THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, 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 circular and the accompanying form of proxy 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 transmission to the purchaser(s) or the transferee(s).

SINO GOLF HOLDINGS LIMITED
順龍控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00361)

(1) PROPOSED SUBSCRIPTION OF SUBSCRIPTION SHARES AND CONVERTIBLE BONDS;
(2) APPLICATION FOR WHITEWASH WAIVER;
(3) APPOINTMENT OF DIRECTORS;
AND
(4) NOTICE OF THE SGM

Financial adviser to the Subscriber

KINGSTON CORPORATE FINANCE

Financial adviser to the Company

VEDA | CAPITAL
智略資本

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

ROYAL EXCALIBUR
CORPORATE FINANCE COMPANY LIMITED

A letter from the Board is set out on pages 6 to 37 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 38 to 39 of this circular. A letter from the Independent Financial Adviser containing its recommendation and advice to the Independent Board Committee and the Independent Shareholders is set out on pages 40 to 94 of this circular.

A notice convening the SGM to be held at 2/F, J Plus, 35-45B Bonham Strand, Sheung Wan, Hong Kong on Thursday, 20 October 2016 at 11:00 a.m. is set out on pages SGM-1 to SGM-3 of this circular. Whether or not you intend to attend and vote at the meeting, you are requested to complete and return the enclosed form of proxy, in accordance with the instructions printed thereon, as soon as possible and in any event not later than forty-eight (48) hours before the time appointed for holding such meeting or any adjournment thereof to Tricor Tengis Limited, the branch share registrar of the Company in Hong Kong, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting (or adjournment thereof) should you so wish. In the event that the meeting is adjourned, the relevant form of proxy shall be deemed to be revoked.

* *For identification purposes only*

30 September 2016

CONTENTS

In this circular, unless the context otherwise requires, the following terms have the meanings set out below:

"acting in concert"	:	has the meaning ascribed to it by the Takeovers Code and the expression "concert party(ies)" shall be construed accordingly
"Announcement"	:	the announcement of the Company dated 13 July 2016 in relation to, among other things, the Subscriptions and the Whitewash Waiver
"associate(s)"	:	has the meaning ascribed thereto in the Listing Rules
"Board"	:	board of the Directors
"Business Day"	:	a day (other than a Saturday, Sunday or statutory holiday and days on which a typical cyclone warning signal no. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which licensed banks in Hong Kong are generally open for ordinary banking business throughout their normal business hours
"Bye-laws"	:	the bye-laws of the Company
"Company"	:	Sino Golf Holdings Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Stock Exchange (stock code: 361)
"Completion Date"	:	the fifth Business Day following the date on which the conditions precedent set out in the Subscription Agreement are fulfilled (or such other date as the Company and the Subscriber may agree in writing)
"Concert Group"	:	the Subscriber, its ultimate beneficial owner and parties acting in concert with any of them, including but not limited to Mr. Huang
"connected person(s)"	:	has the meaning ascribed thereto in the Listing Rules
"Conversion Price"	:	the conversion price per Conversion Share at which Conversion Shares will be issued upon exercise of the conversion rights attaching to the Convertible Bonds, being initially HK$0.114 per Conversion Share, subject to adjustments pursuant to the terms and conditions of the Convertible Bonds

"Conversion Share(s)"	:	new Share(s) to be allotted and issued by the Company pursuant to the exercise of the conversion rights attached to the Convertible Bonds pursuant to the terms and conditions of the Convertible Bonds
"Convertible Bonds"	:	the zero coupon convertible bonds due 2021 in the aggregate principal amount of HK$74,100,000 to be issued by the Company to the Subscriber
"Director(s)"	:	director(s) of the Company
"Executive"	:	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any delegate of the Executive Director
"Group"	:	the Company and the Subsidiaries
"Hong Kong"	:	Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	:	an independent board committee of the Board established by the Board, comprising all the independent non-executive Directors, namely Ms. Chu Yin Yin, Georgiana, Mr. Yip Tai Him and Mr. Chan Kai Wing, to advise the Independent Shareholders as to the fairness and reasonableness of the terms of the Subscription Agreement and the Whitewash Waiver and as to voting at the SGM
"Independent Financial Adviser"	:	Royal Excalibur Corporate Finance Company Limited, a licensed corporation to carry out Type 6 regulated activity (advising on corporate finance) under the SFO and the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders with regard to the Subscriptions and the Whitewash Waiver
"Independent Shareholders"	:	Shareholders, other than the Warrantors, Mr. Huang and the Subscriber and its associates and/or their respective concert parties and those parties who are involved or interested in the Subscriptions and/or the Whitewash Waiver
"Independent Third Party(ies)"	:	independent third party (parties) who is (are) independent of and not connected with the Company and its connected persons
"Last Trading Day"	:	8 July 2016, being the last trading day for the Shares before the entering into of the Subscription Agreement

"Latest Practicable Date"	:	28 September 2016, being the latest practicable date for ascertaining certain information contained in this circular
"Listing Committee"	:	the listing committee of the Stock Exchange for considering applications for listing and the granting of listing
"Listing Rules"	:	the Rules Governing the Listing of Securities on the Stock Exchange
"Maturity Date"	:	fifth anniversary of the date of issuance of the Convertible Bonds
"Model Code"	:	Model Code for Securities Transactions by Directors of Listed Companies, being Appendix 10 to the Listing Rules
"Mr. Huang"	:	Mr. Huang Youlong (黃有龍先生), the sole ultimate beneficial shareholder and the sole director of the Subscriber
"Mr. Jiang"	:	Mr. Jiang Jianhui (姜建輝先生), who beneficially owns as to 80% of Surplus Excel
"PRC"	:	the People's Republic of China
"Relevant Period"	:	the period commencing from 13 January 2016, being six months prior to 13 July 2016 and up to and including the Latest Practicable Date
"Saipan Acquisition"	:	the acquisition of the entire equity interest in Lucky Fountain Holdings Limited and its subsidiaries from Top Force by the Group as completed on 16 May 2016
"SFO"	:	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended from time to time
"SGM"	:	the special general meeting of the Company to be held at 2/F, J Plus, 35-45B Bonham Strand, Sheung Wan, Hong Kong on Thursday, 20 October 2016 at 11:00 a.m. to consider and, if thought fit, approve the Subscription Agreement and the transactions contemplated thereunder, including (among other matters) the allotment and issue of the Subscription Shares, the Convertible Bonds and the Conversion Shares falling to be allotted and issued upon the exercise of the conversion rights attaching to the Convertible Bonds, and the Whitewash Waiver and the election of the Subscriber's nominees as Directors, effective upon Subscription Completion (or any adjournment thereof)

"Share(s)"	:	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	:	holder(s) of the issued Share(s)
"Specific Mandate"	:	the specific mandate to be granted to the Directors by the Independent Shareholders at the SGM to allot and issue the Subscription Shares and the Conversion Shares
"Stock Exchange"	:	The Stock Exchange of Hong Kong Limited
"Subscriber"	:	Wealth Sailor Limited (金航有限公司), a company incorporated in the British Virgin Islands with limited liability, and is wholly and ultimately owned by Mr. Huang, being the subscriber under the Subscription Agreement
"Subscription Agreement"	:	the conditional subscription agreement dated 8 July 2016 and entered into among the Company, the Subscriber and the Warrantors in relation to the Subscriptions (as amended and supplemented by an extension letter dated 29 September 2016)
"Subscription Completion"	:	the completion of the Subscriptions and shall take place on the Completion Date
"Subscription Price"	:	HK$0.114 per Subscription Share
"Subscription Share(s)"	:	2,861,000,000 new Shares to be issued by the Company to the Subscriber pursuant to the Subscription Agreement
"Subscriptions"	:	the subscription of the Subscription Shares and the Convertible Bonds pursuant to the terms of the Subscription Agreement
"Subsidiary(ies)"	:	subsidiary(ies) of the Company
"Surplus Excel"	:	Surplus Excel Limited, a company incorporated in the British Virgin Islands with limited liability. It held 984,754,355 Shares and was owned as to 80% by Mr. Jiang and as to 20% by Mr. Yan Kim Po as at the Latest Practicable Date
"Takeovers Code"	:	The Hong Kong Code on Takeovers and Mergers

"Top Force"	:	Top Force Ventures Limited, being the vendor of the Saipan Acquisition, is a company incorporated in the British Virgin Islands with limited liability, with its beneficial owner being an Independent Third Party
"Warrantors"	:	collectively, Surplus Excel and Mr. Jiang
"Whitewash Waiver"	:	a waiver from the Executive pursuant to Note 1 on Dispensations from Rule 26 of the Takeovers Code in respect of the obligations of the Subscriber and parties acting in concert with it to make a mandatory general offer for all the securities of the Company not already owned or acquired by the Subscriber and parties acting in concert with it under Rule 26 of the Takeovers Code which would otherwise arise as a result of the Subscriber subscribing for the Subscription Shares
"HK$"	:	Hong Kong dollars, the lawful currency of Hong Kong
"%"	:	per cent.

SINO GOLF HOLDINGS LIMITED
順龍控股有限公司*

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

Executive Directors:
Mr. Wong Hin Shek *(Chairman)*
Mr. Zhang Yi
Mr. Chu Chun Man, Augustine

Independent non-executive Directors:
Ms. Chu Yin Yin, Georgiana
Mr. Yip Tai Him
Mr. Chan Kai Wing

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

Head office and principal place of business in Hong Kong:
21st Floor
1 Duddell Street
Central
Hong Kong

30 September 2016

To the Shareholders

Dear Sir or Madam,

(1) PROPOSED SUBSCRIPTION OF SUBSCRIPTION SHARES AND CONVERTIBLE BONDS;
(2) APPLICATION FOR WHITEWASH WAIVER;
(3) APPOINTMENT OF DIRECTORS;
AND
(4) NOTICE OF THE SGM

INTRODUCTION

Reference is made to the Announcement in which it was disclosed that the Company had on 8 July 2016 (after trading hours of the Stock Exchange) entered into the Subscription Agreement with the Subscriber and the Warrantors in relation to the subscription of the Subscription Shares and the Convertible Bonds.

The purpose of this circular is to:

(a) provide further details of the Subscriptions and the Whitewash Waiver;

(b) set out (i) the letter from the Independent Financial Adviser (namely, Royal Excalibur Corporate Finance Company Limited) to the Independent Board Committee (comprising all the independent non-executive Directors) and the Independent Shareholders; and (ii) the recommendation and opinion of the Independent Board Committee to the Independent Shareholders after having considered the advice of the Independent Financial Adviser in relation to the Subscriptions and the Whitewash Waiver; and

(c) give you notice of the SGM to consider and, if thought fit, approve, among other things, (i) the Subscription Agreement and the transactions contemplated thereunder; (ii) the allotment and issuance of the Subscription Shares and the issuance of the Convertible Bonds in accordance with the Subscription Agreement; (iii) the Specific Mandate under which the Subscription Shares and, upon the exercise of the conversion rights attaching to the Convertible Bonds, the Conversion Shares will be issued; (iv) the Whitewash Waiver; and (v) the election of the Subscriber's nominees as Directors, effective upon Subscription Completion.

THE SUBSCRIPTION AGREEMENT

Date	:	8 July 2016 (as amended and supplemented by an extension letter dated 29 September 2016)
Issuer	:	The Company
The Subscriber	:	Wealth Sailor Limited (金航有限公司), a company incorporated in the British Virgin Islands with limited liability
The Warrantors	:	Surplus Excel and Mr. Jiang

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Subscriber and its ultimate beneficial owner are Independent Third Parties.

Mr. Huang, being the ultimate controlling shareholder of the Subscriber, and the Company started the preliminary discussion in relation to the Subscriptions in early June 2016, which is after the completion of the Saipan Acquisition.

The Subscriptions

The Company has conditionally agreed to allot and issue to the Subscriber and the Subscriber has conditionally agreed to subscribe for:

(i) an aggregate of 2,861,000,000 Subscription Shares (representing approximately 122.25% of the issued share capital of the Company as at the date of the Latest Practicable Date and approximately 55.01% of the issued share capital of the Company as enlarged by the allotment and issuance of the Subscription Shares) at the Subscription Price of HK$0.114 per Subscription Share; and

(ii) the Convertible Bonds in the aggregate principal amount of HK$74,100,000, which entitle the Subscriber to subscribe for 650,000,000 Conversion Shares at the initial Conversion Price of HK$0.114 per Conversion Share.

The Company will allot and issue the Subscription Shares and, upon the exercise of the conversion rights attaching to the Convertible Bonds, the Conversion Shares under the Specific Mandate to be granted by the Independent Shareholders at the SGM by an ordinary resolution.

The aggregate amount of the consideration for the Subscription Shares and the Convertible Bonds are HK$326,154,000 and HK$74,100,000, respectively, which shall be payable by the Subscriber in cash upon Subscription Completion.

The Subscription Price and the initial Conversion Price, each being HK$0.114, represent:

(i) a discount of approximately 44.12% to the closing price of HK$0.204 per Share as quoted on the Stock Exchange as at the Latest Practicable Date;

(ii) a discount of approximately 63.23% to the closing price of HK$0.310 per Share as quoted on the Stock Exchange on 8 July 2016, being the Last Trading Day;

(iii) a discount of approximately 59.86% to the average of the closing price per Share of approximately HK$0.284 for the last five trading days as quoted on the Stock Exchange up to and including the Last Trading Day;

(iv) a discount of approximately 54.03% to the average of the closing price per Share of approximately HK$0.248 for the last ten trading days as quoted on the Stock Exchange up to and including the Last Trading Day;

(v) a premium of approximately 54.05% over the audited consolidated net asset value attributable to owners of the Company of approximately HK$0.074 per Share as at 31 December 2015 (based on the number of issued Shares as at the Latest Practicable Date);

(vi) a premium of approximately 52.00% over the adjusted net asset value of the Company of approximately HK$0.075 per Share as at 31 December 2015 (assuming the Saipan Acquisition has been completed on 31 December 2015 and based on the number of issued Shares as at the Latest Practicable Date); and

(vii) a premium of approximately 128% over the unaudited consolidated net asset value attributable to owners of the Company of approximately HK$0.05 per Share as at 30 June 2016 (based on the number of issued Shares as at the Latest Practicable Date).

The Subscription Price and the Conversion Price were arrived at after arm's length negotiation between the Company and the Subscriber with reference to:

(i) the recent closing prices of the Shares on the Stock Exchange. The closing price of the Shares closed within a wide range from HK$0.37 to HK$ 0.133 and with an average closing price of approximately HK$0.21 for the 12 months before entering into the Subscription Agreement and had particularly demonstrated huge fluctuations prior to the Last Trading Day. Despite that the Subscription Price represents a discount of approximately 46.72% to the 12 months average closing price of the Shares, given the fact that there is a huge instability of the closing price of the Shares and the recent volatility of the stock market, the Company and the Subscriber has taken into account of these factors and has arrived the Subscription Price;

(ii) the audited consolidated net asset value of the Company as at 31 December 2015. As noted from the Company's annual report for the year ended 31 December 2015 ("**AR 2015**"), the consolidated net asset value of the Company as at 31 December 2015 has decreased to HK$175,356,000 as compared to HK$313,285,000 as at 31 December 2014. Despite that the reduction of the net asset value of the Company, the Subscription Price and the Conversion Price still represents a significant premium over the audited consolidated net asset value attributable to owners of the Company as at 31 December 2015;

(iii) the adjusted net asset value of the Company as at 31 December 2015 (assuming the Saipan Acquisition has been completed on 31 December 2015). As reference to the circular of the Company dated 21 April 2016 in relation to the Saipan Acquisition and assuming the Saipan Acquisition was completed on 31 December 2015, the adjusted net asset value of the Company as at 31 December 2015 would be HK$0.075, where the Subscription Price and the Conversion Price represents a significant premium over it; and

(iv) given the business background and experience of Mr. Huang, the Board strongly believes that upon Mr. Huang becoming a controlling shareholder, Mr. Huang can contribute his prevailing business network to the Company and utilize his reputation to improve the status of the Company. Therefore, despite that the Subscription Price and the Conversion Price represent a discount to the current market price of the Shares, the Company is able to attract a promising investor who can enhance the long term business perspective of the Company, which is favourable to the Company and Shareholders as a whole.

As set out in the section headed "INFORMATION OF THE SUBSCRIBER" in this letter, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Mr. Huang has an extensive business network for being an experienced business entrepreneur and a professional investor who has invested in various Hong Kong listed companies which include Alibaba Pictures Group Limited (Stock Code: 1060), Reorient Group Limited (Stock Code: 376) and Jin Bao Bao Holdings Limited (Stock Code: 1239), the business segments of which include film and television drama series production and distribution, securities brokerage business and design, manufacture and sale of packaging products and structural components. In addition, Mr. Huang also possesses extensive experience in the hospitality industry. The Board believes that upon Mr. Huang becoming a controlling shareholder of the Company, the Group would be able to leverage on his extensive commercial network to promote and support the Group's Saipan resort business, and his expertise in respect of hostility construction and management. Most importantly, a majority of the proceeds raised from Mr. Huang from the Subscriptions are intended to be applied for settling the 12% interest bearing promissory notes issued by the Group (the "**Promissory Notes**") which could instantly help the Group to reduce an aggregate interest of approximately HK$56.6 million and to improve the financial position of the Group. Also, the Group will have an immediate cash inflow of approximately HK$136.4 million for satisfying the development costs of the 1st phase of the Development Plan (as defined below), which avoid any construction delay of the Saipan resorts which would cause additional time and monetary costs to the Group.

Upon considering the above factors, in particular the fact that the Subscription Price represents a premium to the audited and adjusted net asset value of the Company as at 31 December 2015 and the potential benefits that could be brought by the Subscriber, and taking into account the potential contribution of Mr. Huang to the Group, the Board considers that the discount level of the Subscription Price and Conversion Price are acceptable, and are fair and reasonable to the Shareholders and the Company as a whole.

