).



During the year, sales to the largest segmental customer amounted to HK$187,925,000 (2012: HK$79,591,000 for sales to a customer that ranked the second largest in the current year), representing 46.0% (2012: 32.6%) of the segment turnover or 43.3% (2012: 29.2%) of the Group's turnover for the year. Sales to the next two highest-ranked segmental customers also prospered and increased in aggregate by more than 80% upon our successful engagement on some targeted programs. Given the strong performance, turnover generated from the top five segmental customers soared to HK$396,238,000 (2012: HK$218,170,000) to represent 97.0% (2012: 89.3%) of the segment turnover or 91.3% (2012: 80.2%) of the Group's turnover for the year. The strengthened customer base has facilitated the Group's strategy to persistently develop the golf equipment business with the objective to expand sales through the existing customer network as well as exploring opportunities with other reputable golf name brands.

To effectively accommodate the anticipated business volume, the Group has been engaged in constructing a new production workshop at the Shandong manufacturing facility which will add approximately 10,000 square metres of production area to increase the output capacity by more than 100,000 units per month. The construction will cost about RMB7,000,000 and is financed by internal resources with the infrastructure scheduled for completion by the first quarter of 2014 to be followed by the installation of equipment and machinery as well as workers' training during the second quarter. Trial run and mass production are expected to commence in the third quarter of 2014 to give incremental outputs. Currently, the Shandong manufacturing facility has dominated to account for about 70% of the Group's production of golf clubs including the shafts and certain volume of golf bags as components for the orders of golf club sets. To take greater advantage of the cost effective environment and the more stable and abundant labor supply in the northern part of the PRC, the Group continued to relocate more production volume to the Shandong manufacturing facility while scaling down the output of the Guangdong manufacturing facility in reaction to the cost hikes and unstable labor market which had adversely affected the manufacturing sector in the southern part of the PRC in recent years. The Shandong manufacturing facility signifies a milestone of the Group's development and serves as a crucial establishment to integrate and streamline various manufacturing operations to enhance efficiency and optimize costs. Since the inception, the Shandong manufacturing facility has progressively gained more confidence from the customers as evidenced by an upward trend in customers' orders taken by us over these years. Through our capability to allocate sufficient capacities with skillful labor to better serve the customers' requirements, the Shandong manufacturing facility has successfully upgraded our industry profile to facilitate the Group to procure new businesses from other credible golf name brands that are seeking alternative high quality supply sources in nowadays competitive environment.

In our effort to further streamline the operating structure and efficiency, the Group had decided and announced last year to merge the subsidiary that used to own the disposed Sino Concept facility, namely, Guangzhou Sino Concept Golf Manufacturing Co., Ltd. ("Guangzhou Sino Concept"), with another subsidiary that owns the Yong He facility, namely, Zengcheng Sino Golf Manufacturing Co., Ltd. ("Zengcheng Sino Golf"), such that the latter shall take up all the assets and liabilities including employees of the former in accordance with the applicable PRC laws and regulations, to be followed by a deregistration of Guangzhou Sino Concept after the completion of the merge. During the year, the Group had obtained the approval of the local PRC government to merge Guangzhou Sino Concept into Zengcheng Sino golf and the merge was successfully completed in August 2013 with Guangzhou Sino Concept deregistered as a consequence. The arrangement was merely an intra-group reorganization and had no material adverse implications on the Group.

Following the disposal of the Sino Concept facility in 2012 to partly realize the redundant capacities of the Group in the southern part of the PRC, the Group has seized another opportunity to deal with its redundant capacity at the Yong He facility in Guangdong Province, the PRC. On 13 May, 2013, the Company announced that the Group had entered into an agreement with an independent third party to effectively dispose of the Yong He facility for a cash consideration of RMB28,000,000 through the acquisition by the purchaser of the entire equity interest of a company (the "Target Company"), which will be established after a reorganization whereby the subsidiary that owns the Yong He facility will be split into two companies in accordance with the PRC laws, one of which being the Target Company that is formed for the purpose of taking over, inter alia, the Yong He facility pursuant to the said agreement. Details of the transaction and related arrangements were set out in the announcement of the Company dated 13 May 2013. The transaction is progressing on schedule and the Group has subsequently obtained the approval of the local PRC government in January 2014 on the split of the aforesaid subsidiary holding the Yong He facility. It was estimated that the deal to transfer the equity interest of the Target Company should be completed within the year of 2015. By then the Group would have to rent or move to a smaller factory premise to conduct its manufacturing operations in Guangdong Province, the PRC, after delivering vacant possession of the Yong He facility to the purchaser. The transaction serves to accomplish the realization of the remaining redundant capacities of the Group in the southern part of the PRC for the benefit of the Group and its shareholders as a whole. As at the reporting date, the Group has received deposit payments totaling RMB8,000,000 from the purchaser which had been appropriated to reduce bank debts and provide working capital for the Group.

To keep a sound governance practice and assure due recoverability of trade debts, the Group continued to procure factoring and/or insurance of its major trade receivables to the extent possible. The Group has strictly adhered to the policy of granting credit terms of not exceeding 60 days on open account shipments to avoid excessive exposures and further requires cash deposits for shipments to new customers generally. To assure a healthy customer portfolio, the management regularly reviewed to monitor the performance of individual customers and took remedial actions on default accounts including withholding shipments until proper settlement if necessary. The Group has pursued a diversification strategy so as to minimize the concentration risk through striking a reasonable balance of reliance on individual customers. At 31 December 2013, there was a minimal impairment of about HK$2,000 on outstanding trade receivables (2012: approximately HK$29,000). The management feels satisfied with the overall customer status and shall continue to watch out for any exceptions or irregularities.

During the year, raw materials and component costs for golf equipment manufacturing did not fluctuate materially but remained relatively stable under a strong Renminbi currency that tended to make domestic purchases more costly. On the other hand, there was observed an upward trend in the manufacturing costs including labor, social insurances, energy and fuel expenditures that operated to partially erode profit margins and offset the effect of savings derivable from the Group's cost control measures.

Motivated by our initiatives and effort, the golf equipment segment successfully rebutted the loss situation to record a segmental profit of HK$31,147,000 for the current year (2012: Segmental loss of HK$5,275,000). Having regard to the prevailing market sentiment, the current order book status and the anticipated economic trend, the Group maintains a positive view with caution on the prospect of the golf equipment segment for the ensuing year. Though there are still uncertainties and challenges about the global economy, it is encouraging that the Group has orders on hand including year-to-date actual shipments for the first half of 2014 no less than those of the corresponding preceding period.

GOLF BAGS BUSINESS

The business of the golf bags segment remained slow during the year. The labor shortage prevailing in the southern part of the PRC had restricted us from readily recruiting enough experienced sewing workers for the golf bags facility in Dongguan City, the PRC. Affected by a decline in sales of the Japan line of products, the Group's turnover attributable to the golf bags segment, defined as comprising the sales of golf bags and accessories to external customers, decreased by 8.1% to HK$25,628,000 (2012: HK$27,891,000), representing 5.9% of the Group's turnover for the year (2012: 10.2%). The total sales of the golf bags segment, before elimination of the inter-segmental sales of HK$12,128,000 (2012: HK$19,349,000), were down by 20.1% in 2013 to HK$37,756,000 (2012: HK$47,240,000). The inter-segmental sales represented the golf bags produced for fulfilling the orders of golf club sets taken by the golf equipment segment which incorporated golf bags as components. Sales of the golf club sets had been classified to constitute the turnover of the golf equipment segment as appropriate.

The segment turnover for the year comprised golf bags sales of HK$18,260,000 (2012: HK$17,956,000) and accessories sales constituting mainly boston bags of HK$7,368,000 (2012: HK$9,935,000), representing 71.2% (2012: 64.4%) and 28.8% (2012: 35.6%) of the segment turnover, respectively. The product categories had not fluctuated materially in proportion throughout the years. During the year, sales to the largest golf bags customer dropped 32.1% to HK$4,606,000 (2012: HK$6,783,000), which represents 18.0% (2012: 24.3%) of the segment turnover or 1.1% (2012: 2.5%) of the Group's turnover for the year. The substantial drop in sales to the largest segmental customer had been attributable to the shift by this customer of a significant portion of its orders to an affiliated factory in the South East Asia since last year. Notwithstanding the undesirable impact, our long-term cooperation with this customer persisted who had indicated its intention to let us produce more golf bags for its Mainland market which implies a possible rebound of business volume with the largest golf bags customer in the foreseeable future. Through our initiatives, sales to other key segmental customers increased moderately and new customers were also added during the year to partly compensate the revenues foregone due to the orders relocation by the largest segmental customer. Turnover from the top five golf bags customers aggregated to HK$16,132,000 (2012: HK$19,894,000), representing 62.9% (2012: 71.3%) of the segment turnover or 3.7% (2012: 7.3%) of the Group's turnover for the year.

Viewed alternatively from a product design perspective, the segment turnover for the year comprised the sales of the Japan line of products and the non-Japan line of products in the proportion of 19.7% (2012: 25.3%) and 80.3% (2012: 74.7%), respectively. During the year, sales of the Japan line of products declined by 28.7% to HK$5,042,000 (2012: HK$7,066,000) whereas sales of the non-Japan line of products, comprising mostly golf bags of American design, just decreased by 1.1% to HK$20,586,000 (2012: HK$20,825,000). The trend appeared to be consistent with the drop in sales to the largest segmental customer which is Japan-based. The Group is committed to seize every opportunity to persistently develop and explore both the Japan line and the non-Japan line of golf bags with the objective to enhance market share and broaden the customer base. It is our strategy to continually invest necessary and adequate resources to engage in projects and activities that could bring us the business volume as well as profit margins desirous of the golf bags segment.

During the year, the prices of major raw materials for the golf bags production including PVC, PU and nylon fluctuated within narrow ranges whilst the accessories prices for items like metal parts and plastic components stayed relatively stable. On the other hand, the manufacturing costs such as labor, social insurances, energy and fuels went up moderately mainly due to the inflation and additional regulatory requirements which increased the cost burden of most enterprises. To strengthen our competitiveness in a dynamic environment, the golf bags segment reinforced those measures it had implemented to streamline operations and enhance cost effectiveness. It is our Group's strategy to focus and specialize in the business of high-end golf bags that offer greater margins to substantiate the long-term growth of the golf bags segment.

Challenged by the labor shortage and the prolonged depression in business of the Japan line of products, the golf bags segment has suffered a curtailment in segmental profit to HK$771,000 for the year (2012: HK$1,167,000), down 33.9% from that of the comparative preceding year. Taking into account the prevailing market conditions, the possible regain in business volume of the Japan line of products and the current order book status, the management maintains a positive view with caution and anticipates the golf bags segment to achieve some extent of rebound in the ensuing year. Given that the golf bags production volume at the Shandong manufacturing facility is being stepped up to assure self-sufficiency on golf bags required for fulfilling the orders of golf club sets, there will be more capacity from the golf bags facility in Dongguan City, the PRC to be released for taking up new orders from other golf bags customers to generate additional revenues.

GEOGRAPHICAL SEGMENTS

The significant rebound of sales to major customers in the United States has led to a surge in shipments to the North American market both in monetary values and as a percentage of the Group's turnover. Being the world's largest golf market, North America persisted as the largest geographical segment to account for 67.0% of the Group's turnover in 2013 (2012: 49.7%). Other geographical segments including Japan, Asia (excluding Japan), Europe; and others contributed 13.5%, 8.9%, 7.2% and 3.4% of the Group's turnover for the year, respectively (2012: 15.6%; 18.6%; 12.4%; and 3.7%, respectively).

In terms of percentage of the Group's turnover, shipments to North America which were mainly to the United States had escalated 17.3 percentage points to 67.0% in 2013 whereas shipments to the Japan market fell by 2.1 percentage points to 13.5% of the Group's turnover. Out-weighted by the strong performance in the North American market, shipments to other geographical regions covering Asia (excluding Japan); Europe and others all decreased in 2013, in terms of percentages of the Group's turnover, to 8.9%; 7.2% and 3.4%, respectively (2012: 18.6%; 12.4% and 3.7%, respectively).

In monetary amounts, shipments to the North American market soared drastically by 115.0% in 2013 to HK$290,996,000 (2012: HK$135,372,000) and comprised golf equipment and golf bag sales in the proportion of 98.1% (2012: 95.5%) and 1.9% (2012: 4.5%), respectively. Shipments to the Japan market increased by 37.7% in 2013 to HK$58,498,000 (2012: HK$42,472,000), mainly due to the surge in golf equipment sales with Japan as the destination. In the absence of specific sales programs as launched last year for the Asian market, shipments to other geographical regions covering Asia (excluding Japan); Europe and others decreased in aggregate by 10.3% in 2013 to HK$84,593,000 (2012: HK$94,269,000).

It has been the Group's strategy to uphold our dominant position in the North American market through strengthening the long-term cooperation with the existing customers as well as exploring opportunities to establish businesses with other credible golf name brands that are seeking high quality alternative supply sources. To effectively tap the opportunities in Asian's largest golf market, the Group is devoted to persistently developing the Japan market both for the golf bags and golf equipment business. For purpose of long-term development, the Group has attached greater emphasis on expanding businesses in other geographical regions covering Asia (excluding Japan); Europe; and others, especially the Asian market where golf activities have become more popular and economically affordable.

PROSPECTS AND RISK FACTORS

PROSPECTS

The Group has achieved a business rebound in 2013 to rebut the loss situation. Through our initiatives and effort, the golf equipment sales surged by 67.2% under a recovering economy whilst the golf bags business remained slow. The market sentiment improved during 2013 and we maintain a positive view on the business of the first half of 2014 as the orders on hand including actual shipments to date have exceeded those of the corresponding preceding period. The business outlook of 2014 will largely depend on the outcome of the performance of the second half year which is subject to uncertainties and challenges of the global economy that arise from time to time.

To strengthen our competitive edge in a fluctuating economy, the Group reinforced the business reengineering and cost control measures to persistently rationalize its operations to enhance efficiency and optimize costs. In addition, the Group has commissioned on an expansion project to step up the production capacity of the Shandong manufacturing facility through constructing a new production workshop, which is scheduled to commence operations in 2014, to cater for the anticipated business volume and further production relocation from the Guangdong manufacturing facility. The exercise aims to take greater advantage of the cost effective operating environment and the more stable labor market in the northern part of the PRC, which facilitates to mitigate the impact caused by the cost hikes and workers-related issues encountered in the southern part of the PRC in recent years.

Augmented by the strong business network, the Group pursues the strategy to explore opportunities with credible golf name brands that are actively seeking or keen on procuring high quality alternative supply sources in a dynamic environment. We are making satisfactory progress and anticipate to establish and add new business relationship and cooperation to our customer portfolio in due course. We are also working closely with the existing customers with an aim to expand and grow business in a recovering economy for mutual benefits. There is reasonable chance that we would regain some business volume from the largest golf bags customer and major golf equipment customers have generally retained an active approach with caution in launching their business programs for the ensuing year. It is the Group's objective to establish and maintain a long-term cooperation with our customers to substantiate mutual growth with success. The Group will continue to search and keep awareness of diversification opportunities to make effective utilization of the Group's resources to generate revenues.

Taking into account the current order book status and the prevailing market conditions and anticipated trend, the management maintains a positive view with caution about the business outlook of 2014 and expect the golf equipment and the golf bags business to develop and perform reasonably in the ensuing year. The Group will also keep constant alert of the market development to assure timely and effective reaction to safeguard our interests.

RISK FACTORS

Given that the Group's historical results are not necessarily indicative of the Group's future performance and/or financial condition, it is desirable to highlight those factors that could affect the Group's future performance and/or financial condition. These factors could cause the Group's future performance and/or financial condition to differ materially from those of the prior years or from management's expectations or estimates.

