THIS COMPOSITE DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect about this Composite Document or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **SINO GOLF HOLDINGS LIMITED**, you should at once hand this Composite Document and the accompanying Form of Acceptance to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or registered institution in securities, or other agent through whom the sale or transfer was effected for onward transmission to the purchaser(s) or the transferee(s).

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this Composite Document and the accompanying Form of Acceptance, make no representation as to their accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Composite Document and the accompanying Form of Acceptance.

This Composite Document should be read in conjunction with the accompanying Form of Acceptance, the contents of which form part of the terms and conditions of the Offer.

SURPLUS EXCEL LIMITED
(Incorporated in BVI with limited liability)

SINO GOLF HOLDINGS LIMITED
順龍控股有限公司*
(Incorporated in Bermuda with limited liability)
(Stock code: 00361)

COMPOSITE OFFER AND RESPONSE DOCUMENT RELATING TO MANDATORY UNCONDITIONAL CASH OFFER BY

KINGSTON SECURITIES LTD.

FOR AND ON BEHALF OF THE OFFEROR TO ACQUIRE ALL THE ISSUED SHARES (OTHER THAN THOSE ALREADY OWNED BY THE OFFEROR AND PARTIES ACTING IN CONCERT WITH IT) IN SINO GOLF HOLDINGS LIMITED

Financial adviser to Surplus Excel Limited

KINGSTON CORPORATE FINANCE LTD.

Financial adviser to Sino Golf Holdings Limited

SOMERLEY CAPITAL LIMITED

Independent Financial Adviser to the Independent Board Committee of Sino Golf Holdings Limited

第一上海
FIRST SHANGHAI GROUP
FIRST SHANGHAI CAPITAL LIMITED
第一上海融資有限公司

Capitalised terms used on this cover page shall have the same meanings as those defined in this Composite Document.

A letter from Kingston Securities containing, among other things, principal terms of the Offer is set out on pages 5 to 15 of this Composite Document.

A letter from the Board is set out on pages 16 to 21 of this Composite Document.

A letter from the Independent Board Committee to the Independent Shareholders containing its recommendation in respect of the Offer is set out on pages IBC-1 to IBC-2 of this Composite Document.

A letter from First Shanghai containing its advice to the Independent Board Committee in respect of the Offer is set out on pages IFA-1 to IFA-14 of this Composite Document.

The procedures for acceptance and other related information in respect of the Offer are set out in the Appendix I to this Composite Document and the accompanying Form of Acceptance. Acceptance of the Offer should be received by the Registrar as soon as possible and in any event not later than 4:00 p.m. on Monday, 14 September 2015 (or such later time and/or date as the Offeror may determine and announce, with the consent of the Executive, in accordance with the Takeovers Code).

Any persons including, without limitation, custodians, nominees and trustees, who would, or otherwise intend to, forward this Composite Document and/or the accompanying Form of Acceptance to any jurisdiction outside of Hong Kong should read the section headed "Overseas Shareholders" in the "Letter from Kingston Securities" and Appendix I to this Composite Document before taking any action. It is the responsibility of Overseas Shareholders (if any) wishing to accept the Offer to satisfy themselves as to full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offer, including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due in connection with the acceptance of the Offer in respect of such jurisdictions. Overseas Shareholders (if any) are advised to seek professional advice on deciding whether to accept the Offer.

24 August 2015

* *For identification purpose only*

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The timetable set out below is indicative only and is subject to change. Any changes to the timetable will be jointly announced by the Offeror and the Company.

	2015
Despatch date of this Composite Document and the Form of Acceptance and commencement date of the Offer *(Note 1)*	Monday, 24 August
Latest time and date for acceptance of the Offer *(Note 2)*	4:00 p.m. on Monday, 14 September
Closing Date *(Note 2)*	Monday, 14 September
Announcement of the results of the Offer (or its extension or revision, if any), to be posted on the website of the Stock Exchange *(Note 2)*	no later than 7:00 p.m. on Monday, 14 September
Latest date for posting of remittances in respect of valid acceptances received under the Offer *(Note 3 and 5)*	Wednesday, 23 September

Notes:

1. The Offer, which is unconditional, is made on the date of posting of this Composite Document, and is capable of acceptance on and from that date until the Closing Date.

2. The latest time and date for acceptance will be at 4:00 p.m. on Monday, 14 September unless the Offeror revises or extends the Offer in accordance with the Takeovers Code. The Offeror and the Company will jointly issue an announcement through the website of the Stock Exchange no later than 7:00 p.m. on Monday, 14 September 2015 stating whether the Offer has been extended, revised or has closed for acceptance. In the event that the Offeror decides to extend the Offer, at least 14 days' notice by way of an announcement will be given before the Offer is closed to those Independent Shareholders who have not accepted the Offer.

3. Remittances in respect of the cash consideration (after deducting the seller's ad valorem stamp duty) payable for the Shares tendered under the Offer will be despatched to the Independent Shareholders accepting the Offer by ordinary post at their own risk as soon as possible, but in any event within seven Business Days after the date of receipt by the Registrar of a duly completed acceptance in accordance with the Takeovers Code.

4. Acceptance of the Offer shall be irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code. Please refer to paragraph 4 headed "Right of withdrawal" in Appendix I to this Composite Document for further information on the circumstances where acceptances maybe withdrawn.

5. If there is a tropical cyclone warning signal number 8 or above, or a black rainstorm warning:

   (a) in force in Hong Kong at any local time before 12:00 noon but no longer in force after 12:00 noon on the latest date for acceptance of the Offer, the latest time for acceptance of the Offer will remain at 4:00 p.m. on the same Business Day, and the latest date for posting of remittances for the amounts due under the Offer in respect of valid acceptances will remain unchanged; or

(b) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the latest date for acceptance of the Offer, the latest time for acceptance of the Offer will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force in Hong Kong, and the latest date for posting of remittances for the amounts due under the Offer in respect of valid acceptances will accordingly be rescheduled to the following Business Day.

Save as mentioned above, if the latest time for acceptance of the Offer and the posting of remittances do not take effect on the date and time as stated above, the other dates mentioned above may be affected. The Offeror and the Company will notify the Shareholders by way of announcement(s) on any change to the expected timetable as soon as possible.

All references to date and time contained in this Composite Document and the Form of Acceptance refer to Hong Kong date and time.

In this Composite Document, unless the context otherwise requires, the following terms have the following meanings:

"acting in concert"	has the meaning ascribed to it in the Takeovers Code
"associate(s)"	has the meaning ascribed to it in the Listing Rules
"Board"	the board of Directors
"Business Day"	a day on which the Stock Exchange is open for the transaction of business
"BVI"	the British Virgin Islands
"Closing Date"	Monday, 14 September 2015, the closing date of the Offer, or if the Offer is extended, any subsequent closing date as may be determined and announced jointly by the Offeror and the Company, with consent of the Executive, in accordance with the Takeovers Code
"CM Investment"	CM Investment Company Limited, a company incorporated in BVI with limited liability
"Company"	Sino Golf Holdings Limited, a company incorporated in Bermuda as an exempt company with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 00361)
"Completion"	completion of the Share Transfer
"Composite Document"	this composite offer and response document jointly issued by the Offeror and the Company to all Shareholders in connection with the Offer in accordance with the Takeovers Code containing, amongst other things, detailed terms of the Offer, and the letters of advice from the Independent Board Committee and the Independent Financial Adviser on the Offer
"controlling Shareholder"	has the meaning ascribed to it in the Listing Rules
"Director(s)"	the director(s) of the Company
"Executive"	Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director

"First Shanghai" or "Independent Financial Adviser"	First Shanghai Capital Limited, a licensed corporation permitted to carry out businesses in type 6 (advising on corporate finance) regulated activity as defined under the SFO and the independent financial adviser appointed in accordance with the Takeovers Code in respect of the Offer
"Form of Acceptance"	the form of acceptance and transfer of Shares in respect of the Offer accompanying this Composite Document
"Fortune Belt"	Fortune Belt Limited, a company incorporated in BVI with limited liability
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	an independent committee of the Board comprising all the independent non-executive Directors, namely Mr. Choy Tak Ho, Ms. Chiu Lai Kuen Susanna and Mr. Zhu Shengli, formed to make recommendation to the Independent Shareholders in relation to the terms of the Offer and its acceptance
"Independent Shareholders"	the Shareholders other than the Offeror, its ultimate beneficial owners and parties acting in concert with any of them
"Joint Announcement"	the announcement dated 10 July 2015 jointly issued by the Offeror and the Company in relation to, among others, the Share Transfer and the Offer
"Kingston Securities"	Kingston Securities Limited, a corporation licensed to carry out business in type 1 (dealing in securities) regulated activity under the SFO who shall make the Offer for and on behalf of the Offeror
"Kingston Corporate Finance"	Kingston Corporate Finance Limited, a corporation licensed to carry out businesses in type 6 (advising on corporate finance) regulated activity under the SFO and the financial adviser to the Offeror in respect of the Offer
"Last Trading Day"	30 June 2015, being the last trading day for the Shares prior to the suspension of trading in the Shares pending the release of the Joint Announcement

"Latest Practicable Date"	20 August 2015, being the latest practicable date prior to the publication of this Composite Document for the purpose of ascertaining certain information in this Composite Document
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Mr. Chu"	Mr. Chu Chun Man Augustine, the executive Director, the chairman of the Board and one of the ultimate beneficial owners of the Vendors as at the date of the Joint Announcement
"Mr. Jiang"	Mr. Jiang Jianhui (姜建輝), beneficially owns as to 80% of the Offeror and the sole director of the Offeror
"Mr. Yan"	Mr. Yan Kim Po (殷劍波), beneficially owns as to 20% of the Offeror
"Offer"	the mandatory unconditional cash offer made by Kingston Securities for and on behalf of the Offeror for all the issued Shares (other than those already owned by the Offeror and parties acting in concert with it) pursuant to Rule 26.1 of the Takeovers Code
"Offer Period"	the period commencing from 6 July 2015, being the date of the commencement of the offer period pursuant to Rule 3.7 of the Takeovers Code and ending on the Closing Date or such other date or date to which the Offeror may decide to extend or revise the Offer in accordance with the Takeovers Code
"Offer Price"	the price per Offer Share at which the Offer is made, being HK$1.0684 per Offer Share
"Offer Share(s)"	all the Share(s) in issue, other than those Shares already owned by the Offeror and parties acting in concert with it
"Offeror"	Surplus Excel Limited, a company incorporated in BVI with limited liability
"Overseas Shareholder(s)"	Shareholder(s) whose addresses, as shown on the register of members of the Company, are outside Hong Kong
"Possible Transaction"	the possible sale and purchase of the 287,074,657 Shares held by the Vendors as initially disclosed in the announcement of the Company dated 15 September 2014

"PRC"	the People's Republic of China which, for the purpose of this Composite Document, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Registrar"	Tricor Tengis Limited, the Hong Kong share registrar and transfer office of the Company, with its address at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong
"Relevant Period"	the period commencing from 6 January 2015, being the date falling six months before the date of the commencement of the Offer Period and up to and including the Latest Practicable Date
"relevant securities"	has the meaning as defined in Note 4 to Rule 22 of the Takeovers Code
"Sale and Purchase Agreement"	the sale and purchase agreement dated 30 June 2015 entered into among Mr. Chu, Mr. Jiang, the Vendors and the Offeror for the Share Transfer
"Sale Shares"	an aggregate of 287,074,657 Shares, representing approximately 61.33% of the total issued share capital of the Company as at the date of the Sale and Purchase Agreement, acquired by the Offeror pursuant to the Share Transfer
"SFC"	Securities and Futures Commission of Hong Kong
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shareholder(s)"	holder(s) of the Share(s)
"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company
"Share Transfer"	the acquisition by the Offeror of the Sale Shares pursuant to the Sale and Purchase Agreement
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeovers Code"	The Hong Kong Code on Takeovers and Mergers
"Vendors"	CM Investment and Fortune Belt
"%"	per cent

KINGSTON SECURITIES LTD.

24 August 2015

To the Independent Shareholders

Dear Sir or Madam,

MANDATORY UNCONDITIONAL CASH OFFER BY KINGSTON SECURITIES LIMITED FOR AND ON BEHALF OF THE OFFEROR TO ACQUIRE ALL THE ISSUED SHARES (OTHER THAN THOSE ALREADY OWNED BY THE OFFEROR AND PARTIES ACTING IN CONCERT WITH IT) IN SINO GOLF HOLDINGS LIMITED

INTRODUCTION

The Company and the Offeror jointly announced on 10 July 2015, among other things, that on 30 June 2015, the Vendors, the Offeror, Mr. Chu (as the warrantor to the Vendors) and Mr. Jiang (as the warrantor to the Offeror) entered into the Sale and Purchase Agreement, pursuant to which the Offeror has agreed to acquire from the Vendors an aggregate of 287,074,657 Shares, representing approximately 61.33% of the entire issued share capital of the Company as at the Latest Practicable Date. Immediately following Completion which took place on 30 June 2015, the Offeror and parties acting in concert with it are interested in 287,074,657 Shares, representing approximately 61.33% of the entire issued share capital of the Company as at the Latest Practicable Date. The total consideration of HK$306,681,856.08 at which the Sale Shares were acquired from the Vendors, representing approximately HK$1.0683 per Sale Share, was fully settled in cash upon Completion.

The 61.33% interests sold to the Offeror was determined based on commercial negotiation after taking into account, among other things, the Offeror's preference on having over 50% control in the Company and becoming the single largest shareholder in the Company. It is the current intention of Mr. Chu to remain as director of certain subsidiaries of the Group and have his family to retain the 2.22% direct interest in the Company so as to show his commitment to continue to manage the existing businesses of the Group following Completion and to maintain staff stability for the normal daily operations of the Group in view of the change in control.

Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make a mandatory unconditional cash offer for 180,975,343 Shares, representing all the issued Shares which are not already beneficially owned or agreed to be acquired by the Offeror and parties acting in concert with it. Kingston Securities, on behalf of the Offeror, is making the Offer.

This letter sets out, among other things, the principal terms of the Offer, together with the information on the Offeror and the Offeror's intention regarding the Group. Further details of the terms of the Offer and procedures of acceptance are also set out in Appendix I to this Composite Document and the accompany Form of Acceptance. Your attention is also drawn to the letter from the Board as well as the letter from Independent Board Committee and the letter from First Shanghai in respect of the Offer, as contained in this Composite Document.

MANDATORY UNCONDITIONAL CASH OFFER

Principal terms of the Offer

Kingston Securities, on behalf of the Offeror, is making the Offer to acquire all the issued Shares other than those already owned by the Offeror and parties acting in concert with it in accordance with the Takeovers Code on the following basis:

For each Offer Share . . . . **HK$1.0684 in cash**

The Offer Price of HK$1.0684 per Offer Share is referenced to the purchase price per Sale Share paid by the Offeror under the Share Transfer pursuant to the Sale and Purchase Agreement and was arrived at after arm's length negotiations between the Offeror and the Vendors. The Offer Shares to be acquired under the Offer shall be fully paid and free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them, including the right to receive all dividends and other distributions, if any, declared, made or paid on or after the date on which the Offer is made, being the date of this Composite Document.

The Offer will be unconditional in all respects and will not be conditional upon acceptances being received in respect of a minimum number of Shares or any other conditions.

Comparison of value

The Offer Price of HK$1.0684 per Share represents:

(i) a discount of approximately 27.32% to the closing price of HK$1.47 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a discount of approximately 29.06% to the average closing price of the Shares as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day of HK$1.506 per Share;

(iii) a discount of approximately 27.32% to the average closing price of the Shares as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day of HK$1.47 per Share;

(iv) a discount of approximately 20.61% to the average closing price of the Shares as quoted on the Stock Exchange for the thirty (30) consecutive trading days up to and including the Last Trading Day of HK$1.3457 per Share;

(v) a premium of approximately 60.90% over the audited consolidated net asset value attributable to owners of the Company of approximately HK$0.6642 per Share (based on the number of issued Shares as at the Latest Practicable Date) as at 31 December 2014, the date to which the latest audited financial results of the Group were made up; and

(vi) a discount of approximately 5.45% to the closing price of HK$1.13 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

Highest and lowest Share price

During the six-month period preceding 6 July 2015, being the date of the commencement of the Offer Period and up to the Latest Practicable Date:

(i) The highest closing price of the Shares as quoted on the Stock Exchange was HK$1.85 per Share on 22 July 2015; and

(ii) The lowest closing price of the Shares as quoted on the Stock Exchange was HK$0.81 per Share on 11 March 2015 and 12 March 2015 respectively.

Total value of the Offer

As at the Latest Practicable Date, the Company has 468,050,000 Shares in issue (of which the Offeror and parties acting in concert with it are interested in 287,074,657 Shares). The Company does not have any outstanding options, derivatives or warrants or other securities which are convertible or exchangeable into the Shares and has not entered into any agreement for the issue of such options, derivatives or warrants or other securities of the Company. Assuming there is no change in the issued share capital of the company prior to the close of the Offer, 180,975,343 Shares will be subject to the Offer.

Based on the Offer Price of HK$1.0684 per Offer Share and on the basis of full acceptance of the Offer, the cash consideration payable by the Offeror under the Offer will amount to approximately HK$193,354,056.46.

Financial resources available to the Offeror

The Offeror will finance the cash consideration payable for the Offer (i.e. HK$193,354,056.46) by the facilities granted by Kingston Securities (as lender) to the Offeror (as borrower) for the purpose of financing the Offer. Pursuant to the terms and conditions of the facilities granted by Kingston Securities for the purpose of the Sale and Purchase Agreement and the Offer, the Sale Shares and the Offer Shares to be acquired by the Offeror under the Offer shall be deposited with Kingston Securities as collateral for the facilities. The payment of interest on, repayment of, or security for any liability (contingent or otherwise) for, such facilities will not depend on any significant extent on the business of the Group.

Kingston Corporate Finance, the financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror to satisfy full acceptance of the Offer as described above and confirms that there have been no material changes to the availability of the financial resources since the date of the Joint Announcement.

Effect of accepting the Offer

By validly accepting the Offer, the Shareholders will sell their tendered Shares to the Offeror free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them, including the right to receive all dividends and other distributions, if any, declared, made or paid on or after the date on which the Offer is made, being the date of this Composite Document.

The Offer is unconditional in all respects and will open for acceptance from the date of this Composite Document until 4:00 p.m. on the Closing Date. Acceptance of the Offer tendered by the Independent Shareholders shall be irrevocable once given and cannot be withdrawn except in circumstances set out in Rule 19.2 of the Takeovers Code.

Hong Kong stamp duty

The seller's Hong Kong ad valorem stamp duty on acceptances of the Offer (or part thereof) at a rate of 0.1% of the consideration payable in respect of the relevant acceptances by the Independent Shareholders or if higher, the market value of the Offer Shares, will be deducted from the amount payable to the Independent Shareholders who accept the Offer.

The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of the relevant Independent Shareholders who accept the Offer and pay the buyer's Hong Kong ad valorem stamp duty in connection with the acceptances of the Offer and the transfers of the Offer Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

Payment

Payment in cash in respect of acceptances of the Offer will be made as soon as possible but in any event within seven (7) business days (as defined in the Takeovers Code) of the date on which the duly completed acceptances of the Offer and the relevant documents of title in respect of such acceptances are received by the Offeror (or its agent) to render each such acceptance complete and valid.

Taxation advice

Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offer. None of the Offeror, parties acting in concert with the Offeror, the Company, Kingston Securities, Kingston Corporate Finance, Somerley Capital Limited and their respective ultimate beneficial owners, directors, officers, advisers, agents or associates or any other person involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.

Overseas Shareholders

As the Offer to persons not residing in Hong Kong might be affected by the laws of the relevant jurisdiction in which they are resident, Overseas Shareholders and beneficial owners of the Shares who are citizens, residents or nationals of a jurisdiction outside Hong Kong should obtain information about and observe any applicable legal or regulatory requirements and, where necessary, seek legal advice in respect of the Offer. It is the responsibility of the Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due in respect of such jurisdictions). Any acceptance by any Overseas Shareholder will be deemed to constitute a representation and warranty from such Overseas Shareholder to the Offeror that the local laws and requirements have been complied with. The Overseas Shareholders should consult their professional advisers if in doubt.

Acceptance and Settlement

Your attention is drawn to the further details regarding the procedures for acceptance and settlement of the Offers as set out in Appendix I to this Composite Document and the accompanying Form of Acceptance.

Other arrangements

For the six months immediately prior to 6 July 2015 (being the date of commencement of the Offer Period pursuant to Rule 3.7 of the Takeovers Code), save for the Share Transfer, the Offeror and parties acting in concert with it had not dealt in nor did they have any Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

The Offeror confirms that as at the Latest Practicable Date:

(i) save for the Offeror's interest in the Sale Shares under the Share Transfer, none of the Offeror, its ultimate beneficial owners and/or parties acting in concert with any of them owns or has control or direction over any voting rights or rights over the Shares or convertible securities, options, warrants or derivatives, of the Company;

(ii) the Offeror, its ultimate beneficial owners, and/or parties acting in concert with any of them have not received any irrevocable commitment to accept the Offer;

(iii) there is no outstanding derivative in respect of securities in the Company which has been entered into by the Offeror, its ultimate beneficial owners and/or any person acting in concert with any of them;

(iv) save for the Share Transfer and the deposit of the Sale Shares and the Offer Shares to be acquired by the Offeror through the Offer in favour of Kingston Securities as security for the loan facilities granted by Kingston Securities, there is no arrangement (whether by way of option, indemnity or otherwise) in relation to the shares of the Offeror or the Company and which may be material to the Offer (as referred to in Note 8 to Rule 22 of the Takeovers Code);

(v) there is no agreement or arrangement to which the Offeror, its ultimate beneficial owners and/or parties acting in concert with any of them is a party which relates to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Offer; and

(vi) there is no relevant security (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror, its ultimate beneficial owners, and/or any party acting in concert with any of them has borrowed or lent.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares during the Offer Period. If the Shareholders and potential investors are in any doubt about their position, they should consult their professional advisers.