The aggregate nominal value of the Subscription Shares is HK$28,610,000, while assuming the conversion rights attaching to the Convertible Bonds are exercised in full at the initial Conversion Price of HK$0.114 per Conversion Share, a total of 650,000,000 Conversion Shares will be allotted and issued and the aggregate nominal value of the Conversion Shares shall be HK$6,500,000.

Ranking of the Subscription Shares and the Conversion Shares

The Subscription Shares and the Conversion Shares, when allotted and issued, will rank pari passu in all respects among themselves free from all liens, charges, guarantee, adverse interests and adverse claims, and with the Shares in issue on the date of allotment and issue of the Subscription Shares and the Conversion Shares respectively.

Conditions of the Subscriptions

Subscription Completion is conditional upon satisfaction (or waiver) of the following conditions precedent:

(i) the warranties and the Warrantors' warranties under the Subscription Agreement remaining true and correct in all material respects at Subscription Completion;

(ii) all necessary third party consents and approvals required to be obtained in respect of the Subscription Agreement and the transactions contemplated thereunder, including but not limited to the Subscriptions, having been obtained;

(iii) the passing by the Independent Shareholders at the SGM of necessary resolutions to approve the Subscription Agreement and the transactions contemplated thereunder, including among others, the allotment and issue of the Subscription Shares, the Convertible Bonds and the Conversion Shares falling to be issued upon conversion of the Convertible Bonds, the Whitewash Waiver and the election of the Subscriber's nominees as Directors, effective upon Subscription Completion;

(iv) the Shares remaining listed on the Main Board of the Stock Exchange at all times from the date of the Subscription Agreement, save for any suspension in trading of not exceeding five consecutive trading days (except for any suspension for the purpose of clearing any announcement regarding the Subscriptions and the Subscription Agreement), or such longer period as the Subscriber may accept in writing;

(v) the Stock Exchange having granted the listing of, and permission to deal in the Subscription Shares and the Conversion Shares and such approval not having been withdrawn or revoked;

(vi) the Executive granting the Whitewash Waiver to the Subscriber and the satisfaction of any condition attached to the Whitewash Waiver being granted and not having been revoked or withdrawn;

(vii) there having been no material breach of the pre-completion covenants contained in the Subscription Agreement; and

(viii) save as disclosed in the announcement of the Company dated 7 July 2016, there have been no material adverse effects occurred on the Group since 31 December 2015.

In relation to condition (i) set out above, the warranties and the Warrantors' warranties include representations and warranties given by the Company and the Warrantors in relation to the incorporation and status of the Company and its subsidiaries, the authority and capacity of the Company and the Warrantors to enter into and perform their respective obligations under the Subscription Agreement, the status of the Subscription Shares, the Convertible Bonds and the Conversion Shares, the Group's compliance with laws and regulations and other representations and warranties relating to the operations and information publicly disclosed by the Company.

The third party consents and approvals as mentioned in condition (ii) above include such consent and/or approval by third party(ies) as required under any lease(s) entered into by the Group as a result of change of controlling shareholder of the Group or for conducting the transactions contemplated under the Subscription Agreement.

The Subscriber may at any time waive in whole or in part and conditionally or unconditionally the above conditions (i), (ii), (iv), (vii) and (viii) in writing to the Company since such conditions do not relate to regulatory approval and the non-satisfaction of such conditions will not affect the necessary regulatory approval for implementing the Subscriptions. None of the conditions set out above is waivable by the Company. The condition as set out in (vi) is not waivable by either party. Hence, among other things, if the Whitewash Waiver is not granted by the Executive or approved by the Independent Shareholders at the SGM, the Subscriptions will not proceed.

Pursuant to the subscription agreement dated 8 July 2016, in the event the above conditions not being fulfilled or (where applicable) waived by 12:00 noon on 30 September 2016 (or such other time and date as may be agreed by the Company and the Subscriber in writing) ("**Long Stop Date**"), all rights, obligations and liabilities of the parties under the Subscription Agreement shall cease and terminate and neither party shall have any claim against the other, save for any antecedent breaches of the terms thereof. On 29 September 2016, the Company, Subscriber and the Warrantors entered into an extension letter to extend the Long Stop Date to 30 November 2016 (or such later date as may be agreed between the Company and the Subscriber in writing).

As at the Latest Practicable Date, none of the conditions set out above has been satisfied (or waived).

Pre-completion Covenants

The Company and the Warrantors have given certain pre-completion undertakings and covenants regarding the Group which are customary to similar transactions to the Subscriber under the Subscription Agreement, including, among other things (i) to conduct the business of the Group in the ordinary and usual course of business; (ii) not to issue or agree to issue or allot any share or loan capital of members of the Group, or any options or securities which are convertible or exchangeable into share or loan capital of members of the Group; (iii) not to carry out any capitalisation issue or any other reorganisation of share capital of members of the Group; (iv) not to declare, authorise, make or pay any dividend or other distribution or reduce, purchase or redeem any part of the paid-up share capital of members of the Group; and (v) not to alter the composition of the board of directors of members of the Group unless pursuant to the Subscription Agreement (other than due to any resignation, death, illness or incapacitation of any individual), from the date of the Subscription Agreement up to Subscription Completion.

Completion of the Subscriptions

Subscription Completion shall take place at 4:00 p.m. on the fifth Business Day after the fulfillment of the conditions set out in the Subscription Agreement (or any other date as agreed by the Company and the Subscriber in writing).

Warrantors' Lock-up Undertaking

On 8 July 2016, the Warrantors executed a deed of undertaking (the "**Warrantors' Lock-up Undertaking**") in favour of the Subscriber pursuant to which each of Mr. Jiang and Surplus Excel has undertaken and covenanted with the Subscriber that, without the prior written consent of the Subscriber, they shall not, whether directly or indirectly, at any time during the period of twelve months commencing from the date of the Warrantors' Lock-up Undertaking:

(a) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, whether directly or indirectly, any Shares held by Surplus Excel and Mr. Jiang; or

(b) enter into any swap or other arrangement that would have (i) the same economic consequences as paragraph (a) above or (ii) the effect of transferring to another party of any of the economic benefits of ownership of the Shares held by Surplus Excel and Mr. Jiang.

Furthermore, Mr. Jiang has given a similar lock-up undertaking in respect of his holdings in Surplus Excel in favour of the Subscriber for a period of twelve months commencing from the date of the Warrantors' Lock-up Undertaking.

The purposes of the Warrantors' Lock-up Undertaking are to ensure that the Warrantors will have the necessary financial backing to satisfy any breach of the representations and warranties and pre-completion undertakings and covenants that they have given in favour of the Subscriber under the Subscription Agreement. If there is a termination of the Subscription Agreement, the Warrantors' Lock-up Undertaking shall automatically terminate and cease to have any binding effect on the Warrantors.

The Subscriber's Lock-up Undertaking

Pursuant to the Subscription Agreement, the Subscriber has undertaken to the Company that, without the prior consent of the Company, it shall not, whether directly or indirectly, in the period commencing on the Completion Date and ending on the date which is twelve (12) months from the Completion Date, sell or enter into agreement to sell any of the Subscription Shares which will result in the Subscriber ceasing to hold, whether directly or indirectly, 50% or more of the issued share capital of the Company.

Application for listing

The Company will apply to the Listing Committee for the listing of, and permission to deal in, the Subscription Shares and the Conversion Shares. No listing of the Convertible Bonds will be sought on the Stock Exchange or any other stock exchanges.

Principal terms of the Convertible Bonds

Principal amount:	HK$74,100,000
Maturity date:	The fifth anniversary of the date of issue of the Convertible Bonds.
Interest:	The Convertible Bonds will not bear any interest.
Conversion rights:	The bondholders will have the right, during the period commencing from the date of issue of the Convertible Bonds up to the close of business in Hong Kong on the Maturity Date to convert all or part of the Convertible Bonds held by it (if in part, the principal amount of Convertible Bonds to be converted shall be in the minimum amount of HK$100,000 and integral multiples of HK$100,000 or the whole outstanding principal amount of the Convertible Bonds) into Conversion Shares at the Conversion Price (subject to adjustments). No exercise of conversion rights attaching to the Convertible Bonds shall be allowed if the conversion would result in the Company breaching the minimum public float requirement under Rule 8.08 of the Listing Rules and such breach is not curable at the time of the conversion. The Conversion Shares will in all respects rank pari passu with the Shares in issue on the relevant registration date.
Conversion Price:	The initial Conversion Price shall be HK$0.114 per Conversion Share subject to adjustment provisions as summarised below.
Anti-dilution adjustments:	The Conversion Price will from time to time be adjusted upon the occurrence of certain events, including the following: (a) consolidation, sub-division or reclassification of the Shares; (b) capitalisation of profits or reserves; (c) capital distribution to the Shareholders;

(d) issue of Shares to all or substantially all Shareholders as a class by way of rights, or issue or grant to all or substantially all Shareholders as a class by way of rights, of options, warrants or other rights to subscribe for or purchase any Shares, in each case at a price per Share which is less than the higher of (i) 80% of the market price on the date of the announcement of the terms of the issue or grant and (ii) the Conversion Price then in effect on the date of the announcement of the terms of the issue or grant;

(e) issue of any securities (other than Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares) to all or substantially all Shareholders as a class by way of rights or grant to all or substantially all Shareholders as a class by way of rights, options, warrants or other rights to subscribe for, purchase or otherwise acquire any securities (other than Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares);

(f) issue (other than as mentioned in paragraph (d) above) of any Shares (other than Shares issued on the exercise of conversion rights or on the exercise of any other rights of conversion into, or exchange or subscription for, Shares) or issue or grant of (other than as mentioned in paragraph (d) above) options, warrants or other rights to subscribe for, or purchase or otherwise acquire any Shares, in each case at a price per Share which is less than the higher of (i) 80% of the market price on the date of the announcement of the terms of the issue and (ii) the Conversion Price then in effect on the date of the announcement of the terms of the issue;

(g) save in the case of an issue of securities arising from a conversion of exchange of other securities in accordance with the terms applicable to such securities themselves falling within this paragraph (g), the issue wholly for cash in paragraphs (d), (e) and (f) of any securities (other than the Convertible Bonds) which by their terms of issue carry rights of conversion into, or exchange or subscription at a consideration per Share which is less than the higher of (i) 80% of the market price on the date of the announcement of the terms of the issue of such securities and (ii) the Conversion Price in effect on the date of the announcement of the terms of the issue of such securities;

(h) when the rights of conversion, exchange or subscription attached to any such securities as are mentioned in paragraph (g) above (other than in accordance with the terms of such securities) are modified so that the consideration per Share is less than the higher of (i) 80% of the market price on the date of the announcement of the proposals for such modification and (ii) the Conversion Price then in effect on the date of the announcement of the proposals for such modification;

(i) if the Company or any bondholder determines that a downward adjustment should be made to the Conversion Price as a result of one (1) or more events or circumstances not referred to in paragraphs (a) to (h), the Company or such bondholder shall, at the costs and expenses of the Company, consult an independent bank of international repute (acting as an expert) to determine as soon as practicable what adjustment (if any) to the Conversion Price is fair and reasonable to take account thereof, and the date on which such adjustment should take effect.

Save as disclosed above, there are no other events which may lead to adjustments to the Conversion Price.

Transferability: A Convertible Bond may be transferred to another person provided, however, that (a) where not all of the Convertible Bonds then held by the bondholder are being transferred, the aggregate principal amount of the Convertible Bonds so transferred shall be at least HK$100,000 and integral multiples of HK$100,000, and (b) if the transfer is not to a bank, financial institution or other financiers for financing purpose of the bondholder, the prior consent of the Company shall have been obtained (such consent not to be unreasonably withheld or delayed and shall be deemed to have been given unless the Company has expressly refused such consent within five (5) Business Days of the bondholder's request).

Events of default: If any of the following events occurs, the Convertible Bonds shall on the giving of notice in writing by the bondholder to the Company become due and payable at the Early Redemption Amount (as defined hereinafter):

(a) a default is made by the Company in the payment of any principal, premium or any other amount due in respect of the Convertible Bonds on its due date of payment (except where failure to pay is caused solely by administrative or technical error and payment is made within three (3) Business Days of its due date);

(b) failure by the Company to deliver any Shares as and when such Shares are required to be delivered following conversion of a Convertible Bond and such failure continues for a period of seven (7) Business Days;

(c) the occurrence of any event or circumstance which could reasonably likely to result in a material adverse effect to the business, operations, business results or financial condition or prospects of the Group taken as a whole;

(d) the Company fails to perform or comply with one or more of its other obligations in the Convertible Bonds (other than those referred to in paragraphs (a) to (c) above), which default is incapable of remedy or, if capable of remedy, is not remedied within 7 days after written notice of such default shall have been given to the Company by a bondholder;

(e) the Company is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend, payment of all or a substantial part of (or of a particular type of) its debts as they fall due, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all of (or all of a particular type of) its debts (or of a substantial part which it will or might otherwise be unable to pay when due), proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of such debts or a moratorium is agreed or declared in respect of or affecting all or a substantial part of (or of a particular type of) the debts of the Company; an administrator or liquidator of the Company, or the whole or any part of the assets and revenue of the Company is appointed and such appointment is not discharged or stayed within 60 days;

(f) any Subsidiary is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend, payment of all or a substantial part of (or of a particular type of) its debts as they fall due, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all of (or all of a particular type of) its debts (or of a substantial part which it will or might otherwise be unable to pay when due), proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of such debts or a moratorium is agreed or declared in respect of or affecting all or a substantial part of (or of a particular type of) the debts of any Subsidiary; an administrator or liquidator of any Subsidiary or the whole or any part of the assets and revenue of any Subsidiary is appointed and such appointment is not discharged or stayed within 60 days (other than in respect of a solvent liquidation);

(g) any judgment or order for the payment of money in excess of HK$1,000,000 or the equivalent thereof (for each judgment or order) or HK$10,000,000 or the equivalent thereof in the aggregate (for all such judgments or orders) shall be rendered against the Company and/or any Subsidiary and is not discharged for a period of 30 days following such judgment (or such longer period as the Company and the bondholders may agree) during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect;

(h) any judgment or order for the payment of money in excess of HK$10,000,000 or the equivalent thereof (for each judgment or order) or HK$20,000,000 or the equivalent thereof in the aggregate (for all such judgments or orders) shall be rendered against the Company and/or any Subsidiary;

(i) (i) any other present or future indebtedness of the Company or any of its Subsidiaries for or in respect of monies borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described); or (ii) any such indebtedness is not paid when due or, as the case may be, within any applicable grace period; or (iii) the Company or any of its Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised, provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this condition have occurred equals or exceeds HK$100,000,000 or its equivalent (as determined on the basis of the middle spot rate for the relevant currency against the Hong Kong dollar as quoted by any leading bank on the day on which such indebtedness becomes due and payable or is not paid or any such amount becomes due and payable or is not paid under any such guarantee or indemnity);

(j) a distress, attachment, execution, seizure before judgment or other legal process is levied, enforced or sued out on or against any material part of the property, assets or revenues of the Company or any of its Subsidiaries, and is not discharged or stayed within 60 days;

(k) an order is made or an effective resolution passed for the liquidation, winding up, dissolution, judicial management or administration of the Company or any of its Subsidiaries or the Company or any of its Subsidiaries ceases or threatens to cease to carry on all or a material part of its business;

(l) an encumbrancer takes possession or an administrative or other receiver or an administrator or other similar officer is appointed of the whole or any material part of the property, assets or revenues of the Company or any of its Subsidiaries (as the case may be), and is not discharged within 60 days;

(m) it is or will become unlawful for the Company to perform or comply with anyone or more of its obligations under the Convertible Bonds;

(n) any step is taken by any person that could reasonably be expected to result in the seizure, compulsory acquisition, expropriation or nationalisation of all or a material part of the assets of the Company or any of its Subsidiaries;

(o) any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order: (i) to enable the Company lawfully to enter into, exercise its rights and perform and comply with its obligations under the Convertible Bonds; (ii) to ensure that these obligations are legally binding and enforceable; and (iii) to make the Convertible Bonds admissible in evidence in the courts of Bermuda or Hong Kong is not taken, fulfilled or done; or

(p) any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing conditions.

Early Redemption Amount = outstanding principal amount of such Convertible Bond × (1.10)N where:

N = a fraction the numerator of which is the number of calendar days between the date of issue of the Convertible Bonds and the date of redemption of such amount and the denominator of which is 365.

INFORMATION OF THE SUBSCRIBER

The Subscriber is an investment holding company incorporated in the British Virgin Islands. Mr. Huang is the sole ultimate beneficial shareholder and sole director of the Subscriber, indirectly holding 100% of the issued share capital of the Subscriber through his wholly-owned company, Prominent Victory Limited. The Subscriber, Prominent Victory Limited and Mr. Huang are Independent Third Parties and none of them has any relationships with any connected persons of the Company. As at the Latest Practicable Date, none of the Subscriber, Prominent Victory Limited or Mr. Huang owns any Shares.

Mr. Huang is an experienced business entrepreneur and a professional investor who has invested in other Hong Kong listed companies. As at the Latest Practicable Date, Mr. Huang is interested in (i) through his wholly-owned company, Gold Ocean Media Inc., approximately 6.63% of the issued share capital of Alibaba Pictures Group Limited (Stock Code: 1060); (ii) through his wholly-owned company, Gold Ocean Investments Group Inc., 26.79% of the issued share capital of Jade Passion Limited, which in turn is interested in approximately 55.97% of the issued share capital of Reorient Group Limited (Stock Code: 376); and (iii) 20.59% of the issued share capital of Jin Bao Bao Holdings Limited (Stock Code: 1239). Alibaba Pictures Group Limited, Reorient Group Limited and Jin Bao Bao Holdings Limited are companies listed on the Main Board of the Stock Exchange. Mr. Huang is the chairman of Damo Gold Ocean Group Limited (大漠金海集團有限公司), the chairman of Mongolian Desert Resources LLC. (蒙古大漠資源有限責任公司) and the chairman of Grand Asia Pacific Investment Holding Pte. Ltd. (新亞太投資控股公司).