STATUS OF THE UNITED STATES ECONOMY AND CURRENCY FLUCTUATION

As the Group is principally engaged in exporting a substantial part of its products to the United States, any material fluctuations or adverse changes in the economy of the United States might have or turn out to have an impact on the Group's business. The potential conflicts attributable to (i) an imbalance of trade between the PRC and the United States, and (ii) the under-valuation of the Renminbi currency as alleged by the United States could eventually lead to the emergence of trade barriers and/or protectionism practices between the two countries if not timely dealt with and resolved by the respective governments. On the other hand, the tendency of a stronger Renminbi currency may also affect the competitiveness of the PRC exporters if the Renminbi currency continues to appreciate in the long-term.

INTEREST RATES MOVEMENT

The Group utilizes banking facilities to finance its operations, which usually bear interest at floating rates. Movements in the applicable interest rates will inevitably affect the amount of finance cost to be borne by the Group. Though interest rates are currently at historic low levels, any upward revision of the interest rates would increase the finance cost of the Group. Notwithstanding that the Group may choose to enter into interest rate swap contracts to hedge against the interest payments, there is no assurance that such interest rate swaps would always result in any significant savings for the Group.

RELIANCE ON KEY CUSTOMERS

In 2013, sales to the largest customer represented 46.0% of the turnover of the golf equipment segment or 43.3% of the Group's annual turnover. The five largest customers in aggregate accounted for about 92.2% of the Group's turnover for the year. It is the Group's objective to diversify its business to establish a healthy and balanced customer portfolio and there has been reasonable progress towards the goal. Due to our reliance on a limited number of key customers, it follows that any incidents with material adverse impact on the Group's key customers could also adversely affect the Group's business.

MATERIALS COST AND SUPPLY SOURCES

As materials cost constitutes the main cost component of the Group's products, any significant price fluctuations or supply problems may pose threats to erode and undermine the profit margins even if the Group could adjust the sales prices and pass the cost increase to customers to the extent possible. On the other hand, the tendency of placing more reliance on component makers and those suppliers specified by the customers may limit and reduce the choices and flexibility in the selection of competitive suppliers by the Group that could undermine or curtail our profit margins over time.

In addition to the risk factors mentioned above, the Group is subject to other risk factors and uncertainties that could arise as market conditions change from time to time. The management will keep constant alert on the existence or occurrence of such risks and is committed to react promptly and adopt effective measures to mitigate the Group's exposures as circumstances may allow.

ACKNOWLEDGEMENT

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

Chu Chun Man, Augustine
Chairman

Hong Kong
28 March 2014

MANAGEMENT DISCUSSION AND ANALYSIS

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

RESULTS OF OPERATIONS

The Group's turnover rebounded strongly in 2013 to escalate 59.5% to HK$434,087,000 (2012: HK$272,113,000). Profit for the year attributable to owners of the Company amounted to HK$13,661,000 (2012: Loss of HK$18,531,000). Earnings per share was HK2.97 cents for the year (2012: Loss per share of HK4.03 cents) and the diluted earnings per share was HK2.97 cents (2012: Diluted loss per share HK4.03 cents with no dilutive potential ordinary shares in existence). The directors did not recommend the payment of a dividend in respect of the year ended 31 December 2013 (2012: Nil).

During the year, the turnover of the golf equipment segment surged 67.2% to HK$408,459,000 (2012: HK$244,222,000) whereas the turnover of the golf bags segment, defined as comprising the sales of golf bags and accessories to external customers, fell 8.1% to HK$25,628,000 (2012: HK$27,891,000). The total sales of the golf bags segment, before elimination of inter-segmental sales of HK$12,128,000 (2012: HK$19,349,000), were down by 20.1% in 2013 to HK$37,756,000 (2012: HK$47,240,000).

In addition to sales revenues, the main categories of other income and operating expenses of the Group together with their fluctuations during the year were summarized hereunder.

Other operating income for the year decreased to HK$1,553,000 from HK$1,986,000 in 2012, mainly due to a reduction in scrap sales and tooling charge income.

Selling and distribution expenses for the year went up to HK$3,131,000 from HK$2,615,000 in 2012, primarily owing to the increase in ocean freight and sample costs in consistency with the increased business volume.

Administrative expenses for the year escalated to HK$48,727,000 from HK$41,143,000 in 2012, mainly attributable to the increase in staff costs; retirement and social insurance expenses; share-based payment expense and exchange differences.

Finance costs for the year increased to HK$9,328,000 from HK$8,475,000 in 2012, mainly due to the additional export factoring charges incurred as a result of the increased sales.

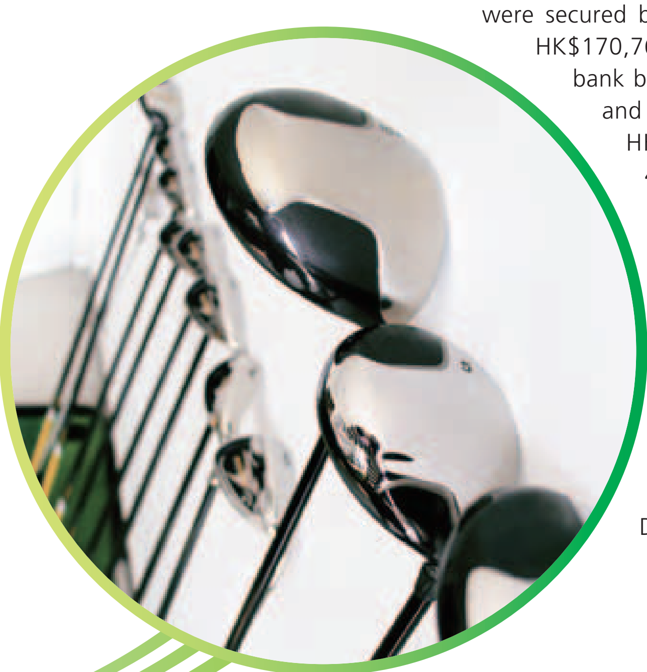
With the strong rebound in sales, the Group's performance improved remarkably to record a profit attributable to owners of the Company of HK$13,661,000 for the year (2012: Loss of HK$18,531,000).

LIQUIDITY AND FINANCIAL RESOURCES

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

At 31 December 2013, bank balances and cash, which were mostly denominated in United States dollars, Hong Kong dollars and Renminbi, amounted to HK$26,241,000 (2012: HK$13,958,000). The bank balances and cash increased mainly attributable to the funds contributed from a greater business volume and the proceeds realized upon realization of certain capital assets of the Group. The trade receivables of HK$31,220,000 at 31 December 2013 (2012: HK$29,591,000) had substantially all been settled after the yearend to provide cash flows for the operations. The Group has consistently pursued a policy to maintain an optimal level of funds adequate for its operations and the discharge of the liabilities as and when they fall due.

Borrowings of the Group, other than the advance from a director who is the controlling shareholder of the Company, are mostly denominated in Hong Kong dollars, United States dollars and Renminbi that carry interest on HIBOR/LIBOR plus basis or at the interest rate promulgated by the People's Bank of China from time to time. At 31 December 2013, interest-bearing borrowings comprising bank borrowings and obligations under finance leases aggregated to HK$109,784,000 (2012: HK$132,055,000), of which HK$109,416,000 (2012: HK$127,619,000) was repayable within one year. The loan from the immediate holding company had been repaid during the year (2012: HK$6,162,000), whereas the advance from a director, who is the controlling shareholder, of HK$10,142,000 (2012:Nil) was unsecured, repayable on demand and carried interest at rates ranging 4% to 6% per annum. On the other hand, bank loans from certain PRC banks of HK$80,756,000 at 31 December 2013 (2012: HK$84,988,000) were secured by the land and buildings of the Group with a carrying value of HK$170,760,000 (2012: HK$171,631,000). The gearing ratio, defined as bank borrowings and obligations under finance leases less bank balances and cash of HK$83,543,000 divided by the shareholders' equity of HK$304,853,000, was 27.4% as at 31 December 2013 (2012: 41.0%). The gearing ratio would have been restated as 30.7% at 31 December 2013 (2012: 43.1%) if the advance from a director and the loan from the immediate holding company (as applicable) were both included in the computation of the ratio.



It is the Group's objective to pursue and maintain a financial position supportive of the long-term development and growth. At 31 December 2013, the total assets and the net asset value of the Group amounted to HK$496,004,000 (2012: HK$478,003,000) and HK$304,853,000 (2012: HK$288,336,000) respectively. Current and quick ratios as at 31 December 2013 were 1.38 (2012: 1.34) and 0.46 (2012: 0.46) respectively. Both the current ratio and quick ratio did not fluctuate materially. The Group is nevertheless devoted to exploring feasible means to persistently rationalize and strengthen its financial position from time to time.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND CONTINGENT LIABILITIES

The Group is exposed to foreign currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of operations to which they relate. The currency giving rise to this risk is primarily RMB.

At 31 December 2013, a subsidiary had been named as defendant in a High Court action as a writ was issued against it in April 2011 claiming for an amount of approximately HK$1,546,000. The subsidiary has filed a full defense to this writ. In the opinion of the directors of the Company, no provision for any potential liability has been made in the consolidated financial statements as the Group has pleaded reasonable chance of success in the defense. Other than as disclosed, the Group had no significant contingent liabilities as at 31 December 2013.

EMPLOYEE AND REMUNERATION POLICIES

At 31 December 2013, the Group employed a total of approximately 2,200 employees located mainly in Hong Kong, Macau and the PRC. It is the Group's strategy to maintain a harmonious relation with its employees through provision of competitive remuneration packages and career development opportunities. The employees are remunerated based on their duties, experience and performance as well as market practices. The remuneration packages are reviewed annually to assure fairness and appropriateness and discretionary bonuses may be awarded to employees based on individual performance.

On 11 July 2013, the Company announced that the Board had resolved to grant a total of 8,000,000 options (the "Options") to certain employees of the Group to subscribe for 8,000,000 ordinary shares in the share capital of the Company pursuant to the share option scheme adopted by the Company on 5 June 2012. Details of the Options granted were set out in the Company's announcement dated 11 July 2013.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. CHU Chun Man, Augustine ("Augustine Chu"), aged 56, is the chairman of the Company and a founder of the Group. He established the predecessor Group in 1988 and is responsible for the strategic planning, corporate policy and overall management and marketing aspect of the Group. Augustine Chu holds a bachelor degree in commerce from the University of Calgary, Alberta, Canada and an executive master of business administration from the Chinese University of Hong Kong. He has over 30 years of experience in golf equipment manufacturing industry. He also serves various positions in the public sector including a membership of the 9th of The Chinese People's Political Consultative Conference (CPPCC) – Guangdong Province.

Mr. CHU Yuk Man, Simon ("Simon Chu"), aged 58, is the elder brother of Augustine Chu. He has over 16 years of experience in the golf equipment manufacturing industry. Simon Chu is responsible for the sales and marketing functions as well as the customer relation functions of the Group. Simon Chu graduated with a bachelor degree in science in the Leland Stanford Junior University in the United States and an executive master degree in business administration from the Chinese University of Hong Kong. Prior to joining the predecessor Group in November 1997, Simon Chu held an Asia Pacific director position with an international firm which is listed on NASDAQ in the United States.

Mr. CHANG Hua Jung, aged 52, graduated from an industrial institution in Taiwan. Mr. Chang has over 31 years of experience in the golf equipment manufacturing industry. He joined the predecessor Group in August 1988 and is responsible for the production and the research and development functions of the Group.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. CHIU Lai Kuen, **Susanna**, aged 54, is director of Li & Fung Development (China) Ltd, responsible for China relations and business development. Ms. Chiu is a qualified Chartered Accountant from England, and holds an executive master degree in business administration from the Chinese University of Hong Kong. She is the Immediate Past President of Hong Kong Institute of Certified Public Accountants and Past President of ISACA (China HK Chapter). Ms. Chiu is appointed by the Hong Kong government to serve on the Council of the Equal Opportunity Commission, HK Institute of Education and Standard Working Hours Committee. She is also a member of the 10th Shaanxi Committee and the Shanghai Minheng District of the Chinese People's Political Consultative Conference. Ms. Chiu is a member of the HK Institute of Directors. Ms. Chiu joined the Company in September 2004 and she brings considerable experience in business operations, finance, internal control and corporate governance.

Mr. CHOY Tak Ho, aged 85, joined the Company in December 2000 and has over 50 years of experience in trading business in Hong Kong. He is the President of Union International (HK) Company Limited. Mr. Choy is the Charter President of Hong Kong Kwun Tong Industries and Commerce Association Limited, Chartered President of Hong Kong and Overseas Chinese Association of Commerce Ltd., Hon. Permanent President of Hong Kong Commerce Industrial Ltd., Hon. Life Chairman of Chinese General Chamber of Commerce, Hong Kong, Hon. President of the Chinese Manufacturers' Association of Hong Kong, Member of The National Committee 9th of the Chinese People's Political Consultative Conference, Executive Committee Member 8th of The All China Federation of Industrial and Commerce, Hon. Director of China Overseas Friendship Association.

Mr. Choy is also an independent non-executive director of EVA Precision Industrial Holdings Limited (stock code: 838). He was an independent non-executive director of China Solar Energy Holdings Limited (stock code: 155) until his resignation in November 2012. During the year 2010, Mr. Choy resigned as an independent non-executive director of two listed companies, namely Multifield International Holdings Limited (stock code: 898) and Oriental Explorer Holdings Limited (stock code: 430). Save as disclosed, Mr. Choy did not hold any directorships in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years.

Mr. ZHU Shengli, aged 67, has over 45 years of experience in the government and public services sector in Shandong Province, the PRC. He is acquainted with local government practices pertinent to rules and standards relevant and applicable for business enterprises in the PRC. He also brings considerable experience in the regimes of administration and compliance. Mr. Zhu Shengli was appointed as an INED of the Company at the 2013 AGM held on 10 June 2013.

Mr. HSIEH Ying Min, aged 58, is a Taiwanese. Mr. Hsieh joined the Company in September 2004 and has over 38 years of experience in golf manufacturing industry. He possesses rich knowledge in the manufacturing processes of golf clubs and considerably familiar with the related market and materials. He retired at the 2013 AGM held on 10 June 2013 pursuant to the Company's Bye-laws.

SENIOR MANAGEMENT

Mr. CO Man Kwong, aged 51, is the operations director and company secretary of the Company and is responsible for the financing activity, investors' relation, operations management and strategic planning of the Group. Mr. Co joined the Group in September 2002. Prior to that, he worked in an international accounting firm for over 6 years before joining the commercial field for more than 14 years. Mr. Co graduated from the Hong Kong Polytechnic University and is a fellow member of the Association of Chartered Certified Accountants, the United Kingdom, and the Hong Kong Institute of Certified Public Accountants, respectively.

Ms. LEE May Yee, aged 44, is the senior marketing manager of the Group. Ms. Lee has over 21 years of experience in the golf equipment manufacturing industry. She graduated with a bachelor degree in business administration from the University of Baptist. She joined the predecessor Group in December 1992 and is currently in charge of the marketing functions of the Group.

Mr. HE Xin Hong, aged 50, is the assistant general manager of the Group's production department. He joined the predecessor Group in December 1990 and is currently in charge of the overall production of a golf bag subsidiary. Mr. He has more than 22 years of experience in the golf manufacturing industry.

Mr. HUNG Yi Chuan, aged 51, is the assistant general manager of the Group's production department. He joined the predecessor Group in February 2000 and is currently in-charge of the overall production of a golf equipment subsidiary. Mr. Hung has more than 26 years experience in golf manufacturing industry.