INFORMATION ON THE OFFEROR

The Offeror is an investment holding company incorporated on 1 May 2015 in BVI with limited liability. As at the Latest Practicable Date, the Offeror is owned as to 80% by Mr. Jiang and as to 20% by Mr. Yan and the sole director of the Offeror is Mr. Jiang. Mr. Jiang and Mr. Yan are business acquaintances.

Mr. Jiang, aged 40, has extensive experience in the financial services and investment industry in the PRC. Mr. Jiang has been engaged in equity investment, trust investment and pawnshop business in Beijing. Mr. Jiang used to be the general manager of a major non-banking financial institution in the PRC which is principally engaged in, among others, money-lending, guarantee and pawning businesses.

Mr. Yan, aged 53. Mr. Yan is an experienced entrepreneur and has extensive experience in the marine transportation industry and in the investment, development, production, processing, operation and trading of the mining and steel industry. Mr. Yan was appointed as Justice of Peace and was granted a Doctor of Philosophy Honoris Causa from Lansbridge University, Canada. He was also honoured as World Outstanding Chinese in 2010. He is currently the chairman, an executive director and the cofounder of Great Harvest Maeta Group Holdings Limited (Stock code: 3683), the shares of which are listed on the Main Board of the Stock Exchange and a director of Adex Mining Inc. (TSXV Stock code: ADE), a company listed on the TSX Venture Exchange in Canada. He is also a fellow of the Hong Kong Institute of Directors and the chairman of the Hong Kong Energy and Minerals United Associations (International) Limited. He is also active in social affairs and was appointed as the Honorary Chairman of Hong Kong Association of Youth Development, the Honorary President of Sha Tin District Junior Police Call, the Honorary President of the Fire Safety Ambassador Club and Shatin Sports Association.

INFORMATION ON THE GROUP

The Company is incorporated in Bermuda as an exempted company with limited liability and was listed on the Stock Exchange. The principal activity of the Company is investment holding. The Group is principally engaged in the manufacturing and trading of golf equipment, golf bags and other accessories.

The following table is a summary of certain consolidated audited financial information of the Group for the two financial years ended 31 December 2013 and 31 December 2014, respectively.

	Year ended 31 December 2013 *HK$'000*	**Year ended 31 December 2014** *HK$'000*
Turnover	434,087	400,962
Gross profit	75,634	72,416
Profit before taxation	16,001	8,719
Profit for the year	13,653	8,295

	As at 31 December 2013 *HK$'000*	**As at 31 December 2014** *HK$'000*
Consolidated net asset value attributable to owners of the Company	302,452	310,884

Shareholding structure of the Company

Set out below is the shareholding structure of the Company (i) immediately prior to Completion; and (ii) immediately following Completion and as at the Latest Practicable Date:

	Immediately prior to Completion		**Immediately following Completion and as at the Latest Practicable Date**	
	Number of Shares	*Approximate % of Shares in issue*	*Number of Shares*	*Approximate % of Shares in issue*
CM Investment	257,315,662	54.98	–	–
Fortune Belt	29,758,995	6.35	–	–
Mr. Chu	9,292,104	1.99	9,292,104	1.99
Ms. Hung Tze Nga, Cathy *(Note 1)*	150,000	0.03	150,000	0.03
Mr. Chu Yuk Man, Simon *(Note 2)*	954,355	0.20	954,355	0.20
Mr. Chu and parties acting in concert with him *(Note 3)*	297,471,116	63.55	10,396,459	2.22
The Offeror and parties acting in concert with it	–	–	287,074,657	61.33
Other Shareholders	170,578,884	36.45	170,578,884	36.45
Total	468,050,000	100.00	468,050,000	100.00

Notes:

1. Spouse of Mr. Chu.

2. Elder brother of Mr. Chu and one of the executive Directors.

3. Immediately prior to Completion, Mr. Chu was interested in 296,516,761 Shares by way of the followings: (i) 9,292,104 Shares were held directly by Mr. Chu; (ii) 150,000 Shares were held by Ms. Hung Tze Nga Cathy, the spouse of Mr. Chu; (iii) 257,315,662 Shares are held by CM Investment, of which, (a) approximately 78.31% of its issued share capital are owned by A & S Company Limited, (b) approximately 9.13% of its issued share capital are owned by Mr. Chu, (c) approximately 0.81% of its issued share capital is owned by Mr. Chu Yuk Man, Simon, (d) approximately 0.55% of its issued share capital is owned by the estate of another family member of Mr. Chu; and (e) approximately 11.20% of its issued share capital are held by the administratrix of the estate of Mr. Takanori Matsuura, a cofounder of the Company. A & S Company Limited is a company incorporated in BVI with limited liability and is owned as to approximately 64% by Mr. Chu, approximately 21.71% by Mr. Chu Yuk Man, Simon and 14.29% by the estate of another family member of Mr. Chu; and (iv) the remaining 29,758,995 Shares were held by Fortune Belt, which is beneficially owned as to 62.5% by Mr. Chu, 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 and Mr. Chu Yuk Man, Simon.

As at the Latest Practicable Date, the Company does not have any outstanding options, derivatives or warrants or other securities which are convertible or exchangeable into the Shares and has not entered into any agreement for the issue of such options, derivatives or warrants or other securities of the Company.

OFFEROR'S INTENTION ON THE COMPANY

Following the close of the Offer, the Offeror intends to continue the existing principal businesses of the Group. The Offeror will conduct a review on the financial position and the operations of the Company and will formulate long-term business plans and strategies of the Company, explore other business opportunities and consider whether any asset disposal, asset acquisition, business rationalisation, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance the long-term growth potential of the Company. Should such corporate actions materialise, further announcement(s) will be made in accordance with the Listing Rules. The Offeror has no intention to (i) discontinue the employment of any employees of the Group; or (ii) redeploy the fixed assets of the Company other than those in its ordinary and usual course of business.

Proposed change of Board composition

The Board is currently made up of six Directors, comprising (i) Mr. Chu, Mr. Chu Yuk Man Simon and Mr. Chang Hua Jung as executive Directors; and (ii) Mr. Choy Tak Ho, Ms. Chiu Lai Kuen Susanna and Mr. Zhu Shengli as independent non-executive Directors. Pursuant to the terms of the Sale and Purchase Agreement, the Vendors shall cause such Directors as may be notified by the Offeror to the Vendors to give notice to resign as Directors with effect from the earliest time permitted under the Takeovers Code. Such resignation will not take effect earlier than the date of the close of the Offer.

In addition, pursuant to the terms of the Sale and Purchase Agreement, the Vendors shall cause such persons as the Offeror may nominate to be validly appointed as Directors with effect from the earliest time permitted under the Takeovers Code. The Offeror currently intends to nominate five new members to the Board, namely Mr. WONG Hin Shek and Mr. ZHANG Yi as executive Directors and Ms. CHU Yin Yin, Georgiana, Mr. YIP Tai Him and Mr. CHAN Kai Wing as independent non-executive Directors. Such appointments will only take effect after the date of despatch of this Composite Document in accordance with the requirements of the Takeovers Code.

The Offeror may nominate additional Directors to the Board on or after the Closing Date, but such persons have not been determined as at the Latest Practicable Date. Details of any such further changes to the composition of the Board will be announced in accordance with the Listing Rules.

Set out below are the proposed candidates to be nominated by the Offeror as the executive Directors and independent non-executive Directors:

Proposed executive Directors

Mr. WONG Hin Shek ("Mr. Wong"), aged 45, has over 20 years of experience in the investment banking industry. Mr. Wong obtained a bachelor of commerce degree from University of Toronto in Canada and a Master of Science (Financial Management) degree from University of London in United Kingdom. Mr. Wong is also a responsible officer of Veda Capital Limited, a licensed corporation which carries out Type 6 (advising on corporate finance) regulated activity under the SFO. He has been involved in the management, business development and strategic investment of listed companies in Hong Kong. Mr. Wong is currently the chairman and an executive director of Guocang Group Limited (stock code: 559) and Excel Development (Holdings) Limited (stock code: 1372), the shares of which are listed on the Main Board of the Stock Exchange. Mr. Wong was an executive director of KuangChi Science Limited (formerly known as "Climax International Company Limited") (stock code: 439) from June 2007 to August 2014. The shares of these companies are listed on the Main Board of the Stock Exchange.

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

Proposed independent non-executive Directors

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

Mr. YIP Tai Him ("Mr. Yip"), aged 45, has been a practising accountant in Hong Kong since 1999. Mr. Yip is a member of the Association of Chartered Certified Accountants in the United Kingdom and the Institute of Chartered Accountants in England and Wales. He has over 20 years of experience in accounting, auditing and financial management.

Mr. Yip is currently an independent non-executive director of each of China Communication Telecom Service Company Limited (stock code: 8206), Vinco Financial Group Limited (stock code: 8340), GCL-Poly Energy Holdings Limited (stock code: 3800), Redco Properties Group Limited (stock code: 1622) and Excel Development (Holdings) Limited (stock code: 1372). The shares of these companies are listed on the Main Board or the Growth Enterprise Market (the "GEM") of the Stock Exchange. Mr. Yip was an independent non-executive director of each of China Media and Films Holdings Limited (stock code: 8172) from December 2008 to April 2015, iOne Holdings Limited (stock code: 982) from April 2009 to July 2014, Mega Medical Technology Limited (stock code: 876) from February 2001 to June 2014 and Larry Jewelry International Company Limited (stock code: 8351) from May 2014 to October 2014 and a non-executive director of Larry Jewelry International Company Limited (stock code: 8351) from April 2014 to May 2014. The shares of these companies are listed on the Main Board or GEM of the Stock Exchange.

Mr. CHAN Kai Wing ("Mr. Chan"), aged 54, obtained a bachelor degree in economics from Macquarie University in Sydney, Australia in April 1986. He is a fellow member of CPA Australia. Mr. Chan is currently the managing director and founder of Mandarin Capital Enterprise Limited, a company specialised in the provision of financial advisory services in the area of accounting, merger and acquisition and corporate restructuring for both listed and private companies in Hong Kong and the PRC, whose clients include companies in the real estate development industry and dairy industry etc. He is currently an independent non-executive director of each of China Conch Venture Holdings Limited (stock code: 586), China Assurance Finance Group Limited (stock code: 8090) and Excel Development (Holdings) Limited (stock code: 1372), the shares of which are listed on the Main Board or GEM of the Stock Exchange. Mr. Chan worked in the audit department of Ernst & Young in Hong Kong from 1988 to 1991. He was also a director and the financial controller of Shenzhen China Bicycle Company (Holdings) Limited, a listed company in the PRC from 1991 to 1999.

Details of the changes to the composition of the Board and the company secretary of the Company and the appointment of new Directors will be further announced as and when appropriate in compliance with the Takeovers Code and the Listing Rules.

Maintaining the listing status of the Company

The Offeror intends to maintain the listing of the Shares on the Stock Exchange after the close of the Offer. The sole director of the Offeror and the new directors to be appointed to the Board have jointly and severally undertaken to the Stock Exchange in the event that after the close of the Offer, the public float of the Company falls below 25%, they would take appropriate steps to restore the minimum public float as required under the Listing Rules as soon as possible, to ensure that sufficient public float exists for the Shares.

The Stock Exchange has stated that if, upon closing of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the Shares, are held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares;

or (ii) there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend trading in the Shares until the prescribed level of public float is restored.

Compulsory acquisition

The Offeror does not intend to exercise any right which may be available to it to acquire compulsorily any outstanding Offer Shares not acquired under the Offer after the close of the Offer.

GENERAL

All communications, notices, Form of Acceptance, Share certificate(s), transfer receipt(s), other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to settle the consideration payable under the Offer to be delivered by or sent to or from the Independent Shareholders will be delivered by or sent to or from them, or their designated agents, by ordinary post at their own risk, and none of the Offeror, the Company, Kingston Securities, Kingston Corporate Finance, Somerley Capital Limited and their respective ultimate beneficial owners, directors, officers, advisers, agents or associates or any other person involved in the Offer or any of their respective agents accept any liability for any loss in postage or any other liabilities that may arise as a result thereof. Further details have been set out in Appendix I to this Composite Document and in the Form of Acceptance.

ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Board, the letter from the Independent Board Committee and the letter from First Shanghai as set out in this Composite Document, the accompanying Form of Acceptance and the additional information set out in the appendices to, which form part of, this Composite Document.

Yours faithfully,
For and on behalf of
Kingston Securities Limited
Chu, Nicholas Yuk-yui
Director

SINO GOLF HOLDINGS LIMITED
順龍控股有限公司*

(Incorporated in Bermuda with limited liability)
(Stock code: 00361)

Executive Directors:
Mr. Chu Chun Man, Augustine *(Chairman)*
Mr. Chu Yuk Man, Simon
Mr. Chang Hua Jung

Independent Non-executive Directors:
Mr. Choy Tak Ho
Ms. Chiu Lai Kuen, Susanna
Mr. Zhu Shengli

Registered Office:
Clarendon House
2 Church Street
Hamilton, HM 11
Bermuda

Head office and principal place of business in Hong Kong:
Room 1906, 19/F., Delta House
3 On Yiu Street, Shatin
New Territories
Hong Kong

24 August 2015

To the Independent Shareholders

Dear Sir or Madam,

MANDATORY UNCONDITIONAL CASH OFFER BY

KINGSTON SECURITIES LTD.

FOR AND ON BEHALF OF THE OFFEROR TO ACQUIRE ALL THE ISSUED SHARES (OTHER THAN THOSE ALREADY OWNED BY THE OFFEROR AND PARTIES ACTING IN CONCERT WITH IT) IN SINO GOLF HOLDINGS LIMITED

INTRODUCTION

The Company and the Offeror jointly announced on 10 July 2015, among other things, that on 30 June 2015, the Vendors, the Offeror, Mr. Chu (as the warrantor to the Vendors) and Mr. Jiang (as the warrantor to the Offeror) entered into the Sale and Purchase Agreement, pursuant to which the Offeror has agreed to acquire from the Vendors an aggregate of 287,074,657 Shares, representing approximately 61.33% of the entire issued share capital of the Company as at the Latest Practicable Date. Immediately following

* *For identification purpose only*

Completion which took place on 30 June 2015, the Offeror and parties acting in concert with it are interested in 287,074,657 Shares, representing approximately 61.33% of the entire issued share capital of the Company as at the Latest Practicable Date. The total consideration of HK$306,681,856.08 at which the Sale Shares were acquired from the Vendors, representing approximately HK$1.0683 per Sale Share, was fully settled in cash upon Completion. The 61.33% interests sold to the Offeror was determined based on commercial negotiation after taking into account, among other things, the Offeror's preference on having over 50% control in the Company and becoming the single largest shareholder in the Company. It is the current intention of Mr. Chu to remain as director of certain subsidiaries of the Group and have his family to retain the 2.22% direct interest in the Company so as to show his commitment to continue to manage the existing businesses of the Group following Completion and to maintain staff stability for the normal daily operations of the Group in view of the change in control.

Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make an unconditional mandatory cash offer for all the issued Shares other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it. Kingston Securities, on behalf of the Offeror, is making the Offer.

Pursuant to Rule 2.1 and Rule 2.8 of the Takeovers Code, the Independent Board Committee, comprising all three independent non-executive Directors, namely Mr. Choy Tak Ho, Ms. Chiu Lai Kuen Susanna and Mr. Zhu Shengli, has been formed to make a recommendation to the Independent Shareholders as to whether the terms of the Offer are fair and reasonable and whether the Offer is in the interests of the Company and the Shareholders as a whole and as to the acceptance of the Offer.

As disclosed in the Joint Announcement, First Shanghai has been appointed by the Board after approval by the Independent Board Committee as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Offer and as to its acceptance.

The purpose of this Composite Document is to provide you with, among other things, (i) information relating to the Offeror, the Offer and the Group; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Offer; and (iii) a letter of advice from First Shanghai to the Independent Board Committee in relation to the Offer and as to its acceptance.

THE OFFER

The terms of the Offer summarised below are set out in details in the letter from Kingston Securities contained in this Composite Document and Appendix I to this Composite Document as well as the Form of Acceptance. You are recommended to refer to them for further details.

Principal terms of the Offer

Kingston Securities, on behalf of the Offeror, is making the Offer to acquire all the issued Shares other than those already owned by the Offeror and parties acting in concert with it in accordance with the Takeovers Code on the following basis:

For each Offer Share . . . . **HK$1.0684 in cash**

The Offer Price of HK$1.0684 per Offer Share is referenced to the purchase price per Sale Share paid by the Offeror under the Share Transfer pursuant to the Sale and Purchase Agreement and was arrived at after arm's length negotiations between the Offeror and the Vendors. The Offer Shares to be acquired under the Offer shall be fully paid and free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them, including the right to receive all dividends and other distributions, if any, declared, made or paid on or after the date on which the Offer is made, being the date of the Composite Document.

The Offer will be unconditional in all respects and will not be conditional upon acceptances being received in respect of a minimum number of Shares or any other conditions.

Effects of accepting the Offer

By validly accepting the Offer, the Shareholders will sell their tendered Shares to the Offeror free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them, including the right to receive all dividends and other distributions, if any, declared, made or paid on or after the date on which the Offer is made, being the date of the Composite Document.

SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company (i) immediately prior to Completion; and (ii) immediately following Completion and as at the Latest Practicable Date.

	Immediately prior to Completion		Immediately following Completion and as at the Latest Practicable Date	
	Shares	*%*	*Shares*	*%*
CM Investment	257,315,662	54.98	–	–
Fortune Belt	29,758,995	6.35	–	–
Mr. Chu	9,292,104	1.99	9,292,104	1.99
Ms. Hung Tze Nga, Cathy *(Note 1)*	150,000	0.03	150,000	0.03
Mr. Chu Yuk Man, Simon *(Note 2)*	954,355	0.20	954,355	0.20
Mr. Chu and parties acting in concert with him *(Note 3)*	297,471,116	63.55	10,396,459	2.22
The Offeror and parties acting in concert with it	–	–	287,074,657	61.33
Other Shareholders	170,578,884	36.45	170,578,884	36.45
Total	468,050,000	100.00	468,050,000	100.00

Notes:

1. Spouse of Mr. Chu

2. Elder brother of Mr. Chu and one of the executive Directors

3. Immediately prior to Completion, Mr. Chu was interested in 296,516,761 Shares by way of the followings: (i) 9,292,104 Shares were held directly by Mr. Chu; (ii) 150,000 Shares were held by Ms. Hung Tze Nga Cathy, the spouse of Mr. Chu; (iii) 257,315,662 Shares are held by CM Investment, of which, (a) approximately 78.31% of its issued share capital are owned by A & S Company Limited, (b) approximately 9.13% of its issued share capital are owned by Mr. Chu, (c) approximately 0.81% of its issued share capital is owned by Mr. Chu Yuk Man, Simon, (d) approximately 0.55% of its issued share capital is owned by the estate of another family member of Mr. Chu; and (e) approximately 11.20% of its issued share capital are held by the administratrix of the estate of Mr. Takanori Matsuura, a co-founder of the Company. A & S Company Limited is a company incorporated in BVI with limited liability and is owned as to approximately 64% by Mr. Chu, approximately 21.71% by Mr. Chu Yuk Man, Simon and 14.29% by the estate of another family member of Mr. Chu; and (iv) the remaining 29,758,995 Shares were held by Fortune Belt, which is beneficially owned as to 62.5% by Mr. Chu, 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 and Mr. Chu Yuk Man, Simon.

INFORMATION ON THE GROUP

The Company is incorporated in Bermuda as an exempted company with limited liability and was listed on the Stock Exchange. The principal activity of the Company is investment holding. The Group is principally engaged in the manufacturing and trading of golf equipment, golf bags and other accessories.

The following table is a summary of certain consolidated audited financial information of the Group for the two financial years ended 31 December 2013 and 31 December 2014, respectively.

	Year ended 31 December 2013 *HK$'000*	**Year ended 31 December 2014** *HK$'000*
Turnover	434,087	400,962
Gross profit	75,634	72,416
Profit before taxation	16,001	8,719
Profit for the year	13,653	8,295

	As at 31 December 2013 *HK$'000*	**As at 31 December 2014** *HK$'000*
Consolidated net asset value attributable to owners of the Company	302,452	310,884

As disclosed in the interim results announcement dated 17 August 2015 of the Company for the six months ended 30 June 2015, the unaudited consolidated net asset value attributable to owners of the Company was approximately HK$301,329,000 as at 30 June 2015.

INFORMATION ON THE OFFEROR AND ITS INTENTION REGARDING THE GROUP

Your attention is drawn to the letter from Kingston Securities in this Composite Document for the information on the Offeror and its intention regarding the Group. In particular, as stated in the letter from Kingston Securities, the Offeror intends to maintain the listing of the Shares on the Stock Exchange after the close of the Offer. The sole director of the Offeror and the new directors to be appointed to the Board have jointly and severally undertaken to the Stock Exchange to take appropriate steps as soon as possible following the close of the Offer to ensure that a sufficient public float exists for the Shares.

In the event that after the completion of the Offer, the public float of the Company falls below 25%, the Offeror and the Company will undertake to the Stock Exchange that they will take appropriate steps to restore the minimum public float as required under the Listing Rules as soon as possible following the close of the Offer to ensure that sufficient public float exists for the Shares.

The Stock Exchange has stated that if, upon closing of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the Shares, are held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares;

or (ii) there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend trading in the Shares until the prescribed level of public float is restored.

The Board is also aware of the Offeror's intention in relation to the Group and its employees and the proposed change of Board composition, and is willing to render co-operation with the Offeror and would continue to act in the best interests of the Group and the Shareholders as a whole.