Mr. Huang noticed from the public disclosure of the Company that the Company may need funding for the Saipan Acquisition. Hence, Mr. Huang approached the Company and communicated his interest in subscribing for new shares in the Company. Mr. Huang has extensive experience in developing and operating hotel resorts. In 2005, Mr. Huang founded Pattra Resort Guangzhou (廣州增城金葉子溫泉度假酒店), which commenced business in 2007. Mr. Huang was engaged in the construction and operation of Pattra Resort Guangzhou from 2005 until his disposal of the hotel in 2010.

Mr. Huang, being the ultimate beneficial owner of the Subscriber, and the Company started the preliminary discussion in relation to the Subscriptions in early June 2016, which is after the completion of the Saipan Acquisition. In addition, Mr. Huang is independent of and not a party acting in concert with Top Force and its ultimate beneficial owner.

FUTURE INTENTIONS OF THE SUBSCRIBER REGARDING THE GROUP

Upon Subscription Completion, the Subscriber will become the controlling Shareholder (as defined under the Listing Rules) and the largest Shareholder of the Company. The Subscriber intends to continue the principal businesses of the Group and maintain the listing status of the Company on the Stock Exchange following Subscription Completion. Meanwhile, the Subscriber will conduct a review on the business operations and financial position of the Group for the purpose of formulating business plans and strategies for the future business developments of the Group, 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. Subject to the results of the review and should suitable investments or business opportunities arise, the Subscriber may consider expanding the business of the Group with the objectives to broaden its income sources and to achieve accretion in the return to the Shareholders. However, the Subscriber has not entered into any agreements or fixed any terms with the Group as at the Latest Practicable Date in relation to any possible expansion or restructuring of the Group's businesses.

As at the Latest Practicable Date, the Company has not identified any investment opportunities and the Company intends to carry on and has no plan to downsize the Group's existing businesses.

The Subscriber has no intention to make major changes to the continued employment of the employees of the Group. The Subscriber does not intend to introduce any major changes to the business of the Group or re-deploy or dispose of the assets or business of the Group after Subscription Completion other than in its ordinary and usual course of business. The Subscriber and the Company will comply with the relevant requirements under the Listing Rules and the Takeovers Code in the event any possible expansion or restructuring of the Group's business operations materialises after Subscription Completion.

REASONS FOR THE SUBSCRIPTIONS AND USE OF PROCEEDS

The Company is incorporated in Bermuda as an exempted company with limited liability, the issued Shares of which are 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 gross proceeds from the Subscriptions would amount to approximately HK$400,254,000. The net proceeds, after taking into account the estimated expenses in relation to the Subscriptions, are estimated to be approximately HK$397,254,000, representing a net issue price of approximately HK$0.113 per Subscription Share and Conversion Share. The Company intends to apply the net proceeds of (i) approximately HK$235,700,000 for the settlement of the 12% interest bearing Promissory Notes issued by the Group in May 2016 with the principal amount of HK$235,700,000 for the Saipan Acquisition; (ii) approximately HK$136,400,000 for the development costs of the 1st phase of the Development Plan (as defined below); and (iii) the remaining net proceeds of approximately HK$25,154,000 as the general working capital of the Group.

The table below summarises the breakdown of the intended use of proceeds on the 1st phase of the Development Plan (as defined below) and the estimated timeline for the use of the net proceeds.

Intended use of net proceeds on the 1st phase of the Development Plan (as defined below)	**Approximate amount of spending**	**Estimated time period for the usage**
Conceptual design, schematic design, detailed design in relation to the resort	HK$8.2 million	October 2016
Documentation work for tender/construction	HK$4.1 million	December 2016
Applying construction permit	HK$2.6 million	February 2017
Tender process	HK$2.7 million	May 2017
Construction of on-site infrastructure/utilities	HK$40.7 million	August 2017
Construction of buildings/facilities	HK$68.5 million	September 2017
Resort testing and commissioning	HK$7.0 million	August 2018
2 months trail operation and improvement work	HK$2.6 million	October 2018
Total use of proceeds	**HK$136.4 million**	

The Promissory Notes are unsecured and at an interest rate of 12% per annum and the maturity date is the 2nd anniversary of the issuance date (i.e. May 2018). It is estimated by the Board that the aggregate interests of the Promissory Notes until the maturity date will be approximately HK$56.6 million. As disclosed in the April Circular (as defined below), there are four phases of the Development Plan (as defined below) and as at the Latest Practicable Date, the actual design and plan for the second to fourth phases of the Development Plan are uncertain. In order to make sure the Group has the financial capability to drive the remaining of the Development Plan forward in the future, the Company is of the view that it is commercially wise to settle the Promissory Notes early to avoid further interest payment and to improve the existing financial position of the Group. In addition, the Board is of the view that the early settlement of Promissory Notes will enable the Company to enter into other debt financing arrangements on more favourable terms to the Group.

References are made to (i) the announcements of the Company dated 2 February 2016, 5 April 2016 and 16 May 2016; and (ii) the circular of the Company dated 21 April 2016 (the "**April Circular**") in relation to the Saipan Acquisition which comprises twelve land parcels and with a total site area of approximately 79,529 square metres (the "**Properties**"). As stated in the April Circular, the development of the hotel resorts and/or timeshare condominiums on the Properties will be constructed in four phases (the "**Development Plan**"). For the 1st phase of the Development Plan, the Company will construct, on land parcel nine with a site area of approximately 9,352 square metres, a 3-star 8-storey timeshare condominium resort comprising 80 room units with a gross floor area of 8,000 square metres. In addition, the condominium resort will feature a pitch and putt practice golfing facilities, an electronic indoor golf simulator, a golf-pro shop, a health and wellness spa, bars and restaurants, conference facility and a swimming pool and also situates in close proximities to the golf courses on the island. For the 1st phase of the Development Plan, it is expected that the opening time will be around the 4th quarter of 2018 and its development cost is preliminarily estimated to be approximately US$17.6 million (equivalent to approximately HK$136.4 million). On 27 September 2016, the Company entered into a letter of intent with Imperial Pacific International Holdings Limited (Stock code: 1076) ("**Imperial Pacific**"), the developer of the casino in Saipan Island, that upon the completion of the 1st phase of the Development Plan, Imperial Pacific intends to lease 40 rooms of the resort under the 1st phase of the Development Plan on a contractual basis with a term of 5 years upon completion of resort ("**Imperial Pacific Leasing**") for the purpose of accommodating the Imperial Pacific casino's visitors and senior management. It is preliminary estimated that the (i) room rate offers to Imperial Pacific Leasing shall not exceed 70% of the room rate offers to public; (ii) Imperial Pacific shall settle the annual leasing amount of the Imperial Pacific Leasing at the beginning of each year; (iii) the room rate under the Imperial Pacific Leasing shall be reviewed annually; and (iv) Imperial Pacific shall be responsible for the settlement of the tax rate under the Imperial Pacific Leasing. Further details of the Imperial Pacific Leasing are set out in the announcement of the Company dated 27 September 2016. As at the Latest Practicable Date, no formal agreements have been entered in respect of the Imperial Pacific Leasing. The Company will make further announcements in respect of the Imperial Pacific Leasing as and when appropriate in compliance with the Listing Rules. As at the Latest Practicable Date, Imperial Pacific is not interested in any Shares or other convertible securities of the Company.

For the remaining phases of the Development Plan, as the actual plan, scope, sources of funding remain uncertain, the Board is unable to estimate the opening times of the remaining phases of the Development Plan and these will also be subject to future negotiations with all parties involved. It is advised that the required construction time for each phase of the Development Plan is estimated to be around 26 months. The Company, will depend on the trend of the tourism development of the Saipan Island in the future to draw out the forthcoming construction proposal of the second, third and fourth phases of the Development Plan and therefore, as at the Latest Practicable Date, the Company has no concrete planning on the second, third and fourth phases of the Development Plan.

Mr. Huang, being the ultimate controlling shareholder of the Subscriber, is independent of and not a party acting in concert with Top Force and its ultimate beneficial owner.

As stated in the Company's annual report for the year ended 31 December 2015, the bank balances and cash was only HK$17,063,000 as at 31 December 2015. In light of the Group's ongoing plan to continue to leverage its resources in the Development Plan located in the Saipan Island, the Subscriptions will provide additional funds for the Group to develop its property development plan.

In light of Mr. Huang, the ultimate controlling shareholder of the Subscriber, being an experienced and reputable investor with resourceful network, the Directors (other than the independent non-executive Directors whose views are set out in the letter from the Independent

Board Committee) consider that the Subscriptions offer a good opportunity to raise additional funds to strengthen the financial position of the Group and to introduce an investor with solid background and connection to the Group which is beneficial to the Shareholders and the Group in a long term perspective.

Given the above, the Directors (other than the independent non-executive Directors whose views are set out in the letter from the Independent Board Committee) consider that despite of the dilution effect, it is fair and reasonable to proceed with the Subscriptions.

Business and operation model for the Saipan Acquisition

Subsequent to the Saipan Acquisition, for the operation of Lucky Fountain Holdings Limited and its subsidiaries (the "**Lucky Fountain Group**"), the Board has entered into a letter of intent with Imperial Pacific in respect of the Imperial Pacific Leasing, which details are set out in the announcement of the Company dated 27 September 2016. The Board is of the view that the success of the Imperial Pacific Leasing would allow the Company to secure a considerable amount of revenue for a term of 5 years and significantly negates the uncertainty of the hospitality seasonal impact in general. The Board anticipates that if the Imperial Pacific Leasing materialises, the remaining 40 rooms of the resort will be operated under typical hotel operations to be leased to public. The Board is of the view that the world class water activities, unique golfing experience and the new established casino on the island can secure regular visitors to Saipan Island.

In addition, the Saipan Acquisition allows the Group to enjoy synergy effect with the existing business of the Group. Given the fact that the Group's principal business activity is golf-products related and has gained certain reputation within the golf industry, the Board is of the view that being benefited from the completion of the Saipan Acquisition, the Group has been equipped with the negotiation ability to approach the golf courses in Saipan for collaboration including but not limited to (i) sponsor of international golf competition alongside with the Group's existing customers (who are first tier golf brand names) to promote their own brands; and (ii) the promotion of golf experience and tourism industry of Saipan on an international basis as the Group's existing customers span across the globe, which represents a means for the Group to source guests to the resorts of the Group in future. As at the Latest Practicable Date, the Board has yet approached the golf courses in Saipan for collaboration purposes.

The Lucky Fountain Group's target customers are the travelers of the Saipan Island. The Board understands that the accommodation in Saipan achieved occupancy of 97.4% and average rate of US$150.10, a respective 14.2% and 18.7% year-on-year growth as compared to 2014, while visitor arrivals to the island are increasing at an accelerating pace since 2012, the Board is of the view that the potential for hospitality industry in Saipan Island is positive as the market has just started to grow. In addition, given the launch of the casino in the Saipan Island from early 2017 onwards and the introduction of direct flights between Hong Kong and Saipan Island since July 2016, the Board believes that these features will further stimulate the tourism industry of Saipan Island.

As at the Latest Practicable Date, as the completion of the 1st phase of the Development Plan is estimated to be 4th quarter of 2018, the Board has yet to approach any travel agents in relation to the collaboration for the resorts/hotels under the Development Plan. The Board will liaise with the travel agents or other potential partners for cooperation purposes if and when necessary.

As at the Last Practicable Date, the Company has not (i) entered into any leasing agreement(s) in relation to the Saipan Acquisition; and (ii) entered into any agreement or arrangement and did not have any current intention of, understanding or negotiation with any third parties in respect of any acquisitions, disposals, termination or scaling down of the Group's existing businesses. As understood from the 2016 interim report of the Company, the Group's golf segment performance for the first half of 2016 was adversely impacted by the continued depression in the golf market. Notwithstanding the depression in the golf market, the Group is actively sourcing new customers including those which were previously served by other manufacturers which have closed down due to the golf market depression in order to maintain/expand the Group's market share within the golf manufacturing market. At the same time, the Group is in the progress of tooling and moulding for new golf products for 2017 which facilitates the Group to pick up sales from existing customers and possibly be able to source new customers by introducing more variety of golf products to the market. The Group will continue to adopt prudent and cost saving approach in implementing the Group's strategies within the Group's golf equipment and bags manufacturing segment to mitigate the impact of sales depression for the first half of 2016.

For the 1st phase of the Development Plan, it is projected that the Group will hire approximately 80 employees. There will be 1 general manager who is responsible for the overall daily operations of the whole resort (including the front office, housekeeping department, all the shared services and the food & beverage section) and 1 of his/her assistant, 1 executive manager for rooms operation and 1 executive manager for food & beverage department. For the resort's operational employees, there will be (i) approximately 20 front office employees, with roles including but not limited to front desk agent, concierge attendant, call center supervisor and operator; (ii) approximately 23 housekeeping employees (with the majority of them being attendants); (iii) approximately 14 employees for the operation of the shared services of the resort including the finance department, human resources and administration department and security department; and (iv) approximately 19 employees for the food & beverage department, including chefs, bartenders and servers. It is expected that majority of the employees will be hired through recruitment agents in Saipan or through referrals and the remuneration for the employees will be determined based on their performance, experience and the prevailing market salaries.

The Board believes that the Company has sufficient management expertise and qualified personnel at operational level to operate and develop the Saipan Acquisition. Upon Subscription Completion, Mr. Huang will become the controlling Shareholder and an executive Director and it is believed that Mr. Huang's experience can contribute to the Saipan Acquisition. Mr. Huang is an experienced and a well respected investor/entrepreneur who has precedent experience related to hospitality projects. Mr. Huang has extensive experience in developing and operating hotel resorts. In 2005, Mr. Huang founded Pattra Resort Guangzhou (廣州增城金葉子溫泉度假酒店), which commenced business in 2007. Mr. Huang engaged in the construction and operation of Pattra Resort Guangzhou from 2005 until his disposal of the hotel in 2010. In addition, Mr. Wong Hin Shek who will be re-designed as the non-executive Director upon Subscription Completion also possesses experience in hotel-related operations.

Financing alternatives

The Company has considered alternative financing activities, including but not limited to debt financing and other forms of equity financing such as rights issue and open offer, and placing of shares of the Company.

(i) Debt financing

As stated in AR 2015, the Group had equity attributable to owners of the Company of approximately HK$172.63 million as at 31 December 2015. The aggregate funding for the 1st phase of the Development Plan and the repayment of the Promissory Notes are approximately HK$372.1 million which represents an excess of approximately HK$199.47 million to the equity attributable to owners of the Company. The Board believes that without sufficient assets to provide collateral to banks or other creditors, it is not possible for the Company to borrow the required funding amount at a reasonable cost of funding.

(ii) Rights issue or open offer

The Company notices that a rights issue or open offer would give an opportunity to all Shareholders to participate in the issuance of new Shares. However this could hardly bring in strategic and experienced investors such as Mr. Huang, who is able to enhance the business status and network of the Group. Additionally, in light of the current volatile market condition, the Company is of the view that it would be difficult to procure underwriter(s) which is/are interested to underwrite a rights issue or open offer of the Company at a reasonable underwriting commission in light of the Group's current financial position. The Company considers that even if such an independent underwriter(s) is/are identified, the rights issue or open offer would involve issuance of prospectus and other administrative steps and the process could be time consuming.

(iii) Placement of new Shares

The Company believes that, given the current market volatility, price fluctuation of the Shares and the Group's financial position, it would be difficult to procure placing agent(s) to seek for independent investors with a reasonable placing commission fee and there is no guarantee the Company can raise the required funding amount through placing of Shares. Provided that now the Subscriber is willing to subscribe both the Subscription Shares and Convertible Bonds, the Company could reduce the risks of bearing high placing commission fee, long period of time for placing agent(s) to procure placees and most importantly allowing the Company to secure a consideration amount of funding.

RISK FACTORS ASSOCIATED WITH THE SAIPAN ACQUISITION

There may be changes in the Saipan Island's political, economic and social conditions, which may adversely affect the operations and development in relation to the Saipan Acquisition

There may be changes in the Saipan Island's political, economic and social conditions such as exchange control regulations, potential restrictions on foreign investment and rates or method of taxation, which may negatively impact international travel and leisure expenditures, increase the Group's operating costs and adversely affect the operations and development of the resorts/hotels in the Saipan Island. In addition, the Group may fail to react efficiently with any new regulations imposed by the Saipan regulator which could lead to a temporary suspension of the operations or construction of the resorts/hotels contemplated in the Saipan Acquisition. The Group will continuously pay attention to the development and/or updates of the regulatory in Saipan Island to avoid the abovementioned issue.

The tourism industry in Saipan Island faces competition from various cities nearby

The tourist market in Saipan Island faces major competition from different locations such as Maldives, Phuket, Bali, Bintan, Jeju Island etc. Any launch of new tourist spots in these regions will cause an influence to the amount of visitors of the Saipan Island which could adversely affect the income of the Group. In order to maintain the competitiveness of the resorts/hotels of the Group, the Company will provide regular training sessions to the staff in order to maintain high level of services in the resorts/hotels and at the same time the Company will continue to seek for new partnerships with different travelling institutions and/or investors.

General economic conditions causing a material shrinkage in tourist industry could have a material adverse effect on the Group's business, results of operations and financial condition

The Saipan Acquisition's business is directly related to the tourist industry, which is highly cyclical and depends on, among other things, general economic conditions and consumer spending. Additionally, the willingness of tourists to travel aboard can be affected by several factors, including other countries' employment levels, changes in discretionary income due to the pace of wage growth, changes in income tax rates, the availability and cost of consumer financing and concerns about the global economy. The hospitality industry is also subject to the seasonal effect such that there is a possibility that the occupancy rate of the resorts/hotels might face pressure during the non-peak season. In light of the mentioned risks, the Company might implement the timeshare scheme on the resorts in future and/or continuously to seek corporation with other potential partners such as Imperial Pacific Leasing, so that the Group can secure down payments in advance from visitors which can reduce the income uncertainty for such period.