REPORT OF THE DIRECTORS

The directors present their report and the audited consolidated financial statements of the Group for the year ended 31 December 2013.

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 40 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2013 and the state of affairs of the Group at that date are set out on pages 41 to 43 of the annual report.

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

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited consolidated financial statements is set out on page 102 of the annual report. This summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in Note 18 to the consolidated financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year are set out in Notes 33 and 34 to the consolidated financial statements, respectively.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to its existing shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in Note 39 to the consolidated financial statements and in the consolidated statement of changes in equity on page 44, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2013, the Company's reserves available for distribution amounted to HK$52,318,000. In accordance with the Companies Act 1981 of Bermuda, the Company's contributed surplus may be distributed in certain circumstances. In addition, the Company's share premium account, in the amount of HK$102,385,000, may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 92.2% of the total sales for the year and sales to the largest customer included therein amounted to 43.3%. Purchases from the Group's five largest suppliers accounted for less than 30% of the total purchases for the year.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers.

DIRECTORS

The directors of the Company during the year were:

EXECUTIVE DIRECTORS:

Mr. CHU Chun Man, Augustine
Mr. CHU Yuk Man, Simon
Mr. CHANG Hua Jung

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Ms. CHIU Lai Kuen, Susanna
Mr. CHOY Tak Ho
Mr. ZHU Shengli (appointed on 10 June 2013)
Mr. HSIEH Ying Min (retired on 10 June 2013)

In accordance with article 87 of the Company's Bye-laws, Ms. CHIU Lai Kuen, Susanna and Mr. CHOY Tak Ho will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The Company has received annual confirmations of independence from Ms. CHIU Lai Kuen, Susanna, Mr. CHOY Tak Ho and Mr. ZHU Shengli, and as at the date of this report still considers them to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 18 to 19 of the annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors has entered into a service contract with the Company commencing on 1 December 2000 which will continue thereafter unless terminated in accordance with the relevant clauses of the service contracts. These service contracts are exempted from the shareholders' approval requirement under Rule 13.68 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

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

DIRECTORS' REMUNERATION

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

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in Note 38 to the consolidated financial statements, no director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, or any of its holding companies, or subsidiaries was a party during the year.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2013, the interests and short positions of the directors in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

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

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

(i) Of which, 257,315,662 shares of the Company are held by CM Investment Company Limited, a company incorporated in the British Virgin Islands, of which, approximately 78.31% of issued share capital are owned by A & S Company Limited, approximately 9.13% of issued share capital are owned by Mr. Chu Chun Man, Augustine and approximately 0.81% of its issued share capital are owned by Mr. Chu Yuk Man, Simon. A & S Company Limited is a company incorporated in the British Virgin Islands and is owned as to approximately 64% by Mr. Chu Chun Man, Augustine, approximately 21.71% by Mr. Chu Yuk Man, Simon and 14.29% by the estate of another family member. The interests of Mr. Chu Chun Man, Augustine, and Mr. Chu Yuk Man, Simon, in the 257,315,662 shares of the Company therefore duplicate with those of CM Investment Company Limited and A & S Company Limited.

(ii) The remaining 29,758,995 shares of the Company are held by Fortune Belt Limited, a company incorporated in the British Virgin Islands with limited liability, which is beneficially owned as to 62.5% by Mr. Chu Chun Man, Augustine, as to 22.5% by Mr. Chu Yuk Man, Simon and as to 15% by Ms. Chu Irene Ching Yee, the sister of Mr. Chu Chun Man, Augustine and Mr. Chu Yuk Man, Simon. The interests of Mr. Chu Chun Man, Augustine, and Mr. Chu Yuk Man, Simon in the 29,758,995 shares of the Company therefore duplicate with that of Fortune Belt Limited.

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

Name of director	Name of associated corporation	Relationship with the Company	Shares	Number of shares held	Capacity and nature of interest	Percentage of the associated corporation's issued non-voting deferred share capital
Mr. CHU Chun Man, Augustine	Sino Golf Manufacturing Company Limited	Company's subsidiary	Non-voting deferred shares	1,190,607	Directly beneficially owned	30.98%
Mr. CHU Yuk Man, Simon	Sino Golf Manufacturing Company Limited	Company's subsidiary	Non-voting deferred shares	414,297	Directly beneficially owned	10.78%
Mr. CHANG Hua Jung	Sino Golf Manufacturing Company Limited	Company's subsidiary	Non-voting deferred shares	3,600	Directly beneficially owned	0.09%

In addition to the above, a director has non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Group solely for the purpose of complying with the then minimum company membership requirements.

Save as disclosed above, as at 31 December 2013, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed in Note 34 to the consolidated financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, or any of its holding companies or subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

By an ordinary resolution passed at the annual general meeting held on 5 June 2012, the Company had terminated the original share option scheme (the "Original Share Option Scheme") and adopted a new share option scheme (the "New Share Option Scheme") for replacement. The Original Share Option Scheme was adopted since 7 August 2002 which would otherwise have expired on 6 August 2012 if not terminated. There were no options outstanding under the Original Share Option Scheme during the period from 1 January 2012 up to the date of its termination.

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 34 to the consolidated financial statements.

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

	Number of share options			
Date of grant	**Outstanding at 1 January 2013**	**Granted during the year**	**Exercised during the year**	**Outstanding at 31 December 2013**
11 July 2013	–	8,000,000	–	8,000,000

Note: At 31 December 2013 and 2012, no outstanding share option was held by the directors.

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

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

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

At 31 December 2013, the following interests of 5% or more of the issued share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO or as otherwise notified to the Company:

Long Positions:

Name	Notes	**Capacity and nature of interest**	**Number of ordinary shares held**	**Percentage of the Company's issued share capital**
CM Investment Company Limited		Directly beneficially owned	257,315,662	55.93%
A & S Company Limited	(a)	Through a controlled corporation	257,315,662	55.93%
Fortune Belt Limited		Directly beneficially owned	29,758,995	6.47%
Ms. HUNG Tze Nga, Cathy	(b)	Through spouse	296,366,761	64.42%
		Directly beneficially owned	150,000	0.03%
			296,516,761	64.45%

Notes:

(a) The interest disclosed are the shares directly beneficially owned by CM Investment Company Limited. CM Investment Company Limited is held directly as to 78.31% by A & S Company Limited. Accordingly, A & S Company Limited is deemed to be interested in the shares owned by CM Investment Company Limited.

(b) Ms. HUNG Tze Nga, Cathy, is the spouse of Mr. CHU Chun Man, Augustine. Accordingly, Ms. HUNG Tze Nga, Cathy, is deemed to be interested in the shares owned by Mr. CHU Chun Man, Augustine.

Save as disclosed above, as at 31 December 2013, 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.

AUDITORS

Messr. SHINEWING (HK) CPA Limited ("SHINEWING") was appointed auditors of the Company on 24 December 2008 and the consolidated financial statements for the past six years ended 31 December 2013 were audited by SHINEWING.

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

ON BEHALF OF THE BOARD

Chu Chun Man, Augustine
Chairman

Hong Kong
28 March 2014

CORPORATE GOVERNANCE REPORT

The Company recognizes the importance of good corporate governance to its sustained long-term growth and will pursue efforts to identifying and implementing corporate governance practices appropriate to the Company's needs and circumstances.

The Company has complied with all the code provisions of the Corporate Governance Code (the "CG Code") set out under Appendix 14 to the Listing Rules throughout the year ended 31 December 2013, except with the deviations from code provisions A.2.1, A.4.1 and A.6.7 of the CG Code as more fully explained hereinafter. The Company has also put in place certain Recommended Best Practices as set out in the CG Code.

THE BOARD

COMPOSITION OF THE BOARD

At December 2013, the Board comprised six Directors, with three Executive Directors ("ED"s), namely Mr. CHU Chun Man, Augustine (Chairman); Mr. CHU Yuk Man, Simon and Mr. CHANG Hua Jung and three Independent Non-Executive Directors ("INED"s), namely Ms. CHIU Lai Kuen, Susanna; Mr. CHOY Tak Ho and Mr. ZHU Shengli (appointed on 10 June 2013 to take up the vacancy left by a retiring INED, Mr. HSIEH Xing Min). The Board considers that this composition provides a strong independent element with a balance of power and influence between individuals on the Board. The biographies of the Directors are set out on pages 18 to 19 of this annual report under the "BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT" section.

According to clause 87 of the Company's Bye-laws, Ms. CHIU Lai Kuen, Susanna and Mr. CHOY Tak Ho will retire by rotation at the 2014 annual general meeting. Being eligible, both of them will offer themselves for re-election at the 2014 annual general meeting.

In consideration of their devotions and contributions to the Company, the Board recommends the re-appointment of Ms. CHIU Lai Kuen, Susanna and Mr. CHOY Tak Ho who will stand for re-election as INEDs at the 2014 annual general meeting of the Company. Both of them have serviced more than nine years in the Company and the Board considers that they continue to be independent as they have satisfied all the criteria for independence set out in Rule 3.13 of the Listing Rules.

The Company's circular regarding the notice of 2014 annual general meeting contains detailed information of the Directors standing for re-election as INEDs of the Company.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

Mr. CHU Chun Man, Augustine, who acts as the Chairman of the Board, is also responsible for overseeing the general operations of the Group. The Company does not have an office with the title "Chief Executive Officer". The Board believes that vesting the roles of both Chairman and Chief Executive Officer in the same person provides the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies.

The Board considers that the existing structure of vesting the roles of Chairman and Chief Executive Officer in the same person will not impair the balance of power and authority between the Board and the management of the Company. The Company considers there is no need for appointing a "Chief Executive Officer" at the present stage.

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

Although the INEDs of the Company have not been appointed for specific terms, they are required by the Company's Bye-laws to retire by rotation once every three years and subject to re-election at the Company's annual general meeting. Any new director appointed to fill a casual vacancy shall also be subject to re-election by shareholders at the first general meeting after appointment.

The INEDs of the Company are all experienced with expertise in the related industry or financial aspects who provide valuable advice to the Board, including advice on corporate governance related matters under no undue influence.

The Company has received confirmations of independence from each of the INEDs. The Board considers each of the INEDs to be independent by reference to the factors as set out in Rule 3.13 of the Listing Rules. The INEDs have been identified in all corporate communications that disclose the names of Directors.

ROLES AND RESPONSIBILITIES OF THE BOARD

The Board is responsible for the leadership and control of the business operations of the Group including the corporate governance function. Decisions made are driven for the best interests of the shareholders of the Company by maximizing shareholders' wealth. The Directors formulate strategic directions, oversee the operations and monitor the financial and management performance of the Group as a whole.

The Board of the Company is responsible for performing the corporate governance duties as set out under code provision D.3.1 of the CG Code. During the year, the Directors have met to discuss, monitor and deal with the corporate governance matters through the Board meetings, which included a review of (i) the appropriateness of the policies and practices on corporate governance; (ii) the status of training and continuous professional development of the Directors and senior management; (iii) the adequacy of the policies and practices on compliance with legal and regulatory requirements; (iv) the code of conduct and its compliance by the employees; and (v) the proper compliance with the CG Code and disclosures in the Corporate Governance Report. Relevant and necessary updates and amendments have been made to ensure a proper standard of the corporate governance practices was in place.

DELEGATION TO THE MANAGEMENT

The management, consisting of EDs along with other senior management of the Group, is delegated with the responsibilities to carry out policies set by the Board from time to time and supervises the day-to-day management of the Group. The management of the Group meets regularly to review the business performance of the Group as a whole, co-ordinate overall resources and make financial and operational decisions.

The Board has delegated some of its functions to the board committees. Matters specifically reserved for the Board's decision include:

- long-term objectives and strategies of the Group;
- material change in or extension of group activities into new business areas;
- preliminary announcements of interim and final results;
- dividends;
- material banking facilities;

- material acquisitions and disposals of assets and/or business;
- annual assessment of the effectiveness of the internal controls;
- appointment of members to the Board; and
- other matters of significance, which the management submits for the Board's consideration and decision.

BOARD DIVERSITY POLICY

The Company has formulated and adopted the board diversity policy ("Board Diversity Policy") in August 2013 for compliance with the Code provision of the Listing Rules concerning the diversity of board members which became effective on 1 September 2013.

The Board recognizes the importance of having a diverse Board in enhancing the Board effectiveness and corporate governance. A truly diverse Board should 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 2013 on Directors' training requirement. During the year, the Directors have participated in continuous professional development by attending seminars, in-house briefings or reading materials on the related areas to develop and refresh their knowledge and skills. Records of Directors' trainings during the year were kept by the Company.

DIRECTORS' INSURANCE

The Company has arranged for appropriate liability insurance for the Directors and officers of the Group for indemnifying their liabilities arising from corporate activities. The insurance coverage is reviewed on an annual basis..

DIRECTORS' ATTENDANCE RECORD

The attendance of each Director at the Board meetings, Audit Committee meetings, Remuneration Committee meeting, Nomination Committee meeting and the annual general meeting ("AGM") of the Company held during the year is set out in the following table:

Meetings Held During the Year

	Board	Audit Committee	Remuneration Committee	Nomination Committee	AGM
Executive Directors					
Mr. CHU Chun Man, Augustine	9/9	N/A	3/3	1/1	1/1
Mr. CHU Yuk Man, Simon	7/9	N/A	2/3	1/1	1/1
Mr. CHANG Hua Jung	9/9	N/A	N/A	N/A	1/1
Independent Non-Executive Directors					
Ms. CHIU Lai Kuen, Susanna	7/9	2/2	3/3	1/1	1/1
Mr. CHOY Tak Ho	7/9	2/2	3/3	1/1	1/1
Mr. ZHU Shengli (Note)	5/7	1/1	1/2	not yet joined	1/1
Mr. HSIEH Ying Min (Note)	1/2	1/1	1/1	1/1	0/1
Total number of meetings held	9	2	3	1	1

Note:

Mr. HSIEH Ying Min retired at the 2013 AGM of the Company held on 10 June 2013 and he did not offer himself for re-election due to personal future career planning. The vacancy was taken up by Mr. ZHU Shengli who was elected as an INED at the 2013 AGM of the Company.

INEDs and other NEDs (if any) should attend the general meetings pursuant to code provision A.6.7 of the CG Code. Due to prior business engagement, Mr. HSIEH Ying Min, an INED and the chairman of the Remuneration Committee of the Board, could not attend the Company's AGM held on 10 June 2013 but he had delegated to the Company Secretary to attend and act for his behalf at the AGM for sake of good corporate governance practice.

BOARD MEETINGS AND PROCEEDINGS

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

With the assistance of the Company Secretary, the meeting agenda is set by the Chairman of the Board meetings in consultation with other Board members. Board meeting notice was sent to the Directors at least 14 days prior to each regular Board meeting. Draft and final versions of the minutes of Board meetings and Board committee meetings, drafted in sufficient details by the secretary of the meetings, were circulated to the Directors for their comment and record respectively. Originals of such minutes, being kept by the Company Secretary, are open for inspection at any reasonable time on reasonable notice by any Director.

If a Director has conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the Director will abstain from voting on the relevant Board resolution in which he/she or any of his/her associates have a material interest and he/she shall not be counted in the quorum present at the Board meeting.

BOARD COMMITTEES

To assist the Board in execution of its duties and facilitate effective management, certain functions of the Board have been delegated by the Board to the Audit Committee, Remuneration Committee and Nomination Committee.

The majority of the members of the Remuneration Committee and Nomination Committee and all members of the Audit Committee are INEDs. All board committees are formed with specific written terms of reference which deal clearly with their authorities and duties. Details of the Board Committees are set out below:

1. AUDIT COMMITTEE

During the year ended 31 December 2013, the Audit Committee consisted of three INEDs, namely Ms. CHIU Lai Kuen, Susanna (Chairman of the Committee), Mr. CHOY Tak Ho, Mr. ZHU Shengli (appointed on 10 June 2013) and Mr. HSIEH Ying Min (retired on 10 June 2013). 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 auditors before submission to the Board.