RECOMMENDATION

The Independent Board Committee comprising all three independent non-executive Directors, namely Mr. Choy Tak Ho, Ms. Chiu Lai Kuen Susanna and Mr. Zhu Shengli, has been formed to make a recommendation to the Independent Shareholders as to whether the terms of the Offer are fair and reasonable and whether the Offer is in the interests of the Company and the Shareholders as a whole and as to the acceptance of the Offer.

First Shanghai has been appointed by the Board after approval by the Independent Board Committee as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Offer and as to its acceptance.

Your attention is drawn to the letter of recommendation from the Independent Board Committee set out on pages IBC-1 to IBC-2 of this Composite Document and the letter of advice from First Shanghai set out on pages IFA-1 to IFA-14 of this Composite Document, which contains, among other things, its advice to the Independent Board Committee in relation to the Offer and the principal factors considered by it in arriving at its recommendation.

ADDITIONAL INFORMATION

Your attention is drawn to the letter from Kingston Securities set out in this Composite Document, Appendix I to this Composite Document and the accompanying Form of Acceptance which contain further details of the Offer and the procedures for acceptance of the Offer. Your attention is also drawn to the additional information set out in the appendices to this Composite Document.

Yours faithfully,
For and on behalf of the Board of
Sino Golf Holdings Limited
Chu Chun Man, Augustine
Chairman

SINO GOLF HOLDINGS LIMITED
順龍控股有限公司*

(Incorporated in Bermuda with limited liability)
(Stock code: 00361)

24 August 2015

To the Independent Shareholders

Dear Sir or Madam,

MANDATORY UNCONDITIONAL CASH OFFER BY
KINGSTON SECURITIES LTD.
FOR AND ON BEHALF OF THE OFFEROR TO ACQUIRE ALL THE ISSUED SHARES (OTHER THAN THOSE ALREADY OWNED BY THE OFFEROR AND PARTIES ACTING IN CONCERT WITH IT) IN SINO GOLF HOLDINGS LIMITED

We refer to the Composite Document dated 24 August 2015 jointly issued by the Company and the Offeror, of which this letter forms part. Terms defined in the Composite Document shall bear the same meanings when used herein unless the context requires otherwise.

We have been appointed to constitute the Independent Board Committee to consider the terms of the Offer and to advise you as to whether, in our opinion, the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned and as to its acceptance. First Shanghai has been appointed as the independent financial adviser to advise us in this respect. Details of its advice and the principal factors and reasons taken into consideration in arriving at its advice are set out in the letter from the Independent Financial Adviser set out on pages IFA-1 to IFA-14 of the Composite Document.

We also wish to draw your attention to the letter from the Board, the letter from Kingston Securities and the additional information set out in the appendices to the Composite Document.

* *For identification purpose only*

Taking into account the terms of the Offer and the independent advice from First Shanghai, we consider that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to accept the Offer. Independent Shareholders are recommended to read the full text of the letter from the Independent Financial Adviser set out in the Composite Document.

Yours faithfully,
For and on behalf of
Independent Board Committee

Mr. Choy Tak Ho	**Ms. Chiu Lai Kuen, Susanna**	**Mr. Zhu Shengli**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*

The following is the text of a letter of advice to the Independent Board Committee from First Shanghai in respect of the Offer for the purpose of incorporation in this Composite Document.

第一上海
FIRST SHANGHAI GROUP
FIRST SHANGHAI CAPITAL LIMITED
第 一 上 海 融 資 有 限 公 司
FIRST SHANGHAI CAPITAL LIMITED
19th Floor, Wing On House
71 Des Voeux Road Central
Hong Kong

24 August 2015

To the Independent Board Committee

Dear Sir or Madam,

MANDATORY UNCONDITIONAL CASH OFFER BY KINGSTON SECURITIES LIMITED FOR AND ON BEHALF OF THE OFFEROR TO ACQUIRE ALL THE ISSUED SHARES (OTHER THAN THOSE ALREADY OWNED BY THE OFFEROR AND PARTIES ACTING IN CONCERT WITH IT) IN SINO GOLF HOLDINGS LIMITED

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee, which in turn provides recommendation to the Independent Shareholders, in respect of the Offer. Details of the Offer are set out in the composite offer and response document jointly issued by the Offeror and the Company dated 24 August 2015 (the "**Composite Document**"), of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Composite Document.

The Offeror and the Vendors entered into the Sale and Purchase Agreement on 30 June 2015, pursuant to which the Offeror has agreed to acquire the Sale Shares, which represent approximately 61.33% of the total issued share capital of the Company, from the Vendors. Prior to the Completion, the Offeror and parties acting in concert with it did not hold, own, control or have direction over any Shares or other relevant securities of the Company. The Completion of the Sale and Purchase Agreement took place on 30 June 2015 and, pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make the Offer to acquire all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it).

The Independent Board Committee, comprising all of the three independent non-executive Directors, namely Mr. CHOY Tak Ho, Ms. CHIU Lai Kuen Susanna and Mr. ZHU Shengli, has been established to advise the Independent Shareholders in respect of the Offer. The Independent Board Committee has approved our appointment as the independent financial adviser to advise the Independent Board Committee in respect of the Offer.

As at the Latest Practicable Date, apart from the existing engagement in connection with the Offer, we did not have any business relationship with the Company within the past two years. We consider ourselves independent to form our opinion in respect of the Offer.

In formulating our opinion with regard to the Offer, we have relied on the information and facts supplied, opinions expressed and representations made to us by the management of the Group (including those contained or referred to in the Joint Announcement and the Composite Document). We have assumed that the information and facts supplied, opinions expressed and representations made to us by the management of the Group, and for which they are wholly responsible, were true, accurate and complete at the time they were made and continue to be true, accurate and complete in all material aspects until the date of the Composite Document. We consider that the information we have received is sufficient for us to reach an informed view and we have no reason to believe that any material information have been withheld, nor doubt the truth, accuracy or completeness of the information provided. We have also relied on certain information available to the public and we have assumed such information to be accurate and reliable, and we have not independently verified the accuracy of such information. We have not, however, conducted any independent investigation into the business and affairs of the Group or the Offeror or the associates of any of them, nor have we carried out any independent verification of the information supplied. We have also not considered the tax, regulatory and other legal implications on the Independent Shareholders in respect of their acceptance or non-acceptance of the Offer, respectively, since these depend on their individual circumstances. In particular, the Independent Shareholders who are overseas residents or subject to overseas taxation or Hong Kong taxation on securities dealings should consider their own tax position and, if in any doubt, should consult their own professional advisers. Should there be any subsequent major changes which occur during the period of the Offer that would affect or alter our opinion, we will notify the Independent Board Committee and the Independent Shareholders as soon as practicable.

PRINCIPAL TERMS OF THE OFFER

Kingston Securities is making the Offer for and on behalf of the Offeror in accordance with Rule 26.1 of the Takeovers Code on the following terms:–

For each Offer Share . . . . HK$1.0684 in cash

The Offer Price is referenced to the price per Sale Share paid by the Offeror under the Share Transfer pursuant to the Sale and Purchase Agreement of approximately HK$1.0683 per Sale Share.

Further details of the terms of the Offer, including but not limited to the procedures for acceptance, are set out in the Composite Document. We urge the Independent Shareholders to read the Composite Document in full.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation with regard to the terms of the Offer, we have taken into consideration the following principal factors and reasons:–

1. Business and financial information on the Group

The Group is principally engaged in the manufacturing and trading of golf equipment, golf bags and other accessories.

(i) Historical financial performance of the Group

Based on the published financial results of the Group, the following table sets out the breakdown of the turnover of the Group by product type and by geographical area:–

	For the year ended 31 December		
	2012	**2013**	**2014**
By product type			
Golf clubs	74%	86%	83%
Golf bags	10%	6%	12%
Golf heads	13%	6%	4%
Golf accessories and shafts	3%	2%	1%
	100%	100%	100%
By geographical area			
North America	50%	67%	53%
Japan	16%	13%	24%
Asia (excluding Japan)	19%	9%	10%
Europe	12%	7%	9%
Others	3%	4%	4%
	100%	100%	100%

We note that golf club was the principal product and North America was the major market of the Group for each of the years ended 31 December 2012 and 2013 and 2014.

The following table summarises the income statement of the Group for each of the years ended 31 December 2012 and 2013 and 2014 and for the six months ended 30 June 2014 and 2015:–

	For the year ended 31 December			For the six months ended 30 June	
	2012	**2013**	**2014**	**2014**	**2015**
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
	(Audited)	(Audited)	(Audited)	(Unaudited)	(Unaudited)
Turnover	**272**	**434**	**401**	**243**	**138**
Cost of sales	(240)	(358)	(329)	(203)	(120)
Gross profit	**32**	**76**	**72**	**40**	**18**
Administrative expenses	(41)	(49)	(53)	(28)	(27)
Finance costs	(8)	(9)	(8)	(5)	(3)
Other items	(1)	(2)	(2)	–	(2)
(Loss)/Profit before tax	**(18)**	**16**	**9**	**7**	**(14)**
Income tax expense	(1)	(2)	(1)	–	–
(Loss)/Profit for the period	**(19)**	**14**	**8**	**7**	**(14)**
(Loss)/Profit attributable to owners of the Company	**(19)**	**14**	**8**	**7**	**(14)**

(a) For the year ended 31 December 2012

Turnover and gross profit of the Group amounted to approximately HK$272 million and approximately HK$32 million, respectively, for the year ended 31 December 2012, representing a gross profit margin of approximately 12%. After taking into account, among other items, administrative expenses of approximately HK$41 million and finance costs of approximately HK$8 million, the Group recorded loss before tax of approximately HK$18 million for the year ended 31 December 2012. Loss attributable to owners of the Company was approximately HK$19 million for the year ended 31 December 2012.

(b) For the year ended 31 December 2013

Turnover of the Group was approximately HK$434 million for the year ended 31 December 2013, representing an annual growth of approximately 60%. The growth in turnover was primarily attributable to the increase in sales of golf clubs, which rose from approximately HK$200 million for the year ended 31 December 2012 to approximately HK$373 million for the year ended 31 December 2013. Gross profit margin of the Group improved from approximately 12% for the year ended 31 December 2012 to approximately 18% for the year ended 31 December 2013, which was mainly due to the boost in sales to recover fixed costs. The Group turned around from recording loss before tax of approximately HK$18 million for the year ended 31 December 2012 to recording profit before tax of approximately HK$16 million for the year ended 31 December 2013, which was due to, among other factors, (i) the improvement in turnover; (ii) the increase in gross profit margin; and (iii) the decrease in administrative expenses as a percentage of turnover for the year ended 31 December 2013 as compared with the preceding year. Profit attributable to owners of the Company was approximately HK$14 million for the year ended 31 December 2013.

(c) For the year ended 31 December 2014

Turnover of the Group was approximately HK$401 million for the year ended 31 December 2014, representing an annual decline of approximately 8% or approximately HK$33 million. As advised by the management of the Group, the decline in turnover was attributable to, among other factors, the reduction in sales to the largest customer in the golf equipment segment for the year ended 31 December 2014 (the "**Largest Customer**") from approximately HK$188 million (representing approximately 43% of turnover) for the year ended 31 December 2013 to approximately HK$125 million (representing approximately 31% of turnover) for the year ended 31 December 2014, representing an annual decrease of approximately HK$63 million, which may be due to the reorganisation undertaken by the Largest Customer to merge its operations with its parent company, whereby the Largest Customer changed the procurement practice to increase cooperation and place more orders with the suppliers of its parent company. Gross profit margin of the Group maintained at approximately 18% for each of the years ended 31 December 2013 and 2014. Nonetheless, the profit before tax margin of the Group lowered from approximately 4% for the year ended 31 December 2013 to approximately 2% for the year ended 31 December 2014, which was attributable to, among other factors, the increase in administrative expense as a percentage of turnover for the year ended 31 December 2014 as compared with the preceding year mainly due to the increase in staff costs, social insurance, retirement benefit expenses, exchange differences and impairment loss on club debentures. Profit attributable to owners of the Company amounted to approximately HK$8 million for the year ended 31 December 2014, representing an annual decline of approximately 43%.

(d) For the six months ended 30 June 2015

Turnover of the Group was approximately HK$138 million for the six months ended 30 June 2015, representing a year on year decline of approximately 43%, as shipments to the major customers of the Group, including the Largest Customer, had significantly shrank during the period because of the unfavorable market conditions which adversely affected certain customers and led to a curtailment in the orders placed with the Group. Sales to the Largest Customer lowered from approximately HK$101 million (representing approximately 42% of turnover) for the six months ended 30 June 2014 to approximately HK$16 million (representing approximately 12% of turnover) for the six months ended 30 June 2015, representing a year on year decrease of approximately HK$85 million. Gross profit margin of the Group lowered from approximately 16% for the six months ended 30 June 2014 to approximately 13% for the six months ended 30 June 2015, which was mainly due to the impact of the depressed sales as advised by the management of the Group. The Group deteriorated from recording profit before tax of approximately HK$7 million for the six months ended 30 June 2014 to recording loss before tax of approximately HK$14 million for the six months ended 30 June 2015, which was attributable to, among other factors, the decline in turnover and gross profit and the increase in administrative expense as a percentage of turnover for the six months ended 30 June 2015 as compared with those for the six months ended 30 June 2014.

(ii) Historical financial position of the Group

The following table summarises the balance sheet of the Group as at 30 June 2015:–

	As at 31 December 2014 *HK$ million* (Audited)	**As at 30 June 2015** *HK$ million* (Unaudited)
Non-current assets	234	231
Current assets	229	219
Total assets	**463**	**450**
Current liabilities	148	145
Non-current liabilities	2	1
Total liabilities	**150**	**146**
Net assets attributable to owners of the Company	311	301
Non-controlling interests	2	3
Net assets	**313**	**304**

Property, plant and equipment were the principal assets and bank borrowings were the principal liabilities of the Group as at 30 June 2015. Non-current assets of the Group amounted to approximately HK$231 million as at 30 June 2015, which primarily comprised property, plant and equipment of approximately HK$203 million. Current assets of the Group amounted to approximately HK$219 million as at 30 June 2015, which primarily comprised inventories of approximately HK$167 million. Current liabilities of the Group amounted to approximately HK$145 million as at 30 June 2015, which primarily comprised bank borrowings of approximately HK$102 million. Non-current liabilities of the Group amounted to approximately HK$1 million as at 30 June 2015, which were deferred tax liabilities. Net assets attributable to owners of the Company amounted to approximately HK$301 million as at 30 June 2015.

The Company did not pay, declare or propose any dividend during each of the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015.

Further details of the financial information of the Group are set out in Appendix II to the Composite Document.

2. Background of the Offeror and its intentions regarding the Group

The Offeror is an investment holding company incorporated in the BVI on 1 May 2015. As at the Latest Practicable Date, the Offeror is owned as to 80% by Mr. Jiang and as to 20% by Mr. Yan Kim Po. The biographies of Mr. Jiang and Mr. Yan are set out in the letter from Kingston Securities in the Composite Document.

The following table illustrates the change in shareholding of the Group before and after the Completion:–

	Immediately prior to the Completion		**Immediately following Completion and as at the Latest Practicable Date**	
	Shares	*%*	*Shares*	*%*
The Offeror and parties acting in concert with it	–	–	287,074,657	61.33%
Mr. Chu and parties acting in concert with him (including the Vendors)	297,471,116	63.55%	10,396,459	2.22%
Other Shareholders	170,578,884	36.45%	170,578,884	36.45%
	468,050,000	100.00%	468,050,000	100.00%

Note: Please refer to page 11 of the Composite Document for a detailed shareholding table.

Following the close of the Offer, the Offeror intends to continue the existing principal businesses of the Group. The Offeror will conduct a review on the financial position and the operations of the Company and will formulate long-term business plans and strategies of the Company, explore other business opportunities and consider whether any asset disposal, asset acquisition, business rationalisation, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance the long-term growth potential of the Company.

The Board is currently made up of six Directors, comprising (i) Mr. Chu, Mr. Chu Yuk Man Simon and Mr. Chang Hua Jung as executive Directors; and (ii) Mr. Choy Tak Ho, Ms. Chiu Lai Kuen Susanna and Mr. Zhu Shengli as independent non-executive Directors. Pursuant to the terms of the Sale and Purchase Agreement, the Vendors shall cause such Directors as may be notified by the Offeror to the Vendors to give notice to resign as Directors with effect from the earliest time permitted under the Takeovers Code. Such resignation will not take effect earlier than the date of the close of the Offer. In addition, pursuant to the terms of the Sale and Purchase Agreement, the Vendors shall cause such persons as the Offeror may nominate to be validly appointed as Directors with effect from the earliest time permitted under the Takeovers Code. The Offeror currently intends to nominate five new members to the Board, the details of such nominees are set out in the letter from Kingston Securities in the Composite Document, and such appointments will only take effect after the date of despatch of the Composite Document in accordance with the requirements of the Takeovers Code. Mr. Chu intends to remain as director of certain subsidiaries of the Company and have his family to retain approximately 2% interest in the Company so as to show his commitment to continue to manage the existing business of the Group following Completion and to maintain staff stability for the normal daily operations of the Group in view of the change in control of the Company.

The Offeror intends to maintain the listing of the Shares on the Stock Exchange after the close of the Offer. The sole director of the Offeror and the new directors to be appointed to the Board have jointly and severally undertaken to the Stock Exchange to take appropriate steps as soon as possible following the close of the Offer to ensure that a sufficient public float exists for the Shares. In the event that the public float of the Company falls below 25% after the completion of the Offer, the Offeror and the Company will undertake to the Stock Exchange that they will take appropriate steps to restore the minimum public float as required under the Listing Rules as soon as possible following the close of the Offer to ensure that sufficient public float exists for the Shares. The Stock Exchange has stated that if, upon closing of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the Shares, are held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend trading in the Shares until the prescribed level of public float is restored.

3. Prospect of the principal business of the Group

Golf club is the principal product and North America is the major market of the Group for each of the years ended 31 December 2012 and 2013 and 2014.

We have reviewed an article titled *World Wide Golf Report 2015* dated January 2015 published on the website of Golf Datatech, LLC ("**Golf Datatech**"), which provides industry data on retail sales, inventory, pricing and distribution of golf products. Based on the aforementioned article, we understand (i) the top five golf markets are the United States, Japan, South Korea, the United Kingdom and Canada and they represent over 80% of the total equipment sales of the world; (ii) the United States and Japan control over 65% of the world golf equipment market; (iii) the PRC, including Hong Kong and Macau, is the sixth largest golf equipment market; and (iv) golf will be introduced into the 2016 Summer Olympics.

Moreover, we have reviewed two industry articles in respect of the future growth trend of the golf equipment business. Based on the article titled *Global Golf Equipment Manufacturing Market 2014-2019: Trend, Profit and Forecast Analysis, July 2014* published on the website of Lucintel LLC ("**Lucintel**"), which is a market research firm, we understand that the global golf equipment manufacturing market declined from 2008 to 2013 and is expected to grow at a compound annual growth rate of 1.9% by 2019. With reference to the article titled *Global Golf Equipment Market 2015-2019* dated June 2015 and published on the website of Infiniti Research Limited ("**Infiniti**"), which is a technology research and advisory firm, we understand that the global golf equipment market is expected to grow at a compound annual growth rate of 2.01% from 2014 to 2019.

We have also reviewed as to whether Golf Datatech, Lucintel and Infiniti are recognised and independent research organisations. We note that (i) based on the 2014 annual report of Callaway Golf Company, which is a renowned golf equipment manufacturer listed on the New York Stock Exchange, the management of Callaway Golf Company evaluates, among other materials, the market research information from Golf Datatech to gauge the company; (ii) statistics published by Golf Datatech had been quoted on the website of golf periodicals, such as *Golf Digest* and *Golfweek*; (iii) based on the website of Lucintel, Lucintel has served more than 1,000 companies in more than 70 countries, with clients including but not limited to golf equipment brands; and (iv) based on the website of Infiniti, Infiniti has served more than 400 clients including 45 Fortune 500 companies and has over 400 analysts and consultants across the globe. Accordingly, we consider Golf Datatech, Lucintel and Infiniti to be recognised research organisations. In addition, we are advised by the management of the Group that Golf Datatech, Lucintel and Infiniti are independent to the Company.

We note that the business of the Group relies on its key customers. Sales to the largest customer represented approximately 43% and 31% of the turnover of the Group for each of the years ended 31 December 2013 and 2014, respectively. Sales to the five largest customers in aggregate accounted for approximately 92% and 88% of the turnover of the Group for each of the years ended 31 December 2013 and 2014, respectively. Therefore, as stated in the annual report of the Company for the year ended 31 December 2014 (the "**2014 Annual Report**"), any incidents with material adverse impact on the key customers of the Group could also adversely affect the business of the Group. For instance, we note that the annual decline in the turnover of the Group for the year ended 31 December 2014 was attributable to, among other factors, the reduction in sales to the Largest Customer. According to the 2014 Annual Report, (i) following the merge of the operations of the Largest Customer with its parent company, the business volume of the Group with the Largest Customer is envisaged to remain depressed and could further reduce depending on the strategy and arrangements adopted by the new management of the Largest Customer; and (ii) the market conditions have become more challenging and competitions are intense amongst the golf equipment manufacturers facing a lower and unstable market demand.

Based on the aforementioned, particularly (i) the deterioration of the financial performance of the Group for the year ended 31 December 2014 and for the six months ended 30 June 2015; (ii) the sales to the Largest Customer might continue to be depressed; and (iii) the expected low single-digit industry growth for the upcoming years, we understand that the growth potential of the principal business of the Group is uncertain.

4. Evaluation of the terms of the Offer

Kingston Securities is making the Offer for and on behalf of the Offeror in accordance with Rule 26.1 of the Takeovers Code on the following terms:–

For each Offer Share . . . . HK$1.0684 in cash

The Offer Price is referenced to the price per Sale Share paid by the Offeror under the Share Transfer pursuant to the Sale and Purchase Agreement of approximately HK$1.0683 per Sale Share.