The Company may fail to conduct any equity and/or debt financing activities to fulfill the funding requirements under the Saipan Acquisition

As at the Latest Practicable Date, the Group only has concrete plan for the 1st phase of the Development Plan and the exact design and concept of the resorts/hotels for the remaining phases will be decided by the Group at later stage. The proceeds from the Subscriptions will be utilised on the 1st phase development and there is no guarantee that the Group will have the ability to obtain financing for the remaining phases of the Development Plan. The ability for the Group to source funding depends on a variety of factors, many of which are beyond the

Group's control, including, aspects of its financial performance, conditions of the global capital markets, credit availability, interest rates, conditions of the economy in general and lenders' perceptions of, and investors' demand for, debt and equity securities. Accordingly, the Company cannot assure that it will be able to access capital from external sources on satisfactory terms and conditions, or at all. If the Group is unable to timely carry out any funding activities, the financial condition and results of operations could be materially and adversely affected.

EFFECT ON THE SHAREHOLDING STRUCTURE

As at the Latest Practicable Date:

(1) the Company had 2,340,250,000 Shares in issue; and

(2) the Company did not have any outstanding convertible securities, options, warrants or other derivatives in issue which are convertible or exchangeable into Shares.

The effect of the Subscriptions on the shareholding structure of the Company immediately upon Subscription Completion and the exercise of the conversion rights attaching to the Convertible Bonds in full, is set out below (assuming that there is no other change in the shareholding structure of the Company from the Latest Practicable Date up to Subscription Completion and the conversion rights attaching to the Convertible Bonds are exercised in full at the initial Conversion Price of HK$0.114 per Conversion Share):

Shareholders	**As at the Latest Practicable Date**		**Upon Subscription Completion and assuming no conversion of the Convertible Bonds**		**For illustrative purposes, upon Subscription Completion and assuming full conversion of the Convertible Bonds at the initial Conversion Price of HK$0.114 per Conversion Share**	
	Number of Shares	*Approx. %*	*Number of Shares*	*Approx. %*	*Number of Shares*	*Approx. %*
Surplus Excel *(Note 1)*	984,754,355	42.08	984,754,355	18.93	984,754,355	16.83
Mr. Chu Chun Man, Augustine and his associates *(Note 2)*	51,982,295	2.22	51,982,295	1.00	51,982,295	0.89
The Subscriber	–	–	2,861,000,000	55.01	3,511,000,000	60.00
Public Shareholders	1,303,513,350	55.70	1,303,513,350	25.06	1,303,513,350	22.28
Total	2,340,250,000	100.00	5,201,250,000	100.00	5,851,250,000	100.00

Notes:

1. As at the Latest Practicable Date, Surplus Excel is owned as to 80% by Mr. Jiang and as to 20% by Mr. Yan Kim Po; and

2. As at the Latest Practicable Date, Mr. Chu Chun Man, Augustine ("**Mr. Chu**"), an executive Director, held 46,460,520 Shares; Ms. Hung Tze Nga, Cathy, who is the spouse of Mr. Chu, was interested in 750,000 Shares; and Mr. Chu Yuk Man, Simon, who is the elder brother of Mr. Chu, was interested in 4,771,775 Shares.

FUND RAISING ACTIVITY IN THE PAST TWELVE-MONTH PERIOD

The Group has not carried out any fund raising activities during the 12 months immediately preceding the date of the Latest Practicable Date.

IMPLICATIONS UNDER THE TAKEOVERS CODE

Application for Whitewash Waiver

As at the Latest Practicable Date, the Subscriber, its ultimate beneficial owner and parties acting in concert with any of them did not hold, control or has directions over any Shares, convertible securities, options, warrants or derivatives in the Company. Upon Subscription Completion and assuming that: (i) none of the Convertible Bonds are converted; and (ii) there is no other change in the issued share capital of the Company from the date of the Subscription Agreement and up to Subscription Completion, the Subscriber, its ultimate beneficial owner and parties acting in concert with them will be interested in an aggregate of 2,861,000,000 Subscription Shares, representing approximately 55.01% of the issued share capital of the Company as enlarged by the allotment and issuance of the Subscription Shares.

Assuming the Convertible Bonds are converted in full at the initial Conversion Price of HK$0.114 per Conversion Share and there is no other change in the issued share capital of the Company from the date of the Subscription Agreement and up to Subscription Completion, the Subscriber, its ultimate beneficial owner and parties acting in concert with them will be interested in 3,511,000,000 Shares, comprising 2,861,000,000 Subscription Shares and 650,000,000 Conversion Shares, which in aggregate representing approximately 60.00% of the issued share capital of the Company as enlarged by the allotment and issuance of the Subscription Shares and the Conversion Shares.

Under Rule 26 of the Takeovers Code, the acquisition of voting rights from less than 30% to 30% or more will trigger an obligation on the Subscriber to make a general offer for all the securities of the Company other than those already owned or agreed to be acquired by the Concert Group, unless the Whitewash Waiver is granted by the Executive and approved by the Independent Shareholders at the SGM by way of poll.

The Subscriber has made an application to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, approval by the Independent Shareholders at the SGM by way of poll. The Executive has indicated that it will grant the Whitewash Waiver subject to the approval of the Independent Shareholders at the SGM by way of poll.

As at the Latest Practicable Date, the Company does not believe that the Subscriptions give rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). If a concern should arise after the Latest Practicable Date, the Company will endeavour to resolve the matter to the satisfaction of the relevant authority as soon as possible. The Company notes that the Executive may not grant the Whitewash Waiver if the Subscriptions do not comply with other applicable rules and regulations.

If the Whitewash Waiver is approved by the Independent Shareholders, the shareholding of the Subscriber and its parties acting in concert in the Company upon the issue of the Subscription Shares to the Subscriber will exceed 50%. The Subscriber may further increase its shareholdings in the Company without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer.

Further information on the Concert Group

As at the Latest Practicable Date:

a. none of the members of the Concert Group has any dealings in any securities of the Company in the six-month period preceding the date of the Subscription Agreement and up to and including the Latest Practicable Date;

b. none of the members of the Concert Group has received any irrevocable commitment to vote for or against the proposed resolution approving the Subscriptions or the Whitewash Waiver at the SGM;

c. there is no arrangement (whether by way of option, indemnity or otherwise) under Note 8 to Rule 22 of the Takeovers Code in relation to the Shares or shares of the Subscriber which may be material to the Subscriptions or the Whitewash Waiver;

d. there is no arrangement or agreement to which any member of the Concert Group is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a condition to the Subscriptions or the Whitewash Waiver; and

e. there is no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which any member of the Concert Group has borrowed or lent.

CHANGE IN COMPOSITION OF THE BOARD

Proposed change of Board composition of the Company

The Board is currently made up of six Directors, comprising three executive Directors, namely Mr. Wong Hin Shek, Mr. Zhang Yi and Mr. Chu Chun Man, Augustine and three independent non-executive Directors, namely Ms. Chu Yin Yin, Georgiana, Mr. Yip Tai Him and Mr. Chan Kai Wing.

As at the Latest Practicable Date, save for Mr. Chu Chun Man, Augustine ("**Mr. Chu**") who was interested in 46,460,520 Shares; Ms. Hung Tze Nga, Cathy, who is the spouse of Mr. Chu, was interested 750,000 Shares; and Mr. Chu Yuk Man, Simon, who is the elder brother of Mr. Chu, was interested 4,771,775 Shares, each of Mr. Wong Hin Shek, Mr. Zhang Yi, Ms. Chu Yin Yin, Georgiana, Mr. Yip Tai Him and Mr. Chan Kai Wing did not hold any Shares.

Subject to Subscription Completion having taken place, Mr. Zhang Yi will resign as the executive Director with effect from the Completion Date and Mr. Wong Hin Shek will be re-designated as a non-executive Director. Mr. Wong Hin Shek will enter into a new appointment letter with the Company in relation to his re-designation as a non-executive Director. Save as aforesaid, no new service agreement will be entered into between the Company and any of the remaining Directors as a result of the Subscriptions.

The Subscriber proposed to nominate Mr. Huang as the chairman of the Board and an executive Director and Mr. Liu Tianmin and Mr. Tung Sung-Yuan as non-executive Directors, in each case with effect from the Subscription Completion. Mr. Huang is the sole ultimate beneficial shareholder and sole director of the Subscriber. As at the Latest Practicable Date, none of Mr. Huang, Mr. Liu Tianmin or Mr. Tung Sung-Yuan is a Shareholder. The credentials of Mr. Huang, Mr. Liu Tianmin and Mr. Tung Sung-Yuan will be submitted to the nomination committee of the Company for review prior to the SGM. The appointment of Mr. Huang, Mr. Liu Tianmin and Mr. Tung Sung-Yuan as Directors as nominated by the Subscriber is subject to the approval by the Board and the Shareholders by ordinary resolutions at the SGM in accordance with Bye-law 86(1) of the Bye-laws. Such proposed Directors (if appointed) will be subject to re-election by the Shareholders in accordance with the Bye-laws and the Listing Rules.

The biographies of Mr. Huang, Mr. Liu Tianmin and Mr. Tung Sung-Yuan are set out below:

Mr. HUANG Youlong (黃有龍), aged 40, is an experienced business entrepreneur and a professional investor who has invested in other Hong Kong listed companies. As at the Latest Practicable Date, Mr. Huang is interested in (i) through his wholly-owned company, Gold Ocean Media Inc., approximately 6.63% of the issued share capital of Alibaba Pictures Group Limited (Stock Code: 1060); (ii) through his wholly-owned company, Gold Ocean Investments Group Inc., 26.79% of the issued share capital of Jade Passion Limited, which in turn is interested in approximately 55.97% of the issued share capital of Reorient Group Limited (Stock Code: 376); and (iii) 20.59% of the issued share capital of Jin Bao Bao Holdings Limited (Stock Code: 1239). Alibaba Pictures Group Limited, Reorient Group Limited and Jin Bao Bao Holdings Limited are companies listed on the Main Board of the Stock Exchange.

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

Mr. Huang is the sole ultimate beneficial shareholder and sole director of the Subscriber. Mr. Huang is therefore deemed to be interested in the 3,511,000,000 Shares, comprising 2,861,000,000 Subscription Shares and 650,000,000 Conversion Shares, representing approximately 150.03% of the issued share capital of the Company as at the Latest Practicable Date and approximately 60.00% of the issued share capital of the Company as enlarged by the allotment and issuance of the Subscription Shares and the Conversion Shares, within the meaning of Part XV of the SFO.

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

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

Mr. Tung Sung-Yuan (董宋元), aged 43, is the founding partner of M Square Capital Partners. Mr. Tung has extensive experience in private equity, specializing in areas such as growth capital, mergers and acquisitions, restructuring. Mr. Tung possesses profound investment experience in media and retail sectors in the PRC and overseas.

From July 2008 to July 2011, Mr. Tung was the Chief Investment Officer of China Media (Tianjin) Investment Management Co., Ltd. (華人文化 (天津) 投資管理有限公司), where he managed China Media Capital (華人文化產業投資基金). Prior to being invited to join China Media (Tianjin) Investment Management Co., Ltd., Mr. Tung founded M Square Capital Partners in January 2008. Prior to founding M Square Capital Partners, Mr. Tung was a partner at Sycamore Ventures from 2001 to 2007, where he was responsible for Sycamore's investment activities in China. Sycamore Ventures was spun-off from Citigroup Venture Capital in 1995.

Citigroup Venture Capital, founded in 1970's, is one of the earliest private equity fund management companies, and remains as a shareholder of Sycamore Asia and the largest limited partner of Sycamore's funds. Prior to joining Sycamore Ventures, Mr. Tung worked at Merrill Lynch New York's Global Debt Group specializing in structured finance products such as asset-backed securities, collateralized mortgage obligations, collateralized bond obligations, and commercial mortgage-backed security. Prior to joining Merrill Lynch, Mr. Tung began his career working in the Portfolio Management Unit at MetLife where he analyzed credit exposure, risk and returns of several fixed-income portfolios.

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

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

After the appointment of the above proposed Directors, the proposed Directors shall retire and shall be eligible for re-election at least once every three years in accordance with the Bye-laws and the Listing Rules. The proposed Directors shall be entitled to an emolument to be determined by the Board following recommendation by the remuneration committee with reference to market terms and their qualifications and experience and the remuneration policy of the Company.

Save as disclosed above, none of the above proposed Directors has held any directorship in other listed companies in the past three years. Furthermore, save as disclosed above, none of the above proposed Directors has any relationship with any Directors, senior management, substantial Shareholders or controlling Shareholders nor has any interests in the Shares within the meaning of Part XV of the SFO.

Save as disclosed above, there is no other information required to be disclosed pursuant to any of the requirements of Rule 13.51(2) of the Listing Rules and there are no other matters relating to the appointment of the proposed Directors that need to be brought to the attention of the shareholders of the Company.

Further announcements will be made by the Company upon the taking effect of the appointment of the above proposed Directors. Any changes to the Board composition will be made in compliance with the Takeovers Code and the Listing Rules.

The SGM

The notice convening the SGM to be held at 2/F, J Plus, 35-45B Bonham Strand, Sheung Wan, Hong Kong on Thursday, 20 October 2016 at 11:00 a.m. is set out on pages SGM-1 to SGM-3 of this circular.

The SGM will be convened at which ordinary resolutions will be proposed to the Independent Shareholders to approve, among other things, (i) the Subscription Agreement and the transactions contemplated thereunder; (ii) the allotment and issuance of the Subscription Shares and the Convertible Bonds in accordance with the Subscription Agreement; (iii) the Specific Mandate under which the Subscription Shares and, upon the exercise of the conversion rights attaching to the Convertible Bonds, the Conversion Shares will be issued; (iv) the Whitewash Waiver; and (v) the election of the Subscriber's nominees as Directors, effective upon Subscription Completion. Pursuant to the Listing Rules, any vote at the SGM shall be taken by poll.

As at the Latest Practicable Date, the Concert Group does not hold any Shares or other securities in the Company and accordingly is not entitled to vote on any of the resolutions to be proposed at the SGM. Only Shareholders who do not have a material interest or who are not involved in or interested in the Subscriptions or the Whitewash Waiver can vote on the relevant resolution.

Mr. Jiang and Surplus Excel, being the Warrantors, are involved in the Subscriptions and therefore, Mr. Jiang, who is interested in 984,754,355 Shares (representing approximately 42.08% of the existing issued share capital of the Company as at the Latest Practicable Date), and Mr. Jiang and Surplus Excel, each of them and their respective associates and concert parties, will abstain from voting on the relevant resolutions to be proposed at the SGM to approve the Subscriptions and the Whitewash Waiver.

Mr. Chu, a Director who, together his associates, are interested in 51,982,295 Shares, representing approximately 2.22% of the existing issued share capital of the Company as at the Latest Practicable Date, had not involved in discussions and meetings with the Subscriber in relation to the Subscriptions. Accordingly, Mr. Chu and his associates will not abstain from voting. Mr. Chu intends to vote for the relevant resolutions to be proposed at the SGM.

The notice convening the SGM is set out on pages SGM-1 to SGM-3 of this circular. A form of proxy for use at the SGM is enclosed. Whether or not you are able to attend the SGM in person, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon to Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the SGM or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting thereof.

An announcement on the results of the SGM will be made by the Company following the SGM in accordance with the Takeovers Code and the Listing Rules.

Shareholders and potential investors should note that the Subscriptions are subject to the fulfilment or waiver (as the case may be) of a number of conditions, including but not limited to approval of the Subscriptions and the Whitewash Waiver by the Independent Shareholders at the SGM, and the granting of the Whitewash Waiver by the Executive. As such, the Subscriptions may or may not proceed.

The Executive may or may not grant the Whitewash Waiver. The Subscriptions contemplated under the Subscription Agreement will not proceed if the Whitewash Waiver is not obtained by the Subscriber.

RECOMMENDATIONS

Your attention is drawn to (i) the letter from the Independent Board Committee which contains the recommendation of the Independent Board Committee to the Independent Shareholders regarding the resolutions to approve the Subscriptions and the Whitewash Waiver, and (ii) the letter from the Independent Financial Adviser which contains its advice to the Independent Board Committee and the Independent Shareholders regarding the terms of the Subscriptions and the Whitewash Waiver.

The Board (including the Independent Board Committee after taking the advice of the Independent Financial Adviser) considers that (i) the execution, delivery and performance of the Subscription Agreement; (ii) the allotment and issue of the Subscription Shares and the Convertible Bonds in accordance with the Subscription Agreement; (iii) the Specific Mandate under which the Subscription Shares and, upon the exercise of the conversion rights attaching to the Convertible Bonds, the Conversion Shares will be issued; (iv) the Whitewash Waiver; and (v) the appointment of new Directors to the Board are in the interests of the Company and the Shareholders as a whole, and recommends that the Shareholders vote in favour of the resolutions relating thereto at the SGM.

FURTHER INFORMATION

Your attention is also drawn to the information set out in the appendices to this circular and the notice of the SGM.

Yours faithfully,
By order of the Board
Sino Golf Holdings Limited
Wong Hin Shek
Chairman

The following is the text of a letter of advice from the Independent Board Committee setting out its recommendation to the Independent Shareholders for the purpose of inclusion in this circular.

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

30 September 2016

To the Independent Shareholders

Dear Sir or Madam,

(1) PROPOSED SUBSCRIPTION OF SUBSCRIPTION SHARES AND CONVERTIBLE BONDS; AND
(2) APPLICATION FOR WHITEWASH WAIVER

We refer to the circular dated 30 September 2016 of the Company (the "**Circular**") of which this letter forms part.

Terms defined in the Circular bear the same meanings herein unless the context otherwise requires.

We have been appointed to form the Independent Board Committee to consider the Subscriptions and the Whitewash Waiver (collectively, the "**Proposed Transactions**") and to advise the Independent Shareholders as to whether, in our opinion, the Proposed Transactions are fair and reasonable so far as the Independent Shareholders are concerned.