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

(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 2013, the Audit Committee performed the duties and responsibilities under its terms of reference and other duties under the CG Code applicable during the year. A summary of work performed by the Audit Committee during the year included the followings:

(a) It has reviewed with the senior management, the accounting and finance officers and the external auditors the accounting principles and practices adopted by the Group, the accuracy and fairness of the 2012 annual report and annual results announcement and the 2013 interim report and interim results announcement with a recommendation to the Board for approval.

(b) It has met twice with the external auditors to discuss and review their work and findings relating to the review of results; the internal control and risk management review, and the effectiveness of the audit process for the year of 2012 and the 2013 interim review.

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

(d) It has reviewed the audit plan for the financial year ended 31 December 2013, assessed the external auditors' independence, approved the engagement of external auditors and recommended the Board on the re-appointment of external auditors.

2. *REMUNERATION COMMITTEE*

During the year ended 31 December 2013, the Remuneration Committee consisted of two EDs, namely Mr. CHU Chun Man, Augustine and Mr. CHU Yuk Man, Simon and three INEDs, namely Mr. ZHU Shengli (Chairman of the Committee and appointed on 10 June 2013); Mr. CHOY Tak Ho, Ms. CHIU Lai Kuen, Susanna and Mr. HSIEH Ying Min (retired on 10 June 2013). The specific written terms of reference of the Remuneration Committee is available on the Company's website.

The primary objectives of the Remuneration Committee include making recommendations on and approving the remuneration policy and structure and remuneration packages of the Directors and the senior management. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

The Remuneration Committee normally meets towards the end of each year for reviewing the remuneration policy and structure and determination of the annual remuneration packages of the Directors and the senior management and other related matters. The Human Resources Department is responsible for collection and administration of the human resources data and making recommendations to the Remuneration Committee for consideration. The Remuneration Committee shall consult the Chairman of the Company about these recommendations on remuneration policy and structure and remuneration packages.

The Remuneration Committee met three times during the year ended 31 December 2013 to (i) review the remuneration policy and structure of the Company; (ii) confirm, approve and ratify the remuneration packages of the Directors and the senior management for the year under review; and (iii) approve the granting of 8,000,000 share options to certain employees of the Group pursuant to the Company's Share Option Scheme.

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	
	2013	2012
Nil to HK$1,000,000	**3**	3
HK$1,000,000 - HK$1,500,000	**1**	1
	4	4

3. *NOMINATION COMMITTEE*

During the year ended 31 December 2013, there were five members of the Nomination Committee of which two members are EDs namely Mr. CHU Chun Man, Augustine (Chairman of the Committee) and Mr. CHU Yuk Man, Simon and three INEDs, namely, Ms. CHIU Lai Kuen, Susanna; Mr. CHOY Tak Ho; Mr. ZHU Shengli (appointed on 10 June 2013) and Mr. HSIEH Ying Min (retired on 10 June 2013). The specific terms of reference of the Nomination Committee is available on the Company's website.

The primary duties of the Nomination Committee are:

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

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

(c) to assess the independence of INEDs;

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

(e) to make recommendations to the Board on any proposed changes to the Board or selection of individual nominated for directorships, or on appointment or re-appointment of Directors.

Where vacancies on the Board exist, the Nomination Committee will carry out the selection process by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of the proposed candidates, the Company's needs and other relevant statutory requirements and regulations. An external recruitment agency may be engaged to carry out the recruitment and selection process when necessary. The selected candidate will be recommended to the Board for appointment.

The Nomination Committee met once during the year ended 31 December 2013 to (i) review the structure, size and composition of the Board; (ii) assess the independence of all INEDs of the Company; and (iii) nominate Mr. ZHU Shengli for appointment as an INED of the Company and another retiring Director for re-election at the 2013 AGM of the Company.

SECURITIES TRANSACTION OF DIRECTORS

The Company has adopted the Model Code for Securities Transactions of Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiry to all Directors, all of them confirmed that they have complied with the required standard of dealings and the code of conduct throughout the year ended 31 December 2013.

ACCOUNTABILITY AND AUDIT

The Directors acknowledge that it is their responsibilities to prepare the 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 financial statements on a "going concern" basis in accordance with the statutory requirement and relevant financial reporting standards. The auditors' responsibilities are stated in the section "INDEPENDENT AUDITOR'S REPORT" of the Company's annual report.

The management has provided the Directors with monthly updates and extracts of the Company's management accounts information so as to enable the Directors to make a balanced and understandable assessment of the Company's performance, position and prospects.

INTERNAL CONTROLS

The Board acknowledges its responsibility for maintaining and reviewing the effectiveness of the Group's internal control system. The internal control system is implemented to manage, rather than eliminate, the risks to which the Group is exposed and used as a management tool for the day-to-day operation of business. The system therefore serves to provide reasonable but not absolute assurance against material misstatements, losses and fraud.

The Board has delegated to the management which is primarily responsible for the design, implementation and maintenance of the internal control system to safeguard the shareholders' interest and the assets of the Group. Budgets, forecasts and variance reports are prepared for management review. The management monitors the business activities closely and reviews results of operations against budgets and forecasts.

Proper controls are put in place for safeguarding assets and recording of complete, accurate and timely accounting and management information. These are reviewed periodically by management to ensure proper compliance. Regular audits are carried out to ensure that the financial statements are prepared in accordance with generally accepted accounting principles, the Group's policies and applicable laws and regulations.

The internal audit personnel are responsible for carrying out risk assessment and internal audit work on selected areas and will report their findings and irregularities, if any, to the management and advise on necessary steps for rectification and improvements. The recommendations were reviewed with action plans approved by the Audit Committee or the Board.

Same as in prior years, the Board has engaged the external professional advisor to assist the Audit Committee to understand and assess the effectiveness of the internal control system of the Group for the year. Their approach of the review included conducting interviews with relevant management and staff members, reviewing relevant documentation of the internal control system and evaluating findings on any deficiencies in the design of the internal controls and developing recommendations for improvement, where appropriate. The scope and findings of their review had been reported to and reviewed by the Audit Committee and the Board.

The following policies and procedures are also in place to enhance and strengthen the internal control system:

(a) the policy regarding procedures and internal controls for the handling and dissemination of Inside Information has been adopted to ensure that Inside Information which comes to the knowledge of any one or more officers should be promptly identified, assessed and escalated for the attention of the Board to assess and decide about the need for disclosure in compliance with the requirement of the SFO;

(b) appropriate policies and practices on the compliance with the applicable legal and regulatory requirements which will be reviewed and monitored by the Board and Audit Committee regularly;

(c) a whistle-blowing policy for employees of the Group to raise concerns, in confidence, about possible improprieties in financial reporting, internal control or other matters to his/her immediate supervisor or department head or other senior officers who would report the case directly to the Audit Committee or the Board for further investigations, if necessary.

With the assistance of the external professional adviser, SHINEWING Risk Services Limited, the Board has conducted a review on the effectiveness of internal control system of the Group including financial, operational, compliance controls, risk management functions and the adequacy of resources, qualifications and experience of staff of the accounting and financial reporting functions, and their training programmes and budgets for the year. The Board considered that the Group's internal control system is effective and adequate and the Company has complied with the code provisions on the internal control aspects in general.

COMMUNICATION WITH SHAREHOLDERS

The Company has maintained an on-going dialogue with shareholders. A policy regarding the communications with shareholders was established and will be reviewed on a regular basis to ensure its effectiveness. Information is communicated to shareholders and the investment community mainly through:

- releases to the Stock Exchange in compliance with the continuous disclosure obligations;
- publications on the Company's website;
- interim and annual reports;
- circulars, announcements and notices of shareholder meetings;
- annual general meeting ("AGM") and special general meeting as convened from time to time as appropriate; and
- briefings and presentations as appropriate.

Separate resolutions are proposed at the general meetings on each substantially separate issue, including the re-election of retiring Directors. Notice of 2014 AGM will be sent to shareholders at least twenty clear business days before the meeting.

The Chairman of the Board, the Chairman of the Audit Committee and the external auditors had attended the AGM of the Company held on 10 June 2013 to answer questions raised from the shareholders. The procedures for voting by poll were explained at the commencement of the meeting. The chairman of the meeting has demanded poll on each and every resolution put to the vote in the 2013 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 6 June 2014 and will be conducted by way of poll for resolutions put to the vote thereat.

SHAREHOLDERS' RIGHTS

Set out below is a summary of certain rights of the shareholders as required to be disclosed pursuant to the CG Code.

PROCEDURES FOR SHAREHOLDERS TO CONVENE A SPECIAL GENERAL MEETING

Pursuant to the Company's Bye-laws, the Board may whenever it thinks fit call special general meetings (i.e. general meetings other than annual general meetings), and shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty one days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda.

PROCEDURES FOR PROPOSING A PERSON FOR ELECTION AS A DIRECTOR

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

ENQUIRES FROM SHAREHOLDERS

Shareholders should direct their enquiries about their shareholdings to the Company's share registrar, Tricor Tengis Limited. Other shareholders' enquiries can be directed to the Company of which contact details are stated in the website of the Company.

CONSTITUTIONAL DOCUMENTS

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

AUDITOR'S INDEPENDENCE AND REMUNERATION

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

The remuneration paid/payable to the auditors of the Company in respect of audit services and non-audit services for the year ended 31 December 2013 amounted to HK$900,000 and HK$180,000, respectively.

INVESTOR RELATIONS

The Company keeps on promoting investor relations and enhancing communication with the shareholders and potential investors. It welcomes suggestions from investors, stakeholders and the public who may contact the Company by phone on (852) 2375 5238 during normal business hours, by fax at (852) 2375 5988 or by e-mail at sinogolfinfo@sinogolf.com.

INDEPENDENT AUDITOR'S REPORT

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

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

We have audited the consolidated financial statements of Sino Golf Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 41 to 101, which comprise the consolidated statement of financial position as at 31 December 2013, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2013, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

Hong Kong
28 March 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Turnover	9	**434,087**	272,113
Cost of sales		**(358,453)**	(240,174)
Gross profit		**75,634**	31,939
Other operating income	9	**1,553**	1,986
Selling and distribution expenses		**(3,131)**	(2,615)
Administrative expenses		**(48,727)**	(41,143)
Finance costs	11	**(9,328)**	(8,475)
Profit (loss) before tax		**16,001**	(18,308)
Income tax expense	12	**(2,348)**	(252)
Profit (loss) for the year	13	**13,653**	(18,560)
Profit (loss) for the year attributable to:			
Owners of the Company		**13,661**	(18,531)
Non-controlling interests		**(8)**	(29)
		13,653	(18,560)
Earnings (loss) per share	14		
Basic		**HK$2.97 cents**	(HK4.03 cents)
Diluted		**HK$2.97 cents**	(HK4.03 cents)
Profit (loss) for the year		**13,653**	(18,560)
Other comprehensive income (expenses)			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation		**2,043**	(5,928)
Items that may not be reclassified subsequently to profit or loss:			
Loss on revaluation of leasehold land and buildings		**–**	(362)
Deferred tax relating to leasehold land and buildings under revaluation model		**90**	91
Other comprehensive income (expenses), net of income tax		**2,133**	(6,199)
Total comprehensive income (expenses) for the year		**15,786**	(24,759)
Total comprehensive income (expenses) for the year attributable to:			
Owners of the Company		**15,794**	(24,730)
Non-controlling interests		**(8)**	(29)
		15,786	(24,759)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Non-current assets			
Property, plant and equipment	18	**205,300**	204,318
Prepaid lease payments	19	**10,297**	10,398
Goodwill	20	**14,820**	14,820
Club debentures	21	**3,397**	2,135
Deposits and other receivables	22	**844**	514
Prepayments for the acquisition of property, plant and equipment		**1,643**	332
		236,301	232,517
Current assets			
Inventories	23	**173,247**	161,718
Trade and other receivables	24	**52,071**	61,871
Prepaid lease payments	19	**368**	358
Bank balances and cash	25	**26,241**	13,958
		251,927	237,905
Assets classified as held for sale	26	**7,776**	7,581
		259,703	245,486
Current liabilities			
Trade and other payables	27	**65,936**	48,419
Amounts due to non-controlling shareholders of a subsidiary	28	**462**	462
Tax payable		**2,518**	170
Bank borrowings	29	**108,704**	126,938
Obligations under finance leases	30	**712**	681
Amount due to a director	28	**10,142**	–
Loan from immediate holding company	31	**–**	6,162
		188,474	182,832
Net current assets		**71,229**	62,654
Total assets less current liabilities		**307,530**	295,171
Non-current liabilities			
Bank borrowings	29	**–**	3,356
Obligations under finance leases	30	**368**	1,080
Deferred taxation	32	**2,309**	2,399
		2,677	6,835
		304,853	288,336

At 31 December 2013

	Note	**2013 HK$'000**	2012 HK$'000
Capital and reserves			
Share capital	33	**46,005**	46,005
Reserves		**256,447**	239,922
Equity attributable to owners of the Company		**302,452**	285,927
Non-controlling interests		**2,401**	2,409
Total equity		**304,853**	288,336

The consolidated financial statements on pages 41 to 101 were approved and authorised for issue by the board of directors on 28 March 2014 and are signed on its behalf by:

Chu Chun Man, Augustine
Director

Chu Yuk Man, Simon
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	Attributable to owners of the Company												
	Share capital HK$'000	Share premium HK$'000	Share options reserve HK$'000	Other reserve HK$'000 (Note i)	Contributed surplus HK$'000 (Note ii)	Legal reserve HK$'000 (Note iii)	Assets revaluation reserve HK$'000	Statutory surplus reserve HK$'000 (Note iv)	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2012	46,005	102,385	–	4,281	10,564	48	25,534	17	40,923	80,900	310,657	2,438	313,095
Loss for the year	–	–	–	–	–	–	–	–	–	(18,531)	(18,531)	(29)	(18,560)
Other comprehensive expenses for the year	–	–	–	–	–	–	(271)	–	(5,928)	–	(6,199)	–	(6,199)
Total comprehensive expenses for the year	–	–	–	–	–	–	(271)	–	(5,928)	(18,531)	(24,730)	(29)	(24,759)
Disposal of leasehold land and buildings	–	–	–	–	–	–	(6,206)	–	–	6,206	–	–	–
At 31 December 2012	46,005	102,385	–	4,281	10,564	48	19,057	17	34,995	68,575	285,927	2,409	288,336
Profit for the year	–	–	–	–	–	–	–	–	–	13,661	13,661	(8)	13,653
Other comprehensive income for the year	–	–	–	–	–	–	90	–	2,043	–	2,133	–	2,133
Total comprehensive income for the year	–	–	–	–	–	–	90	–	2,043	13,661	15,794	(8)	15,786
Release of deemed contribution by immediate holding company arising from non-interest bearing loan	–	–	–	(4,281)	–	–	–	–	–	4,281	–	–	–
Effect of share options	–	–	731	–	–	–	–	–	–	–	731	–	731
At 31 December 2013	46,005	102,385	731	–	10,564	48	19,147	17	37,038	86,517	302,452	2,401	304,853

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

Note ii: The Group's contributed surplus represents the difference between the nominal value of the shares and the share premium account of the subsidiaries acquired over the nominal value of the Company's shares issued in exchange therefor.

Note iii: In accordance with the Macau Commercial Code, the Company's subsidiary incorporated in Macau is required to appropriate 25% of its net profit to a legal reserve until the balance of the reserve reaches 50% of its respective Company's registered capital. The legal reserve is not distributable to shareholders.