(i) Historical price performance of the Shares

We note that the Offer Price of HK$1.0684 per Share represents:–

(a) a discount of approximately 5% to the closing price as quoted on the Stock Exchange as at the Latest Practicable Date of HK$1.130 per Share;

(b) a discount of approximately 27% to the closing price as quoted on the Stock Exchange on the Last Trading Day of HK$1.470 per Share;

(c) a discount of approximately 27% to the average of the closing prices as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day of HK$1.470 per Share;

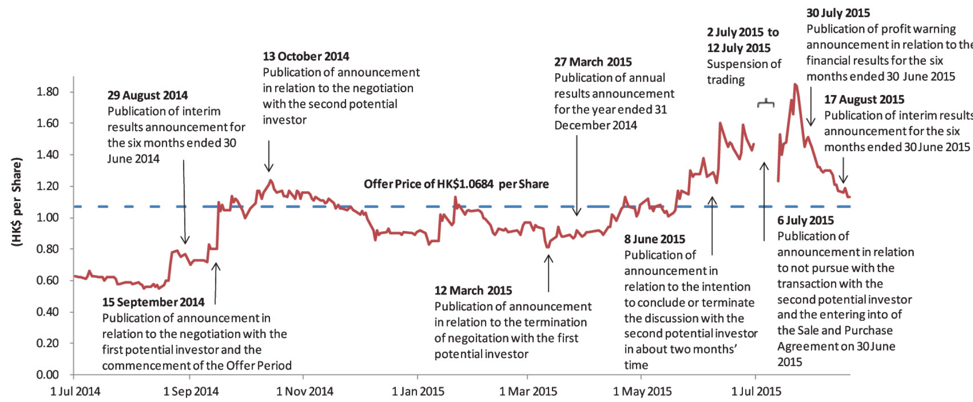
(d) a discount of approximately 21% to the average of the closing prices as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Day of approximately HK$1.346 per Share;

(e) a discount of approximately 2% to the average of the closing prices as quoted on the Stock Exchange for the last 90 consecutive trading days up to and including the Last Trading Day of approximately HK$1.090 per Share;

(f) a premium of approximately 61% over the latest published audited net assets attributable to shareholders per Share of the Group, being the audited net assets attributable to owners of the Company of approximately HK$311 million as at 31 December 2014 divided by 468,050,000 Shares as at the Latest Practicable Date, of approximately HK$0.664 per Share; and

(g) a premium of approximately 66% over the latest published unaudited net assets attributable to shareholders per Share of the Group, being the unaudited net assets attributable to owners of the Company of approximately HK$301 million as at 30 June 2015 divided by 468,050,000 Shares as at the Latest Practicable Date, of approximately HK$0.643 per Share.

The chart below depicts the closing prices of the Shares from 1 July 2014, being approximately one year before the Last Trading Day, up to and including the Latest Practicable Date (the "**Review Period**").



Source: Bloomberg and the website of the Stock Exchange

The closing prices of the Shares were mainly around HK$0.60 in July 2014 and early August 2014. Prior to the publication of the interim results announcement for the six months ended 30 June 2014 on 29 August 2014, the closing prices of the Shares reached HK$0.78 on 22 August 2014. Following the publication of the announcement in relation to the negotiation with the first potential investor dated 15 September 2014, the closing price of the Shares surged from HK$0.80 on 15 September 2014 to HK$1.10 on 16 September 2014. After the publication of the announcement in relation to the negotiation with the second potential investor dated 13 October 2014, the closing price of the Shares further increased from HK$1.21 on 13 October 2014 to HK$1.24 on 14 October 2014, but the closing prices then began to demonstrate a decline trend. On 12 March 2015, the closing price of the Shares bottomed at HK$0.81 and the announcement in relation to the termination of negotiation with the first potential investor was published. On 27 March 2015, the annual results announcement for the year ended 31 December 2014 was published and the closing prices of the Shares began to show an upward trend. On 8 June 2015, the closing price of the Shares was HK$1.29 and the announcement in relation to the intention to conclusion or termination of the discussion with the second potential investor in about two months' time was published. The closing prices of the Shares had its two peaks at HK$1.60 on 12 June 2015 and at HK$1.59 on 24 June 2015. On 2 July 2015, the trading of the Shares was suspended, pending the publication of the Joint Announcement, and the closing price on the Last Trading Day was HK$1.47. On 13 July 2015, following the publication of the Joint Announcement, the trading of the Shares resumed and the closing price of the Shares was HK$1.23, representing a decline of approximately 16% as compared with that on the Last Trading Day. The closing prices of the Shares continued to be volatile up to the Latest Practicable Date, where the closing price reached a high point of HK$1.85 on 22 July 2015 and reached a low point of HK$1.13 on 19 August 2015, representing a decline of approximately 39% from the high point to the low point during this recent short period.

Overall, the Offer Price had generally been around or higher than the level of the closing prices of the Shares from the commencement of the Offer Period on 15 September 2014 to approximately one and a half month before the Last Trading Day. During the two-month period before the Last Trading Day, the lowest and highest closing prices of the Shares were HK$1.01 on 15 May 2015 and HK$1.60 on 12 June 2015, respectively, and such surge may be attributable to the anticipation of the Offer. The closing price of the Shares plummeted immediately following the publication of the Joint Announcement and, subsequently, continued to be volatile. The sustainability of the growth of the price of the Share is uncertain.

(ii) Liquidity of the Shares

The following table sets out the total trading volume per month and the average daily trading volume per month of the Shares during the Review Period:–

	Total monthly trading volume of the Shares *(million Shares)*	Average daily trading volume of the Shares during the month *(million Shares)*	Percentage of average daily trading volume of the Shares to average total issued Shares	Percentage of average daily trading volume of the Shares to average public float
2014				
July	22.93	1.04	0.23%	0.64%
August	78.34	3.73	0.81%	2.29%
September	195.05	9.29	2.02%	5.71%
October	85.73	4.08	0.89%	2.88%
November	23.24	1.16	0.25%	0.83%
December	18.83	0.90	0.19%	0.64%
2015				
January	59.88	2.85	0.62%	2.05%
February	12.39	0.69	0.15%	0.49%
March	26.79	1.22	0.26%	0.87%
April	60.69	3.19	0.69%	2.23%
May	71.57	3.77	0.80%	2.55%
June	107.34	4.88	1.04%	3.30%
July	223.34	14.89	3.18%	10.09%
August *(up to the Latest Practicable Date)*	33.06	2.36	0.50%	1.60%

Source: Bloomberg

We note from the above table that the trading volume of the Shares has been thin during the Review Period, where (i) the percentages of average daily trading volume of the Shares to the average total issued Shares were mainly below 1% and the percentages of average public float during the Review Period were mainly below 3%; and (ii) such percentages were higher in July 2015 mainly due to the hike in trading volume during the ten trading days following the publication of the Joint Announcement and such higher trading volume may not be sustainable. Accordingly, the Independent Shareholders may find it difficult to dispose of a large volume of Shares in the open market in a short period of time without exerting downward pressure on the price of the Shares. Therefore, the Offer provides a viable alternative exit for the Independent Shareholders, particularly for those who hold a large volume of Shares, to realise their investments in the Company.

DISCUSSION AND RECOMMENDATION

Having considered the above principal factors and reasons, in particular, the following:–

– the business of the Group relies on its key customers. The financial performance of the Group deteriorated for the year ended 31 December 2014 and became loss-making for the six months ended 30 June 2015, which was attributable to, among other factors, the reduction in sales to the Largest Customer and, as disclosed in the 2014 Annual Report, in the future, the sales to the Largest Customer might continue to be depressed;

– the compound annual growth rate of the global golf equipment industry in the upcoming years is expected to be at a low single-digit level;

– the trading price of the Share has been volatile and the sustainability of the growth of the price of the Share is uncertain;

– the Offer Price per Offer Share is HK$1.0684, whereas the price per Sale Share paid by the Offeror under the Share Transfer pursuant to the Sale and Purchase Agreement is approximately HK$1.0683; and

– the trading volume of the Shares has been thin, where the Independent Shareholders may find it difficult to dispose of a large volume of Shares in the open market in a short period of time without exerting downward pressure on the price of the Shares. Therefore, the Offer provides a viable alternative exit for the Independent Shareholders, particularly for those who hold a large volume of Shares, to realise their investments in the Company,

We consider the terms of the Offer to be fair and reasonable so far as the Independent Shareholders are concerned and, on such grounds, we recommend the Independent Shareholders to accept the Offer. Nonetheless, we would like to remind the Independent Shareholders who would like to realise part or all of their investments in the Shares to closely monitor the market price of the Shares during the period of the Offer and may, instead of accepting the Offer, consider selling their Shares in the open market should the proceeds, net of all transaction costs, of such sale exceed the amount receivable under the Offer.

In any case, the Independent Shareholders are strongly advised that the decision to realise or to hold their investment is subject to individual circumstances and investment objectives. If in doubt, the Independent Shareholders should consult their own professional advisers for professional advice. Furthermore, the Independent Shareholders who wish to accept the Offer are recommended to carefully read the procedures for accepting the Offer as detailed in the Composite Document.

Yours faithfully,
For and on behalf of
First Shanghai Capital Limited

Fanny Lee	**Allen Wang**
Managing Director	*Director*

Note: Ms. Fanny Lee and Mr. Allen Wang have been responsible officers of Type 6 (advising on corporate finance) regulated activity under the SFO since 2006 and 2014, respectively. Both of them have participated in the provision of independent financial advisory services for various types of transactions involving companies listed in Hong Kong.

1. GENERAL PROCEDURES FOR ACCEPTANCE OF THE OFFER

To accept the Offer, you should complete and sign the accompanying Form of Acceptance in accordance with the instructions printed thereon, which instructions form part of the terms of the Offer.

(a) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Share(s) is/are in your name, and you wish to accept the Offer, you must send the duly completed Form of Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof), by post or by hand, to the Registrar at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong in an envelope marked "**Sino Golf Offer**" in any event not later than 4:00 p.m., on the Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code.

(b) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Offer in respect of your Shares, you must either:

(i) lodge your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorising it to accept the Offer on your behalf and requesting it to deliver the duly completed Form of Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or

(ii) arrange for the Shares to be registered in your name by the Company through the Registrar, and send the duly completed Form of Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or

(iii) if your Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorize HKSCC Nominees Limited to accept the Offer on your behalf on or before the deadline set by HKSCC Nominees Limited (which is normally one Business Day before the latest date on which acceptances of the Offer must be received by the Registrar). In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or

(iv) if your Shares have been lodged with your investor participant's account maintained with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set by HKSCC Nominees Limited (which is normally one Business Day before the latest date on which acceptances of the Offer must be received by the Registrar).

(c) If the Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are not readily available and/or is/are lost and you wish to accept the Offer in respect of your Shares, the Form of Acceptance should nevertheless be completed and delivered to the Registrar together with a letter stating that you have lost one or more of your Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) should be forwarded to the Registrar as soon as possible thereafter. If you have lost your Share certificate(s), you should also write to the Registrar for a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar.

(d) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your Share certificate(s), and you wish to accept the Offer in respect of your Shares, you should nevertheless complete the Form of Acceptance and deliver it to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an irrevocable authority to Kingston Securities and/or the Offeror or their respective agent(s) to collect from the Registrar on your behalf the relevant Share certificate(s) when issued and to deliver such certificate(s) to the Registrar and to authorise and instruct the Registrar to hold such share certificate(s), subject to the terms and conditions of the Offer, as if it was/they were delivered to the Registrar with the Form of Acceptance.

(e) Acceptance of the Offer will be treated as valid only if the completed Form of Acceptance is received by the Registrar no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce with the consent of the Executive in accordance with the Takeovers Code and the Registrar has recorded that the acceptance and the relevant documents as required under this paragraph have been so received, and is:

(i) accompanied by the relevant Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if the Share certificate(s) is/are not in your name, such other documents in order to establish your right to become the registered holder of the relevant Shares; or

(ii) from a registered Shareholder or his/her/its personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to Shares which are not taken into account under another subparagraph of this paragraph (e); or

(iii) certified by the Registrar or the Stock Exchange.

(f) If the Form of Acceptance is executed by a person other than the registered Shareholder, appropriate documentary evidence of authority to the satisfaction of the Registrar must be produced.

(g) In Hong Kong, seller's ad valorem stamp duty arising in connection with acceptances of the Offer will be payable by relevant Independent Shareholders at a rate of 0.1% of (i) the market value of the Offer Shares; or (ii) the consideration payable by the Offeror in respect of the relevant acceptances of the Offer, whichever is higher, will be deducted from the cash amount payable by the Offeror to such Independent Shareholder on acceptance of the Offer (where the stamp duty calculated includes a fraction of HK$1, the stamp duty would be rounded-up to the nearest HK$1). The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of relevant Independent Shareholders accepting the Offer and will pay the buyer's ad valorem stamp duty in connection with the acceptances of the Offer and the transfer of the Offer Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

(h) No acknowledgement of receipt of any Form of Acceptance, Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

2. ACCEPTANCE PERIOD AND REVISIONS

(a) Unless the Offer has previously been revised or extended, with the consent of the Executive, in accordance with the Takeovers Code, the Form of Acceptance must be received by 4:00 p.m. on the Closing Date in accordance with the instructions printed on the relevant Form of Acceptance, and the Offer will be closed on the Closing Date.

(b) The Offeror and the Company will jointly issue an announcement through the website of the Stock Exchange no later than 7:00 p.m. on the Closing Date stating whether the Offer has been extended, revised or has closed for acceptance.

(c) In the event that the Offeror decides to extend the Offer, at least 14 days' notice by way of announcement will be given, before the latest time and date for acceptance of the Offer, to those Independent Shareholders who have not accepted the Offer.

(d) If the Offeror revises the terms of the Offer, all Independent Shareholders, whether or not they have already accepted the Offer, will be entitled to the revised terms. The revised Offer must be kept open for at least 14 days following the date on which the revised offer document is posted.

(e) If the closing date of the Offer is extended, any reference in this Composite Document and in the Form of Acceptance to the closing date shall, except where the context otherwise requires, be deemed to refer to the closing date of the Offer so extended.

3. ANNOUNCEMENT

(a) By 6:00 p.m. on the Closing Date (or such later time and/or date as the Executive may in exceptional circumstances permit), the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the revision, extension or expiry of the Offer. The Offeror must publish an announcement on the Stock Exchange's website by 7:00 p.m. on the Closing Date stating whether the Offer has been extended, revised or has closed for acceptance.

Such announcement must state the following:

(i) the total number of Shares and rights over Shares for which acceptances of the Offer have been received;

(ii) the total number of Shares and rights over Shares held, controlled or directed by the Offeror or its concert parties before the Offer Period;

(iii) the total number of Shares and rights over Shares acquired or agreed to be acquired by the Offeror or its concert parties during the Offer Period;

(iv) details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror or any parties acting in concert with it has borrowed or lent, save for any borrowed securities which have been either on-lent or sold; and

(v) the percentages of the relevant classes of share capital of the Company and the percentages of voting rights of the Company represented by these numbers.

(b) In computing the total number of Shares represented by acceptances, only valid acceptances in complete and good order and in compliance with Note 1 to Rule 30.2 of the Takeovers Code, which have been received by the Registrar no later than 4:00 p.m. on the Closing Date, being the latest time and date for acceptance of the Offer, shall be included.

4. RIGHT OF WITHDRAWAL

(a) Acceptance of the Offer tendered by the Independent Shareholders shall be irrevocable and cannot be withdrawn, except in the circumstances set out in subparagraph (b) below.

(b) If the Offeror is unable to comply with the requirements set out in paragraph 3 of this Appendix headed "Announcement" above, the Executive may require pursuant to Rule 19.2 of the Takeovers Code that the Independent Shareholders who have tendered acceptance to the Offer be granted a right of withdrawal on terms that are acceptable to the Executive until the requirement of Rule 19 of the Takeovers Code can be met.

In such case, when the Independent Shareholders withdraw their acceptance(s), the Offeror shall, as soon as possible but in any event within 10 days thereof, return by ordinary post the Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) lodged with the Form of Acceptance to the relevant Independent Shareholder(s).

5. SETTLEMENT OF THE OFFER

Provided that the accompanying Form of Acceptance, together with the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are valid, complete and in good order and have been received by the Registrar no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code, a cheque for the amount due to each of the accepting Independent Shareholders in respect of the Shares tendered under the Offer (less seller's ad valorem stamp duty payable by them, as the case maybe) will be despatched to the accepting Independent Shareholders by ordinary post at their own risk within 7 Business Days after the date of receipt of all relevant documents which render such acceptance complete and valid by the Registrar in compliance with Note 1 to Rule 30.2 of the Takeovers Code.

Settlement of the consideration to which any accepting Independent Shareholder is entitled under the Offer will be paid by the Offeror in full in accordance with the terms of the Offer (save with respect of the payment of seller's ad valorem stamp duty) set out in this Composite Document (including this Appendix) and the accompanying Form of Acceptance, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Independent Shareholder.

No fraction of a cent will be payable and the amount of consideration payable to an Independent Shareholder who accepts the Offer will be rounded up to the nearest cent.

6. OVERSEAS SHAREHOLDERS

The Offer is in respect of securities of a company incorporated in the Hong Kong and is subject to the procedural and disclosure requirements of Hong Kong which may be different from other jurisdictions. Any Overseas Shareholders who wish to participate in the Offer but with a registered address outside Hong Kong are subject to, and may be limited by, the laws and regulations of their respective jurisdictions in connection with their participation in the Offer. The Overseas Shareholders who are citizens, residents or nationals of a jurisdiction outside Hong Kong should observe relevant applicable legal or regulatory requirements and, where necessary, seek legal advice. It is the responsibility of the Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offer (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due in respect of such jurisdictions).

7. TAX IMPLICATIONS

Independent Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of their acceptance of the Offer. It is emphasised that none of the Offeror, the Company and their ultimate beneficial owners and parties acting in concert with any of them, Kingston Securities, Kingston Corporate Finance, Somerley Capital Limited, First Shanghai, the Registrar or any of their respective directors or any persons involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any person or persons as a result of their acceptance of the Offer.

8. GENERAL

(a) All communications, notices, Form of Acceptance, certificates, transfer receipts and other documents of title or of indemnity or of any other nature to be delivered by or sent to or from the Independent Shareholders will be delivered by or sent to or from them, or their designated agents, at their own risk, and none of the Offeror, the Company and their ultimate beneficial owners and parties acting in concert with any of them, Kingston Securities, Kingston Corporate Finance, Somerley Capital Limited, First Shanghai, the Registrar or any of their respective directors or any persons involved in the Offer accepts any liability for any loss or any other liabilities whatsoever which may arise as a result.

(b) Acceptance of the Offer by any person or persons will be deemed to constitute a warranty by such person or persons to the Offeror that the Shares tendered under the Offer are sold by such person or persons free from all liens, charges, claims, equities, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them, including the rights to receive dividends if any, declared, made or paid by the Company on the posting of this Composite Document.

(c) Acceptance of the Offer by any nominee will be deemed to constitute a warranty by such nominee to the Offeror that the number of Shares in respect of which it is indicated in the Form of Acceptance is the aggregate number of Shares held by such nominee for such beneficial owners who accept the Offer.

(d) The provisions set out in the accompanying Form of Acceptance form part of the terms of the Offer.

(e) The accidental omission to despatch this Composite Document and/or the accompanying Form of Acceptance or either of them to any person to whom the Offer is made shall not invalidate the Offer in any way.

(f) The Offer and all acceptances will be governed by and construed in accordance with the laws of Hong Kong.

(g) Due execution of Form of Acceptance in compliance with Note 1 to Rule 30.2 of the Takeovers Code, will constitute an authority to the Offeror or its agents to complete and execute on behalf of the person accepting the Offer, and to do any other act that may be necessary or expedient for the purpose of vesting in the Offeror, or such other person as it may direct.

(h) The Offer is made in accordance with the Takeovers Code.

(i) In making their decision, Independent Shareholders must rely on their own examination of the Group and the terms of the Offer, including the merits and risks involved. The contents of this Composite Document, including any general advice or recommendation contained herein together with the Form of Acceptance, shall not be construed as any legal or business advice on the part of the Offeror, the Company, Kingston Securities, First Shanghai or their respective professional advisers. Independent Shareholders should consult their own professional advisers for professional advice.

(j) The English text of this Composite Document and of the accompanying Form of Acceptance shall prevail over the Chinese text.

THREE-YEAR SUMMARY OF FINANCIAL INFORMATION

1. FINANCIAL SUMMARY

The following is a summary of the audited financial results of the Group for each of the three years ended 31 December 2012, 2013 and 2014 and the unaudited financial results of the group for the six months ended 30 June 2015 as extracted from respective annual reports of the Company and the announcement of interim results of the Company dated 17 August 2015:

	Year ended 31 December			**Six months ended 30 June**	
	2014	**2013**	**2012**	**2015**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	400,962	434,087	272,113	138,088	242,835
Profit/(loss) before tax	8,719	16,001	(18,308)	(13,552)	7,405
Income tax expense	(424)	(2,348)	(252)	–	(496)
Profit/(loss) for the year/period	8,295	13,653	(18,560)	(13,552)	6,909
Profit/(loss) for the year/period attributable to owners of the Company	8,295	13,661	(18,531)	(13,552)	6,909
Profit/(loss) for the year/period attributable to the non-controlling interest	–	(8)	(29)	–	–
Dividends attributable to owners of the Company	–	–	–	–	–
Earnings/(loss) per Share for profit/(loss) for the year/period attributable to owners of the Company					
– Basic *(HK cents)*	1.80	2.97	(4.03)	(2.92)	1.50
– Diluted *(HK cents)*	1.79	2.97	(4.03)	(2.92)	1.49
Dividends per Share *(HK cents)*	–	–	–	–	–
Amount absorbed by dividends	–	–	–	–	–

There were no exceptional items because of size, nature of incidence in respect of the consolidated financial statements of the Company during each of the three years end 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015.