Royal Excalibur Corporate Finance Company Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Proposed Transactions.

We wish to draw your attention to the letter from the Board set out on pages 6 to 37 of the Circular which contains, among others, information on the Proposed Transactions as well as the letter from the Independent Financial Adviser set out on pages 40 to 94 of the Circular which contains its advice in respect of the Proposed Transactions.

Having considered the principal factors and reasons and the advice of the Independent Financial Adviser as set out in the letter from the Independent Financial Adviser, we consider that the terms of the Proposed Transactions are fair and reasonable so far as the Independent Shareholders are concerned, and has entered into on normal commercial terms, and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM in respect of the Proposed Transactions.

Yours faithfully,
For and on behalf of
Independent Board Committee
Sino Golf Holdings Limited

Ms. Chu Yin Yin, Georgiana	**Mr. Yip Tai Him**	**Mr. Chan Kai Wing**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*

The following is the text of a letter of advice from the Independent Financial Adviser in connection with the Subscriptions and the Whitewash Waiver which has been prepared for inclusion in this circular.

ROYAL EXCALIBUR
CORPORATE FINANCE COMPANY LIMITED

ROYAL EXCALIBUR
CORPORATE FINANCE
COMPANY LIMITED
Unit 1204, 12/F
OfficePlus @Sheung Wan
93-103 Wing Lok Street
Sheung Wan, Hong Kong
皇家駿溢財務顧問有限公司
香港上環永樂街93-103號
協成行上環中心12樓1204室

30 September 2016

To the Independent Board Committee and the Independent Shareholders
of Sino Golf Holdings Limited

Dear Sirs,

(1) PROPOSED SUBSCRIPTION OF SUBSCRIPTION SHARES AND CONVERTIBLE BONDS;
AND
(2) APPLICATION FOR WHITEWASH WAIVER

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscriptions and the Whitewash Waiver, details of which are set out in the Letter from the Board (the "**Board's Letter**") in the circular issued by the Company to the Shareholders dated 30 September 2016 (the "**Circular**"), of which this letter forms part. Unless otherwise stated, terms used in this letter have the same meanings as those defined in the Circular.

On 8 July 2016, the Company, the Subscriber and the Warrantors entered into the Subscription Agreement pursuant to which, the Company has conditionally agreed to allot and issue to the Subscriber and the Subscriber has conditionally agreed to subscribe for (i) an aggregate of 2,861,000,000 Subscription Shares (representing approximately 122.25% of the issued share capital of the Company as at the Latest Practicable Date and approximately 55.01% of the issued share capital of the Company as enlarged by the allotment and issuance of the Subscription Shares) at the Subscription Price of HK$0.114 per Subscription Share; and (ii) Convertible Bonds in the aggregate principal amount of HK$74,100,000, which entitles the Subscriber to subscribe for 650,000,000 Conversion Shares at the Conversion Price of

HK$0.114 per Conversion Share. The aggregate amount of the consideration for the Subscription Shares and the Convertible Bonds are HK$326,154,000 and HK$74,100,000 respectively, which shall be payable by the Subscriber in cash upon Subscription Completion.

As at the Latest Practicable Date, the Subscriber, its ultimate beneficial owner and the parties acting in concert with any of them did not hold, control or has directions over any Shares, convertible securities, options, warrants or derivatives in the Company. Upon the Subscription Completion and assuming that: (i) none of the Convertible Bonds are converted; and (ii) there is no other change in the issued share capital of the Company from the date of the Subscription Agreement and up to Subscription Completion, the Subscriber, its ultimate beneficial owner and the parties acting in concert with them will be interested in an aggregate of 2,861,000,000 Subscription Shares, representing approximately 55.01% of the issued share capital of the Company as enlarged by the allotment and issuance of the Subscription Shares.

Assuming the Convertible Bonds are converted in full at the initial Conversion Price of HK$0.114 per Conversion Share and there is no other change in the issued share capital of the Company from the date of the Subscription Agreement and up to Subscription Completion, the Subscriber, its ultimate beneficial owner and the parties acting in concert with them will be interested in 3,511,000,000 Shares, comprising 2,861,000,000 Subscription Shares and 650,000,000 Conversion Shares, which in aggregate shall represent approximately 60.00% of the issued share capital of the Company as enlarged by the allotment and issuance of the Subscription Shares and the Conversion Shares.

Under Rule 26 of the Takeovers Code, the acquisition of voting rights from less than 30% to 30% or more will trigger an obligation on the Subscriber to make a general offer for all the securities of the Company other than those already owned or agreed to be acquired by the Concert Group, unless the Whitewash Waiver is granted by the Executive and approved by the Independent Shareholders at the SGM by way of poll.

The Subscriber has made an application to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, approval by the Independent Shareholders at the SGM by way of poll. The Executive has indicated that it will grant the Whitewash Waiver subject to the approval of the Independent Shareholders at the SGM by way of poll.

As at the Latest Practicable Date, the Concert Group does not hold any Shares or other securities in the Company and accordingly is not entitled to vote on any of the resolutions to be proposed at the SGM. Only Shareholders who do not have a material interest or who are not involved in or interested in the Subscriptions or the Whitewash Waiver can vote on the relevant resolution.

Mr. Jiang and Surplus Excel, being the Warrantors, are involved in the Subscriptions and, therefore, Mr. Jiang, who is interested in 984,754,355 Shares (representing approximately 42.08% of the existing issued share capital of the Company as at the Latest Practicable Date), and Surplus Excel, each of them and their respective associates and concert parties, will abstain from voting on the relevant resolutions to be proposed at the SGM to approve the Subscriptions and the Whitewash Waiver.

As at the Latest Practicable Date, the Company does not believe that the Subscriptions give rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). If a concern should arise after the Latest Practicable Date, the Company will endeavour to resolve the matter to the satisfaction of the relevant authority as soon as possible. The Company notes that the Executive may not grant the Whitewash Waiver if the Subscriptions do not comply with other applicable rules and regulations.

If the Whitewash Waiver is approved by the Independent Shareholders, the shareholding of the Subscriber and its parties in concert in the Company upon the issue of the Subscription Shares to the Subscriber will exceed 50%. The Subscriber may further increase its shareholdings in the Company without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Ms. Chu Yin Yin, Georgiana, Mr. Yip Tai Him and Mr. Chan Kai Wing, to advise the Independent Shareholders as to the fairness and reasonableness of the terms of the Subscriptions Agreement and the Whitewash Waiver and as to voting at the SGM. As the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders in this regard.

We are independent from, and not connected with, the Company or any of its substantial Shareholders, Directors, chief executive, or any of their respective associates and concert parties, and have sufficient expertise and resources to give an opinion on the transactions. As at the Latest Practicable Date, we did not have any relationship with or interest in the Company or any other parties that could reasonably be regarded as relevant to our independence. Apart from normal professional fees in connection with this appointment as the Independent Financial Adviser, no other arrangements exist whereby we had received or will receive any fees and/or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence.

BASIS OF OUR OPINION

In formulating our opinion in respect of the Subscription Agreement and the Whitewash Waiver, we have relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Company and the Directors and/or the Subscriber. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have assumed that all information and representations made or referred to in the Circular and provided to us by the Company and the Directors and/or the Subscriber, for which they were solely and wholly responsible, were true, complete and accurate at the time they were made and continue to be true, complete and accurate at the date of the SGM. The Company will notify the Shareholders of any material changes during the period after the despatch of the Circular to the SGM as soon as possible in accordance with Rule 9.1 of the Takeovers Code. The Independent Shareholders will also be notified of any material changes to such information provided in the Circular and our opinion as soon as possible after the Latest Practicable Date and throughout the period between the date after the despatch of the Circular and the SGM.

We have not made any independent evaluation or appraisal of the Group's Saipan Acquisition which comprises twelve land parcels and with a total site area of approximately 79,529 square metres (the "**Properties**") and we have not been furnished with any such evaluation or appraisal, save and except for the valuation report of the Properties (the "**Valuation Report**") as set out in Appendix IIA to the Circular. The Valuation Report was prepared by Mr. David W. I. Cheung ("**Mr. Cheung**") and Mr. Franky C. H. Wong ("**Mr. Wong**"), the executive director and director of Vigers Appraisal and Consulting Limited (the "**Valuer**") respectively. The Valuer was the founder of the Association of Surveyors, which became the Royal Institution of Chartered Surveyors in 1868. Both Mr. Cheung and Mr. Wong are "Registered Professional Surveyor in General Practice Division" ("**RPS(GP)**") under the "Surveyors Registration Ordinance" (Cap. 417) in Hong Kong, and is a "RICS Registered Valuer" under the "Valuer Registration Scheme" regulated by the RICS. Both Mr. Cheung and Mr. Wong possess 33 and 15 years' valuation experience on properties in various regions including Hong Kong, Macao, the PRC, Taiwan, Japan, the United Kingdom ("**UK**"), Canada and the USA respectively. Both Mr. Cheung and Mr. Wong have been vetted on the "List of Property Valuers for Undertaking Valuations for Incorporation of Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers" published by the HKIS, and is suitably qualified for undertaking valuations relating to listing exercises. Mr. Wong has also been vetted on the "List of Property Valuers for Undertaking Valuations for Incorporation of Reference in Listing Particulars and Circulars and Valuations in connection with Takeovers and Mergers" published by RICS Hong Kong. Mr. Cheung has been employed by "Vigers Appraisal and Consulting Limited" as a qualified surveyor since 2006 whereas Mr. Wong has been employed by "Vigers Appraisal and Consulting Limited" as a valuer since 2006 and as a qualified surveyor since 2009. Since we are not experts in the valuation of land and properties, we have relied solely upon the Valuation Report for the market value of the Properties as at 30 September 2016.

The Directors collectively and severally accept full responsibility for the accuracy of the information contained in the Circular. The Directors have confirmed, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts or representations the omission of which would make any statement in the Circular, including this letter, misleading. We consider that we have reviewed sufficient information to enable us to reach an informed view and to provide a reasonable basis for our opinion regarding the Subscription Agreement and the Whitewash Waiver. We have not, however, conducted any independent verification of the information and representations provided to and reviewed by us, nor have we carried out any form of independent in-depth investigation into the businesses and affairs, financial position or the future prospects of the businesses of the Group and/or the Subscribers or the markets in which it operates.

We have not studied, investigated nor verified the validity of all legal aspects of, and procedural aspects for, the Subscription Agreement and the Whitewash Waiver.

Our opinion is necessarily based upon the financial, economic (including exchange rates and interest rates), market, regulatory and other conditions as they exist on, and the facts, information, representations and opinions made available to us as of the Latest Practicable Date. Our opinion does not in any manner address the Company's own decision to proceed with the Subscription Agreement.

PRINCIPAL FACTORS AND REASONS CONSIDERED

The principal factors and reasons we have taken into account in giving our advice to the Independent Board Committee and the Independent Shareholders in relation to the Subscriptions and the Whitewash Waiver are set out below:

A. Business and financial information of the Group

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.

I. For year ended 31 December 2013, 2014 and 2015

Set out below are the audited consolidated financial result for the years ended 31 December 2013, 31 December 2014 and 31 December 2015 as extracted from the Company's annual reports published in 2014 and 2015 (the "**Annual Report 2014**" and the "**Annual Report 2015**" respectively).

a. *Operating results of the Group*

	For the year ended 31 December		
	2015	**2014**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	*(audited)*	*(audited)*
Turnover	261,766	400,962	434,087
Cost of sales	(240,102)	(328,546)	(358,453)
Gross profit	21,664	72,416	75,634
Other operating income	1,857	2,099	1,553
Selling and distribution expenses	(3,736)	(4,790)	(3,131)
Administrative expenses	(59,053)	(53,415)	(48,727)
Gain on disposal of a subsidiary	93	–	–
Write-off inventories	(31,671)	–	–
Impairment loss on goodwill	(14,820)	–	–
Finance costs	(5,402)	(7,591)	(9,328)
Profit (loss) before tax	(91,068)	8,719	16,001
Income tax expenses	–	(424)	(2,348)
Profit (loss) for the year	(91,068)	8,295	13,653
Profit (loss) for the year attributable to Owners of the Company	(91,068)	8,295	13,661
Non-controlling interests	–	–	(8)
	(91,068)	8,295	13,653

b. *Financial position of the Group*

	As at 31 December		
	2015	**2014**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	*(audited)*	*(audited)*
Non-current assets	149,451	234,451	236,301
Current assets	194,256	229,198	259,703
Current liabilities	168,008	147,924	188,474
Net current assets	26,248	81,274	71,229
Total assets less current liabilities	175,699	315,725	307,530
Non-current liability	343	2,440	2,677
Net assets	175,336	313,285	304,853

c. *Comparison for the year ended 31 December 2014 versus the year ended 31 December 2013*

Driven by the business rebound in 2013, the Group continued to operate with strong sales during the first half of 2014. The sales momentum was however undermined by a slow-down in golf equipment sales in the second half year irrespective of a surge in the golf bags sales during the year which partly offset the impact of the sales drop of the golf equipment segment. Overall, the Group's revenue declined moderately in 2014.

The Group's turnover declined 7.6% in 2014 to approximately HK$400,962,000 (2013: approximately HK$434,087,000). Profit for the year attributable to owners of the Company amounted to approximately HK$8,295,000 (2013: approximately HK$13,661,000). During the year, the turnover of the golf equipment segment dropped approximately 13.2% to approximately HK$354,701,000 (2013: approximately HK$408,459,000) whereas the turnover of the golf bags segment, defined as comprising the sales of golf bags and accessories to external customers, escalated 80.5% to approximately HK$46,261,000 (2013: approximately HK$25,628,000). Total sales of the golf bags segment, before elimination of inter-segmental sales of approximately HK$7,155,000 (2013: approximately HK$12,128,000), rose approximately 41.5% in 2014 to approximately HK$53,416,000 (2013: HK$37,756,000).

The current assets of the Group decreased approximately 11.8% from approximately HK$259,703,000 for the year ended 31 December 2013 compared to approximately HK$229,198,000 for the year ended 31 December 2014. As set out in the Annual Report 2014, such decrease is mainly due to decrease in inventories, trade and other receivables and bank balances and cash. The Group recorded net current asset of approximately HK$81,274,000 for the year ended 31 December 2014, representing an increase of approximately 14.1% compared to HK$71,229,000 for the year ended 31 December 2013.

d. *Comparison for the year ended 31 December 2015 versus the year ended 31 December 2014*

The Group's revenue for the year ended 31 December 2015 decreased by approximately 34.7% to approximately HK$261,766,000 (2014: approximately HK$400,962,000). Loss for the year attributable to owners of the Company was approximately HK$91,068,000 in contrast to a profit of approximately HK$8,295,000 in 2014. The turnaround was mainly due to the depressed sales and the incurrence of exceptional expenditures.

As disclosed in the Annual Report 2015, during the financial year ended 31 December 2015, the Group had been operating under a depressed golf market resulting in a significant downturn in business revenue. The golf equipment sales plummeted as the largest customer of the Group for the preceding year radically changed its procurement practice to place orders mainly to suppliers of its parent company upon a reorganisation of operations. Besides, shipments to other key customers of the golf equipment segment generally decreased in a volatile market with intense competition. In contrast, the golf bags business showed less fluctuation and recorded a moderate decline in the segment revenue.

The current assets of the Group decreased approximately 15.3% from approximately HK$229,198,000 for the year ended 31 December 2014 compared to approximately HK$194,256,000 for the year ended 31 December 2015. As set out in the Annual Report 2015, such decrease was mainly due to the decrease in inventories. The Group recorded net current asset of approximately HK$26,248,000 for the year ended 31 December 2015, representing a significant decrease of approximately 67.7% compared to HK$81,274,000 for the year ended 31 December 2014. As set out in the Annual Report 2015, such a significant decrease was due to the written-off of inventories and increase of the amounts due to related companies. Also, as a result of the relocation of the PRC factory, the Group had conducted a review on the inventories and incurred a written-off of inventories of approximately HK$31,671,000 (2014: nil) during the year ended 31 December 2015. The amounts due to related companies of approximately HK$58,394,000 and approximately HK$1,290,000, which a Director and the substantial Shareholder of the Company has beneficial interest in, respectively, are unsecured, non-interest bearing and repayable on demand.

II. For the six months period ended 30 June 2016

Set out below is the unaudited consolidated financial result for the six months ended 30 June 2016 and 30 June 2015 as extracted from the Company's interim report for the six months ended 30 June 2016 (the "**Interim Report 2016**").

a. Operating results of the Group

	Six months ended 30 June 2016 *HK$'000* *(unaudited)*	**Six months ended 30 June 2015** *HK$'000* *(unaudited)*
Turnover	122,973	138,088
Cost of sales	(116,934)	(120,144)
Gross profit	6,039	17,944
Other operating income	833	877
Selling and distribution expenses	(1,255)	(2,229)
Administrative expenses	(31,795)	(26,895)
Finance costs	(6,452)	(3,249)
Profit (loss) before tax	(54,290)	(13,552)
Income tax expenses	–	–
Profit (loss) for the year	(54,290)	(13,552)
Profit (loss) for the period attributable to Owners of the Company	(54,290)	(13,552)
Non-controlling interests	–	–
	(54,290)	(13,552)

b. Financial position of the Group

	Six months ended 30 June 2016	**Six months ended 30 June 2015**
	HK$'000	*HK$'000*
	(unaudited)	*(unaudited)*
Non-current assets	352,300	149,451
Current assets	142,902	194,256
Current liabilities	157,638	168,008
Net current (liabilities) assets	(14,736)	26,248
Total assets less current liabilities	337,564	175,699
Non-current liability	218,830	343
Net assets	118,734	175,356

The Group's revenue for the six months ended 30 June 2016 decreased by approximately 11.0% to approximately HK$122,973,000 (2015: approximately HK$138,088,000). Loss for the six months ended 30 June 2016 attributable to owners was approximately HK$54,290,000 comparing to approximately HK$13,552,000 for the corresponding period in 2015, representing a significant increase of approximately 300.6%. According to the Interim Report 2016, such a significant increase in loss attributable to owners was impacted by the continued depression in the golf market. During the period, the golf bags sales plummeted by approximately 67.8% whilst the golf equipment sales managed to slightly rebound approximately 2.6% from the depressed level of the corresponding period in 2015.