Note iv: As stipulated by regulations in the People's Republic of China (the "PRC"), certain subsidiaries in the PRC are required to appropriate 10% of their after-tax profit (after offsetting prior year losses) to a statutory surplus reserve fund until the balance of the fund reaches 50% of its registered capital and thereafter any further appropriation is optional. The statutory surplus reserve fund can be utilised to offset prior year losses, or for conversion into registered capital on the condition that the statutory surplus reserve fund shall be maintained at a minimum of 25% of the registered capital after such utilisation.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	2013 HK$'000	2012 HK$'000
OPERATING ACTIVITIES		
Profit (loss) for the year	**16,001**	(18,308)
Adjustments for:		
Finance costs	**9,328**	8,475
Interest income	**(133)**	(259)
Depreciation of property, plant and equipment	**15,950**	20,144
Amortisation of prepaid lease payments	**368**	397
Bad debts directly written off on trade receivables	**1**	258
Share-based payment expenses	**731**	–
Deemed loss on early repayment of loan from immediate holding company	**501**	–
Loss on disposal or written off of property, plant and equipment	**514**	867
Loss on written off of prepayment for acquisition of property, plant and equipment	**332**	–
Operating cash flows before movements in working capital	**43,593**	11,574
(Increase) decrease in inventories	**(11,529)**	188
Decrease in trade and other receivables	**9,799**	4,702
(Increase) decrease in deposit and other receivables	**(330)**	363
Increase (decrease) in trade and other payables	**14,048**	(3,244)
Cash generated from operations	**55,581**	13,583
Enterprise Income Tax paid	**–**	(252)
NET CASH FROM OPERATING ACTIVITIES	**55,581**	13,331
INVESTING ACTIVITIES		
Interest received	**133**	259
Proceeds on disposal of property, plant and equipment	**26**	16,406
Purchase of property, plant and equipment	**(12,327)**	(8,252)
Prepayments for acquisition of property, plant and equipment	**(1,643)**	(332)
Purchase of a club debenture	**(1,262)**	–
Withdrawal of bank deposits	**–**	61
NET CASH (USED IN) FROM INVESTING ACTIVITIES	**(15,073)**	8,142
FINANCING ACTIVITIES		
Repayments of bank borrowings	**(102,339)**	(93,578)
Interest and factoring charges paid	**(9,562)**	(7,700)
Repayment to immediate holding company	**(5,589)**	(18,467)
Repayments of obligations under finance leases	**(681)**	(653)
New bank loans raised	**80,769**	85,000
Advance from a director	**9,013**	–
Repayment to ultimate holding company	**–**	(11,524)
NET CASH USED IN FINANCING ACTIVITIES	**(28,389)**	(46,922)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**12,119**	(25,449)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**12,938**	37,954
Effect of foreign exchange rate changes		**184**	433
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**25,241**	12,938
ANALYSIS OF CASH AND CASH EQUIVALENTS:			
Bank balances and cash	25	**26,241**	13,958
Bank overdrafts	29	**(1,000)**	(1,020)
		25,241	12,938

1. GENERAL

Sino Golf Holdings Limited (the "Company") was incorporated as an exempted company with limited liability in Bermuda under the Bermuda Companies Act. The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). In the opinion of the directors of the Company, the immediate holding company of the Company is CM Investment Company Limited which is incorporated in the British Virgin Islands ("BVI") and the ultimate holding company is A & S Company Limited which is incorporated in the BVI.

The addresses of the registered office and the principal place of business of the Company are disclosed in the "Corporate Information" of the annual report.

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

The principal activities of the Company is investment holding and the principal activities of its subsidiaries are set out in Note 40.

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

The Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
HK (IFRIC)* – Interpretation ("Int") 20	Stripping Costs in the Production Phase of a Surface Mine

* IFRIC represents the International Financial Reporting Interpretation Committee.

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

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

AMENDMENTS TO HKAS 1 PRESENTATION OF ITEMS OF OTHER COMPREHENSIVE INCOME

The amendments to HKAS 1 introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a "statement of comprehensive income" is renamed as a "statement of profit or loss and other comprehensive income". The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

AMENDMENTS TO HKFRS 7 DISCLOSURES – OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group has applied the amendments to HKFRS 7 for the first time in the current year. The amendments to HKFRS 7 require entities to disclose information about recognised financial instruments that are set off in accordance with HKAS 32 Financial Instruments: Presentation and recognised financial instruments that are subject to an enforceable master netting agreement or similar agreement, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

The amendments to HKFRS 7 have been applied retrospectively. As the Group does not have any offsetting arrangements or any master netting agreements in place, the application of the amendments has had no material impact on the disclosures or on the amounts recognised in the consolidated financial statements.

NEW AND REVISED STANDARDS ON CONSOLIDATION AND DISCLOSURES

In the current year, the Group has applied for the first time HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (revised 2011) and HKAS 28 (revised 2011) together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding the transitional guidance. HKAS 27 (revised 2011) is not applicable to the Group as it deals only with separate financial statements.

The impact of the application of these standards is set out below.

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

NEW AND REVISED STANDARDS ON CONSOLIDATION AND DISCLOSURES (CONTINUED)

IMPACT ON THE APPLICATION OF HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and HK (SIC)-Int 12 Consolidation – Special Purpose Entities. HKFRS 10 changes the definition of control such that an investor controls an investee when (a) it has power over an investee, (b) it is exposed or has rights, to variable returns from its involvement with the investee and (c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

As a result of the initial application of HKFRS 10, the directors of the Company made an assessment whether the Group has control over its investees at the date of initial application and concluded that the application of HKFRS 10 does not result in any change in control conclusion.

NEW AND REVISED HKFRSs ISSUED BUT NOT YET EFFECTIVE

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[2]
HKFRS 9	Financial Instruments[3]
HKFRS 14	Regulatory Deferral Accounts[4]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
Amendments to HKAS 19	Defined Benefit Plans – Employee Contributions[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
HK(IFRIC) – Int 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.
2 Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.
3 HKFRS 9, as amended in December 2013, amended the mandatory effective date of HKFRS 9. The mandatory effective date is not specified in HKFRS 9 but will be determined when the outstanding phases are finalised. However, early application of HKFRS 9 is permitted.
4 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

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

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

ANNUAL IMPROVEMENTS TO HKFRSs 2010-2012 CYCLE

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

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

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

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

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

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

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

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

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

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

ANNUAL IMPROVEMENTS TO HKFRSs 2011-2013 CYCLE

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

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

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

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

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

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

HKFRS 9 FINANCIAL INSTRUMENTS

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, HKFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements.

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

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

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

HKFRS 9 FINANCIAL INSTRUMENTS (CONTINUED)

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss ("FVTPL"), HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as FVTPL was presented in profit or loss.

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

The effective date of HKFRS 9 is not yet determined. However, earlier application is permitted.

The directors of the Company anticipate that the adoption of HKFRS 9 in the future may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

AMENDMENTS TO HKAS 32 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKAS 32 are effective for annual periods beginning on or after 1 January 2014 with early application permitted and require retrospective application.

The directors of the Company anticipate that the application of the amendments to HKAS 32 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

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

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

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

The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit ("CGU") to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments to HKAS 36 require disclosures on additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal. If the recoverable amount is fair value less costs of disposal, an entity shall disclose the level of the fair value hierarchy within which the fair value measurement of the asset or CGU is catergorised in its entirety. The Group is required to make additional disclosures for Level 2 and Level 3 of the fair value hierarchy:

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

The amendments to HKAS 36 are effective for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided HKFRS 13 is also applied, and require retrospectively application.

The directors of the Company anticipate that the application of the amendments to HKAS 36 may result in additional disclosures being made with regard to the impairment assessment on non-financial assets.

The directors of the Company anticipate that the application of other new and revised 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 certain leasehold land and buildings that are measured at revalued amounts, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(A) 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 transactions and events in similar circumstances, appropriate adjustments are made to that subsidiary's financial statements in preparing the consolidated financial statements to ensure conformity with the Group's accounting policies.

Control is achieved where 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 returns. When the Group has less than a majority of the voting rights of an investee, power over the investee may be obtained through: (i) a contractual arrangement with other vote holders; (ii) rights arising from other contractual arrangements; (iii) the Group's voting rights and potential voting rights; or (iv) a combination of the above, based on all relevant facts and circumstances.

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

Consolidation of a subsidiary begins when the Company obtains control of the subsidiary and cease when the Group loses control of the subsidiary.

Income and expenses of subsidiaries are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income of subsidiaries are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

ALLOCATION OF TOTAL COMPREHENSIVE INCOME (EXPENSES) TO NON-CONTROLLING INTERESTS

Total comprehensive income and expenses of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this result in the non-controlling interests has a deficit balances.

(B) INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are included in the Company's statement of financial position at cost less any identified impairment loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(C) GOODWILL

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

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

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

(D) PROPERTY, PLANT AND EQUIPMENT

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

Leasehold land and buildings held for use in the production or supply of goods are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and any subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in carrying amount of an asset 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 in profit or 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 amount accumulated in Assets revaluation reserve.

The assets revaluation reserve in respect of an item of property, plant and equipment stated at revaluated amount is transferred directly to retained earnings when it is realised on retirement or disposal and as the asset is used by the Group in which the amount transferred is calculated at the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost.

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

(D) PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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

(E) PREPAID LEASE PAYMENTS

Payment for obtaining land use rights is considered as operating lease payment. Land use rights are stated at cost less accumulated amortisation and accumulated impairment losses. 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.

(F) CLUB DEBENTURES

Club debentures are carried at cost less accumulated impairment losses, if any.

(G) INVENTORIES

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

(H) FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

FINANCIAL ASSETS

The Group's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(H) FINANCIAL INSTRUMENTS (CONTINUED)

FINANCIAL ASSETS (CONTINUED)

EFFECTIVE INTEREST METHOD

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

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

LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including deposits and other receivables, trade and other receivables, amounts due from subsidiaries, and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment losses (see accounting policy on impairment loss on financial assets below).

IMPAIRMENT OF FINANCIAL ASSETS

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For all financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market prepayment for acquisition of plant, property and equipment for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of and observable changes in national or local economic conditions that correlate with default on receivables.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(H) FINANCIAL INSTRUMENTS (CONTINUED)

FINANCIAL ASSETS (CONTINUED)

IMPAIRMENT OF FINANCIAL ASSETS (CONTINUED)

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

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

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

FINANCIAL LIABILITIES AND EQUITY INSTRUMENTS

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

The Group's financial liabilities are classified into other financial liabilities.

OTHER FINANCIAL LIABILITIES

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

EFFECTIVE INTEREST METHOD

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

Interest expense is recognised on an effective interest basis.

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 are recognised at the proceeds received, net of direct issue costs.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(H) FINANCIAL INSTRUMENTS (CONTINUED)

FINANCIAL LIABILITIES AND EQUITY INSTRUMENTS (CONTINUED)

FINANCIAL GUARANTEE CONTRACTS

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts issued by the Company are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of: (i) the amount of obligation under the contract, as determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation in accordance with the revenue recognition policy.

TRANSACTIONS WITH OWNERS

The Group applies a policy of treating loans from shareholders as transactions between owners in their capacity as owners. No gain or loss is recognised in the profit or loss from the non-interesting bearing loans. Any deemed contribution from the shareholder arising from the non-interest bearing loan is recognised directly in the consolidated statement of changes in equity.

DERECOGNITION

A financial asset is derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

The Group derecognises financial liability when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(I) CASH AND CASH EQUIVALENTS

Bank balances and cash in the consolidated statement of financial position comprise cash at bank and on hand and short-term deposits with a maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalent consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

(J) NON-CURRENT ASSETS HELD FOR SALE

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets and disposal groups classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs of disposal.

(K) PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

(L) IMPAIRMENT LOSSES ON ASSETS OTHER THAN GOODWILL (SEE THE ACCOUNTING POLICIES IN RESPECT OF GOODWILL ABOVE)

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

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)

(L) IMPAIRMENT LOSSES ON ASSETS OTHER THAN GOODWILL (SEE THE ACCOUNTING POLICIES IN RESPECT OF GOODWILL ABOVE) (CONTINUED)

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

When an impairment loss subsequently reverses, the carrying amount of the asset (or a CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a CGU) 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 impairment loss is treated as a revaluation decrease under that standard.

(M) REVENUE RECOGNITION

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

I) SALES OF GOODS

Revenue from sales of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

– the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

– the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

– the amount of revenue can be measured reliably;

– it is probable that the economic benefits associated with the transaction will flow to the Group; and

– the cost incurred or to be incurred in respect of the transaction can be measured reliably.

Deposits and instalments from purchasers prior to meeting the above criteria on revenue recognition are included in the consolidated statement of financial position under current liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(M) REVENUE RECOGNITION (CONTINUED)

II) INTEREST INCOME

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

III) SERVICE INCOME

Service income is recognised when services are provided.

(N) LEASING

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

THE GROUP AS LESSEE

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

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.

(O) 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.

(P) RESEARCH AND DEVELOPMENT COSTS

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

(Q) 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)

(R) 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 assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition 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.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(S) 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 carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated in equity and will be reclassified from equity to profit or loss on disposal of the foreign operation.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange fluctuation reserve (attributable to non-controlling interests as appropriate).

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in equity under the heading of exchange fluctuation reserve.

(T) SHARE-BASED PAYMENT TRANSACTIONS

SHARE OPTIONS GRANTED TO EMPLOYEES

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(U) FAIR VALUE MEASUREMENT

When measuring fair value except for the Group's value in use of CGU 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. Specifically, the Group categorised the fair value measurements into three levels, based on the characteristics of inputs, as follow:

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

Level 2 – Valuation techniques 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. 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 estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. 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.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

IMPAIRMENT OF GOODWILL

Determining whether goodwill is impaired requires an estimation of the value in use of the CGUs to which goodwill has been allocated. The value in use calculation requires the directors of the Company to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. Details of impairment testing on goodwill are set out in Note 20. As at 31 December 2013, the carrying amount of goodwill was approximately HK$14,820,000 (2012: HK$14,820,000).

FAIR VALUE OF SHARE OPTIONS

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

FAIR VALUE OF FINANCIAL GUARANTEE LIABILITIES

The directors of the Company use their judgements in selecting an appropriate valuation technique to determine fair value of the financial guarantee liabilities which are not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. The fair values of these financial guarantee liabilities are reassessed at the end of each reporting period with movement to the consolidated statement of profit or loss and other comprehensive income. In estimating the fair values of these financial guarantee liabilities, the Company uses independent valuations which are based on various inputs and estimates with reference to the input of subjective assumptions and adjusted for specific features of the instrument. If the inputs and estimates applied in the model or the valuation model are different, the carrying amounts of these derivative financial liabilities will be changed. As at 31 December 2013, the carrying values of the financial guarantee liabilities of the Company and was approximately HK$146,000 (2012: HK$277,000). The directors of the Company believe that the chosen valuation techniques and assumptions are appropriate in determining the fair values of these financial instruments.