The auditor of the Company, Shinewing (HK) CPA Limited, issued unqualified opinion on the consolidated financial statements of the Company for the years ended 31 December 2012, 2013 and 2014.

2. AUDITED FINANCIAL STATEMENTS

The following is the full text of the audited consolidated financial statements of the Company for the years ended 31 December 2013 and 2014 as extracted from the annual report of the Company for the year ended 31 December 2014:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Notes	**2014** **HK$'000**	2013 HK$'000
Turnover	9	**400,962**	434,087
Cost of sales		**(328,546)**	(358,453)
Gross profit		**72,416**	75,634
Other operating income	9	**2,099**	1,553
Selling and distribution expenses		**(4,790)**	(3,131)
Administrative expenses		**(53,415)**	(48,727)
Finance costs	11	**(7,591)**	(9,328)
Profit before tax		**8,719**	16,001
Income tax expense	12	**(424)**	(2,348)
Profit for the year	13	**8,295**	13,653
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		**47**	2,043
Items that may not be reclassified subsequently to profit or loss:			
Deferred tax relating to leasehold land and buildings under revaluation model	31	**90**	90
Other comprehensive income for the year		**137**	2,133
Total comprehensive income for the year		**8,432**	15,786
Profit (loss) for the year attributable to:			
Owners of the Company		**8,295**	13,661
Non-controlling interests		**–**	(8)
		8,295	13,653
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**8,432**	15,794
Non-controlling interests		**–**	(8)
		8,432	15,786
Earnings per share	14		
Basic		**HK1.80 cents**	HK2.97 cents
Diluted		**HK1.79 cents**	HK2.97 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Non-current assets			
Property, plant and equipment	18	**205,908**	205,300
Prepaid lease payments	19	**9,929**	10,297
Goodwill	20	**14,820**	14,820
Club debentures	21	**2,897**	3,397
Deposits and other receivables	22	**270**	844
Deposits paid for the acquisition of property, plant and equipment		**627**	1,643
		234,451	236,301
Current assets			
Inventories	23	**170,219**	173,247
Trade and other receivables	24	**41,935**	52,071
Prepaid lease payments	19	**368**	368
Bank balances and cash	25	**16,676**	26,241
		229,198	251,927
Assets classified as held for sale	26	**–**	7,776
		229,198	259,703
Current liabilities			
Trade and other payables	27	**35,224**	65,936
Amounts due to non-controlling shareholders of a subsidiary	28	**462**	462
Amount due to a director	28	**7,589**	10,142
Tax payable		**248**	2,518
Bank borrowings	29	**104,033**	108,704
Obligations under finance leases	30	**368**	712
		147,924	188,474
Net current assets		**81,274**	71,229
Total assets less current liabilities		**315,725**	307,530
Non-current liabilities			
Obligations under finance leases	30	**–**	368
Deferred tax liabilities	31	**2,440**	2,309
		2,440	2,677
Net assets		**313,285**	304,853

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Capital and reserves			
Share capital	32	**46,005**	46,005
Reserves		**264,879**	256,447
Equity attributable to owners of the Company		**310,884**	302,452
Non-controlling interests		**2,401**	2,401
Total equity		**313,285**	304,853

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	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 2013	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:													
Exchange difference arising on translation of foreign operations	–	–	–	–	–	–	–	–	2,043	–	2,043	–	2,043
Deferred tax relating to leasehold land and buildings under revaluation model (Note 31)	–	–	–	–	–	–	90	–	–	–	90	–	90
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	–	–	–
Recognition of share-based payment expenses (Note 33)	–	–	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
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**8,295**	**8,295**	**–**	**8,295**
Other comprehensive income for the year:													
Exchange difference arising on translation of foreign operations	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**47**	**–**	**47**	**–**	**47**
Deferred tax relating to leasehold land and buildings under revaluation model (Note 31)	**–**	**–**	**–**	**–**	**–**	**–**	**90**	**–**	**–**	**–**	**90**	**–**	**90**
Other comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**–**	**90**	**–**	**47**	**–**	**137**	**–**	**137**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**–**	**90**	**–**	**47**	**8,295**	**8,432**	**–**	**8,432**
At 31 December 2014	**46,005**	**102,385**	**731**	**–**	**10,564**	**48**	**19,237**	**17**	**37,085**	**94,812**	**310,884**	**2,401**	**313,285**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

Note i: The other reserve represented the deemed contribution from the Company's immediate holding company in the form of a non-interest bearing loan to a subsidiary. The amounts were estimated by discounting the nominal value of the non-interest bearing loan to the subsidiary at an effective interest rate. The non-interests 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 2014

	Note	2014 HK$'000	2013 HK$'000
OPERATING ACTIVITIES			
Profit before taxation		**8,719**	16,001
Adjustments for:			
Finance costs		**7,591**	9,328
Interest income		**(64)**	(133)
Depreciation of property, plant and equipment		**14,838**	15,950
Amortisation of prepaid lease payments		**368**	368
Impairment loss on club debenture		**500**	–
(Gain) loss on disposal or written off of property, plant and equipment		**(581)**	514
Gain on disposal of assets classified as held for sale		**(83)**	–
Bad debts directly written off on trade receivables		**–**	1
Share-based payment expenses		**–**	731
Deemed loss on early repayment of loan from immediate holding company		**–**	501
Loss on written off of deposits paid for acquisition of property, plant and equipment		**–**	332
Operating cash flows before movements in working capital		**31,288**	43,593
Decrease (increase) in inventories		**3,028**	(11,529)
Decrease in trade and other receivables		**10,136**	9,799
Decrease (increase) in deposits and other receivables		**574**	(330)
(Decrease) increase in trade and other payables		**(25,537)**	12,670
Cash generated from operations		**19,489**	54,203
The PRC Enterprise Income Tax ("EIT") paid		**(2,391)**	–
Hong Kong Profits Tax paid		**(82)**	–
NET CASH GENERATED FROM OPERATING ACTIVITIES		**17,016**	54,203
INVESTING ACTIVITIES			
Interest received		**64**	133
Proceeds on disposal of property, plant and equipment		**1,226**	26
Proceeds on disposal of assets classified as held for sale	26	**2,731**	1,378
Purchase of property, plant and equipment		**(13,027)**	(12,327)
Prepayment for acquisition of property, plant and equipment		**(1,063)**	(1,643)
Purchase of a club debenture		**–**	(1,262)
NET CASH USED IN INVESTING ACTIVITIES		**(10,069)**	(13,695)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
FINANCING ACTIVITIES			
Repayments of bank borrowings		**(82,868)**	(102,339)
Interest and factoring charges paid		**(8,576)**	(9,562)
Repayments to immediate holding company		**–**	(5,589)
Repayments of obligations under finance leases		**(712)**	(681)
New bank loans raised		**78,205**	80,769
(Repayment to) advance from a director		**(2,553)**	9,013
NET CASH USED IN FINANCING ACTIVITIES		**(16,504)**	(28,389)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(9,557)**	12,119
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**25,241**	12,938
Effect of foreign exchange rate changes		**–**	184
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**15,684**	25,241
ANALYSIS OF CASH AND CASH EQUIVALENTS:			
Bank balances and cash	25	**16,676**	26,241
Bank overdrafts	29	**(992)**	(1,000)
		15,684	25,241

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

The principal activity of the Company is investment holding. The principal activities of the Group are manufacturing and trading of golf equipment, golf bags and accessories. The principle activities of its subsidiaries are set out in note 39.

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

In the current year, the Group has applied the following new and revised HKFRSs, which include HKFRSs, Hong Kong Accounting Standards ("HKAS(s)"), amendments and interpretations ("Int(s)"), issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	*Investment Entities*
Amendments to HKAS 32	*Offsetting Financial Assets and Financial Liabilities*
Amendments to HKAS 36	*Recoverable Amount Disclosures for Non-Financial Assets*
Amendments to HKAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*
Hong Kong (IFRS Interpretations Committee) ("HK(IFRIC)") – Int 21	*Levies*

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

AMENDMENTS TO HKFRS 10, HKFRS 12 AND HKAS 27 *INVESTMENT ENTITIES*

The Group has applied the amendments to HKFRS 10, HKFRS 12 and HKAS 27 *Investment Entities* for the first time in the current year. The amendments to HKFRS 10 define an investment entity and introduce an exception to consolidating subsidiaries for an investment entity, except where the subsidiaries provide services that relate to the investment entity's investment activities. Under the amendments to HKFRS 10, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss.

To qualify as an investment entity, certain criteria have to be met. Specifically, an entity is required to:

- obtain funds from one or more investors for the purpose of providing them with professional investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments to HKFRS 12 and HKAS 27 have been made to introduce new disclosure requirements for investment entities.

As the Company is not an investment entity, the directors of the Company consider that the application of the amendments has had no impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

AMENDMENTS TO HKAS 32 *OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES*

The Group has applied the amendments to HKAS 32 *Offsetting Financial Assets and Financial Liabilities* for the first time in the current year. The amendments to HKAS 32 clarify existing application issues relating to the offset of the 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 have been applied retrospectively. As the Group does not have any financial assets and financial liabilities that qualify for offset, the application of the amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

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

The Group has applied amendments to HKAS 36 *Recoverable Amount Disclosures for Non-Financial Assets* for the first time in the current year. 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 cash-generating unit ("CGU") is categorised 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;
- 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 have been applied retrospectively. The directors of the Company consider that the application of these amendments to HKAS 36 has had no material impact on the disclosures in the Group's consolidated financial statements.

NEW AND REVISED HKFRSs ISSUED BUT NOT YET EFFECTIVE

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

HKFRS 9 (2014)	*Financial Instruments*[4]
HKFRS 15	*Revenue from Contracts with Customers*[3]
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2010 – 2012 Cycle*[1]
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2011 – 2013 Cycle*[1]
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2012 – 2014 Cycle*[2]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	*Investment Entities: Appling the Consolidation Exception*[2]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[2]
Amendment to HKAS 1	*Disclosure Initiative*[2]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[2]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[2]
Amendments to HKAS 19	*Defined Benefit Plans: Employee Contributions*[1]
Amendments to HKAS 27	*Equity Method in Separate Financial Statements*[2]

1 Effective for annual periods beginning on or after 1 July 2014.
2 Effective for annual periods beginning on or after 1 January 2016.
3 Effective for annual periods beginning on or after 1 January 2017.
4 Effective for annual periods beginning on or after 1 January 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

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

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

HKFRS 9 (2014) FINANCIAL INSTRUMENTS

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 and includes the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, HKFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. A finalised version of HKFRS 9 was issued in 2014 to incorporate all the requirements of HKFRS 9 that were issued in previous years with limited amendments to the classification and measurement by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain financial assets. The finalised version of HKFRS 9 also introduces an "expected credit loss" model for impairment assessments.

Key requirements of HKFRS 9 (2014) are described below:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* 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. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9 (2014), entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 (2014) requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

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

HKFRS 9 (2014) FINANCIAL INSTRUMENTS (CONTINUED)

- In the aspect of impairment assessments, the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit were added. Those requirements eliminate the threshold that was in HKAS 39 for the recognition of credit losses. Under the impairment approach in HKFRS 9 (2014), it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, expected credit losses and changes in those expected credit losses should always be accounted for. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.

- HKFRS 9 (2014) introduces a new model which 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 (2014) looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under HKAS 39, it is necessary to exhibit eligibility and compliance with the requirements in HKAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for HKAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

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

The directors of the Company anticipate that the application of HKFRS 9 (2014) in the future may have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities.

Regarding the Group's financial assets and financial liabilities, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 (2014) until a detailed review has been completed.

HKFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Thus, HKFRS 15 introduces a model that applies to contracts with customers, featuring a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

(i) Identify the contract with a customer;
(ii) Identify the performance obligations in the contract;
(iii) Determine the transaction price;
(iv) Allocate the transaction price to the performance obligations; and
(v) Recognise revenue when (or as) the entity satisfies a performance obligation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

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

HKFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

HKFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

HKFRS 15 will become effective for annual periods beginning on or after 1 January 2017 with early application permitted. The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

ANNUAL IMPROVEMENTS TO HKFRSs 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 or 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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 (CONTINUED)

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 A*nnual Improvements to HKFRSs 2010-2012 Cycle* will have a material effect on the Group's consolidated financial statements.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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 2012-2014 CYCLE

The *Annual Improvements to HKFRSs 2012-2014 Cycle* include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 5 clarify that changing from one of the disposal methods (i.e. disposal through sale or disposal through distribution to owners) to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in HKFRS 5. Besides, the amendments also clarify that changing the disposal method does not change the date of classification.

The amendments to HKFRS 7 clarify that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in HKFRS 7 in order to assess whether the additional disclosures for any continuing involvement in a transferred asset that is derecognised in its entirety are required. Besides, the amendments to HKFRS 7 also clarify that disclosures in relation to offsetting financial assets and financial liabilities are not required in the condensed interim financial report, unless the disclosures provide a significant update to the information reported in the most recent annual report.

The amendments to HKAS 19 clarify that the market depth of high quality corporate bonds is assessed base on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

HKAS 34 requires entities to disclose information in the notes to the interim financial statements "if not disclosed elsewhere in the interim financial report". The amendments to HKAS 34 clarify that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report. The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete.

The directors of the Company do not anticipate that the amendments included in the *Annual Improvements to HKFRSs 2012-2014 Cycle* will have a material effect on the Group's consolidated financial statements.

AMENDMENTS TO HKFRS 10, HKFRS 12 AND HKAS 28 (2011) INVESTMENT ENTITIES: APPLYING THE CONSOLIDATION EXCEPTION

The amendments clarify the requirements when accounting for investment entities as well as provide relief in particular circumstances, which will reduce the costs of applying the Standards. Specifically, a parent entity that is a subsidiary of an investment entity is exempted from preparing consolidated financial statements. A parent entity which is also a subsidiary of an investment entity and hold interests in associates and joint ventures is exempted from applying equity method if it meets all the conditions stated in paragraph 4(a) of HKFRS 10.

Besides, the amendments clarify if an investment entity has a subsidiary that is not itself an investment entity and whose main purpose and activities are providing investment-related services that relate to the investment entity's investment activities to the entity or other parties, it should consolidate that subsidiary. If the subsidiary that provides the investment-related services or activities is itself an investment entity, the investment entity parent should measure that subsidiary at fair value through profit or loss. If an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when apply the equity method, retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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 HKFRS 10, HKFRS 12 AND HKAS 28 (2011) INVESTMENT ENTITIES: APPLYING THE CONSOLIDATION EXCEPTION (CONTINUED)

Furthermore, if a parent that is an investment entity and has measured all of its subsidiaries at fair value through profit or loss, that investment entity should present the disclosures relating to investment entities required by HKFRS 12 in its financial statements. If an investment entity has consolidated its subsidiary in which the subsidiary itself is not an investment entity and whose main purpose and activities are providing services that relate to the investment activities of its investment entity parent, the disclosure requirements in HKFRS 12 apply to financial statements in which the investment entity consolidates that subsidiary.

The amendments to HKFRS 10, HKFRS 12 and HKAS 28 will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted.

As the Company does not have any investments in investment entities, the directors of the Company do not anticipate that the application of the amendments to HKFRS 10, HKFRS 12 and HKAS 28 will have a material impact on the Company's financial statements.

AMENDMENTS TO HKAS 1 DISCLOSURE INITIATIVE

The amendments clarify that companies should use professional judgement in determining what information as well as where and in what order information is presented in the financial statements. Specifically, an entity should decide, taking into consideration all relevant facts and circumstances, how it aggregates information in the financial statements, which include the notes. An entity does not require to provide a specific disclosure required by a HKFRS if the information resulting from that disclosure is not material. This is the case even if the HKFRS contain a list of specific requirements or describe them as minimum requirements.

Besides, the amendments provide some additional requirements for presenting additional line items, headings and subtotals when their presentation is relevant to an understanding of the entity's financial position and financial performance respectively. Entities, in which they have investments in associates or joint ventures, are required to present the share of other comprehensive income of associates and joint ventures accounted for using the equity method, separated into the share of items that (i) will not be reclassified subsequently to profit or loss; and (ii) will be reclassified subsequently to profit or loss when specific conditions are met.

Furthermore, the amendments clarify that:

(i) an entity should consider the effect on the understandability and comparability of its financial statements when determining the order of the notes; and

(ii) significant accounting policies are not required to be disclosed in one note, but instead can be included with related information in other notes.

The amendments will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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 1 DISCLOSURE INITIATIVE (CONTINUED)

The directors of the Company anticipate that the application of Amendments to HKAS 1 in the future may have a material impact on the disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of Amendments to HKAS 1 until the Group performs a detailed review.

AMENDMENTS TO HKAS 16 AND HKAS 38 CLARIFICATION OF ACCEPTABLE METHODS OF DEPRECIATION AND AMORTISATION

The amendments to HKAS 16 prohibit the use of revenue-based depreciation methods for property, plant and equipment under HKAS 16. The amendments to HKAS 38 introduce a rebuttable presumption that use of revenue-based amortisation methods for intangible assets is inappropriate. This presumption can be rebutted only in the following limited circumstances:

(i) when the intangible asset is expressed as a measure of revenue; or

(ii) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments to HKAS 16 and HKAS 38 will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments should be applied prospectively.

As the Group uses the straight-line method for depreciation of property, plant and equipment, the directors of the Company do not anticipate that the application of the amendments to HKAS 16 and HKAS 38 will have a material impact on the Group's consolidated financial statements.

In addition, the annual report requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operations as from the company's first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Hong Kong Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and will primarily only affect the presentation and disclosure of information in the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for certain leasehold land and buildings that are measured at revalued amounts.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date under current market condition (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting polices set out below.

The principal accounting policies are set out below.

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (i.e. its subsidiaries). If a subsidiary prepares its financial statements using accounting policies other than those adopted in the consolidated financial statements for like transaction and events in similar circumstances, appropriate adjustments are made to that subsidiary's financial statement in preparing the consolidated financial statements to ensure conformity with the Group's accounting policies.

Control is achieved when the Group has:

- the power over the investee;
- exposure or rights, to variable returns from its involvement with the investee; and
- the ability to use its power to affect the amount of the Group's returns.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF CONSOLIDATION (CONTINUED)

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

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Income and expenses of a subsidiary are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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

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

Non-controlling interest are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the result of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPERTY, PLANT AND EQUIPMENT

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

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

Any revaluation increase arising on revaluation of the leasehold land and buildings is recognised in other comprehensive income and accumulated in equity under the heading of assets revaluation reserve while any decrease resulted is recognised in profit or loss. However, an increase is recognised to profit and loss when that it reverses a revaluation decrease of the same asset previously recognised in profit or loss while a decrease is recognised in other comprehensive income when it reduces the related amount accumulated in assets revaluation reserve.

Depreciation on revalued building is recognised in profit or loss. On the subsequent disposal or retirement of a revalued property, the attributable revaluation surplus remaining in the assets revaluation reserve is transferred directly to retained profits.

Depreciation is recognised so as to allocate the cost or fair value of items of property, plant and equipment other than construction in progress less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PREPAID LEASE PAYMENTS

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

CLUB DEBENTURES

Club debentures are carried at cost less accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible assets and club debentures below), if any.

INVENTORIES

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

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

EFFECTIVE INTEREST METHOD

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS (CONTINUED)

FINANCIAL ASSETS (CONTINUED)

LOANS AND RECEIVABLES

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

IMPAIRMENT LOSS ON FINANCIAL ASSETS

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

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or

- breach of contract, such as default or delinquency in interest and principal payments; or

- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or

- the disappearance of an active market for that financial asset because of financial difficulties.

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS (CONTINUED)

FINANCIAL LIABILITIES AND EQUITY INSTRUMENTS

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

EQUITY INSTRUMENTS

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

FINANCIAL LIABILITIES

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

EFFECTIVE INTEREST METHOD

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

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

DERECOGNITION

A financial asset is derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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

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

CASH AND CASH EQUIVALENTS

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Such classification requires the asset must be 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 classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs of disposal.

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.

Provisions are measured at 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 estimated cash flows 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).

IMPAIRMENT OF TANGIBLE ASSETS AND CLUB DEBENTURES

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

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

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

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or the 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 the 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 the CGU) in prior years. A reversal of 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 reversal of the impairment loss is treated as a revaluation increase under that standard.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REVENUE RECOGNITION

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

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

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the cost incurred or to be incurred in respect of the transaction can be measured reliably.

Sample and tooling income is recognised at the time when the transfer of significant risks and rewards of ownership to the customer, this is usually taken as the time when the samples and the tooling are delivered and the customer has accepted the samples.

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

LEASING

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

THE GROUP AS LESSEE

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

LEASING (CONTINUED)

LEASEHOLD LAND AND BUILDINGS

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease.

Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as prepaid lease payments in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily to take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

RESEARCH AND DEVELOPMENT COSTS

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

RETIREMENT BENEFIT COSTS

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme (“MPF Scheme”) are recognised as an expense when employees have rendered service entitling them to the contributions.

SHORT-TERM EMPLOYEE BENEFITS

A liability is recognised for benefits accruing to employees in respect of wages and salaries in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

TAXATION

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

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

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

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

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

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

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

FOREIGN CURRENCIES

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange difference arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, are also recognised directly in other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FOREIGN CURRENCIES (CONTINUED)

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

SHARE-BASED PAYMENT TRANSACTIONS

EQUITY-SETTLED SHARED-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 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.