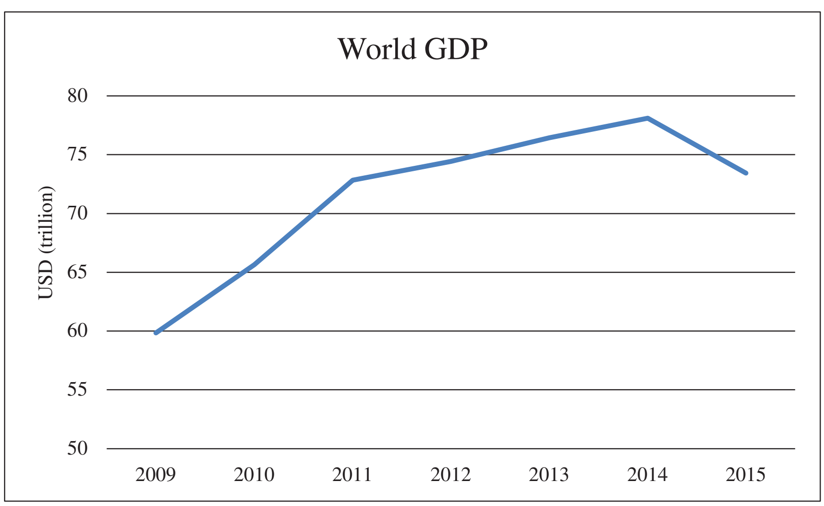
The current assets of the Group decreased approximately 26.4% from approximately HK$194,256,000 for the six months ended 30 June 2015 to approximately HK$142,902,000 for the six months ended 30 June 2016. Besides, the Group recorded net current liabilities of approximately HK$14,736,000 for the six months ended 30 June 2016, in contrast to a net current asset of approximately HK$26,248,000 in 2015 representing approximately 156.1% decreased of net asset. Such a significant decrease was attributed to the written-off of inventories due to the relocation of the PRC factory as mentioned in the above section headed "Comparison for the year ended 31 December 2015 versus the year ended 31 December 2014" above.

B. Recent Development

As set out in the Interim Report 2016, the Company published a voluntary announcement on 11 August 2016 stating that one of the four major customers of the Company ("**Customer A**"), who contributed an annual revenue of approximately USD8 million (as quoted from the website of Hong Kong Bank Association, the selling rate of USD:HK$ as of 11 August 2016 was 1:7.787, therefore which is approximately HK$62,296,000) to the Company's golf business segment which representing approximately 23.8% of the Group's revenue for the year ended 31 December 2015, has recently decided to egress the golf gear manufacturing industry (the "**Customer A's Exit**"). In respect of the Customer A's Exit, as Customer A has substantially placed its orders for the current year, the Board anticipates that the Customer A's Exit may have a negative impact to the sales volume of the Company's golf business for the financial year ending 31 December 2017.

C. Industry Outlook

According to the Annual Report 2015, the Group had been operating under a depressed golf market resulting in a significant downturn in revenue. Since we cannot find any official statistic for the worldwide golf market, taking into account that golf is seen as a luxury sport, the spending on golf will be affected by the economic condition. As set out in the Annual Report 2015, the Group's customer are from worldwide including North America, Japan, Europe, Asia (excluding Japan) and others. We examine the global economic performance by the world GDP. According to the most recent data released on 22 July 2016 by the World Bank, the world's gross domestic product (the "**GDP**") showed an upward trend from approximately US$59.8 trillion in 2009 to approximately US$78.1 trillion in 2014 and decreased to approximately US$73.4 trillion in 2015, representing a decrease of approximately 6.0%. The worldwide GDP decline can be used as a reference for the worldwide economic uncertainty, which may whittle away the consumer' purchasing power, especially for luxury goods.



Source: World Bank (http://data.worldbank.org)

According to International Golf Federation, the international federation founded in 1958 which is recognised by the International Olympic Committee (IOC) as the world governing body for golf, golf is played by more than 60 million people worldwide in more than 130 countries on six continents. Golf was last an Olympic sport at the 1904 Games in St. Louis, Missouri, United States of America. An indication of golf's globalisation since 1904 is that, golf was included in the 2016 Olympics in Rio de Janeiro, Brazil and it would increase its appeal because of the high regard and interest for the Olympics despite the worldwide economic uncertainty.

Golf tourists represent the top end of the tourist market which is following the development of increasing golf participation in Asia. The golf tourism industry does not only generate revenue for golf equipment, facilities, green fees and cart rental, but also leads to a boost to travel, airlines, car retail, hotels, restaurants and retailers. According to the International Association of Golfing Tour Operators (IAGTO) established in 1997, (IAGTO'S membership comprises 2463 accredited golf tour operators, golf resorts, hotels, golf courses, receptive operators, airlines, tourist boards, approved media and business partners in 96 countries including, at its core, 641 specialist golf tour operators in 61 countries), the emerging golf destinations such as, Egypt, Mexico and China are offering increasing competition to the traditional golf markets by offering quality golfing experience at a fair price. Golf travelers are exploring more destinations for their golf holidays and are now keener to travel beyond traditional golfing destinations.

The Group has been exploring appropriate business diversification opportunities and expanding the revenue sources. Based on the above factors, with the synergy effect provided by the Group's existing principal business of golf-products and the prospects of golf tourism industry, we consider that entering into golf tourism industry is in the interest of the Group and the Independent Shareholders as a whole.

D. Reasons for the Subscriptions and use of proceeds

1. Background

On 8 July 2016, the Company, the Subscriber and the Warrantors entered into the Subscription Agreement pursuant to which, the Company has conditionally agreed to allot and issue to the Subscriber and the Subscriber has conditionally agreed to subscribe for (i) an aggregate of 2,861,000,000 Subscription Shares (representing approximately 122.25% of the issued share capital of the Company as at the Latest Practicable Date and approximately 55.01% of the issued share capital of the Company as enlarged by the allotment and issuance of the Subscription Shares) at the Subscription Price of HK$0.114 per Subscription Share; and (ii) Convertible Bonds in the aggregate principal amount of HK$74,100,000, which entitles the Subscriber to subscribe for 650,000,000 Conversion Shares at the Conversion Price of HK$0.114 per Conversion Share. The aggregate amount of the consideration for the Subscription Shares and the Convertible Bonds are HK$326,154,000 and HK$74,100,000 respectively, which shall be payable by the Subscriber in cash upon Subscription Completion.

2. Intention of the Subscriptions and use of proceeds

As stated in the Board's Letter, the gross proceeds from the Subscriptions would amount to approximately HK$400,254,000. The net proceeds, after taking into account the estimated expenses in relation to the Subscriptions, are estimated to be approximately HK$397,254,000, representing a net issue price of approximately HK$0.113 per Subscription Share and Conversion Share. The Company intends to apply the net proceeds of (i) approximately HK$235,700,000 for the settlement of the 12% interest bearing

Promissory Notes issued by the Group in May 2016 with the principal amount of HK$235,700,000 for the Saipan Acquisition; (ii) approximately HK$136,400,000 for the costs of the development of the hotel resorts and condominiums on the Properties will be constructed in four phases (the "**Development Plan**"), details of the breakdown of the intended use of proceeds on the 1st phase of the Development Plan is set out under the section of "Reasons for the Subscriptions and use of proceeds" in the Board's Letter; and (iii) the remaining net proceeds of approximately HK$25,154,000 as the general working capital of the Group.

As set out in the Annual Report 2015 and Interim Report 2016, the bank balances and cash were only approximately HK$17,063,000 and HK$11,783,000 respectively. Therefore, the Group had to settle the Saipan Acquisition with Promissory Note which bears 12% interest annually. Besides, the Group's current financial position is not sufficient for the Development Plan. In light of Mr. Huang, the ultimate controlling shareholder of the Subscriber, being an experienced and reputable investor with resourceful network, the Directors consider that the Subscriptions offer a good opportunity to raise additional funds to strengthen the financial position of the Group and to introduce an investor with solid background and connection to the Group which is beneficial to the Shareholders and the Group in the long term perspective. Furthermore, the Company plans to further strengthen property development to become one of the main businesses of the Group. In light of the Group's ongoing plan to continue to leverage its resources in the Development Plan, the Subscriptions will provide additional funds for the Group to develop its property Development Plan. As stated in the Annual Report 2014 and 2015, the golf equipment business has been slowing down and the Group has been exploring appropriate business diversification opportunities or investment to expand the revenue sources and enhance the long-term growth potential of the Group. We are of the view that the first phase of the Development Plan is in line with the Group's intention to expand its existing business for better growth potential and representing good investment opportunities for the Group. Therefore, given that the existing cash and bank balance is insufficient for the first phase of the Development Plan, we consider that the Subscriptions and the application of part of the proceeds of approximately HK$136,400,000 for the development costs of the 1st phase of the Development Plan is in the interests of the Shareholders and the Company as a whole.

3. Existing Business of Golf Equipment

As disclosed in the Interim Report 2016, the Group's golf segment performance for the first half of 2016 was adversely impacted by the continued depression in the golf market. Notwithstanding the depression in the golf market, the Group is actively sourcing new customers who were previously served by other manufacturers which have closed down due to the golf market depression in order to maintain/expand the Group's market share within the golf manufacturing market. At the same time, the Group is in the progress of tooling and moulding for new golf products which allows the Group to pick up sales from existing customers and is possibly able to source new customers by introducing more variety of golf products to the market. The Group will continue to adopt prudent and cost saving approach in implementing the Group's strategies within the Group's golf equipment and bags manufacturing segment to mitigate the sales depression for the first half of 2016. We consider that the Subscriptions and the application of part of the proceeds of approximately HK$25,154,000 for the general working capital of the Group is in the interests of the Shareholders and the Company as a whole since there will be additional financial resources for introducing more variety of golf products and acquiring new customers.

4. Recent Saipan Development

The Commonwealth of Northern Mariana Islands ("**CNMI**") is a United States of America Territory with "commonwealth" status, comprising fifteen islands in the Pacific Ocean. Saipan is the largest island in the CNMI and is a popular tourism destination. The economies of Saipan are vitally driven by tourism and are well-known as a perfect getaway for tourists around the world featuring the rich cultural history and tropical marine weather that offer year-round outdoor activities including but not limited to, world class diving and golfing. Saipan is an attractive market for golf related tourism and is home to a host of golf courses, including but not limited to (i) The Lao Lao Bay Golf Resort; (ii) Kingfisher Golf Links; (iii) The Coral Ocean Point Resort Club; (iv) The Marianas Country Club; and (v) The Saipan Country Club. The Properties are located in close proximities to these golf courses.

HVS Consulting and Valuation Services which was originally known as Hospitality Valuation Services (the "**HVS**") is the world's leading hotel consulting and valuation firm founded since 1980 and performs more than 4,500 assignments each year for hotel and real estate owners, operators and developers worldwide. The information of Saipan hotel performance in the report of "Market Snapshot, Saipan" issued by the HVS issued in November 2015 was sourced from Hotel Association of Northern Mariana Islands (the "**HANMI**"). As stated in the website of the HANMI, it was founded since 1985 and is a voluntary association representing 12 hotels and numerous support industries in the U.S. Commonwealth of the Northern Mariana Islands of Saipan, Tinian, and Rota and its hotel members have over 2,500 guest rooms. The HANMI serves as the principal advocate of the hotel industry in the Northern Mariana Islands, promoting its interests through civic representation, education efforts, and community partnerships and increasing the marketing presence. The HANMI works hand in hand with the Marianas Visitors Authority (the "**MVA**") and the local and federal governments to promote the Northern Mariana Islands as a premier destination for tourists. According to the figures from the HANMI in the report of "Market Snapshot, Saipan" issued by HVS in November 2015, there were just total 2,327 hotel rooms in Saipan as in 2013. Hotels in Saipan achieved a hotel occupancy of 97.4% and average room rate of US$150.10 per night in 2015, a respective 14.2% and 18.7% year-on-year growth in 2015 as compared to the same period in fiscal year 2014. Due to the frequent late arrival of flights, Saipan hotels are also able to manage back-to-back selling of the rooms, which further increases the occupancy.

The MVA promotes and develops the Northern Mariana Islands as a premier destination of choice for worldwide visitors. It advertises and publicizes the Northern Marianas and also organises and conducts programs to promote the tourism industry. It is governed by a 9-member board of directors, five of these members are appointed by the Governor of Northern Mariana Islands. According to the statistics from the '2016 Key Market Update' of the MVA, the total number of arrivals in CNMI increased at an average compound annual growth rate of 8.85% from 340,957 in 2011 to 478,592 in 2015 (statistics for the complete year of 2016 are not yet available). It is assumed that the total arrivals in CNMI is virtually the same as that in Saipan, on the basis of reference to statistics specific to Saipan (only available for the year 2015) revealing that 99.59% of the arrivals in CNMI had been to Saipan in 2015. MVA expects the growing trend to continue in the coming years, with an average compound annual growth rate of at least 7.20% from 478,592 arrivals in 2015 to more than 550,000 arrivals in 2017.

In addition, CNMI has recently awarded Imperial Pacific International Holdings Limited (the "**Imperial Pacific**"), a company listed on the Stock Exchange (stock code: 1076) an exclusive casino license in Saipan to construct and operate a casino and an integrated resort in Saipan to energise its tourism and hotel industries. Imperial Pacific has launched its temporary casino in July 2015 and it is expected that it will attract more tourists to Saipan in the future.

The Lucky Fountain Group's target customers are the travelers of the Saipan Island. Based on the above figures from the HVS's report of "Market Snapshot, Saipan" and the statistics from the '2016 Key Market Update' of the MVA, the Board is of the view that the potential for hospitality industry in the Saipan Island is positive as the market has just started to grow. In addition, given the launch of the casino in the Saipan Island from early 2017 onwards and the introduction of direct flights between Hong Kong and Saipan Island since July 2016, the Board believes that these features will further stimulate the tourism industry of the Saipan Island.

In view of the situation of the expected increase in the number of tourists to the Saipan over the next few years based on the above analysis on the development in Saipan, we anticipate that the existing hotel room supply in Saipan cannot accommodate the future demand from tourists. As such, we believe that the first phase of the Development Plan will be benefited from the above situation. Accordingly, we agree with the Board's view that the potential of the hospitality industry in Saipan Island is positive, therefore we consider that the Subscriptions and the use of proceeds is in the interest of the Group and the Shareholders as a whole.

5. The Development Plan

References are made to (i) the announcements of the Company dated 2 February 2016, 5 April 2016 and 16 May 2016; and (ii) (the April Circular in relation to the Properties. As stated in the April Circular, for the 1st phase of the Development Plan, the Company will construct, on land parcel nine with a site area of approximately 9,352 square metres, a 3-star 8-storey condominium resort comprising 80 room units with a gross floor area of 8,000 square metres. In addition, the condominium resort will feature a pitch and putt practice golfing facilities, an electronic indoor golf simulator, a golf-pro shop, a health and wellness spa, bars and restaurants, conference facility and a swimming pool and also situates in close proximities to the golf courses on the island. For the 1st phase of the Development Plan, it is expected that the opening time will be around the 4th quarter of 2018 and its development cost is preliminary estimated to be approximately US$17.6 million (equivalent to approximately HK$136.4 million). For the 1st phase of the Development Plan, it is projected that the Group will hire approximately 80 staffs. There will be 1 general manager who is responsible for the overall daily operations of the whole resort (including the front office, housekeeping department, all the shared services and the food & beverage section) and 1 assistant, 1 executive manager for rooms operation and 1 executive manager for food & beverage department. For the resort's operation staffs, there will be (i) approximately 20 front office employees, with roles including but not limited to front desk agent, concierge attendant, call center supervisor and operator; (ii) approximately 23 housekeeping staffs (with the majority of them being attendants); (iii) approximately 14 staffs for the operation of the shared services of the resort including the finance department, human resources and administration department and security department; and (iv) approximately 19 staffs for the food & beverage department, including chefs, bartenders and servers. It is expected that majority of the staffs will be hired through recruitment agents in Saipan or through referrals and the remuneration for the employees will be determined based on their performance, experience and the prevailing market salaries. For the remaining phases of the Development Plan, as the plan, scope, sources of funding remain uncertain, the opening times of the remaining phases of the Development Plan cannot be anticipated and will subject to future negotiations with all parties involved. It is advised that the required time for the construction each phases of the Development Plan is estimated to be around 26 months. The Company will, depend on the trend of the tourism development of the Saipan Island in the future, draw out the forthcoming construction proposal of the second, third and fourth phases of the Development Plan and therefore, as at the Latest Practicable Date, the Company has no concrete planning on the second, third and fourth phases of the Development Plan.

As disclosed in the Board's Letter, on 27 September 2016, the Company has entered into a letter of intent with Imperial Pacific, the developer of the casino in Saipan Island, that upon the completion of the 1st phrase of the Development Plan, Imperial Pacific intends to lease 40 rooms of the resort under the 1st phrase of the Development Plan on a contractual basis with a term of 5 years upon completion of the resort ("**Imperial Pacific Leasing**") for the purpose of accommodating the Imperial Pacific casino's visitors and senior management. Pursuant to the letter of intent (i) the room rate for Imperial Pacific Leasing shall not exceed 70% of the room rate offers to public; (ii) Imperial Pacific shall settle the annual leasing amount of the Imperial Pacific Leasing at the beginning of each year; (iii) the room rate under the Imperial Pacific Leasing shall be reviewed annually; and (iv) Imperial Pacific shall be responsible for the settlement of the tax rate under the Imperial Pacific Leasing. However, as at the Latest Practicable Date, no formal agreements have been entered into in respect of the Imperial Pacific Leasing. The Company will make further announcements in respect of the Imperial Pacific Leasing as and when appropriate in compliance with the Listing Rules. As at the Latest Practicable Date, Imperial Pacific is not interested in any Shares or other convertible securities in the Company.