IMPAIRMENT LOSS RECOGNISED IN RESPECT OF PROPERTY, PLANT AND EQUIPMENT

At the end of the reporting period, the directors of the Company reviewed the carrying amounts of its property, plant and equipment of approximately HK$205,300,000 (2012: HK$204,318,000) to identify if there is indication that those assets may suffer an impairment loss. Accordingly, the recoverable amounts of the assets are estimated in order to determine the extent of the impairment loss. The estimates of the recoverable amounts of the assets require the use of assumptions such as cash flow projections and discount rates. No impairment was recognised as at 31 December 2013 (2012: Nil).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

NET REALISABLE VALUE OF INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs to make the sale. The cost of inventories is written down to the net realisable value when there is objective evidence that the cost of inventories may not be recoverable. The amount written off to the consolidated statement of profit or loss and other comprehensive income is the difference between the carrying value and net realisable value of inventories. In determining whether the cost of inventories can be recovered, significant judgment is required. In making this judgment, the directors of the Company evaluates, amongst other factors, the duration, extent and means by which the amount will be recovered. These estimates are based on the current market and past experience in sales of similar products. It could change significantly as a result of changes in customer preferences and competitor actions in response to changes in market condition. At 31 December 2013, the carrying amount of inventories was approximately HK$173,247,000 (2012: HK$161,718,000). No impairment loss was provided for in both years.

IMPAIRMENT LOSS RECOGNISED IN RESPECT OF TRADE RECEIVABLES

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2013, the carrying amount of trade receivable was approximately HK$31,220,000 (net of allowance for doubtful debts of approximately HK$2,000) (2012: carrying amount of approximately HK$29,591,000, net of allowance for doubtful debts of approximately HK$29,000).

DEPRECIATION 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. The directors of the Company assesses annually the residual values and the useful lives of the property, plant and equipment 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.

INCOME TAXES

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

5. CAPITAL RISK MANAGEMENT

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value. The Group's overall strategy remains unchanged from prior period.

The capital structure of the Group consists of net debt, which includes amounts due to non-controlling shareholders of a subsidiary disclosed in Note 28, amount due to a director disclosed in Note 28, bank borrowings disclosed in Note 29, obligations under finance leases disclosed in Note 30, loan from immediate holding company disclosed in Note 31 and bank balances and cash disclosed in Note 25 and equity attributable to owners of the Company, comprising issued share capital and reserves.

The Group monitors its capital by using a gearing ratio, which consists of net debt divided by the total equity. The Group's policy is to maintain the gearing ratio at not more than 100% (2012: 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:

	2013 HK$'000	2012 HK$'000
Amounts due to non-controlling shareholders of a subsidiary	**462**	462
Bank borrowings	**108,704**	130,294
Obligations under finance leases	**1,080**	1,761
Loan from immediate holding company	**–**	6,162
Amount due to a director	**10,142**	–
Less: Bank balances and cash	**(26,241)**	(13,958)
Net debts	**94,147**	124,721
Equity attributable to owners of the Company	**302,452**	285,927
Non-controlling interests	**2,401**	2,409
Total equity	**304,853**	288,336
Gearing ratio	**31%**	43%

6. FINANCIAL INSTRUMENTS

CATEGORIES OF FINANCIAL INSTRUMENTS

	2013 HK$'000	2012 HK$'000
Financial assets		
Loans and receivables (including bank balances and cash)	**73,484**	61,777
Financial liabilities		
Financial liabilities at amortised cost	**181,196**	183,348

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES

The Group's major financial instruments include deposits and other receivables, trade and other receivables, bank balances and cash, trade and other payables, amounts due to non-controlling shareholders of a subsidiary, bank borrowings, obligations under finance leases, amount due to a director and loan from immediate holding company are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

CURRENCY RISK

Several subsidiaries of the Company have foreign currency purchases, which expose the Group to foreign currency risk. 5% (2012: 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	
	2013 HK$'000	2012 HK$'000
RMB	**3,846**	1,584

The Group believes that the pegged rate between the US$ and the HK$ will not be materially affected by any changes in the value of US$ against other currencies. In this respect, the Group considers its exposure to foreign currency risk in respect of HK$ to be insignificant.

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

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES (CONTINUED)

CURRENCY RISK (CONTINUED)

SENSITIVITY ANALYSIS

The Group is mainly exposed to the effects of fluctuation in RMB.

The following table details the Group's sensitivity to a 5% increase and decrease in US$ against RMB. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive number below indicates an increase in post-tax profit (2012: decrease in post-tax loss) where US$ strengthen 5% against the relevant currency. For a 5% weakening of US$ against the relevant currency, there would be an equal and opposite impact on the loss/profit, and the balances below would be negative. The analysis is performed on the same basis for the year ended 31 December 2012.

	RMB	
	2013 **HK$'000**	2012 HK$'000
Post-tax profit or loss	**161**	66

This is mainly attributable to the exposure on outstanding trade and other payables denominated in RMB at the end of the reporting period.

INTEREST RATE RISK

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings (see Note 29 for details of these borrowings) for the year ended 31 December 2013. The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

The Group's cash flow interest rate risk relates primarily to variable-rate borrowings (see Note 29 for details of these borrowings). It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

The Group's bank balances are short-term in nature and the exposure of the interest rate risk is minimal and no sensitivity to interest rate risk is presented.

The Group's exposure to interest rates on financial liabilities is detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of base lending rate published by the People's Bank of China, the Hong Kong Interbank Offered Rate and London Interbank Offered Rate.

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES (CONTINUED)

INTEREST RATE RISK (CONTINUED)

SENSITIVITY ANALYSIS

As of 31 December 2013, it is estimated that a general 100 basis point increase or decrease in interest rates, with all other variables held constant, would increase or decrease the Group's post-tax profit (2012: decrease or increase the Group's post-tax loss) for the year ended and retained profits by approximately HK$233,000 (2012: HK$343,000).

The above sensitivity analysis has been determined assuming that a change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 100 basis point increase or decrease represents assessment of the directors of the Company of a reasonably possible change in interest rates over the period until the next reporting period. The analysis was performed on the same basis for year ended 31 December 2012.

CREDIT RISK

At 31 December 2013, 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. In addition, the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks in Hong Kong with high credit ratings assigned by international credit-ratings agencies or authorised banks in the PRC with high credit ratings.

The Group's concentrations of credit risk are 45% and 90% (2012: 29% and 89%) of the total trade receivables are due from the Group's largest customer and the five largest customers, respectively.

The Group's concentration of credit risk by geographical locations is mainly in the North America, which accounted for 90% (2012: 63%) of the total trade receivables as at 31 December 2013.

LIQUIDITY RISK

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES (CONTINUED)

LIQUIDITY RISK (CONTINUED)

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. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

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

	At 31 December 2012				
	Within one year or on demand HK$'000	More than one year less than two years HK$'000	More than two years less than five years HK$'000	Total contractual undiscounted cash flows HK$'000	Carry amount HK$'000
Non-derivative financial liabilities					
Trade and other payables	44,669	–	–	44,669	44,669
Amounts due to non-controlling shareholders of a subsidiary	462	–	–	462	462
Bank borrowings	133,895	3,426	–	137,321	130,294
Obligations under finance leases	744	744	373	1,861	1,761
Loan from immediate holding company	6,217	–	–	6,217	6,162
	185,987	4,170	373	190,530	183,348

8. FAIR VALUE

The fair value of financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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

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

9. TURNOVER AND OTHER OPERATING INCOME

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

Analysis of the Group's revenue for the year is as follows:

	2013 HK$'000	2012 HK$'000
Turnover		
Sales of golf equipment and related components and parts	**408,459**	244,222
Sales of golf bags, other accessories and related components and parts	**25,628**	27,891
	434,087	272,113
Other operating income		
Interest income	**133**	259
Sales of scrap materials	**204**	335
Sample income	**216**	23
Tooling income	**422**	509
Sundry income	**578**	860
	1,553	1,986
Total revenue	**435,640**	274,099

10. SEGMENT INFORMATION

Information reported to the chief operating decision maker (the board of directors), for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

Golf equipment – The manufacture and trading of golf equipment, and related components and parts.

Golf bags – The manufacture and trading of golf bags, other accessories, and related components and parts.

(A) SEGMENT REVENUE AND RESULTS

The following is an analysis of the Group's revenue and results by reportable and operating segment.

For the year ended 31 December

	Golf equipment		Golf bags		Eliminations		Consolidated	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Segment revenue:								
Sales to external customers	**408,459**	244,222	**25,628**	27,891	**–**	–	**434,087**	272,113
Inter-segment sales	**–**	–	**12,128**	19,349	**(12,128)**	(19,349)	**–**	–
Other operating income	**1,107**	1,456	**313**	271	**–**	–	**1,420**	1,727
Total	**409,566**	245,678	**38,069**	47,511	**(12,128)**	(19,349)	**435,507**	273,840
Segment results	**31,147**	(5,275)	**771**	1,167			**31,918**	(4,108)
Interest income							**133**	259
Unallocated corporate expenses							**(6,722)**	(5,984)
Finance costs							**(9,328)**	(8,475)
Profit (loss) before tax							**16,001**	(18,308)

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment results represent the results of each segment without allocation of interest income, central administration costs, directors' remuneration, share-based payment expenses and finance costs. This is the measure reported to the chief operating decision maker of the Group for the purposes of resource allocation and performance assessment.

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

10. SEGMENT INFORMATION (CONTINUED)

(B) SEGMENT ASSETS AND LIABILITIES

The following is an analysis of the Group's assets and liabilities by reportable segment.

At 31 December

	Golf equipment		Golf bags		Consolidated	
	2013	2012	**2013**	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Assets and liabilities						
Segment assets	**437,721**	431,706	**19,948**	21,887	**457,669**	453,593
Unallocated corporate assets						
– Assets classified as held for sale					**7,776**	7,581
– Club debentures					**3,397**	2,135
– Bank balances and cash					**26,241**	13,958
– Others					**921**	736
Total assets					**496,004**	478,003
Segment liabilities	**50,676**	33,118	**15,023**	15,156	**65,699**	48,274
Unallocated corporate liabilities						
– Amounts due to non-controlling shareholders of a subsidiary					**462**	462
– Tax payable					**2,518**	170
– Bank borrowings					**108,704**	130,294
– Obligations under finance leases					**1,080**	1,761
– Amount due to a director					**10,142**	–
– Loan from immediate holding company					**–**	6,162
– Deferred taxation					**2,309**	2,399
– Others					**237**	145
Total liabilities					**191,151**	189,667

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

- all assets are allocated to operating segments other than assets classified as held for sale, club debentures, bank balances and cash and certain other receivables. Assets used jointly by reportable segments are allocated on the basis of the revenue earned by individual reportable segments; and

- all liabilities are allocated to operating segments other than amounts due to non-controlling shareholders of a subsidiary, tax payable, bank borrowings, obligations under finance leases, loan from immediate holding company, amount due to a director, deferred taxation and certain other payables. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

10. SEGMENT INFORMATION (CONTINUED)

(C) GEOGRAPHICAL INFORMATION

The Group's customers are located in North America, Japan, Asia (excluding Japan), Europe and others.

Information about the Group's revenue from external customers by geographical location of shipment is presented below:

	Revenue from external customers	
	2013	2012
	HK$'000	HK$'000
North America	**290,996**	135,372
Japan	**58,498**	42,472
Asia (excluding Japan)	**38,646**	50,651
Europe	**31,032**	33,640
Others	**14,915**	9,978
	434,087	272,113

The Group's non-current assets, other than financial instruments, by geographical location is presented below:

	2013	2012
	HK$'000	HK$'000
The PRC	**221,378**	217,817
Hong Kong (country of domicile)	**14,078**	14,185
Others	**1**	1
	235,457	232,003

10. SEGMENT INFORMATION (CONTINUED)

(D) OTHER SEGMENT INFORMATION

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

For the year ended 31 December

	Golf equipment		Golf bags		Consolidated	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Other segment information:						
Addition to non-current assets (Note)	**14,333**	8,278	**218**	482	**14,551**	8,760
Amortisation of prepaid lease payments	**368**	397	**–**	–	**368**	397
Bad debts directly written off on trade receivables	**1**	258	**–**	–	**1**	258
Depreciation of property, plant and equipment	**13,512**	17,496	**2,438**	2,648	**15,950**	20,144
Loss on disposal or written off of property, plant and equipment	**514**	838	**–**	29	**514**	867
Loss on written off of prepayment for acquisition of property, plant and equipment	**332**	–	**–**	–	**332**	–

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

(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	**2013 HK$'000**	2012 HK$'000
Customer A	Golf equipment	**187,925**	78,435
Customer B	Golf equipment and golf bags	**103,289**	79,596
Customer C	Golf equipment	**85,708**	N/A*

* The corresponding revenue did not contribute over 10% of the total sales of the Group.

11. FINANCE COSTS

	2013 HK$'000	2012 HK$'000
Factoring charges	**2,632**	1,220
Interest expenses on:		
– bank overdrafts	**42**	48
– bank borrowings wholly repayable within five years	**6,415**	6,341
– imputed interest on non-interest bearing loan from immediate holding company	**55**	951
– advances from a director	**410**	–
– obligations under finance leases	**63**	91
Total borrowing costs	**9,617**	8,651
Less: amount capitalised (Note)	**(289)**	(176)
	9,328	8,475

Note: The capitalisation ratio of borrowings for the year ended 31 December 2013 is 6% (2012: 6.00% – 6.72%) per annum.

12. INCOME TAX EXPENSE

	2013 HK$'000	2012 HK$'000
PRC Enterprise Income Tax Income ("EIT")		
– Current	**1,500**	252
– Underprovision in prior years	**848**	–
	2,348	252

i) No provision for Hong Kong Profits Tax has been made for the subsidiaries established in Hong Kong as the subsidiaries did not have any assessable profits subject to Hong Kong Profits Tax or the assessable profit is wholly absorbed by tax losses brought forward during both years.

ii) Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

In accordance with the tax legislations applicable to foreign investment enterprises, various subsidiaries are entitled to exemptions from the PRC EIT for the first two year commencing from the first profit-making year of operation and thereafter, entitled to a 50% relief from the PRC EIT for the following three years. According to the EIT Law, the first year income tax exemption commenced for the year ended 31 December 2008 and the subsidiary enjoys the second year income tax exemption for the year ended 31 December 2009. The effective tax rate for the year ended 31 December 2013 is 25% (2012: 12.5%).

Certain PRC subsidiaries were either in loss-making position for the current and the previous years or had sufficient tax losses brought forward from previous year to offset the estimated assessable income for the year and accordingly did not have any assessable income.

12. INCOME TAX EXPENSE (CONTINUED)

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

	2013 HK$'000	2012 HK$'000
Profit (loss) before tax	**16,001**	(18,308)
Tax calculated at rates applicable to profits in the respective tax jurisdiction concerned	**4,025**	(4,154)
Effect of tax exemptions granted	**(1,113)**	(887)
Tax effect of income not taxable for tax purposes	**(1,211)**	(617)
Tax effect of expense not deductible for tax purposes	**692**	1,887
Tax effect of tax losses and deductible temporary differences not recognised	**63**	4,513
Utilisation of tax losses and deductible temporary differences previously not recognised	**(956)**	(490)
Underprovision in prior years	**848**	–
Income tax expense	**2,348**	252

Details of the deferred taxation are set out in Note 32.

13. PROFIT (LOSS) FOR THE YEAR

	2013 HK$'000	2012 HK$'000
Profit (loss) for the year has been arrived at after charging:		
Staff cost (including directors' emoluments):		
Salaries, wages and other benefits in kind	**101,028**	69,323
Share-based payment expenses	**731**	–
Retirement benefit scheme contributions	**5,405**	3,356
Total staff cost	**107,164**	72,679
Amortisation of prepaid lease payments	**368**	397
Auditor's remuneration	**1,185**	1,062
Bad debts directly written off on trade receivables	**1**	258
Cost of inventories sold	**358,453**	240,174
Depreciation of property, plant and equipment	**15,950**	20,144
Exchange loss (net)	**2,167**	505
Loss on disposal or written off of property, plant and equipment	**514**	867
Loss on written off of prepayment for property, plant and equipment	**332**	–
Deemed loss on early repayment of loan from immediate holding company	**501**	–
Operating leases rentals in respect of land and buildings	**4,120**	4,732
Research and development costs	**2,199**	2,076

14. EARNINGS (LOSS) PER SHARE

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

	2013 **HK$'000**	2012 HK$'000
Earnings (loss)		
Earnings (loss) for the purpose of basic earnings (loss) per share	**13,661**	(18,531)

	2013 **'000**	2012 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	**460,050**	460,050
Effect of dilutive potential ordinary shares:		
Share options granted	**396**	–
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	**460,446**	460,050

The diluted loss per share is equal to the basic loss per share as there were no dilutive potential ordinary shares at 31 December 2012.