FAIR VALUE MEASUREMENT

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FAIR VALUE MEASUREMENT (CONTINUED)

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

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

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

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

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the amounts of assets, liabilities, revenue and expenses reported and disclosures made in the consolidated financial statements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

ASSETS CLASSIFIED AS HELD FOR SALE AT 31 DECEMBER 2013

On 11 June 2010, the Group entered into a sale and purchase agreement with the local PRC government for the sale of certain land and buildings of the Group in the PRC. At 31 December 2013, the related land and buildings remained unsold and the transaction has not yet concluded. During the year ended 31 December 2014, full consideration of RMB6,130,000 (equivalent to approximately HK$7,859,000) has been received from the PRC government. The related land certificate has been transferred to the PRC government in 2014. However, the land registry has not yet been updated at 31 December 2014 as a result of registration time. At 31 December 2014, the legal title of the related land and buildings remained to the Group.

Regarding the sale and purchase transaction, the directors of the Company have considered that the risks and rewards of ownership of related land and buildings have been transferred since the land certificate has been transferred to the PRC government and conditions of the agreement has been fully completed. Disposal gain of HK$83,000 is recognised in 2014 upon the disposal of the assets classified as held for sale at 31 December 2013.

KEY SOURCES OF ESTIMATION UNCERTAINTY

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

IMPAIRMENT OF GOODWILL

Determining whether goodwill is impaired requires an estimation of the value in use of the 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 CGUs and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

As at 31 December 2014, the carrying amount of goodwill was approximately HK$14,820,000 (2013: HK$14,820,000). No impairment loss was recognised for both years. Details of the impairment testing are set disclosed in note 20.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

NET REALISABLE VALUE OF INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs to make the sale. The cost of inventories is written down to the net realisable value when there is objective evidence that the cost of inventories may not be recoverable. The amount written off to the consolidated statement of profit or loss and other comprehensive income is the difference between the carrying value and net realisable value of inventories. In determining whether the cost of inventories can be recovered, significant judgment is required. In making this judgment, the directors of the Company 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 2014, the carrying amount of inventories was approximately HK$170,219,000 (2013: HK$173,247,000). No written down was recognised for both years.

ALLOWANCE FOR DOUBTFUL DEBTS IN RESPECT OF TRADE AND OTHER RECEIVABLES

When there is objective evidence of the allowance for doubtful debts in respect of trade and other receivables, the Group takes into consideration the estimation of future cash flows. The amount of the allowance for doubtful debts is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a further allowance may arise. At 31 December 2014, the carrying amount of trade receivables, current portion of other receivables included in trade and other receivables and non-current portion of deposits and other receivables were approximately HK$16,375,000 (2013: HK$31,220,000) net of allowance for doubtful debts of approximately HK$2,000 (2013: HK$2,000), HK$20,403,000 (2013: HK$15,179,000) and HK$270,000 (2013: HK$844,000) respectively. No allowance for impairment of trade and other receivables has been recognised for the years ended 31 December 2014 and 31 December 2013.

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

At the end of the reporting period, the directors of the Company review the carrying amount of its property, plant and equipment of approximately HK$205,908,000 (2013: HK$205,300,000) and identified if there is indication that those assets many suffer an impairment loss. Accordingly, the recoverable amount of the property, plant and equipment is estimated in order to determine the extent of the impairment loss. The estimates of the recoverable amounts of the property, plant and equipment require the use of assumptions such as cash flow projections and discount rates.

Based on the estimated recoverable amount, no impairment loss has been recognised for the years ended 31 December 2014 and 2013.

DEPRECIATION AND USEFUL LIVES OF PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account their estimated residual values. The determination of the useful lives and residual values involve management's estimation based on the Group's business model, its asset management policy, the industry practice and expected usage of each category of property, plant and equipment. The directors of the Company assess the residual values and the useful lives of the property, plant and equipment annually and if the expectation differs from the original estimates, such differences may impact the depreciation in the year and the estimates will be changed in the future period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

INCOME TAXES

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

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior period.

The capital structure of the Group consists of net debt, which includes amounts due to non-controlling shareholders of a subsidiary and amount due to a director disclosed in note 28, bank borrowings disclosed in note 29, obligations under finance leases disclosed in note 30, 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% (2013: 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:

	2014	2013
	HK$'000	HK$'000
Amounts due to non-controlling shareholders of a subsidiary	**462**	462
Bank borrowings	**104,033**	108,704
Obligations under finance leases	**368**	1,080
Amount due to a director	**7,589**	10,142
Less: bank balances and cash	**(16,676)**	(26,241)
Net debts	**95,776**	94,147
Equity attributable to owners of the Company	**310,884**	302,452
Non-controlling interests	**2,401**	2,401
Total equity	**313,285**	304,853
Gearing ratio	**31%**	31%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

6. FINANCIAL INSTRUMENTS

CATEGORIES OF FINANCIAL INSTRUMENTS

	2014	2013
	HK$'000	HK$'000
Financial assets		
Loans and receivables (including bank balances and cash)	**53,724**	73,484
Financial liabilities		
Financial liabilities at amortised cost	**146,611**	181,196

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include deposits and other receivables, trade and other receivables, bank balances and cash, trade and other payables, amounts due to non-controlling shareholders of a subsidiary, bank borrowings, obligations under finance leases and amount due to a director 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% (2013: 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	
	2014	2013
	HK$'000	HK$'000
RMB	**1,962**	3,846

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

CURRENCY RISK (CONTINUED)

SENSITIVITY ANALYSIS

The Group is mainly exposed to the effects of fluctuation in RMB. Management of the Group considers the currency risk of the Group is insignificant for the years ended 31 December 2014 and 2013, hence no sensitivity analysis is presented.

INTEREST RATE RISK

The Group is exposed to fair value interest rate risk in relation to loans advanced to employees included in non-current deposits and other receivables and trade and other receivables are with fixed interest rate, fixed-rate bank borrowings (see note 29 for details of these borrowings) and amount due to a director (see note 28 for details). The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

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

The Group's bank balances are short-term in nature. 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 Hong Kong Interbank Offered Rate ("HIBOR") and London Interbank Offered Rate ("LIBOR").

SENSITIVITY ANALYSIS

The sensitivity analyses below have been determined based on the exposure to interest rates at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis point (2013: 100 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points (2013: 100 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2014 would decrease/increase by approximately HK$216,000 (2013: HK$233,000).

The Group's sensitivity to interest rates has been decreased during the current year mainly due to the decrease in variable rate debt instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

CREDIT RISK

At 31 December 2014, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

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

The Group's concentrations of credit risk are 3% and 66% (2013: 45% and 90%) of the total trade receivables which are due from the Group's largest customer and the five largest customers, respectively. However, management consider the credit risk is under control since the management exercises due care in granting credit and reviews the recoverable amount of each balance at the end of each reporting period to ensure adequate impairment losses have been made for irrecoverable amounts.

The Group's concentration the credit risk by geographical locations is mainly in the North America, which accounted for 66% (2013: 90%) of the total trade receivables as at 31 December 2014.

LIQUIDITY RISK

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

The 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

LIQUIDITY RISK (CONTINUED)

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

	At 31 December 2014			
	Within one year or on demand HK$'000	**More than one year less than two years HK$'000**	**Total contractual undiscounted cash flows HK$'000**	**Carrying amount HK$'000**
Non-derivative financial liabilities				
Trade and other payables	**34,159**	**–**	**34,159**	**34,159**
Amounts due to non-controlling shareholders of a subsidiary	**462**	**–**	**462**	**462**
Bank borrowings	**107,165**	**–**	**107,165**	**104,033**
Obligations under finance leases	**372**	**–**	**372**	**368**
Amount due to a director	**7,589**	**–**	**7,589**	**7,589**
	149,747	**–**	**149,747**	**146,611**

	At 31 December 2013			
	Within one year or on demand HK$'000	More than one year less than two years HK$'000	Total contractual undiscounted cash flows HK$'000	Carrying amount HK$'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

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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8. FAIR VALUE MEASUREMENTS

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

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

9. 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 turnover and operating income for the year is as follows:

	2014	2013
	HK$'000	HK$'000
Turnover		
Sales of golf equipment and related components and parts	**354,701**	408,459
Sales of golf bags, other accessories and related components and parts	**46,261**	25,628
	400,962	434,087
Other operating income		
Interest income	**64**	133
Sales of scrap materials	**118**	204
Sample income	**175**	216
Tooling income	**315**	422
Gain on disposal of property plant and equipment	**581**	-
Gain on disposal of assets classified as held for sale (note 26)	**83**	-
Sundry income	**763**	578
	2,099	1,553
Total	**403,061**	435,640

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For the year ended 31 December 2014

10. SEGMENT INFORMATION

Information reported to the chief operating decision maker (i.e. the board of directors), for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable 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	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:								
Sales to external customers	**354,701**	408,459	**46,261**	25,628	**–**	–	**400,962**	434,087
Inter-segment sales	**–**	–	**7,155**	12,128	**(7,155)**	(12,128)	**–**	–
Other operating income	**1,684**	1,107	**495**	313	**(227)**	–	**1,952**	1,420
Total	**356,385**	409,566	**53,911**	38,069	**(7,382)**	(12,128)	**402,914**	435,507
Segment results	**20,622**	31,147	**2,084**	771			**22,706**	31,918
Interest income							**64**	133
Gain on disposal of assets classified as held for sale (note 26)							**83**	–
Impairment loss on club debentures							**(500)**	–
Unallocated corporate expenses							**(6,043)**	(6,722)
Finance costs							**(7,591)**	(9,328)
Profit before tax							**8,719**	16,001

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit earned by each segment without allocation of interest income, gain on disposal of assets classified as held for sale, impairment loss on club debentures, central administration costs, directors' emoluments, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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	
	2014	2013	**2014**	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Assets and liabilities						
Segment assets	**417,863**	437,721	**25,726**	19,948	**443,589**	457,669
Unallocated corporate assets						
– Assets classified as held for sale					**–**	7,776
– Club debentures					**2,897**	3,397
– Bank balances and cash					**16,676**	26,241
– Others					**487**	921
Total assets					**463,649**	496,004
Segment liabilities	**19,454**	50,676	**15,634**	15,023	**35,088**	65,699
Unallocated corporate liabilities						
– Amounts due to non-controlling shareholders of a subsidiary					**462**	462
– Amount due to a director					**7,589**	10,142
– Tax payable					**248**	2,518
– Bank borrowings					**104,033**	108,704
– Obligations under finance leases					**368**	1,080
– Deferred tax liabilities					**2,440**	2,309
– Others					**136**	237
Total liabilities					**150,364**	191,151

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 revenues earned by individual reportable segments; and

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

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For the year ended 31 December 2014

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 is presented based on the geographical location of shipment.

	Revenue from external customers	
	2014	2013
	HK$'000	HK$'000
North America	**212,019**	290,996
Japan	**94,779**	58,498
Asia (excluding Japan)	**39,135**	38,646
Europe	**36,854**	31,032
Others	**18,175**	14,915
	400,962	434,087

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

	2014	2013
	HK$'000	HK$'000
The PRC	**220,540**	221,378
Hong Kong (country of domicile)	**13,641**	14,078
Others	**–**	1
	234,181	235,457

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For the year ended 31 December 2014

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	
	2014	2013	**2014**	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Addition to non-current assets (note)	**14,516**	14,333	**559**	218	**15,075**	14,551
Amortisation of prepaid lease payments	**368**	368	**–**	–	**368**	368
Bad debts directly written off on trade receivables	**–**	1	**–**	–	**–**	1
Depreciation of property, plant and equipment	**12,690**	13,512	**2,148**	2,438	**14,838**	15,950
(Gain) loss on disposal or written off of property, plant and equipment	**(581)**	514	**–**	–	**(581)**	514
Deemed loss on early repayment of loan from immediate holding company	**–**	501	**–**	–	**–**	501
Loss on written off of deposits paid for acquisition of property, plant and equipment	**–**	332	**–**	–	**–**	332

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

Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:

For the year ended 31 December

	Golf equipment		Golf bags		Unallocated		Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Interest income	**60**	130	**4**	3	**–**	–	**64**	133
Finance costs	**7,357**	9,058	**234**	270	**–**	–	**7,591**	9,328
Impairment loss on club debenture	**–**	–	**–**	–	**500**	–	**500**	–
Income tax expense	**424**	2,348	**–**	–	**–**	–	**424**	2,348

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

10. SEGMENT INFORMATION (CONTINUED)

(E) INFORMATION ABOUT MAJOR CUSTOMERS

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

	Revenue generated from	2014 HK$'000	2013 HK$'000
Customer A	Golf equipment	**125,163**	187,925
Customer B	Golf equipment	**119,461**	103,289
Customer C	Golf equipment	**70,911**	85,708

11. FINANCE COSTS

	2014 HK$'000	2013 HK$'000
Factoring charges	**2,788**	2,632
Interest expenses on:		
– bank overdrafts	**40**	42
– bank borrowings wholly repayable within five years	**5,378**	6,415
– imputed interest on non-interest bearing loan from immediate holding company	**–**	55
– advances from a director	**337**	410
– obligations under finance leases	**33**	63
Total borrowing costs	**8,576**	9,617
Less: amount capitalised (note)	**(985)**	(289)
	7,591	9,328

Note: Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 6.00% (2013: 6.00%) per annum to expenditure on qualifying assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

12. INCOME TAX EXPENSE

	2014 **HK$'000**	2013 HK$'000
Hong Kong Profits Tax		
– Current	**160**	–
PRC EIT		
– Current	**–**	1,500
– Underprovision in prior years	**43**	848
	203	2,348
Deferred tax (note 31):		
– Current	**221**	–
	424	2,348

i) Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for year ended 31 December 2014 net of tax losses brought forward from previous years. For the year ended 31 December 2013, no provision of Hong Kong Profits Tax as the assessable profit was wholly absorbed by tax losses brought forward.

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.

No provision for EIT for certain PRC subsidiaries as they did not have any assessable profits subject to EIT or the assessable profit is wholly absorbed by tax losses brought forward.

iii) Under Decree-Law no.58/99/M, Sino Golf Commercial Offshore De Macau Limitada, a Macau subsidiary incorporated under that Law is exempted from Macau Complementary tax as it satisfies the relevant conditions as specified in the Law.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

12. INCOME TAX EXPENSE (CONTINUED)

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

	2014 HK$'000	2013 HK$'000
Profit before tax	**8,719**	16,001
Tax calculated at rates applicable to profits in the respective tax jurisdiction concerned	**1,633**	4,025
Effect of tax exemptions granted	**(749)**	(1,113)
Tax effect of income not taxable for tax purposes	**(1,105)**	(1,211)
Tax effect of expense not deductible for tax purposes	**742**	692
Tax effect of tax losses not recognised	**252**	63
Utilisation of tax losses previously not recognised	**(392)**	(956)
Underprovision in prior years	**43**	848
Income tax expense	**424**	2,348

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

13. PROFIT FOR THE YEAR

	2014 HK$'000	2013 HK$'000
Profit for the year has been arrived at after charging:		
Staff cost (including directors' and chief executive's emoluments):		
Salaries, wages and other benefits in kind	**105,861**	101,028
Share-based payment expenses	**–**	731
Retirement benefits schemes contributions	**9,555**	5,405
Total staff cost	**115,416**	107,164
Amortisation of prepaid lease payments	**368**	368
Auditors' remuneration	**1,230**	1,185
Bad debts directly written off on trade receivables	**–**	1
Cost of inventories sold	**328,546**	358,453
Depreciation of property, plant and equipment	**14,838**	15,950
Exchange loss (net)	**159**	2,167
Loss on disposal or written off of property, plant and equipment	**–**	514
Loss on written off of deposits paid for property, plant and equipment	**–**	332
Deemed loss on early repayment of loan from immediate holding company	**–**	501
Impairment loss on club debentures (note 21)	**500**	–
Operating leases rentals in respect of land and buildings	**3,758**	4,120
Research and development costs	**1,106**	2,199

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

14. EARNINGS PER SHARE

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

	2014	2013
	HK$'000	HK$'000
Earnings		
Earnings for the purpose of basic and diluted earnings per share	**8,295**	13,661

	2014	2013
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**460,050**	460,050
Effect of dilutive potential ordinary shares:		
Share options	**3,878**	396
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**463,928**	460,446

15. DIVIDENDS

No dividends were paid, declared or proposed during the year ended 31 December 2014, nor has any dividend been proposed since the end of the reporting period (2013: Nil).

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

	2014	2013
	HK$'000	HK$'000
Salaries, allowances and other benefits in kind	**102,805**	97,211
Share-based payment expenses	**–**	731
Retirement benefits schemes contributions	**9,523**	5,375
	112,328	103,317

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

I) HONG KONG

Subsidiaries in Hong Kong operate a MPF Scheme under the Mandatory Provident Fund Schemes Ordinance, for all of its employees in Hong Kong. The Group contributes 5% of relevant payroll costs, capped at HK$1,500 (HK$1,250 prior to June 2014) per month, to the MPF Scheme, in which the contribution is matched by employees. The assets of the MPF Scheme are held separately from those of the subsidiaries in an independently administered fund. The subsidiaries' employer contributions vest fully with the employees when contributed into the MPF Scheme. During the year ended 31 December 2014, a total contribution of approximately HK$190,000 (2013: approximately HK$177,000) was made by the Group in respect of this scheme.

II) THE PRC, OTHER THAN HK

The employees of 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% (2013: 5% to 8%) of their payroll costs to the schemes. The contributions are charged to the consolidated statement of profit or loss and other comprehensive income as they become payable in accordance with the rules of the pension schemes. During the year ended 31 December 2014, a total contribution of approximately HK$9,333,000 (2013: approximately HK$5,198,000) was made by the Group in respect of this scheme.

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

(A) DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

The emoluments paid or payable to each of the six (2013: seven) directors, including the chief executive, were as follows:

	For the year ended 31 December 2014					
	Fees HK$'000	Salaries HK$'000	Bonuses HK$'000 (Note (i))	Housing benefits HK$'000	Retirement benefits schemes contributions HK$'000	Total HK$'000
Executive directors						
Chu Chun Man, Augustine ("Augustine Chu") (note (iv))	–	596	30	840	17	1,483
Chu Yuk Man, Simon ("Simon Chu")	–	400	30	325	15	770
Chang Hua Jung	–	540	15	–	–	555
Independent non-executive directors						
Choy Tak Ho	120	–	–	–	–	120
Chiu Lai Kuen, Susanna	100	–	–	–	–	100
Zhu Shengli	60	–	–	–	–	60
	280	1,536	75	1,165	32	3,088

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

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

	For the year ended 31 December 2013					
	Fees HK$'000	Salaries HK$'000	Bonuses HK$'000 (Note (i))	Housing benefits HK$'000	Retirement benefits schemes contributions HK$'000	Total HK$'000
Executive directors						
Augustine Chu (note (iv))	–	696	–	840	15	1,551
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

Notes:

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

(ii) Mr. Hsieh Ying Min resigned 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 2014 and 2013.

(iv) Augustine Chu is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

(B) EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2013: three) were directors of the Company whose emoluments are set out above. The emoluments of the remaining three (2013: two) highest paid individuals were as follows:

	2014	2013
	HK$'000	HK$'000
Salaries, allowances and other benefits in kind	**2,951**	2,063
Retirement benefits schemes contributions	**26**	15
	2,977	2,078

Their emoluments were within the following bands:

	Number of individuals	
	2014	2013
Nil to HK$1,000,000	**2**	1
HK$1,000,001 to HK$1,500,000	**1**	1
	3	2

(C) No emoluments have been paid by the Group to the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office for the years ended 31 December 2014 and 2013.

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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 2013	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
Additions	–	918	2,261	370	546	11,996	16,091
Disposals	(6)	–	(5,706)	(91)	(447)	–	(6,250)
Transfers	–	–	1,195	–	–	(1,195)	–
At 31 December 2014	164,931	7,151	105,980	6,738	6,101	20,158	311,059
Comprising:							
At cost	11*	7,151	105,980	6,738	6,101	20,158	146,139
At 2012 valuation	164,920	–	–	–	–	–	164,920
At 31 December 2014	164,931	7,151	105,980	6,738	6,101	20,158	311,059
At cost	11*	6,233	108,230	6,459	6,002	9,357	136,292
At 2012 valuation	164,926	–	–	–	–	–	164,926
At 31 December 2013	164,937	6,233	108,230	6,459	6,002	9,357	301,218
ACCUMULATED DEPRECIATION							
At 1 January 2013	–	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
Provided for the year	4,151	635	8,878	307	867	–	14,838
Eliminated on disposals	(2)	–	(5,072)	(84)	(447)	–	(5,605)
At 31 December 2014	8,991	5,817	79,986	5,857	4,500	–	105,151
CARRYING VALUES							
At 31 December 2014	155,940	1,334	25,994	881	1,601	20,158	205,908
At 31 December 2013	160,095	1,051	32,050	825	1,922	9,357	205,300

* In the opinion of directors of the Company, the carrying amount of the addition of the land and buildings during the year ended 31 December 2013 approximated to its fair value at 31 December 2014 and 2013.

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18. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

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

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

(c) Leasehold land and buildings are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The 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, by reference to the recent quotation or sales prices of comparable properties on a price per square metre basis, no material changes on the fair value of the leasehold land and buildings as at 31 December 2014 and 2013.

If the leasehold land and buildings had not been revalued, they would have been included in these consolidated financial statements at historical cost less accumulated depreciation of HK$129,828,000 (31 December 2013: HK$133,184,000).

(d) At 31 December 2014, the carrying values of motor vehicles included an amount of approximately HK$926,000 (2013: HK$1,482,000) in respect of assets under finance leases.

(e) At 31 December 2014, the Group's leasehold land and buildings and plant and machinery with carrying values of approximately HK$104,951,000 and HK$17,307,000 (2013: HK$160,095,000 and Nil) was pledged as security for the banking facilities granted to the Group respectively.