For the 1st phase of the Development Plan, the Board has entered into a letter of intent with Imperial Pacific in respect of the Imperial Pacific Leasing and the Board is of the view that the success of the Imperial Pacific Leasing allows the Company to secure a considerable amount of revenue for a term of 5 years and significantly negates the uncertainty of the hospitality seasonal impact in general. Imperial Pacific intends to lease for 40 rooms, representing approximately 50% of the total rooms of the condominium resort with a term of 5 years upon completion of resort, with such an intention to cooperate, it is a positive sign that the Imperial Pacific Leasing will provide a secure and stable source of visitors to the Group. Besides, the Imperial Pacific Leasing allows the Group to enjoy synergy effect with the Group's newly established casino in 2017. Given the purpose of that the Imperial Pacific Leasing is accomodating the Imperial Pacific casino's visitors and senior management and their visitors staying in the Group's resort will be the target customers of the Group's newly established casino too. The Board anticipates that if the Imperial Pacific Leasing proceed, the remaining 40 rooms of the resort will be operated under typical hotel operations which being leased to public. The Board is of the view that the world class water activities, unique golfing experience and the new established casino on the island can secure regular visitors to the Saipan Island. Therefore, we consider that the Imperial Pacific Leasing is in the interest of the Group and the Shareholders as a whole.

The condominium resort under the first phase of the Development Plan will feature a pitch and putt practice golfing facilities, an electronic indoor golf simulator, a golf-pro shop, a health and wellness spa, bars and restaurants, conference facility and a swimming pool which situate close proximities to the golf courses on the island. As stated in the Board's Letter, the 1st phase of the Development Plan allows the Group to enjoy synergy effect with the existing business of the Group. Given the fact that the Group's principal business activity is golf-products related and has gained certain reputation within the golf industry, the Board is of the view that being benefited from the completion of the Saipan Acquisition, the Group has been equipped with the negotiation ability to approach the golf courses in Saipan for collaboration including but not limited to (i) sponsor of international golf competition alongside with the Group's existing customers (who are first tier golf name brands) to promote their own brands; and (ii) the promotion of golf experience and tourism industry of Saipan on an international basis as the Group's existing customers span across the globe, which represents a means for the Group to source guests to the resorts of the Group in future. As at the Latest Practicable Date, the Board has yet approached the golf courses in Saipan for collaboration purposes. Further details of the Imperial Pacific Leasing are set out in the announcement of the Company date 27 September 2016.

As set out in the Annual Report 2015 and the Interim Report 2016, the golf equipment business of the Company has been slowing down, the Board has been exploring appropriate business opportunities to expand the revenue sources and enhancing the long-term growth potential of the Group. We believe that the Saipan Acquisition and the Development Plan are fulfilling the purpose of both expanding the revenue sources and facilitating the Group's principal business of golf equipment with synergy effect. Besides, since the Group has entered into a letter of intent with Imperial Pacific, the Imperial Pacific Leasing will provide a secure and stable consideration amount of visitors for the Group. Therefore, we consider that the Subscriptions and the use of the proceeds for the first phase of the Development Plan are in the interest of the Group and the Shareholders as a whole.

6. Settlement of the Promissory Notes

As set out in the Board's Letter, the principal amount of HK$235,700,000 of the Promissory Notes were issued by the Group in May 2016 as the consideration paid by the Group for the Saipan Acquisition are unsecured and at an interest rate of 12% per annum and the maturity date is the 2nd anniversary of the issuance date (i.e. May 2018). It is estimated by the Board that the aggregate interests of the Promissory Notes until the maturity date will be approximately HK$56.6 million. The majority proceeds raised from Mr. Huang from the Subscriptions can help the Group to reduce such interest and to improve the financial position of the Group. In addition, the Board is of the view that the early settlement of the Promissory Notes will enable the Company to enter into other debt financing arrangements with more favourable terms. As disclosed in the April Circular, there are four phases of the Development Plan and as at the Latest Practicable Date, the actual design and plan for the second to fourth phases of the Development Plan are uncertain. In order to make sure the Group has the financial capability to drive the remaining phases of the Development Plan forward in the future.

The settlement in full of such Promissory Notes with part of the net proceeds from the Subscriptions will help the Group to save the payment of the 12% annual interest on HK$235,700,000, which equivalents to HK$28,284,000 annually. This will relieve the financial burden of the Group particularly when the Group has reported a net loss of approximately HK$91.0 million, a net operating cash flow used in operating activities of approximately HK$51.8 million, and bank balances and cash of approximately HK$17.1 million as at 31 December 2015. Moreover, the reduction in the indebtedness as a result of such settlement will enhance the financial position via improving the cash position, net assets value and gearing ratio of the Group. As such, we consider that the application of part of the proceeds from the Subscriptions for the full settlement of the Promissory Notes is in the interest of the Group and the Shareholders as a whole.

7. Valuation of the Properties

We have reviewed the Valuation Report as contained in Appendix IIA to the Circular and interviewed with the Valuer regarding the methodology adopted and the basis and assumptions used in arriving at the Saipan Properties Valuation. According to the Valuer, they are following the "HKIS Valuation Standards (2012 Edition)" published by "The Hong Kong Institute of Surveyors" ("**HKIS**") and "RICS Valuation – Professional Standards (January 2014)" published by the "Royal Institution of Chartered Surveyors" ("**RICS**") for the valuation on the Properties as market practice. The valuation is based on market approach to provide an indication of value by comparing the subject asset with identical or similar assets for which price information is available. Valuer chose market approach for valuation because the Properties are lands, only market approach is applicable for land valuation. Valuer have assessed the Properties by comparison method of valuation whereby comparisons based on actual sales transactions of comparable properties in the locality on a unit selling price basis have been made. As advised by the Valuer, the actual sales transactions of comparable properties information from Saipan government can only be obtained through local licensed real estate appraiser in Saipan. LBT Appraisal (the "**LBT**") is one of the two licensed real estate appraiser in Saipan. Therefore, the Valuer obtained the transaction information by the assistant of LBT and got eight in total for the transactions comparables for the valuation of the Properties. The Valuer went to the Properties and all of the eight comparables to do the on-site inspection with LBT. After on-site inspection, valuer adjusted the price of each of the comparables by comparing them to the Properties subject to various factors, e.g. location, view, slope and accessibility by their own judgement. After that, Valuer used the average of the adjusted price of the comparables to be the valuation market price of the Properties. According to the Asset Valuation Report, the appraised value of the Properties is approximately US$31.0 million as at 31 July 2016, representing no change to the market values of the Properties as at 31 December 2015 and 31 January 2016 which were both approximately US$31.0 million as included in the April Circular. According to the exchange rate of US$:HK$ 1:7.76 as at the Latest Practicable Date *(Note)*, the market value of the Properties is approximately HK$240.6 million, representing a slight premium of approximately 2.08% over the Properties consideration of HK$235.7 million.

(Note: exchange rate was quoted from Bloomberg at www.bloomberg.com)

We have reviewed and enquired into (i) the terms of engagement of the Valuer with the Company; (ii) the Valuer's qualification and experience in relation to the performance of the Valuation; and (iii) the steps taken by the Valuer when conducting the Valuation. From the mandate letter and other relevant information provided by the Valuer and based on our enquiry with the Valuer, the Valuer was established in London, England in 1842 and was the founder of the Association of Surveyors, which became the Royal Institution of Chartered Surveyors in 1868. The valuer has more than 30 years' experience in Asia Pacific. The valuation of the Properties is the first time for the Valuer to conduct valuation in Saipan. We noted that the Valuer possess sufficient qualifications and experience in transactions for listed companies in Hong Kong. We have reviewed the terms of the engagement of the Valuation and noted that the scope of work is appropriate to the opinion required to be given. We are not aware of any limitation on the scope of work which might have an adverse impact on the degree of assurance given by the Valuer. Therefore, on such basis, we are satisfied with the terms of engagement of the Valuer as well as their qualification and experience for performing the Valuation, and we are of the view that the scope of work of the Valuer is appropriate.

After reviewing the Valuation Report and discussion with the Valuer, we are not aware of any major factors which would cause us to doubt the fairness and reasonableness of the principal basis and assumptions for the valuation adopted by the Valuer in the Valuation Report of the Group's Saipan Properties. Since the valuation of the Properties are in line with the consideration of the Saipan Acquisition, therefore we consider the consideration of the Saipan Acquisition is fair and reasonable.

8. Management Expertise

The Board believes that the Company has sufficient management expertise and qualified personnel at operational level to operate and develop the 1st phase of the Development Plan. Upon Subscription Completion, Mr. Huang will become the controlling Shareholder and an executive Director. It is understood that Mr. Huang is an experienced business entrepreneur and a professional investor, the Board strongly believed that Mr. Huang can contribute his prevailing business network to the Company. It is also believed that Mr. Huang's experience can contribute to the Development Plan. Details please refer to section headed "Information of the Subscriber" in below. Mr. Huang is a well-respected investor/entrepreneur who has precedent experience relating to hospitality projects. The Board strongly believed that Mr. Huang can contribute his prevailing business network to the Company and utilize his reputation to improve the status of the Company. In addition, Mr. Wong Hin Shek, who also possesses experience in hotel-related operations, will be re-designed as the non-executive Director upon Subscription Completion. In this case, we believe the solid experience of resort management from both Mr. Wong Hin Shek and Mr. Huang will benefit the Company.

9. Conclusion

Given that (i) the intention of the Subscription and the use of proceeds is for the Group to expand the Group's revenue sources and to enhance long-term growth of the Group; (ii) the Group's insufficient financial resources; (iii) the positive tourism prospects of Saipan; (iv) the Development Plan will enjoy synergy effect with the Group's existing business; (v) the Group's financial position will be strengthened by settlement of the Promissory Note with 12% interest annually; and (vi) Mr. Huang's solid experience contribution, we are in the view that the first phase of the Development Plan represents an opportunity for the Group to expand its business portfolio into an unique market, comprising the hospitality sector and golf theme, therefore it is in the interest of the Group and the Shareholders as the whole.

Independent Shareholders should pay attention to the risk related to the Development Plan which are set out in the section headed "Risk Factors Associated with The Saipan Acquisition" in the Board's Letter.

E. Information of the Subscriber

The Subscriber is an investment holding company incorporated in the British Virgin Islands. Mr. Huang is the sole ultimate beneficial shareholder and sole director of the Subscriber, indirectly holding 100% of the issued share capital of the Subscriber through his wholly-owned company, Prominent Victory Limited. The Subscriber, Prominent Victory Limited and Mr. Huang are Independent Third Parties. Immediately preceding Subscription Completion, none of the Subscriber, Prominent Victory Limited or Mr. Huang owns any Shares.

Mr. Huang is an experienced business entrepreneur and a professional investor who has invested in other Hong Kong listed companies. As at the Latest Practicable Date, Mr. Huang is interested in (i) through his wholly-owned company, Gold Ocean Media Inc., approximately 6.63% of the issued share capital of Alibaba Pictures Group Limited (Stock Code: 1060); (ii) through his wholly-owned company, Gold Ocean Investments Group Inc., 26.79% of the issued share capital of Jade Passion Limited, which in turn is interested in approximately 55.97% of the issued share capital of Reorient Group Limited (Stock Code: 376); and (iii) 20.59% of the issued share capital of Jin Bao Bao Holdings Limited (Stock Code: 1239). Alibaba Pictures Group Limited, Reorient Group Limited and Jin Bao Bao Holdings Limited are companies listed on the Main Board of the Stock Exchange. Mr. Huang is the chairman of Damo Gold Ocean Group Limited (大漠金海集團有限公司), the chairman of Mongolian Desert Resources LLC. (蒙古大漠資源有限責任公司) and the chairman of Grand Asia Pacific Investment Holding Pte. Ltd. (新亞太投資控股公司). The business segments for these listed companies include film and television drama series production and distribution, securities brokerage business and design, manufacture and sale of packaging products and structural components.

Mr. Huang noticed from the public disclosure of the Company that the Company may need funding for the Saipan Acquisition. Hence, Mr. Huang approached the Company and communicated his interest in subscribing for new shares in the Company. Mr. Huang has extensive experience in developing and operating hotel resorts. In 2005, Mr. Huang founded Pattra Resort Guangzhou (廣州增城金葉子溫泉度假酒店), which commenced business in 2007. Mr. Huang was engaged in the construction and operation of Pattra Resort Guangzhou from 2005 until his disposal of the hotel in 2010. The Board believes that Mr Huang is able to contribute his extensive commercial network to promote and support the Group's Saipan resort and share his expertise in respect of hostility construction and management to the Group.

Mr. Huang, being the ultimate shareholder of the Subscriber, and the Company started the preliminary discussion in relation to the Subscriptions in early June 2016, which is after the completion of the Saipan Acquisition. In addition, Mr. Huang is independent of and not party acting in concert with Top Force and its ultimate beneficial owner.

F. Future intentions of the Subscriber regarding the Group

Upon Subscription Completion, the Subscriber will become the controlling Shareholder (as defined under the Listing Rules) and the largest Shareholder of the Company. The Subscriber intends to continue the principal businesses of the Group and maintain the listing status of the Company on the Stock Exchange following Subscription Completion. Meanwhile, the Subscriber will conduct a review on the business operations and financial position of the Group for the purpose of formulating business plans and strategies for the future business developments of the Group, 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. Subject to the results of the review and should suitable investments or business opportunities arise, the Subscriber may consider expanding the business of the Group with the objectives to broaden its income sources and to achieve accretion in the return to the Shareholders. However, the Subscriber has not entered into any agreements or fixed any terms with the Group as at the Latest Practicable Date in relation to any possible expansion or restructuring of the Group's businesses.

As at the Latest Practicable Date, the Company has not identified any investment opportunities and the Company intends to carry on and has no plan to downsize the Group's existing businesses.

The Subscriber has no intention to make major changes to the continued employment of the employees of the Group. The Subscriber does not intend to introduce any major changes to the business of the Group or re-deploy or dispose of the assets or business of the Group after Subscription Completion other than in its ordinary and usual course of business. The Subscriber and the Company will comply with the relevant requirements under the Listing Rules and the Takeovers Code in the event any possible expansion or restructuring of the Group's business operations materialises after Subscription Completion.

G. The Subscription Agreement

I. Principal terms of the Shares Subscription

The Subscription Price and the Conversion Price, each being HK$0.114, represent:

a. a discount/premium of approximately 44.12% to the closing price of HK$0.204 per Share as quoted on the Stock Exchange as at the Latest Practicable Date;

b. a discount of approximately 63.23% to the closing price of HK$0.310 per Share as quoted on the Stock Exchange on 8 July 2016, being the Last Trading Day;

c. a discount of approximately 59.86% to the average of the closing price per Share of approximately HK$0.284 for the last five trading days as quoted on the Stock Exchange up to and including the Last Trading Day;

d. a discount of approximately 54.03% to the average of the closing price per Share of approximately HK$0.248 for the last ten trading days as quoted on the Stock Exchange up to and including the Last Trading Day;

e. a premium of approximately 54.05% over the audited consolidated net asset value attributable to owners of the Company of approximately HK$0.074 per Share as at 31 December 2015 (based on the number of issued Shares as at the Latest Practicable Date);

f. a premium of approximately 52.00% over the adjusted net asset value of the Company of approximately HK$0.075 per Share as at 31 December 2015 (assuming the Saipan Acquisition has been completed on 31 December 2015 and based on the number of issued Shares as at the Latest Practicable Date); and

g. a premium of approximately 128% over the unaudited consolidated net asset value attributable to owners of the Company of approximately HK$0.05 per Share as at 30 June 2016 (based on the number of issued Shares as at the Latest Practicable Date).

II. Principal terms of the Convertible Bonds

Aggregate principal amount:	HK$74,100,000
Maturity Date:	The fifth anniversary of the date of issue of the Convertible Bonds
Interest:	The Convertible Bonds will not bear any interest
Conversion right:	The bondholders will have the right, during the period commencing from the date of issue of the Convertible Bonds up to the close of business in Hong Kong on the Maturity Date to convert all or part of the Convertible Bonds held by it (if in part, the principal amount of Convertible Bonds to be converted shall be in the minimum amount of HK$100,000 and integral multiples of HK$100,000 or the whole outstanding principal amount of the Convertible Bonds) into Conversion Shares at the Conversion Price (subject to adjustments). No exercise of conversion rights attaching to the Convertible Bonds shall be allowed if the conversion would result in the Company breaching the minimum public float requirement under Rule 8.08 of the Listing Rules and such breach is not curable at the time of the conversion.