15. DIVIDENDS

No dividends were paid, declared or proposed during the year ended 31 December 2013, nor has any dividend been proposed since the end of the reporting period (2012: Nil).

16. STAFF COSTS (EXCLUDING DIRECTORS' EMOLUMENTS)

	2013 **HK$'000**	2012 HK$'000
Salaries, allowances and other benefits in kind	**97,211**	65,530
Share-based payment expenses	**731**	–
Retirement benefits schemes contributions	**5,375**	3,328
	103,317	68,858

16. STAFF COSTS (EXCLUDING DIRECTORS' EMOLUMENTS) (CONTINUED)

I) HONG KONG

Subsidiaries in Hong Kong operate a defined contribution MPF Scheme under the Mandatory Provident Fund Schemes Ordinance, for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and 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 MPF Scheme. The assets of the MPF Scheme are held separately from those of the subsidiaries in an independently administered fund. The subsidiaries' employer contributions vest fully with the employees when contributed into the MPF Scheme. During the year ended 31 December 2013, a total contribution of approximately HK$177,000 (2012: approximately HK$162,000) was made by the Group in respect of this scheme for staff other than directors. Details of directors' retirement benefits scheme contributions are set out in Note 17.

II) THE PRC, OTHER THAN HONG KONG

The employees in the Group who work in the PRC are required to participate in pension schemes operated by the local governments. The Group is required to contribute 5% to 8% (2012: 4% to 8%) of their payroll costs to the schemes. The contributions are charged to the consolidated statement of profit or loss and other comprehensive income as they become payable in accordance with the rules of the pension schemes. During the year ended 31 December 2013, a total contribution of approximately HK$5,198,000 (2012: approximately HK$3,166,000) was made by the Group in respect of this scheme.

III) At 31 December 2013, the Group had no forfeited contributions available to reduce its contributions to the above schemes in future years (2012: Nil).

17. DIRECTORS' AND EMPLOYEE'S EMOLUMENTS

(A) DIRECTORS' REMUNERATION

The emoluments paid or payable to each of the seven (2012: six) directors were as follows:

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

17. DIRECTORS' AND EMPLOYEE'S EMOLUMENTS (CONTINUED)

(A) DIRECTORS' REMUNERATION (CONTINUED)

	For the year ended 31 December 2012					
	Fees HK$'000	Salaries HK$'000	Bonuses HK$'000 (Note (i))	Housing benefits HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Executive directors						
Augustine Chu	–	718	30	840	14	1,602
Simon Chu	–	750	30	600	14	1,394
Chang Hua Jung	–	540	15	–	–	555
Independent non-executive directors						
Choy Tak Ho	120	–	–	–	–	120
Hsieh Ying Min (Note (ii))	50	–	–	–	–	50
Chiu Lai Kuen, Susanna	100	–	–	–	–	100
	270	2,008	75	1,440	28	3,821

Note:

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

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

(iii) No directors waived or agreed to waive any emoluments during the years ended 31 December 2013 and 2012.

(B) EMPLOYEES' EMOLUMENTS

Of the five individuals with highest emoluments, three (2012: three) were directors of the Company whose emoluments are set out in the above. The emoluments of the remaining two (2012: two) highest paid individuals were as follows:

	2013 HK$'000	2012 HK$'000
Salaries, allowances and other benefits in kind	**2,063**	2,065
Retirement benefits schemes contributions	**15**	14
	2,078	2,079

17. DIRECTORS' AND EMPLOYEE'S EMOLUMENTS (CONTINUED)

(B) EMPLOYEES' EMOLUMENTS (CONTINUED)

Their emoluments were within the following bands:

	Number of individuals 2013	2012
Nil to HK$1,000,000	**1**	1
HK$1,000,001 to HK$1,500,000	**1**	1
	2	2

(C) No emolument 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 2013 and 2012.

18. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings at revalued amount HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
COST/VALUATION							
At 1 January 2012	182,219	9,174	118,707	7,083	5,920	930	324,033
Exchange realignment	4,564	151	2,831	142	72	7	7,767
Additions	1,618	244	5,507	116	4	1,701	9,190
Disposals	(18,522)	(372)	(17,806)	(1,175)	(38)	–	(37,913)
Transfers	201	–	–	–	–	(201)	–
Revaluation	(9,205)	–	–	–	–	–	(9,205)
At 31 December 2012	160,875	9,197	109,239	6,166	5,958	2,437	293,872
Exchange realignment	4,156	156	2,675	126	76	62	7,251
Additions	11	–	3,264	613	141	8,879	12,908
Disposals/written off	(105)	(3,120)	(8,969)	(446)	(173)	–	(12,813)
Transfers	–	–	2,021	–	–	(2,021)	–
At 31 December 2013	164,937	6,233	108,230	6,459	6,002	9,357	301,218
ACCUMULATED DEPRECIATION							
At 1 January 2012	7,794	6,358	76,502	5,984	2,190	–	98,828
Exchange realignment	918	98	1,708	115	45	–	2,884
Provided for the year	5,433	861	12,233	543	1,074	–	20,144
Eliminated on disposals	(5,302)	(186)	(16,817)	(1,139)	(15)	–	(23,459)
Eliminated on revaluation	(8,843)	–	–	–	–	–	(8,843)
At 31 December 2012	–	7,131	73,626	5,503	3,294	–	89,554
Exchange realignment	723	114	1,681	110	59	–	2,687
Provided for the year	4,169	798	9,672	467	844	–	15,950
Eliminated on disposals/written off	(50)	(2,861)	(8,799)	(446)	(117)	–	(12,273)
At 31 December 2013	4,842	5,182	76,180	5,634	4,080	–	95,918
CARRYING VALUES							
At 31 December 2013	160,095	1,051	32,050	825	1,922	9,357	205,300
At 31 December 2012	160,875	2,066	35,613	663	2,664	2,437	204,318

18. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold land and buildings	Over the shorter of the term of the lease or 20 to 50 years
Leasehold improvements	Over the shorter of the term of the lease or 5 to 10 years
Plant and machinery	10% to 20%
Furniture, fixtures and equipment	20%
Motor vehicles	20%

(b) The leasehold land and buildings are held in the PRC under medium-term lease.

(c) The leasehold land and buildings of the Group were revalued on 31 December 2012 by LCH (Asia-Pacific) Surveyors Limited ("LCH"), independent qualified professional valuers not connected with the Group. LCH has appropriate qualifications and has recent experiences in the valuation of similar properties in the relevant locations. The valuations have been arrived at on depreciated replacement cost basis. The Group's leasehold land and buildings was valued on 31 December 2012 by LCH at HK$160,875,000. In the opinion of the directors of the Company, no material changes on the fair value of the leasehold land and buildings as at 31 December 2013.

(d) At 31 December 2013, the carrying values of motor vehicles included an amount of approximately HK$1,482,000 (2012: HK$2,038,000) in respect of assets under finance leases.

(e) At 31 December 2013, the Group's leasehold land and buildings with a carrying value of approximately HK$160,095,000 (2012: HK$160,875,000) was pledged as security for banking facilities granted to the Group.

19. PREPAID LEASE PAYMENTS

	2013 **HK$'000**	2012 HK$'000
Prepaid lease payments comprises of leasehold land held under medium-term lease in the PRC and are analysed for reporting purposes as follows:		
Current assets	**368**	358
Non-current assets	**10,297**	10,398
	10,665	10,756

19. PREPAID LEASE PAYMENTS (CONTINUED)

At 31 December 2013, the Group's prepaid lease payment with the carrying value of approximately HK$10,665,000 (2012: HK$10,756,000) was pledged as security for the banking facilities granted to the Group.

During the year ended 31 December 2012, the carrying value of the Group's prepaid lease payments amounted to approximately HK$2,819,000 was disposed of to an independent third party. No disposal of prepaid lease payments was made during the year ended 31 December 2013.

20. GOODWILL

(A) COSTS AND CARRYING VALUES

	2013 HK$'000	2012 HK$'000
At 1 January and 31 December	**14,820**	14,820

(B) IMPAIRMENT TESTING ON GOODWILL

For the purpose of impairment testing, goodwill set out above has been allocated to two individual CGUs (2012: two). The carrying amounts of goodwill as at the end of the reporting period allocated to these CGUs are as follows:

	2013 HK$'000	2012 HK$'000
Golf equipment	**6,824**	6,824
Golf bags	**7,996**	7,996
	14,820	14,820

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

GOLF EQUIPMENT

The management of the Group prepared a profit forecast and cash flow forecast in respect of this CGU (the "Golf Equipment Forecast"). The Golf Equipment Forecast were based on financial budgets approved by the management covering a period of five years (2012: ten years) at a pre-tax discount rate of 12.89% (2012: 11.45%). Cash flows beyond 5-year period (2012: 1-year period) are projected using zero growth rate (2012: steady growth rate of 5%). This growth rate was based on past performance and its expectation on the relevant industry growth forecasts. The Golf Equipment Forecast for the budgeted period was based on the budgeted sales and budgeted gross margins during the budget period. Budgeted gross margins were determined based on management's expectation for market development and past experience, and the management believes that the budgeted gross margins were reasonable. The directors of the Company were of the opinion, based on the Golf Equipment Forecast, that the recoverable amount exceeds its carrying amount in the consolidated statement of financial position and no impairment loss was necessary.

20. GOODWILL (CONTINUED)

(B) IMPAIRMENT TESTING ON GOODWILL (CONTINUED)

GOLF BAGS

For the remaining companies comprising of the golf bags segment, the management of the Group prepared a profit forecast and cash flow forecast in respect of this CGU (the "Golf Bags Forecast"). The Golf Bags Forecast were based on financial budgets approved by the management covering a period of five years (2012: ten years) at a pre-tax discount rate of 13.23% (2012: 11.58%). Cash flows beyond 5-year period (2012: 1-year period) are projected using zero growth rate (2012: steady growth rate of 5%). This growth rate was based on past performance and its expectation on the relevant industry growth forecasts. The Golf Bags Forecast for the budgeted period was based on the budgeted sales and budgeted gross margins during the budget period. Budgeted gross margins were determined based on management's expectation for market development and past experience, and the management believes that the budgeted gross margins were reasonable. The directors of the Company were of the opinion, based on the Golf Bags Forecast, that the recoverable amount exceeds its carrying amount in the consolidated statement of financial position and no impairment loss was necessary.

21. CLUB DEBENTURES

The club debentures represent memberships in private golf clubs in the PRC. The directors of the Company consider no impairment identified with reference to the second hand market price of the club debentures as at the end of the reporting period.

22. DEPOSITS AND OTHER RECEIVABLES

Included in the deposits and other receivables of approximately HK$578,000 (2012: HK$514,000) represents loans advanced to employees of the Group. The loans are unsecured, bear interest at rates ranging from 0% to 2% per annum (2012: 1.5% to 5.5% per annum) and are not repayable within the next twelve months from the end of the reporting period. The remaining balances are the deposits and receivables which are unsecured, non-interest bearing and are not repayable within the next twelve months from the end of the reporting period.

23. INVENTORIES

	2013 **HK$'000**	2012 HK$'000
Raw materials	**50,960**	57,874
Work in progress	**63,868**	59,003
Finished goods	**58,419**	44,841
	173,247	161,718

24. TRADE AND OTHER RECEIVABLES

	2013 HK$'000	2012 HK$'000
Trade receivables	**31,222**	29,620
Less: impairment loss recognised	**(2)**	(29)
	31,220	29,591
Prepayments	**1,054**	6,621
Deposits and other receivables	**19,797**	25,659
	20,851	32,280
	52,071	61,871

i) The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally between 30 and 60 days. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management.

ii) The movements in impairment loss of trade receivables of the Group are as follows:

	2013 HK$'000	2012 HK$'000
At the beginning of the year	**29**	65
Written off during the year	**(27)**	(36)
At the end of the year	**2**	29

At 31 December 2013, included in the impairment loss of trade receivables are individually impaired trade receivables with an aggregate balances of approximately HK$2,000 (2012: approximately HK$29,000) due to long outstanding. The Group does not hold any collateral over these balances.

iii) The following is an aged analysis of trade receivables (net of impairment) of the Group presented based on the invoice dates at the end of the reporting period:

	2013 HK$'000	2012 HK$'000
0 to 30 days	**23,676**	24,842
31 to 90 days	**7,543**	4,721
91 to 180 days	**1**	21
181 to 365 days	**–**	7
At the end of the year	**31,220**	29,591

24. TRADE AND OTHER RECEIVABLES (CONTINUED)

iv) The aging analysis of the trade receivables (net of impairment) of the Group presented based on the due dates was as follows:

	Total	Neither past due nor impaired	Past due but not impaired		
			0 to 90 days	91 to 180 days	181 to 365 days
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2013	**31,220**	**30,228**	**992**	**–**	**–**
At 31 December 2012	29,591	28,258	1,313	16	4

Trade receivables that were neither past due nor impaired relate to customers for whom there was no recent history of default. The Group does not hold any collateral over these balances.

v) Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

25. CASH AND CASH EQUIVALENTS

	2013 HK$'000	2012 HK$'000
Bank balances and cash	**26,241**	13,958
Less: Bank overdrafts (Note 29)	**(1,000)**	(1,020)
Cash and cash equivalents	**25,241**	12,938

i) During the year ended 31 December 2013, bank balances carried interest rate ranged from 0.01% to 0.50% per annum (2012: 0.01% to 0.50% per annum).

ii) At 31 December 2013, the Group's bank balances and cash denominated in RMB amounted to approximately RMB12,372,000, equivalent to approximately HK$15,861,000 (2012: RMB5,789,000, equivalent to approximately HK$7,236,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations.

26. ASSETS CLASSIFIED AS HELD FOR SALE

	Disposal of assets	
	2013	2012
	HK$'000	HK$'000
Property, plant and equipment	**3,920**	3,822
Prepaid lease payments	**3,856**	3,759
	7,776	7,581

Note: On 11 June 2010, the Group entered into an agreement with the local PRC government for the reclaim of certain land and buildings of the Group in the PRC. At 31 December 2012 and 2013, the transaction was still not yet completed.

The net proceeds of the disposal exceeds the carrying amount of the relevant assets at 31 December 2013 and 2012. Accordingly, no impairment loss was recognised.

27. TRADE AND OTHER PAYABLES

	2013	2012
	HK$'000	HK$'000
Trade and bills payables	**41,580**	35,478
Customers' deposits received	**375**	2,273
Accrual and other payables (Note ii)	**23,981**	10,668
	65,936	48,419

i) The aging analysis of trade and bills payables presented based on the invoice date at the end of the reporting period of the Group was as follows:

	2013	2012
	HK$'000	HK$'000
0 to 90 days	**34,664**	28,625
91 to 180 days	**5,995**	5,059
181 to 365 days	**564**	746
Over 365 days	**357**	1,048
	41,580	35,478

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

27. TRADE AND OTHER PAYABLES

ii) At 31 December 2013, included in accrual and other payables is an amount of approximately HK$5,128,000 (2012: HK$3,750,000) being deposit received in relation to disposal of certain property, plant and equipment and prepaid lease payments. Details of which are disclosed in Note 26.

iii) Included in trade and other payables in the consolidated statement of financial position are the following amounts denominated in currencies other than the functional currency of the entity to which they relate:

	2013 HK$'000	2012 HK$'000
RMB	**3,846**	1,584

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

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

The amount due to a director is unsecured, interest bearing ranging from 4% to 6% per annum and repayable on demand.