19. PREPAID LEASE PAYMENTS

	2014	2013
	HK$'000	HK$'000
Leasehold land held under medium-term lease in the PRC and are analysed for reporting purposes as follows:		
Current assets	**368**	368
Non-current assets	**9,929**	10,297
	10,297	10,665

At 31 December 2014, the Group's prepaid lease payment with carrying value of approximately HK$10,297,000 (2013: HK$10,665,000) was pledged as security for the banking facilities granted to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

20. GOODWILL

(A) COSTS AND CARRYING AMOUNTS

	2014	2013
	HK$'000	HK$'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 (2013: two). The carrying amounts of goodwill as at the end of the reporting period allocated to these CGUs are as follows:

	2014	2013
	HK$'000	HK$'000
Golf equipment	**6,824**	6,824
Golf bags	**7,996**	7,996
	14,820	14,820

During the years ended 31 December 2014 and 2013, management of the Group determines that there are no impairments of any of its CGUs containing goodwill.

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

GOLF EQUIPMENT

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

The recoverable amount of golf equipment segment is determined on a value in use calculation. 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 management covering a period of five years (2013: five years) at a pre-tax discount rate of 13.47% (2013: 12.89%). Cash flows beyond 5-year period (2013: 5-year period) are projected using zero growth rate (2013: zero growth rate). 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 management believes that the budgeted gross margins were reasonable. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of golf equipment segment to exceed the recoverable amount of the segment.

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For the year ended 31 December 2014

20. GOODWILL (CONTINUED)

(B) IMPAIRMENT TESTING ON GOODWILL (CONTINUED)

GOLF BAGS

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

The recoverable amount of golf bags segment is determined on a value in use calculation. 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 management covering a period of five years (2013: five years) at a pre-tax discount rate of 14.25% (2013: 13.23%). Cash flows beyond 5-year period (2013: 5-year period) are projected using zero growth rate (2013: zero growth rate). 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 management believes that the budgeted gross margins were reasonable. Management believes that any reasonably change in any of these assumptions would not cause the aggregate carrying amount of golf bags segment to exceed the recoverable amount of the segment.

21. CLUB DEBENTURES

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

	2014	2013
	HK$'000	HK$'000
COST		
At 1 January	**3,397**	2,135
Additions	**–**	1,262
At 31 December	**3,397**	3,397
IMPAIRMENT		
At 1 January	**–**	–
Impairment loss during the year (note)	**(500)**	–
At 31 December	**(500)**	–
CARRYING AMOUNT		
At 31 December	**2,897**	3,397

Note:

During the year ended 31 December 2014, the Group has recognised an impairment loss of HK$500,000 (2013: nil) in relation to one of the club debentures with carrying amount of HK$1,262,000.

The recoverable amount of the club debenture is HK$762,000 and has been determined based on its fair value less cost of disposal by reference to the recent market price of the identical club debentures, less the transfer fee and the commission fee of the club debenture. It indicates an impairment loss of HK$500,000 recognised for the identical club debenture for the year ended 31 December 2014.

The fair value of the club debentures disclosed above are based on recent market price of the identical club debentures, which are categorised within level 1 of the fair value hierarchy in terms of HKFRS 13.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

22. DEPOSITS AND OTHER RECEIVABLES

Included in the deposits and other receivables of approximately HK$270,000 (2013: HK$578,000) represents loans advanced to employees of the Group. The loans are unsecured, non-interest bearing (2013: 0% to 2% per annum) and are not repayable within the next twelve months from the end of the reporting period.

23. INVENTORIES

	2014	2013
	HK$'000	HK$'000
Raw materials	**60,174**	50,960
Work in progress	**57,363**	63,868
Finished goods	**52,682**	58,419
	170,219	173,247

24. TRADE AND OTHER RECEIVABLES

	2014	2013
	HK$'000	HK$'000
Trade receivables	**16,377**	31,222
Less : allowance for impairment of trade receivables	**(2)**	(2)
	16,375	31,220
Prepayments	**626**	1,054
Deposits and other receivables (note i)	**24,934**	19,797
	25,560	20,851
	41,935	52,071

The Group does not hold any collateral over these balances.

i) Included in deposits and other receivables is the advances to suppliers of HK$14,088,000 (2013: HK$9,169,000) which is expected to be recognised as expense within one year.

ii) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

24. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	2014	2013
	HK$'000	HK$'000
1 January	**2**	29
Amount written off as uncollectible	**–**	(27)
31 December	**2**	2

Included in the allowance for impairment of trade receivables are individually impaired trade receivables with an aggregate balances of approximately HK$2,000 (2013: approximately HK$2,000) due to long outstanding.

iv) The following is an aged analysis of trade receivables (net of impairment loss) of the Group presented based on the invoice date, which approximates the respective revenue recognition date, at the end of the reporting period:

	2014	2013
	HK$'000	HK$'000
0 to 30 days	**10,996**	23,676
31 to 90 days	**5,369**	7,543
91 to 180 days	**10**	1
	16,375	31,220

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

			Past due but not impaired
	Total	**Neither past due nor impaired**	**0 to 90 days**
	HK$'000	HK$'000	HK$'000
At 31 December 2014	**16,375**	**13,383**	**2,992**
At 31 December 2013	31,220	30,228	992

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

25. CASH AND CASH EQUIVALENTS

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

	2014 HK$'000	2013 HK$'000
Bank balances and cash	**16,676**	26,241
Less: bank overdrafts (note 29)	**(992)**	(1,000)
Cash and cash equivalents	**15,684**	25,241

i) Bank balances carry interest at market rates which ranged from 0.01% to 0.50% per annum (2013: 0.01% to 0.50% per annum).

ii) Bank overdrafts carry interest at market rates which is 5.75% per annum (2013: 5.75% per annum).

ii) At 31 December 2014, the Group's bank balances and cash denominated in RMB amounted to approximately RMB9,956,000, equivalent to approximately HK$12,764,000 (2013: RMB12,372,000, equivalent to approximately HK$15,861,000). 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	
	2014 HK$'000	2013 HK$'000
Property, plant and equipment	–	3,920
Prepaid lease payments	–	3,856
	–	7,776

On 11 June 2010, the Group entered into an agreement with the local PRC government for the reclaim of certain land and buildings of the Group in the PRC.

During the year ended 31 December 2014, all the property, plant and equipment and prepaid lease payments included in assets classified as held for sale have been transferred to local PRC government with the consideration of RMB6,130,000, equivalent to HK$7,859,000. HK$5,128,000 have been received in prior years, and the remaining amount of HK$2,731,000 was received in current year. Gain on disposal of assets classified as held for sale of HK$83,000 was recognised on the difference of the total consideration paid and the carrying amount.

The directors of the Company consider the transfer is completed as the conditions of the agreement have been fulfilled and the land certificate has been transferred to local PRC government.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

27. TRADE AND OTHER PAYABLES

	2014	2013
	HK$'000	HK$'000
Trade and bills payables	**31,820**	41,580
Customers' deposits received	**1,065**	375
Accruals and other payables	**2,339**	23,981
	35,224	65,936

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

	2014	2013
	HK$'000	HK$'000
0 to 90 days	**20,056**	34,664
91 to 180 days	**9,885**	5,995
181 to 365 days	**1,352**	564
Over 365 days	**527**	357
	31,820	41,580

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

ii) Included in trade and other payables are the following amounts denominated in the currency other than the functional currency of the entity to which they relate:

	2014	2013
	HK$'000	HK$'000
RMB	**1,962**	3,846

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

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

The amount due to a director is unsecured, interest bearing ranging from 3% to 5% (2013: 4% to 6%) per annum and repayable on demand.

29. BANK BORROWINGS

	2014	2013
	HK$'000	HK$'000
Bank overdrafts	**992**	1,000
Term loans	**78,205**	84,112
Trust receipts and packing loans	**24,836**	23,592
	104,033	108,704
Secured	**78,205**	80,756
Unsecured	**25,828**	27,948
Carrying amount repayable within one year	**104,033**	108,704

i) At 31 December 2014, bank borrowings of approximately HK$78,205,000 and HK$25,828,000 are fixed-rate borrowings and floating-rate borrowings, respectively. The fixed-rate borrowings carry interest ranging from 6.00% to 7.20% per annum and the floating-rate borrowings carry interest at the best lending rate published by the HIBOR and LIBOR, at the effective rate ranging from 2.26% to 5.75% per annum.

   At 31 December 2013, bank borrowings of approximately HK$80,756,000 and HK$27,948,000 were fixed-rate borrowings and floating-rate borrowings, respectively. The fixed-rate borrowings carried interest ranging from 6.00% to 6.72% per annum and the floating-rate borrowings carry interest at the best lending rate published by the People's Bank of China, the HIBOR and LIBOR, at the effective rate ranging from 2.25% to 5.25% per annum.

ii) During the year ended 31 December 2014, the Group renewed new bank borrowings of HK$78,205,000 (2013: HK$80,769,000) to finance its working capital.

iii) At 31 December 2014, the bank facilities of the Group were secured by leasehold land and buildings, plant and machinery and prepaid lease payments of HK$104,951,000 (note 18(e)), HK$17,307,000 (note 18(e)) and HK$10,297,000 (note 19) (2013: HK$160,095,000, nil and HK$10,665,000) respectively.

iv) At 31 December 2014, 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$61,002,000 (2013: HK$58,980,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

29. BANK BORROWINGS (CONTINUED)

v) At 31 December 2014, except for bank borrowings equivalent to approximately HK$78,205,000 (2013: HK$80,756,000) and HK$24,016,000 (2013: HK$21,880,000) which are denominated in RMB and US$, respectively, all other bank borrowings are denominated in HK$. No foreign currency risk exposure is disclosed as currencies of the bank borrowings are the same with the functional currencies of the respective subsidiaries.

vi) During the year ended 31 December 2014, there is no unsecured bank borrowings (2013: HK$3,356,000) outstanding under the Special Loan Guarantee Scheme. 80% of the principal amount of the loan was guaranteed by the Government of Hong Kong Special Administrative Regions.

vii) Under the pledged agreement date 25 July 2013, one of the directors of the Company, had undertaken to provide personal guarantee of RMB24,000,000 (equivalent to approximately HK$30,769,000) on a new bank borrowing of HK$25,628,000, included in the secured portion of bank borrowings, to one of the subsidiaries. The personal guarantee has been expired in 2014 and the bank borrowing has been repaid in full in 2014. No new or additional bank borrowing has been obtained under the personal guarantee.

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 (2013: 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	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable under finance leases:				
Within one year	**372**	745	**368**	712
In more than one year and not more than five years	**–**	372	**–**	368
	372	1,117	**368**	1,080
Less: Future finance charges	**(4)**	(37)	**–**	–
Present value of lease obligations	**368**	1,080	**368**	1,080
Less: Amounts due for settlement within one year shown under current liabilities			**(368)**	(712)
Amounts due for settlement after one year			**–**	368

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For the year ended 31 December 2014

30. OBLIGATIONS UNDER FINANCE LEASES (CONTINUED)

Obligations under finance leases bear interest at a fixed interest rate at 4.3% (2013: 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. DEFERRED TAX LIABILITIES

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

	Revaluation of land and buildings	Accelerated tax depreciation	Estimated tax loss	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2013	(2,399)	(244)	244	(2,399)
Credited (charged) to profit or loss	–	63	(63)	–
Credited to other comprehensive income	90	–	–	90
At 31 December 2013	(2,309)	(181)	181	(2,309)
Charged to profit or loss	–	(40)	(181)	(221)
Credited to other comprehensive income	90	–	–	90
At 31 December 2014	(2,219)	(221)	–	(2,440)

At the end of the reporting period, the Group had unused tax losses of approximately HK$45,605,000 (2013: HK$48,062,000) available for offset against future profits. Deferred tax asset in respect of the unused tax losses of approximately HK$1,093,000 as at 31 December 2013 has been fully utilised in year 2014. No deferred tax asset has been recognised in respect of the remaining unused tax losses of approximately HK$45,605,000 (2013: HK$46,969,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately HK$45,605,000 (2013: HK$44,596,000) that will expire in 5 years from the year of origination.

Under the EIT Law of the 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$14,551,000 (2013: HK$14,899,000) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

32. SHARE CAPITAL

Ordinary shares of HK$0.10 each	Number of shares	Share capital HK$'000
Authorised		
At 1 January 2013, 31 December 2013 and 31 December 2014	1,000,000,000	100,000
Issued and fully paid		
At 1 January 2013, 31 December 2013 and 31 December 2014	460,050,000	46,005

33. SHARE-BASED PAYMENT TRANSACTIONS

On 5 June 2012, the Company terminated the original share option scheme (the "Original Share Option Scheme") and adopted a new share option scheme (the "New Share Option Scheme") for replacement. The purpose of the New Share Option Scheme is to enable the Company to continue to grant options to eligible participants which have been extended to include the employees (including any director, whether executive or non-executive and whether independent or not) in full-time or part-time employment with the Group or any entity in which the Group holds an equity interest (the "Invested Entity"), as well as contracted celebrity, advisor, consultant, service provider, agent, customer, partner or joint-venture partner of the Group or any Invested Entity, or any persons who, in the sole discretion of the board of directors, have contributed or may contribute to the Group or any Invested Entity. The New Share Option Scheme aims to provide incentives and help the Group in retaining its employees and recruiting additional employees and to provide them with a direct economic interest in attaining the long-term business objectives of the Group. There were no options outstanding under the Original Share Option Scheme. The New Share Option Scheme became effective on 5 June 2012 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

33. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

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

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

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

At 31 December 2014, the number of shares in respect of which options had been granted and remained outstanding under the New Share Option Scheme was 8,000,000 (2013: 8,000,000), representing approximately 1.7% (2013: 1.7%) of the shares of the Company in issue at that date.

The following table discloses movements of the Company's share options held by employees during the year:

	Number of share options			
Date of grant	**Outstanding at 1 January 2014**	**Granted during the year**	**Exercised during the year**	**Outstanding at 31 December 2014**
11 July 2013	**8,000,000**	**–**	**–**	**8,000,000**
Exercisable at the end of the year				**8,000,000**
Exercise price	**HK$0.37**	**N/A**	**N/A**	**HK$0.37**

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33. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

	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
Exercisable at the end of the year				8,000,000
Exercise price	–	HK$0.37	N/A	HK$0.37

Note: At 31 December 2014 and 2013, 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 2014, no share options were granted.

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.

HK$731,000 had been recognised for the year ended 31 December 2013 (2014: 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.

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34. 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 (2013: 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:

	2014	2013
	HK$'000	HK$'000
Within one year	**1,519**	2,778
In the second to fifth years, inclusive	**94**	682
	1,613	3,460

35. CAPITAL COMMITMENTS

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

	2014	2013
	HK$'000	HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements:		
Leasehold land and buildings	**54**	2,014
Plant and machinery	**4,924**	4,657
Capital injection in a wholly-owned subsidiary	**18,655**	25,431
	23,633	32,102

36. MATERIAL LITIGATION

At 31 December 2014, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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37. RELATED PARTY AND CONNECTED PARTY TRANSACTIONS

A) In addition to the related party balances detailed in note 28, the Group entered into the following significant transactions with related parties during the year:

	Notes	2014 HK$'000	2013 HK$'000
Rental expenses paid to Progolf Manufacturing Company Limited ("Progolf")	(i)	**840**	840
Rental expenses paid to Yuru Holdings Limited ("Yuru Holdings")	(ii)	**325**	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.

B) KEY MANAGEMENT COMPENSATION

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

	2014 HK$'000	2013 HK$'000
Short-term benefits	**6,689**	6,791
Share-based payment expenses	**–**	640
Post-employment benefits	**75**	60
	6,764	7,491

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

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38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2014 HK$'000	2013 HK$'000
Non-current assets			
Investments in subsidiaries		**15,717**	15,717
Current assets			
Amounts due from subsidiaries	(a)	**193,475**	186,065
Bank balances and cash		**38**	39
		193,513	186,104
Current liabilities			
Other payables		**136**	236
Financial guarantee liabilities		**22**	146
		158	382
Net current assets		**193,355**	185,722
		209,072	201,439
Capital and reserves			
Share capital		**46,005**	46,005
Reserves	(b)	**163,067**	155,434
		209,072	201,439

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

38. 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 2013	102,385	4,281	15,516	–	39,255	161,437
Total comprehensive expense 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)
Recognition of share-based payment expenses	–	–	–	731	–	731
At 31 December 2013	102,385	–	15,516	731	36,802	155,434
Total comprehensive income for the year	–	–	–	–	7,633	7,633
At 31 December 2014	102,385	–	15,516	731	44,435	163,067

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-interesting 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

39. PRINCIPAL SUBSIDIARIES

Name of subsidiary	Place of incorporation/ registration and operations	Issued and paid up capital	Percentage of equity interest and voting power attributable to the Company				Principal activities
			2014		2013		
			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$121,510,000	**–**	**100**	–	100	Manufacture and trading of golf equipment and accessories
CTB Golf (HK) Limited	Hong Kong	HK$10,000,000 (ordinary) HK$2,730,000 (preference)	**–**	**100**	–	100	Trading of golf bags and accessories
Dongguan Qi Heng Manufacturing Company Limited* 東莞騏衡運動用品製造有限公司 (Note 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$117,975,080	**–**	**100**	–	100	Manufacture and trading of golf equipment and accessories
Sino Golf Comercial Offshore De Macao Limitada	Macau	MOP 100,000	**–**	**100**	–	100	Trading of golf equipment and accessories

* The English names are for identification only

Notes:

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

39. PRINCIPAL SUBSIDIARIES (CONTINUED)

None of the subsidiaries had any debt securities outstanding as at the end of the years or at any time during both years.

At the end of the reporting period, the Group has other subsidiaries that are not individually material to the operations of the Group. A summary of these subsidiaries are set out as follows:

		Number of subsidiaries	
Principal activities	**Principal place of business**	**2014**	2013
Investment holding	Hong Kong	**1**	1
Inactive	Hong Kong	**1**	1
Inactive	PRC	**4**	3
		6	5

40. 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 (2014: Nil) was assigned and transferred to amount due to a director.

3. UNAUDITED CONDENSED CONSOLIDATED FINANCIAL RESULTS OF THE GROUP

Set out below are the unaudited consolidated financial results of the Group for the six months ended 30 June 2015 with the relevant comparative figures, as extracted form the announcement of the interim results of the Group dated 17 August 2015.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015

	Notes	Six months ended 30 June 2015 HK$'000 (Unaudited)	2014 HK$'000 (Unaudited)
Revenue	3	138,088	242,835
Cost of sales		(120,144)	(202,706)
Gross profit		17,944	40,129
Other operating income	5	877	1,670
Selling and distribution expenses		(2,229)	(2,180)
Administrative expenses		(26,895)	(27,554)
Finance costs	6	(3,249)	(4,660)
(Loss) profit before tax		(13,552)	7,405
Income tax expense	7	–	(496)
(Loss) profit for the period	8	(13,552)	6,909
(Loss) profit for the period attributable to:			
Owners of the Company		(13,552)	6,909
Non-controlling interests		–	–
		(13,552)	6,909
(Loss) earnings per share	10		
Basic		(HK2.92 cents)	HK1.50 cents
Diluted		(HK2.92 cents)	HK1.49 cents
(Loss) profit for the period		(13,552)	6,909
Other comprehensive (loss) income for the period:			
Other comprehensive loss to be reclassified to profit or loss in subsequent periods (net of tax)			
Reserve released on the deregistration of subsidiaries		(96)	–
Other comprehensive income not to be reclassified to profit or loss in subsequent periods (net of tax)			
Deferred tax relating to leasehold land and buildings under revaluation model		1,133	45
Other comprehensive income for the period		1,037	45
Total comprehensive (loss) income for the period		(12,515)	6,954
Total comprehensive (loss) income for the period attributable to:			
Owners of the Company		(12,515)	6,954
Non-controlling interests		–	–
		(12,515)	6,954

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2015

	Notes	30.6.2015 *HK$'000* (Unaudited)	31.12.2014 *HK$'000* (Audited)
Non-current assets			
Property, plant and equipment		202,674	205,908
Prepaid lease payments		9,746	9,929
Goodwill		14,820	14,820
Club debentures		2,897	2,897
Deposits and other receivables		199	270
Prepayments for the acquisition of property, plant and equipment		437	627
		230,773	234,451
Current assets			
Inventories		167,439	170,219
Trade and other receivables	*11*	39,412	41,935
Prepaid lease payments		368	368
Bank balances and cash		12,085	16,676
		219,304	229,198
Current liabilities			
Trade and other payables	*12*	30,641	35,224
Amounts due to non-controlling shareholders of a subsidiary		–	462
Income tax payable		248	248
Bank borrowings		102,447	104,033
Obligations under finance leases		–	368
Amount due to a director		11,375	7,589
		144,711	147,924
Net current assets		74,593	81,274
Total assets less current liabilities		305,366	315,725
Non-current liability			
Deferred tax liabilities		1,307	2,440
Net assets		304,059	313,285
Capital and reserves			
Share capital		46,805	46,005
Reserves		254,524	264,879
Equity attributable to owners of the Company		301,329	310,884
Non-controlling interests		2,730	2,401
Total equity		304,059	313,285

Notes:

1. BASIS OF PREPARATION

The condensed consolidated financial statements of Sino Golf Holdings Limited and its subsidiaries (collectively, the Group) for the six months ended 30 June 2015 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard ("HKAS") 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain leasehold land and buildings, which are measured at revalued amounts.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2014.

In the current year, the Group has applied, for the first time, the following new standards, amendments and interpretation ("new HKFRSs") issued by the HKICPA that are relevant for the preparation of the Group's financial year beginning 1 January 2015.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle
Amendments to HKAS19	Defined Benefit Plans: Employee Contribution

The application of the new and revised HKFRSs in the current year has no material effect on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these condensed consolidated financial statements.

3. REVENUE

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

4. SEGMENT INFORMATION

Information reported to the chief operating decision maker (i.e. the board of directors), for the purposes of resource allocation and assessment of segment performance, focuses on types of goods delivered. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable 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 segments.