29. BANK BORROWINGS

	2013 HK$'000	2012 HK$'000
Bank overdrafts	**1,000**	1,020
Term loans	**84,112**	98,410
Trust receipts and packing loans	**23,592**	30,864
	108,704	130,294
Secured	**80,756**	84,988
Unsecured	**27,948**	45,306
	108,704	130,294
Bank borrowings repayable:		
On demand or within one year	**108,704**	126,938
More than one year but not exceeding two years	**–**	3,356
	108,704	130,294
Less: Amounts due within one year shown under current liabilities	**(108,704)**	(126,938)
Amounts shown under non-current liabilities	**–**	3,356

29. BANK BORROWINGS (CONTINUED)

i) At 31 December 2013, bank borrowings of approximately HK$80,756,000 and HK$27,948,000 are fixed-rate borrowings and floating-rate borrowings, respectively. The fixed-rate borrowings carry interest ranging from 6.00% to 6.72% per annum and the floating-rate borrowings carry interest at the effective rate ranging from 2.25% to 5.25% per annum.

At 31 December 2012, bank borrowings of approximately HK$85,000,000 and HK$45,294,000 are fixed-rate borrowings and floating-rate borrowings, respectively. The fixed-rate borrowings carry interest ranging from 6.00% to 6.72% per annum and the floating-rate borrowings carry interest at the effective rate ranging from 2.31% to 5.25% per annum.

ii) During the year ended 31 December 2013, the Group obtained new borrowings of HK$80,769,000 (2012: HK$85,000,000) to finance its working capital.

iii) At 31 December 2013, the Company had provided guarantees in relation to bank borrowings and banking facilities granted to certain subsidiaries. At the end of the reporting period, the Group had unused banking facilities of approximately HK$58,980,000 (2012: HK$86,064,000).

iv) At 31 December 2013, except for bank borrowings equivalent to approximately HK$80,756,000 (2012: HK$84,999,000) and HK$21,880,000 (2012: HK$28,324,000) which are denominated in RMB and US$, respectively, all other bank borrowings are denominated in HK$.

v) During the year ended 31 December 2013, included in the unsecured bank borrowings is an amount of HK$3,356,000 (2012: HK$8,422,000) outstanding under the Special Loan Guarantee Scheme. 80% of the principal amount of the loan is guaranteed by the Government of Hong Kong Special Administrative Region.

vi) Under a pledge agreement date 25 July 2013, one of the directors of the Company, has undertaken to provide personal guarantee of RMB24,000,000 (equivalent to approximately HK$30,769,000) on a new bank borrowing of one of the subsidiaries. The carrying amount of the bank borrowing as at 31 December 2013 was approximately HK$25,628,000.

30. OBLIGATIONS UNDER FINANCE LEASES

The Group leases certain of its motor vehicles for its golf equipment manufacturing business. These leases are classified as finance leases, the average lease term of which is four years (2012: four years).

At the end of the reporting period, the total future minimum lease payments under finance leases and their present values were as follows:

	Minimum lease payments		**Present value of minimum lease payments**	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Amounts payable under finance leases:				
Within one year	**745**	744	**712**	681
In more than one year and not more than five years	**372**	1,117	**368**	1,080
	1,117	1,861	**1,080**	1,761
Less: Future finance charges	**(37)**	(100)	**–**	–
Present value of lease obligations	**1,080**	1,761	**1,080**	1,761
Less: Amounts due within one year shown under current liabilities			**(712)**	(681)
Amounts due after one year			**368**	1,080

Obligations under finance leases of the Group bear interest at fixed interest rate at 4.3% (2012: 4.3%) per annum. The Group's obligation under finance leases are secured by the lessor's charge over the leased assets.

All obligations under finance leases are denominated in HK$.

31. LOAN FROM IMMEDIATE HOLDING COMPANY

The loan from immediate holding company was unsecured, non-interest bearing and fully repaid during the year ended 31 December 2013. The effective interest rate of the loan from immediate holding company is 5.22% per annum (2012: 5.22% per annum).

32. DEFERRED TAXATION

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

	Revaluation of land and buildings HK$'000	**Accelerated tax depreciation** HK$'000	**Estimated tax loss** HK$'000	**Total** HK$'000
At 1 January 2012	(2,490)	(385)	385	(2,490)
Credited to other comprehensive income	91	141	(141)	91
At 31 December 2012	(2,399)	(244)	244	(2,399)
Credited to other comprehensive income	90	63	(63)	90
At 31 December 2013	(2,309)	(181)	181	(2,309)

At the end of the reporting period, the Group had tax losses of approximately HK$48,062,000 (2012: HK$53,226,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$1,093,000 (2012: HK$1,478,000) of such losses. No deferred tax asset has been recognised in respect of the remaining tax loss of HK$46,969,000 (2012: HK$51,748,000) due to the unpredictability of future profit streams. Included in unused tax losses are losses of HK$44,596,000 (2012: HK$45,828,000) that will expire in 5 years from the year of origination. Other unused tax 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$14,899,000 (2012: HK$9,715,000) 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.

33. SHARE CAPITAL

Ordinary shares of HK$0.10 each	Number of shares	Share capital HK$'000
Authorised		
At 1 January 2012, 31 December 2012 and 31 December 2013	1,000,000,000	100,000
Issued and fully paid		
At 1 January 2012, 31 December 2012 and 31 December 2013	460,050,000	46,005

34. 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 during the period from 1 January 2012 up to the date of its termination. The New Share Option Scheme became effective on 5 June 2012 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

Pursuant to the New Share Option Scheme, the maximum number of shares in respect of which options may be granted under the New Share Option Scheme, when aggregated with shares subject to any other share option schemes, shall not exceed 10% of the shares in issue of the Company at its adoption date (the "Scheme Mandate Limit"). The Company may seek approval by its shareholders in general meeting to refresh the Scheme Mandate Limit by excluding options previously granted under the New Share Option Scheme (including those outstanding, cancelled, lapsed or exercised). The limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Share Options Scheme and any other schemes of the Company must not exceed 30% of the shares in issue of the Company from time to time. No options may be granted under the New Share Option Scheme or any other schemes of the Company if this will result in this limit being exceeded. The maximum number of shares issuable under share options to each eligible participant in the New Share Option Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to the shareholders' approval in a general meeting.

34. 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 2013, the number of shares in respect of which options had been granted and remained outstanding under the New Share Option Scheme was 8,000,000 (2012: Nil), representing approximately 1.7% (2012: Nil) of the shares of the Company in issue at that date.

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

	Number of share options			
Date of grant	**Outstanding at 1 January 2013**	**Granted during the year**	**Exercised during the year**	**Outstanding at 31 December 2013**
11 July 2013	–	8,000,000	–	8,000,000

Note: At 31 December 2013 and 2012, no outstanding share option was held by the directors.

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

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

During the year ended 31 December 2013, options were granted on 11 July 2013. The estimated fair value of the options granted on this date is approximately HK$731,000. During the year ended 31 December 2012, no options were granted.

34. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

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

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

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

The Group recognised the total expense of HK$731,000 for the year ended 31 December 2013 (2012: Nil) in relation to share options granted by the Company.

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

35. COMMITMENT UNDER OPERATING LEASE

THE GROUP AS LESSEE

The Group leases certain of its office properties, production plants and staff quarters under operating lease arrangements. Leases are negotiated for a term ranging from one to eight years (2012: one to eight years). The Group does not have an option to purchase the leased asset at the expiry of the lease period.

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which are payable as follows:

	2013 HK$'000	2012 HK$'000
Within one year	**2,778**	2,850
In the second to fifth years, inclusive	**682**	26
	3,460	2,876

36. CAPITAL COMMITMENTS

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

	2013 HK$'000	2012 HK$'000
Contracted, but not provided for:		
Leasehold land and buildings	**2,014**	348
Plant and machinery	**4,657**	782
Capital injection in a wholly-owned subsidiary	**25,431**	–
	32,102	1,130

37. CONTINGENT LIABILITIES

At 31 December 2013, a subsidiary has been named as defendant in a High Court action since a writ was issued against it in April 2011 and it was claimed for an amount of approximately HK$1,546,000. The subsidiary has filed a full defence to this writ. In the opinion of the directors of the Company, no provision for any potential liability has been made in the consolidated financial statements as the Group has pleaded reasonable chance of success in the defence.

38. RELATED PARTY AND CONNECTED PARTY TRANSACTIONS

A) In addition to related party balances detailed in the consolidated financial statements and Notes 28 and 31, respectively, the Group entered into the following significant transactions with related parties during the year:

	Notes	2013 HK$'000	2012 HK$'000
Rental expenses paid to Progolf Manufacturing Company Limited ("Progolf")	(i)	**840**	840
Rental expenses paid to Yuru Holdings Limited ("Yuru Holdings")	(ii)	**600**	600

Notes:

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

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

38. RELATED PARTY AND CONNECTED PARTY TRANSACTIONS (CONTINUED)

B) KEY MANAGEMENT COMPENSATION

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

	2013 HK$'000	2012 HK$'000
Short-term benefits	**6,791**	6,757
Share-based payment expenses	**640**	–
Post-employment benefits	**60**	56
	7,491	6,813

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

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2013 HK$'000	2012 HK$'000
Non-current assets			
Investments in subsidiaries		**15,717**	15,717
Current assets			
Amounts due from subsidiaries	(a)	**186,065**	192,106
Bank balances and cash		**39**	40
		186,104	192,146
Current liabilities			
Other payables		**236**	144
Financial guarantee liabilities		**146**	277
		382	421
Net current assets		**185,722**	191,725
		201,439	207,442
Capital and reserves			
Share capital		**46,005**	46,005
Reserves	(b)	**155,434**	161,437
		201,439	207,442

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

Notes:

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

b) Reserves

	Share premium HK$'000	**Other reserve** HK$'000 (Note i)	**Contributed surplus** HK$'000 (Note ii)	**Share options reserve** HK$'000	**Retained profits** HK$'000	**Total** HK$'000
At 1 January 2012	102,385	4,281	15,516	–	39,637	161,819
Total comprehensive expense for the year	–	–	–	–	(382)	(382)
At 31 December 2012	102,385	4,281	15,516	–	39,255	161,437
Total comprehensive expenses for the year	–	–	–	–	(2,598)	(2,598)
Release of deemed contribution by immediate holding company arising from non-interest bearing loan	–	(4,281)	–	–	145	(4,136)
Effect of share options	–	–	–	731	–	731
At 31 December 2013	102,385	–	15,516	731	36,802	155,434

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

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

40. PRINCIPAL SUBSIDIARIES

Name of subsidiary	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/paid up capital	Percentage of equity interest attributable to the Company				Principal activities
			2013		2012		
			Direct	Indirect	Direct	Indirect	
Sino Golf (BVI) Company Limited	BVI/Hong Kong	US$101	**100**	**–**	100	–	Investment holding
Sino Golf Manufacturing Company Limited	Hong Kong	HK$2 (ordinary) HK$3,842,700 (non-voting deferred) (note c)	**–**	**100**	–	100	Investment holding and trading of golf equipment and accessories
Zengcheng Sino Golf Manufacturing Company Limited* 增城市順龍高爾夫球製品有限公司 (Note b)	PRC	HK$141,700,000	**–**	**100**	–	100	Manufacture and trading of golf equipment and accessories
Guangzhou Sino Concept Golf Manufacturing Company Limited 廣州順興高爾夫球製品有限公司 (Note b and d)	PRC	HK$30,000,000	**–**	**–**	–	100	Manufacture and trading of golf equipment and accessories
CTB Golf (HK) Limited	Hong Kong	HK$10,000,000 (ordinary) HK$2,730,000 (preference)	**–**	**100**	–	100	Trading of golf bags and accessories
Dongguan Qi Heng Manufacturing Company Limited* 東莞騏衡運動用品製造有限公司 (Note b)	PRC	HK$38,000,000	**–**	**100**	–	100	Manufacture and trading of golf bags
Linyi Sino Golf Company Limited 臨沂順億高爾夫球製品有限公司 (Note b)	PRC	HK$111,199,449	**–**	**100**	–	100	Manufacture and trading of golf equipment and accessories
Sino Golf Comercial Offshore De Macao Limitada	Macau	MOP 100,000	**–**	**100**	–	100	Trading of golf equipment and accessories

* The English names are for identification only

40. PRINCIPAL SUBSIDIARIES (CONTINUED)

Notes:

a) The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantive portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

b) These are wholly foreign owned enterprises established under the PRC law.

c) The non-voting deferred shares carry no rights to dividends and no rights to receive notice of or attend or vote at any general meeting of Sino Golf Manufacturing Company Limited. The holders of the non-voting deferred shares shall be entitled to any surplus in return of capital in respect of one half of the balance of assets after the first HK$100,000,000,000,000 has been distributed to the holders of ordinary shares, in a winding up or otherwise the assets of Sino Golf Manufacturing Company Limited to be returned.

d) The Company was deregistered on 25 July 2013.

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. The principal activities and principal place of business of these subsidiaries are summarised as follows:

		Number of subsidiaries	
Principal activities	**Principal place of business**	**2013**	2012
Investment holding	Hong Kong	**1**	1
Inactive	Hong Kong	**1**	1
Inactive	PRC	**3**	3
		5	5

41. MAJOR NON-CASH TRANSACTION

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

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extract from the published audited consolidated financial statements and restated as appropriate, is set out below.

	Year ended 31 December 2013 HK$'000	Year ended 31 December 2012 HK$'000	Year ended 31 December 2011 HK$'000	Year ended 31 December 2010 HK$'000	Year ended 31 December 2009 HK$'000
RESULTS					
Turnover	**434,087**	272,113	278,649	427,997	290,329
Cost of sales	**(358,453)**	(240,174)	(234,813)	(338,177)	(230,644)
Gross profit	**75,634**	31,939	43,836	89,820	59,685
Other operating income	**1,553**	1,986	3,062	2,238	4,819
Selling and distribution expenses	**(3,131)**	(2,615)	(5,331)	(9,550)	(7,016)
Administrative expenses	**(48,727)**	(41,143)	(47,143)	(53,002)	(57,803)
Impairment loss recognised in respect of property, plant and equipment	**–**	–	–	(2,248)	–
Finance costs	**(9,328)**	(8,475)	(10,433)	(15,282)	(11,173)
PROFIT (LOSS) BEFORE TAX	**16,001**	(18,308)	(16,009)	11,976	(11,488)
Income tax expense	**(2,348)**	(252)	(262)	(418)	(1,047)
PROFIT (LOSS) FOR THE YEAR	**13,653**	(18,560)	(16,271)	11,558	(12,535)
Profit (Loss) for the year attributable to:					
Owners of the Company	**13,661**	(18,531)	(16,242)	11,588	(12,535)
Non-controlling interests	**(8)**	(29)	(29)	(30)	–
	13,653	(18,560)	(16,271)	11,558	(12,535)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As At 31 December				
	2013 HK$'000	2012 HK$'000	2011 HK$'000	2010 HK$'000	2009 HK$'000
TOTAL ASSETS	**496,004**	478,003	532,267	593,565	574,431
TOTAL LIABILITIES	**(191,151)**	(189,667)	(219,172)	(330,165)	(326,412)
NON-CONTROLLING INTERESTS	**(2,401)**	(2,409)	(2,438)	(2,467)	(2,502)
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	**302,452**	285,927	310,657	260,933	245,517