	For the six months ended 30 June							
	Golf equipment		Golf bags		Eliminations		Consolidated	
	2015	2014	2015	2014	2015	2014	2015	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Segment revenue:								
Sale to external customers	111,583	227,686	26,505	15,149	–	–	138,088	242,835
Inter-segment revenue	–	–	2,877	5,329	(2,877)	(5,329)	–	–
Other operating income	652	1,481	214	175	–	–	866	1,656
Total	112,235	229,167	29,596	20,653	(2,877)	(5,329)	138.954	244,491
Segment results	(7,943)	14,397	668	309	–	–	(7,275)	14,706
Interest income							11	14
Unallocated corporate expenses							(3,039)	(2,655)
Finance costs							(3,249)	(4,660)
(Loss) profit before tax							(13,552)	7,405

Segment results represent the results of each segment without allocation of interest income, central administration expenses, directors' emoluments and finance costs. This is the measure reported to the chief operating decision maker of the Group for the purposes of resource allocation and performance assessment.

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

(b) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segments:

	Golf equipment		Golf bags		Consolidated	
	30.6.2015	**31.12.2014**	**30.6.2015**	**31.12.2014**	**30.6.2015**	**31.12.2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Segment assets	415,951	417,863	18,501	25,726	434,452	443,589
Unallocated corporate assets						
– Club debentures					2,897	2,897
– Bank balances and cash					12,085	16,676
– Others					643	487
Total assets					450,077	463,649
Segment liabilities	17,407	19,454	13,228	15,634	30,635	35,088
Unallocated corporate liabilities						
– Amounts due to non-controlling shareholders of a subsidiary					–	462
– Amount due to a director					11,375	7,589
– Income tax payable					248	248
– Bank borrowings					102,447	104,033
– Obligations under finance leases					–	368
– Deferred tax liabilities					1,307	2,440
– Others					6	136
Total liabilities					146,018	150,364

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

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

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

5. OTHER OPERATING INCOME

	Six months ended 30 June 2015 HK$'000 (Unaudited)	2014 HK$'000 (Unaudited)
Interest income	11	14
Gain on deregistration of subsidiaries	275	–
Exchange gain, net	–	409
Sale of scrap materials	92	55
Tooling income	226	319
Sundry income	273	873
	877	1,670

6. FINANCE COSTS

	Six months ended 30 June 2015 HK$'000 (Unaudited)	2014 HK$'000 (Unaudited)
Factoring charges	797	1,922
Interest expenses on:		
– Bank overdrafts	26	26
– Bank borrowings	2,844	2,959
– Obligations under finance leases	4	20
– Amount due to a director	196	165
Total borrowing costs	3,867	5,092
Less: amount capitalised (note)	(618)	(432)
	3,249	4,660

Note: The capitalisation ratio of borrowings for the six months ended 30 June 2015 is 6% (six months ended 30 June 2014: 6%).

7. INCOME TAX EXPENSE

	Six months ended 30 June 2015 HK$'000 (Unaudited)	2014 HK$'000 (Unaudited)
Current tax		
– Enterprises Income Tax ("EIT")	–	453
– Under provision in prior years	–	43
	–	496

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for six months ended 30 June 2015 and 2014. No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2015 and 2014 as there are no assessable profits generated.

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.

No provision for PRC EIT has been made for the six months ended 30 June 2015 since the assessable profits of certain PRC subsidiary are wholly absorbed by tax losses brought forward while no assessable profits have been generated from other PRC subsidiaries.

Under Decree-Law no.58/99/M, Sino Golf Commercial Offshore De Macau Limitada, a Macau subsidiary incorporated under that Laws, is exempted from Macau Complementary tax as it satisfies the relevant conditions as specified in the Law.

The Group is not subject to taxation in other jurisdiction.

8. (LOSS) PROFIT FOR THE PERIOD

(Loss) profit for the period is arrived at after charging:

	Six months ended 30 June	
	2015	**2014**
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Amortisation of prepaid lease payments	183	183
Cost of inventories sold	120,144	202,706
Depreciation of property, plant and equipment	6,764	7,604
Exchange loss, net	7	–
Operating leases rentals in respect of land and building	1,843	1,864
Loss on disposal of property, plant and equipment	50	3

9. DIVIDENDS

No dividends were paid, declared or proposed during the interim period. The directors of the Company have determined that no dividend will be paid in respect of the interim period (six months ended 30 June 2014: nil).

10. (LOSS) EARNINGS PER SHARE

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

	Six months ended 30 June	
	2015	**2014**
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
(Loss) earnings		
(Loss) earnings for the purposes of basic and diluted (loss) earnings per share	(13,552)	6,909

	Six months ended 30 June	
	2015	**2014**
	'000	*'000*
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic (loss) earnings per share	463,321	460,050
Effect of dilutive potential ordinary shares:		
Share options	–	2,533
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	463,321	462,583

The computation of diluted loss per share does not assume the conversion of the Company's share options since their exercise would result in a decrease in loss per share for the six months ended 30 June 2015.

11. TRADE AND OTHER RECEIVABLES

	30.6.2015	**31.12.2014**
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables	11,823	16,377
Less: impairment losses recognised	(2)	(2)
	11,821	16,375
Prepayments	2,582	626
Deposits and other receivables	25,009	24,934
	27,591	25,560
	39,412	41,935

(a) 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.

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

	30.6.2015	31.12.2014
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 to 30 days	9,683	10,996
31 to 90 days	2,064	5,369
91 to 180 days	74	10
	11,821	16,375

12. TRADE AND OTHER PAYABLES

	30.6.2015	31.12.2014
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade and bills payables	24,797	31,820
Customers' deposits received	488	1,065
Accrual and other payables	5,356	2,339
	30,641	35,224

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

	30.6.2015	31.12.2014
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 to 90 days	18,274	20,056
91 to 180 days	5,685	9,885
181 to 365 days	377	1,352
Over 365 days	461	527
	24,797	31,820

4. INDEBTEDNESS

As at the close of business on 30 June 2015, being the latest practicable date for the purpose of this statement of indebtedness prior to printing of this Composite Document, the indebtedness of the Group was as follows:

(i) Bank Borrowings

The Group's bank borrowings of approximately HK$78,205,000 in aggregate were secured by certain of the Group's property, plant and equipment and the prepaid lease payments with net carrying value of approximately HK$129,451,000 in aggregate. The remaining balance of bank borrowings of approximately HK$24,242,000 was unsecured and unguaranteed.

(ii) Other indebtedness

The Group had outstanding indebtedness of approximately HK$11,375,000 due to a director of the Company and the balance was unsecured, interest bearing ranging from 3% to 5% per annum and repayable on demand.

The Group had other outstanding indebtedness of approximately HK$3,282,000. The balance was unsecured, non-interest bearing and repayable on demand.

(iii) Contingent liabilities

Apart from the litigations as stated in Appendix III "General Information" of this Composite Document, the Group had no other material contingent liabilities.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Group did not have any debt securities issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptance or acceptance credits, debentures, mortgages, charges, hire purchase or finance lease commitments, guarantees or contingent liabilities.

For the purpose of the above indebtedness statement, the foreign currency, Renminbi, has been translated into Hong Kong dollars at the approximate rate of 0.78:1.

5. MATERIAL CHANGE

It was disclosed in the interim results announcement dated 17 August 2015 of the Company for the six months period ended 30 June 2015 ("**1H2015**"), that there were,

1) a decrease in the Group's turnover by approximately 43.1% to HK$138,088,000 for 1H2015 from that of HK$242,835,000 for the six months ended 30 June 2014 ("**1H2014**"), which was mainly due to the plummet of sales in golf equipment business attributable to (a) a change in procurement practice of the Group's largest customer of the preceding year upon a reorganisation to merge its operations with the parent company; and (b) curtailment of shipments to key customers under a volatile market with unfavourable market conditions;

2) a decrease in gross profit by approximately 55.3% to HK$17,944,000 for 1H2015 from that of HK$40,129,000 for 1H2014, which was attributable to the impact of the depressed sales for 1H2015;

3) a decrease in finance costs by approximately 30.3% to HK$3,249,000 in 1H2015 from HK$4,660,000 in 1H2014, which was mainly as a result of the decrease in factoring charges on reduced export sales;

4) a net loss of HK$13,552,000 attributable to owners of the Company for 1H2015 in contrast to a net profit of HK$6,909,000 attributable to owners of the Company for 1H2014, which was attributable to the hard hit by the depressed sales of the Group's golf equipment segment;

5) a decrease in bank balances and cash by around 27.5% from HK$16,676,000 as at 31 December 2014 to HK$12,085,000 as at 30 June 2015, which was mainly due to the effect of reduced sales and cash outflows applied for payment to the suppliers;

6) an increase in amount due to a director by around 49.9% from approximately HK$7,589,000 as at 31 December 2014 to approximately HK$11,375,000 as at 30 June 2015 for the purpose of providing additional working capital for the Group;

7) a decrease in the outstanding bank borrowings from HK$104,033,000 as at 31 December 2014 to HK$102,447,000 as at 30 June 2015. And there was a further decrease in the outstanding bank borrowing to around HK$78,573,000 which was due to the repayment of bank borrowings guaranteed by the Company after 30 June 2015; and

8) the litigation in connection with a subsidiary of the Group having been named as defendant in a local PRC court by summon for a claim of approximately RMB1,366,000 (equivalent to approximately HK$1,751,000) with damages of approximately RMB55,000 (equivalent to approximately HK$70,000) together with interest thereon and costs in relation to dispute involving supply of equipment by the plaintiff.

Save for the above, the Board confirms that there had been no material change in the financial or trading position or outlook of the Group since 31 December 2014 (the date to which the latest audited consolidated financial statements of the Group were made up) and up to and including the Latest Practicable Date.

1. RESPONSIBILITY STATEMENT

The sole director of the Offeror accepts full responsibility for the accuracy of the information contained in this Composite Document (other than the information relating to the Group, the Vendors and parties acting in concert with any one of them), and confirms, having made all reasonable enquires, that to the best of his knowledge, opinions expressed in this Composite Document (other than the opinion expressed by the Group, the Vendors and parties acting in concert with any one of them) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement contained in this Composite Document misleading.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than information relating to the Offer and the Offeror, its associates and parties acting in concert with it) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the Offeror and parties acting in concert with it) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document the omission of which would make any statement contained herein misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date were as follows:

Authorised Shares		*HK$*
1,000,000,000	Shares	100,000,000
Issued Shares		*HK$*
468,050,000	Shares	46,805,000

Save for the Shares, the Company has no outstanding securities, options, derivatives, warrants and other convertible securities or rights affecting the Shares as at the Latest Practicable Date.

All Shares in issue rank *pari passu* in all respects with each other including rights to dividends, voting and return of capital. Save for the issue and allotment of 8,000,000 Shares on 17 April 2015 pursuant to the exercise of 8,000,000 options granted under the share option scheme of the Company adopted on 5 June 2012, the Company has not issued any Shares since 31 December 2014, the date to which the latest audited financial statements of the Company were made up.

3. DISCLOSURE OF INTEREST

(i) Substantial Shareholders (within the meaning of the SFO)

As at the Latest Practicable Date, details of interests in the Shares, underlying shares, debentures or other relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company held or controlled by the Offeror and parties acting in concert with it are as follows:

Name of Shareholder	Capacity and nature of interest	Number of Shares held	Approximate % of interest
The Offeror	Beneficial owner	287,074,657	61.33%
Mr. Jiang Jian Hui *(Note 1)*	Interest of controlled corporation	287,074,657	61.33%

Note:

1. Mr. Jiang Jian Hui directly holds 80% of the equity interest in the Offeror and is deemed to be interested in the Shares held by the Offeror.

As at the Latest Practicable Date, pursuant to the terms and conditions of the facilities granted by Kingston Securities ("**Facilities**") for the purpose of the Sale and Purchase Agreement and the Offer, the Sale Shares and the Offer Shares to be acquired by the Offeror under the Offer shall be deposited with Kingston Securities as collateral for the Facilities. Save for the aforesaid, there was no agreement, arrangement or understanding that the securities acquired in pursuance of the Offer would be transferred, charged or pledged to any other persons.

Save as disclosed above, as at the Latest Practicable Date, none of the Offeror and parties acting in concert with it had any interest in the relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company.

(ii) Directors' Interests and Short Positions in Shares and Underlying Shares

As at the Latest Practicable Date, 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 SFO) as recorded in the register required to be kept by the Company pursuant to

Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

	Number of Shares held, capacity and nature of interest			
Name of director	**Directly beneficially owned**	**Through spouse**	**Total**	**Percentage of the Company's issued share capital**
Mr. CHU Chun Man, Augustine	9,292,104	150,000	9,442,104	2.02%
Mr. CHU Yuk Man, Simon	954,355	–	954,355	0.20%
	10,246,459	150,000	10,396,459	2.22%

4. ADDITIONAL DISCLOSURE OF INTERESTS AND DEALINGS

(a) As at the Latest Practicable Date, save as disclosed in the paragraph headed "Disclosure of Interest" in this Appendix III, the sole director of the Offeror did not have any interests in any Shares, convertible securities, warrants, options or derivatives of the Company, or had dealt for value in any shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period.

(b) Save for the 287,074,657 Shares owned by the Offeror, none of the Offeror or any persons acting in concert with it owned or controlled any Shares, convertible securities, warrants, options or derivatives of the Company as at the Latest Practicable Date, and save for the entering into of the Sale and Purchase Agreement and the transactions contemplated thereunder (which was completed on 30 June 2015), none of the Offeror or any persons acting in concert with it had dealt for value in any such securities during the Relevant Period.

(c) As at the Latest Practicable Date, no person had irrevocably committed himself to accept or reject the Offer.

(d) As at the Latest Practicable Date, none of the Offeror or any of the parties acting in concert with it, had entered into any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with any other persons.

(e) As at the Latest Practicable Date, none of the Offeror or any of the parties acting in concert with it, had borrowed or lent any Shares or any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.

(f) No benefit had been or would be given to any Directors as compensation for loss of office or otherwise in connection with the Offer.

(g) As at the Latest Practicable Date, there was no agreement, arrangement or understanding (including any compensation arrangement) existing between the Offeror or any person acting in concert with it and any Directors, recent Directors, Shareholders or recent Shareholders having any connection with or was dependent upon the Offer.

(h) As at the Latest Practicable Date, there was no agreement or arrangement to which the Offeror is a party which relates to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Offer.

(i) As at the Latest Practicable Date, there was no arrangement of the kind referred to in the third paragraph of Note 8 to Rule 22 of the Takeovers Code between the Offeror, any person acting in concert with it or the Offeror's associate, and any other person.

(j) As at the Latest Practicable Date, the Company did not have any beneficial interest in the shares, convertible securities, warrants, options and derivatives of the Offeror, and the Company had not dealt for value in any shares, convertible securities, warrants, options or derivatives of the Offeror during the Relevant Period.

(k) As at the Latest Practicable Date, save as disclosed under the paragraph headed "Disclosure of Interest" in this Appendix III, none of the Directors had any interests in or owned or controlled any shares, convertible securities, warrants, options or other derivatives of the Company or the Offeror. Save for the Share Transfer, none of the Directors had dealt for value in any shares, convertible securities, warrants, options or other derivatives of the Company or the Offeror during the Relevant Period.

(l) None of (i) the subsidiaries of the Company; (ii) the pension fund of the Company or of a subsidiary of the Company; or (iii) any advisers to the Company (as specified in class (2) of the definition of "associate" under the Takeovers Code) had any interest in the Shares, convertible securities, warrants, options or derivatives of the Company as at the Latest Practicable Date, and none of them had dealt in any Shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period.

(m) As at the Latest Practicable Date, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of "associate" under the Takeovers Code, and no such person had dealt in any Shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period.

(n) No Shares, convertible securities, warrants, options or derivatives of the Company were managed on a discretionary basis by any fund managers connected with the Company as at the Latest Practicable Date, and no such person had dealt in any Shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period.

(o) As at the Latest Practicable Date, no Shares or other securities of the Company carrying voting rights or convertible securities, warrants, options or derivatives of the Company had been borrowed or lent by any of the Directors or by the Company.

(p) As at the Latest Practicable Date, no benefit (other than statutory compensation) was or will be given to any Director as compensation for loss of office in any members of the Group or otherwise in connection with the Offer.

(q) As at the Latest Practicable Date, there was no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Offer or otherwise connected with the Offer.

(r) As at the Latest Practicable Date, there was no material contract entered into by the Offeror in which any Director has a material personal interest.

(s) As at the Latest Practicable Date, (i) none of the Directors intended to accept the Offer in respect of the Shares held by them; and (ii) save as disclosed under the paragraph headed "Disclosure of Interest" in this Appendix III, none of the Directors held any beneficial shareholdings in the Company which would otherwise entitle them to accept or reject the Offer.

5. MARKET PRICES

The table below sets out the closing prices of the Shares on the Stock Exchange on (i) the last Business Day of each of the calendar months during the Relevant Period; (ii) the last Business Day immediately preceding the commencement of the Offer Period; (iii) the Last Trading Day; and (iv) the Latest Practicable Date:

Date	**Closing price per Share** *(HK$)*
30 January 2015	1.04
27 February 2015	0.97
31 March 2015	0.89
30 April 2015	1.08
29 May 2015	1.28
30 June 2015 (Last Trading Day)	1.47
3 July 2015 (last Business Day immediately precedent the commencement of the Offer Period)	N/A[Note]
31 July 2015	1.45
20 August 2015 (Latest Practicable Date)	1.13

Note: Not applicable as trading of the Shares was suspended on that day.

During the Relevant Period, the highest closing price of the Shares as quoted on the Stock Exchange was HK$1.85 per Share on 22 July 2015 and the lowest closing price of the Shares as quoted on the Stock Exchange was HK$0.81 per Share on 11 March 2015 and 12 March 2015 respectively.

6. LITIGATIONS

A writ of summon was issued against a subsidiary of the Company in April 2011 with a claim against the subsidiary for the sum of approximately HK$1,546,000 together with interest thereon and costs. A full defence has been filed by the subsidiary in the action in May 2011 and the subsidiary is of the view that it has reasonable chance of success in the defence.

A summon from a local PRC court was served against Linyi Sino Golf Co., Ltd., a subsidiary of the Company in 2015 pursuant to which a PRC company as plaintiff claimed against Linyi Sino Golf Co., Ltd. for a sum of approximately RMB1,366,000 (equivalent to approximately HK$1,751,000) with damages of approximately RMB55,000 (equivalent to approximately HK$70,000) together with interest thereon and costs in relation to dispute involving supply of equipment by the plaintiff. As at the Latest Practicable Date, the proceedings are in process and the Directors are of the view that the subsidiary has reasonable chance of success in the defence.

Saved as disclosed above, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against the Company or any of its subsidiaries as at the Latest Practicable Date.

7. MATERIAL CONTRACTS

No contract (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Company) had been entered into by the Company within the two years immediately preceding the commencement of the Offer Period, and up to and including the Latest Practicable Date which were, or might be, material.

8. EXPERTS AND CONSENTS

The following are the qualifications of the experts contained in this Composite Document:

Name	**Qualification**
Kingston Securities	a licensed corporation permitted to carry out type 1 (dealing in securities) regulated activity under the SFO
First Shanghai	A licensed corporation under the SFO to engage in Type 6 (advising on corporate finance) regulated activity under the SFO

Each of Kingston Securities and First Shanghai has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of the text of its letter and/or report and/or the reference to its name in the form and context in which they appear herein.

As at the Latest Practicable Date, none of Kingston Securities and First Shanghai had any shareholding in any member of the Group and did not have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

9. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, there were no service contracts with the Group in force for the Directors (i) which (including both continuous and fixed terms contracts) have been entered into or amended within 6 months before the commencement of the Offer Period; (ii) which are continuous contracts with a notice period of 12 months or more; or (iii) which are fixed term contracts with more than 12 months to run irrespective of the notice period.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection (i) on the website of the Company (www.sinogolf.com); (ii) on the website of the SFC (www.sfc.hk) and; (iii) at the principal place of business of the Company in Hong Kong at Room 1906, 19/F., Delta House, 3 On Yiu Street, Shatin, New Territories, Hong Kong from Monday, 24 August 2015, being the date of this Composite Document up to and including the Closing Date or the date on which the Offer is extended or revised (whichever is earlier):

(a) the memorandum of association and bye-laws of the Company;

(b) the memorandum and articles of association of the Offeror;

(c) the annual reports of the Company for the year ended 31 December 2013 and the year ended 31 December 2014;

(d) the interim results announcement of the Company for the six months ended 30 June 2015;

(e) the letter from Kingston Securities, the text of which is set out on pages 5 to 15 of this Composite Document;

(f) the letter from the Board, the text of which is set out on pages 16 to 21 of this Composite Document;

(g) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages IBC-1 to IBC-2 of this Composite Document;

(h) the letter from First Shanghai to the Independent Board Committee, the text of which is set out on pages IFA-1 to IFA-14 of this Composite Document; and

(i) the written consents referred to under the paragraph headed "Experts and consents" in this Appendix III.

11. MISCELLANEOUS

As at the Latest Practicable Date:

(a) The principal members of the Offeror's concert group includes the Offeror, Mr. Jiang and Mr. Yan whose respective addresses are as follows:

Unit 701-3 & 8, Citicorp Centre, 18 Whitfield Road, Causeway Bay, Hong Kong

(b) The registered office and correspondence address of Kingston Securities and Kingston Corporate Finance is situated at Suite 2801, 28th Floor One International Finance Centre 1 Harbour View Street, Central Hong Kong.

(c) The registered office and correspondence address of First Shanghai is situated at 19/F Wing On House, 71 Des Voeux Road, Central, Hong Kong.

(d) The English text of this Composite Document and the accompanying Form of Acceptance shall prevail over their respective Chinese text in case of inconsistency.