	The Conversion Shares will in all respects rank pari passu with the Shares in issue on the relevant registration date.
Conversion price:	The Conversion Price shall be HK$0.114 per Conversion Share subject to adjustment provisions as summarised below.
Anti-dilution adjustments:	The Conversion Price will from time to time be adjusted upon the occurrence of certain events, including the following:

(a) consolidation, sub-division or reclassification of the Shares;

(b) capitalisation of profits or reserves;

(c) capital distribution to the Shareholders;

(d) issue of Shares to all or substantially all Shareholders as a class by way of rights, or issue or grant to all or substantially all Shareholders as a class by way of rights, of options, warrants or other rights to subscribe for or purchase any Shares, in each case at a price per Share which is less than the higher of (i) 80% of the market price on the date of the announcement of the terms of the issue or grant and (ii) the Conversion Price then in effect on the date of the announcement of the terms of the issue or grant;

(e) issue of any securities (other than Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares) to all or substantially all Shareholders as a class by way of rights or grant to all or substantially all Shareholders as a class by way of rights, options, warrants or other rights to subscribe for, purchase or otherwise acquire any securities (other than Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares);

(f) issue (other than as mentioned in paragraph (d) above) of any Shares (other than Shares issued on the exercise of conversion rights or on the exercise of any other rights of conversion into, or exchange or subscription for, Shares) or issue or grant of (other than as mentioned in paragraph (d) above) options, warrants or other rights to subscribe for, or purchase or otherwise acquire any Shares, in each case at a price per Share which is less than the higher of (i) 80% of the market price on the date of the announcement of the terms of the issue and (ii) the Conversion Price then in effect on the date of the announcement of the terms of the issue;

(g) save in the case of an issue of securities arising from a conversion of exchange of other securities in accordance with the terms applicable to such securities themselves falling within this paragraph (g), the issue wholly for cash in paragraphs (d), (e) and (f) of any securities (other than the Convertible Bonds) which by their terms of issue carry rights of conversion into, or exchange or subscription at a consideration per Share which is less than the higher of (i) 80% of the market price on the date of the announcement of the terms of the issue of such securities and (ii) the Conversion Price in effect on the date of the announcement of the terms of the issue of such securities;

(h) when the rights of conversion, exchange or subscription attached to any such securities as are mentioned in paragraph (g) above (other than in accordance with the terms of such securities) are modified so that the consideration per Share is less than the higher of (i) 80% of the market price on the date of the announcement of the proposals for such modification and (ii) the Conversion Price then in effect on the date of the announcement of the proposals for such modification;

(i) if the Company or any bondholder determines that a downward adjustment should be made to the Conversion Price as a result of one (1) or more events or circumstances not referred to in paragraphs (a) to (h), the Company or such bondholder shall, at the costs and expenses of the Company, consult an independent bank of international repute (acting as an expert) to determine as soon as practicable what adjustment (if any) to the Conversion Price is fair and reasonable to take account thereof, and the date on which such adjustment should take effect.

Save as disclosed above, there are no other events which may lead to adjustments to the Conversion Price.

Transferability: A Convertible Bond may be transferred to another person provided, however, that (a) where not all of the Convertible Bonds then held by the bondholder are being transferred, the aggregate principal amount of the Convertible Bonds so transferred shall be at least HK$100,000 and integral multiples of HK$100,000, and (b) if the transfer is not to a bank, financial institution or other financiers for financing purpose of the bondholder, the prior consent of the Company shall have been obtained (such consent not to be unreasonably withheld or delayed and shall be deemed to have been given unless the Company has expressly refused such consent within five (5) Business Days of the bondholder's request).

Events of default: If any of the following events occurs, the Convertible Bonds shall on the giving of notice in writing by the bondholder to the Company become due and payable at the Early Redemption Amount (as defined hereinafter):

(a) a default is made by the Company in the payment of any principal, premium or any other amount due in respect of the Convertible Bonds on its due date of payment (except where failure to pay is caused solely by administrative or technical error and payment is made within three (3) Business Days of its due date);

(b) failure by the Company to deliver any Shares as and when such Shares are required to be delivered following conversion of a Convertible Bond and such failure continues for a period of seven (7) Business Days;

(c) the occurrence of any event or circumstance which could reasonably likely to result in a material adverse effect to the business, operations, business results or financial condition or prospects of the Group taken as a whole;

(d) the Company fails to perform or comply with one or more of its other obligations in the Convertible Bonds (other than those referred to in paragraphs (a) to (c) above), which default is incapable of remedy or, if capable of remedy, is not remedied within 7 days after written notice of such default shall have been given to the Company by a bondholder;

(e) the Company is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend, payment of all or a substantial part of (or of a particular type of) its debts as they fall due, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all of (or all of a particular type of) its debts (or of a substantial part which it will or might otherwise be unable to pay when due), proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of such debts or a moratorium is agreed or declared in respect of or affecting all or a substantial part of (or of a particular type of) the debts of the Company; an administrator or liquidator of the Company, or the whole or any part of the assets and revenue of the Company is appointed and such appointment is not discharged or stayed within 60 days;

(f) any Subsidiary is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend, payment of all or a substantial part of (or of a particular type of) its debts as they fall due, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all of (or all of a particular type of) its debts (or of a substantial part which it will or might otherwise be unable to pay when due), proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of such debts or a moratorium is agreed or declared in respect of or affecting all or a substantial part of (or of a particular type of) the debts of any Subsidiary; an administrator or liquidator of any Subsidiary or the whole or any part of the assets and revenue of any Subsidiary is appointed and such appointment is not discharged or stayed within 60 days (other than in respect of a solvent liquidation);

(g) any judgment or order for the payment of money in excess of HK$1,000,000 or the equivalent thereof (for each judgment or order) or HK$10,000,000 or the equivalent thereof in the aggregate (for all such judgments or orders) shall be rendered against the Company and/or any Subsidiary and is not discharged for a period of 30 days following such judgment(or such longer period as the Company and the bondholders may agree) during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect;

(h) any judgment or order for the payment of money in excess of HK$10,000,000 or the equivalent thereof (for each judgment or order) or HK$20,000,000 or the equivalent thereof in the aggregate (for all such judgments or orders) shall be rendered against the Company and/or any Subsidiary;

(i) (i) any other present or future indebtedness of the Company or any of its Subsidiaries for or in respect of monies borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described); or (ii) any such indebtedness is not paid when due or, as the case may be, within any applicable grace period; or (iii) the Company or any of its Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised, provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this condition have occurred equals or exceeds HK$100,000,000 or its equivalent (as determined on the basis of the middle spot rate for the relevant currency against the Hong Kong dollar as quoted by any leading bank on the day on which such indebtedness becomes due and payable or is not paid or any such amount becomes due and payable or is not paid under any such guarantee or indemnity);

(j) a distress, attachment, execution, seizure before judgment or other legal process is levied, enforced or sued out on or against any material part of the property, assets or revenues of the Company or any of its Subsidiaries, and is not discharged or stayed within 60 days;

(k) an order is made or an effective resolution passed for the liquidation, winding up, dissolution, judicial management or administration of the Company or any of its Subsidiaries or the Company or any of its Subsidiaries ceases or threatens to cease to carry on all or a material part of its business;

(l) an encumbrancer takes possession or an administrative or other receiver or an administrator or other similar officer is appointed of the whole or any material part of the property, assets or revenues of the Company or any of its Subsidiaries (as the case may be), and is not discharged within 60 days;

(m) it is or will become unlawful for the Company to perform or comply with anyone or more of its obligations under the Convertible Bonds;

(n) any step is taken by any person that could reasonably be expected to result in the seizure, compulsory acquisition, expropriation or nationalisation of all or a material part of the assets of the Company or any of its Subsidiaries;

(o) any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order: (i) to enable the Company lawfully to enter into, exercise its rights and perform and comply with its obligations under the Convertible Bonds; (ii) to ensure that these obligations are legally binding and enforceable; and (iii) to make the Convertible Bonds admissible in evidence in the courts of Bermuda or Hong Kong is not taken, fulfilled or done; or

(p) any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing conditions.

Early Redemption Amount = outstanding principal amount of such Convertible Bond × (1.10)N where:

N = a fraction the numerator of which is the number of calendar days between the date of issue of the Convertible Bonds and the date of redemption of such amount and the denominator of which is 365.

III. Board's view on the Subscription Price and Conversion Price

The Subscription Price and the Conversion Price were arrived at after arm's length negotiation between the Company and the Subscriber with reference to:

(i) the recent closing prices of the Shares on the Stock Exchange. The closing price of the Shares closed within a wide range from HK$0.133 to HK$ 0.37 and with an average closing price of approximately HK$0.21 for the 12 months before entering into the Subscription Agreement and had particularly demonstrated huge fluctuations prior to the Last Trading Day. Despite that the Subscription Price represents a discount of approximately 46.72% to the 12 months average closing price of the Shares, given the fact that there is a huge instability of the closing price of the Shares and the recent volatility of the stock market, the Company and the Subscriber has taken into account of these factors and has arrived the Subscription Price;

(ii) the audited consolidated net asset value of the Company as at 31 December 2015. As noted from the Annual Report 2015, the consolidated net asset value of the Company as at 31 December 2015 has decreased to approximately HK$175,356,000 as compared to approximately HK$313,285,000 as at 31 December 2014. The Subscription Price and the Conversion Price represent a significant premium of approximately 54.05% over the audited consolidated net asset value attributable to owners of the Company as at 31 December 2015;

(iii) the adjusted net asset value of the Company as at 31 December 2015 (assuming the Saipan Acquisition has been completed on 31 December 2015). As reference to the April Circular in relation to the Saipan Acquisition and assuming the Saipan Acquisition was completed on 31 December 2015, the adjusted net asset value of the Company as at 31 December 2015 would be HK$0.075, where the Subscription Price and the Conversion Price represent a significant premium over it; and

(iv) given the business background and experience of Mr. Huang, the Board strongly believes that upon Mr. Huang becoming a controlling shareholder, Mr. Huang can contribute his prevailing business network to the Company and utilize his reputation to improve the status of the Company. Therefore, despite the Subscription Price and Conversion Price represent a discount to the current market price of the Shares, the Company is able to attract a promising investor who can enhance the long term business perspective of the Company, which is favourable to the Company and Shareholders as a whole.

Upon considering the above factors, in particular the fact that the Subscription Price and Conversion Price represent premium to the audited and adjusted net asset value of the Company as at 31 December 2015 and the potential benefits that could be brought by the Subscriber, the Board considers that the discount level of the Subscription Price and Conversion Price to the market price of the Shares is acceptable and are fair and reasonable to the Shareholders and Company as a whole.

G. Review on Share price performance

In assessing the reasonableness of the Subscription Price and the Conversion Price, we have reviewed the closing price level of the Shares traded on the Stock Exchange for the period from 2 July 2015 up to and including the Latest Practicable Date (the "**Review Period**"). The chart below illustrates the daily closing price per Share during the Review Period:

Data source: Website of the Stock Exchange (www.hkex.com.hk)

Note: Trading of the Shares was suspended from the periods of 2 July 2015 to 10 July 2015 and 11 July 2016 to 13 July 2016.

As shown in the above chart, the Share price is experiencing a downward trend over the Review Period. The lowest closing price was HK$0.133 per share on 21 January 2016 and the highest closing price was HK$0.37 per Share on 22 July 2015. The Subscription Price and the Conversion Price are lower than the highest closing price of the Shares and the lowest closing price of the Shares during the Review Period, representing a discount of approximately 69.19% and 14.29% respectively.

We note that there was a dramatic increase in the closing price from HK$0.255 on 4 July 2016 to HK$0.31 on 8 July 2016, followed by a trading halt on 11 July 2016 pending the release of an announcement of the Company. The closing price on the Last Trading Date immediately prior to the announcement reached the highest level since 27 July 2015, leading to the deep discount of approximately 63.23%. The Subscription Price and the Conversion Price represent a discount of approximately 46.34% to the average closing price of HK$0.212 during the Review Period.

H. Trading volume of the Shares

The table set out below is the historical trading volume of the Shares during the Review Period.

Month	**Number of trading days**	**Total monthly trading volume (in number of shares)**	**Approximate average daily trading volume (in number of shares)**	**Total number of issued Shares at month end**	**Average daily trading volume to total number of issued Shares at month end**
			(Note 1)	*(in number of shares)*	*(Approximate %)*
2015					
July *(Note 2)*	15	223,343,702	14,889,580	468,050,000	3.18%
August	21	83,308,002	3,967,048	468,050,000	0.85%
September	20	94,812,000	4,740,600	468,050,000	1.01%
October	20	21,660,000	1,083,000	468,050,000	0.23%
November	21	208,491,000	9,928,143	468,050,000	2.12%
December	22	89,301,380	4,059,154	468,050,000	0.87%
2016					
January	20	151,743,000	7,587,150	2,340,250,000	0.32%
February	18	95,530,000	5,307,222	2,340,250,000	0.23%
March	21	85,360,520	4,064,787	2,340,250,000	0.17%
April	20	36,850,000	1,842,500	2,340,250,000	0.08%
May	21	19,890,000	947,143	2,340,250,000	0.04%
June	21	234,670,000	11,174,762	2,340,250,000	0.48%
July *(Note 3)*	17	856,896,000	50,405,647	2,340,250,000	2.15%
August	22	234,982,000	10,681,000	2,340,250,000	0.46%
September (up to the Latest Practicable Date)	19	92,332,600	4,859,611	2,340,250,000	0.21%

Notes:

1. Average daily trading volume is calculated by dividing the total trading volume for the month by the number of trading days during the month/period, excluding any trading days on which trading of the Shares on the Stock Exchange was suspended for the whole trading day.

2. Trading in the Shares was suspended from 2 July 2015 to 10 July 2015 (both days inclusive) pending the release of the announcement in relation to the Surplus Excel and the Company entering into the Subscription Agreement.

3. Trading in the Shares was suspended from 11 July 2016 to 13 July 2016 (both days inclusive) pending the release of the Announcement.

During the Review Period, the average daily trading volume of the Shares were in the range of approximately 0.04% to approximately 3.18% as to the total number of issued Shares at the end of each respective month throughout the Review Period. Apart from July, September, November 2015 and July 2016, a daily average of less than 1.0% of the total number of issued Shares was traded. The above statistics revealed the liquidity of the Shares was relatively low during the Review Period.

I. Comparison of the Subscription Price

In considering whether the discounts of the Subscription Price is acceptable, we have considered whitewash waiver applications as a result of issuing of consideration shares or subscription of new shares (to be listed on the Stock Exchange) announced during the period from 1 July 2015 to the date immediately prior to the Latest Practicable Date (the "**Comparable Issues**") by companies listed on the Stock Exchange. The criteria for selecting the Comparable Issues involve (a) subscription of new shares of listed companies by subscribers with cash (where the shares were to be listed on the Stock Exchange) and the application of whitewash waivers by the subscribers; (b) issue of new shares involving a change in control of the ultimate beneficial owners of the listed companies; and (c) listed companies that incurred net loss in their respective latest annual reports. The reason for the above criteria is to ensure the Comparable Issues are similar transactions as that of the Share Subscription and the companies involved in the Comparable Issues have similar financial performance as that of the Company, which was loss making. To adjust for the dissimilarities among the Comparable Issues or anomalous items, we have excluded subscriptions (a) announced by listed companies which, as at the date of announcement and/or currently, were/are under prolonged suspension i.e. listed companies being suspended for three months or more as shown in the monthly prolonged suspension status report issued by the Stock Exchange; and (b) transactions involving open offers or rights issues, where different pricing considerations apply. Therefore, we consider the Comparable Issues (i) a fair and representative sample and (ii) an exhaustive list of relevant Comparable Issues based on the said criteria above.

It should be noted that the subject companies involved the Comparable Issues may have different nature of business operations, market capitalisations, fund raising sizes, financial performance and financial position as compared with those of the Company. The circumstances leading to the subject companies to proceed with the subscriptions may also be different from those relating to the Company. However, as the Comparable Issues fulfilling the above criteria can provide a general reference as to the fairness and reasonableness of the Subscription Price of this type of transaction in the market.

For each of the Comparable Issues identified, we compared the premium or discount of its issue/subscription price to (a) the closing price on the last trading day; (b) the five trading days average closing price; and (c) the ten trading days average closing price prior to and including the last trading day before the release of the respective announcement, as summarised in the following table.

		Premium/(discount) of Subscription/issue price over/(to)		
Date of announcement	**Company name**	**Closing share price as at the last day of trading immediately prior to the announcement** % *(approximate)*	**Average closing share price for the 5 trading days immediately prior to the announcement** % *(approximate)*	**Average closing share price for the 10 trading days immediately prior to the announcement** % *(approximate)*
28 July 2015	Yueshou Environmental Holdings Limited (stock code: 1191)	(80.4)	(79.2)	(79.7)
31 July 2015	HengTen Networks Group Limited (formerly known as "**Mascotte Holdings Limited**") (stock code: 136)	(97.9)	(97.6)	(97.5)
27 August 2015	China Minsheng Financial Holding Corporation Limited (formerly known as "**China Seven Star Holdings Limited**") (stock code: 245)	(89.9)	(87.7)	(86.6)
30 August 2015	Global Bio-Chem Technology Group Company Limited (stock code: 809)	(31.3)	(25.1)	(29.9)
12 October 2015	SRE Group Limited (stock code: 1207)	(74.4)	(73.3)	(73.5)

Date of announcement	Company name	Premium/(discount) of Subscription/issue price over/(to) Closing share price as at the last day of trading immediately prior to the announcement % *(approximate)*	Average closing share price for the 5 trading days immediately prior to the announcement % *(approximate)*	Average closing share price for the 10 trading days immediately prior to the announcement % *(approximate)*
10 December 2015	China Jiuhao Health Industry Corporation Limited (stock code: 419)	(90.9)	(91.6)	(91.6)
15 December 2015	Huscoke Resources Holdings Limited (stock code: 704)	(63.0)	(63.4)	(64.0)
16 December 2015	FDG Electric Vehicles Limited (stock code: 729)	0.0	(3.9)	(5.0)
29 February 2016	Hang Fat Ginseng Holdings Company Limited (stock code: 911)	(85.1)	(84.3)	(92.3)
4 March 2016	AGTech Holdings Limited (stock code: 8279)	(82.5)	(82.1)	(81.9)
17 May 2016	New Times Energy Corporation Limited (stock code: 166)	(3.1)	(0.9)	(3.4)
	Mean	(63.5)	(62.6)	(64.1)
	Median	(80.4)	(79.2)	(79.7)
	Minimum discount	0	(0.9)	(3.4)
	Maximum discount	(97.9)	(97.6)	(97.5)
13 July 2016	**The Company**	(63.2)	(59.9)	(54.0)

Source: relevant announcements or circular of the companies for the Comparable Issues

Notes:

1. China Agri-products Exchange Limited (stock code: 149) published an announcement in relation to, among other things, termination of the subscription agreement and the placing agreement on 5 October 2015. Therefore, this transaction was excluded in our analysis of the Comparable Issues.

2. Theme International Holdings Limited (stock code: 990) published an announcement in relation to, among other things, termination of the subscription agreement and application of whitewash waiver on 3 November 2015. Therefore, this transaction was excluded in our analysis of the Comparable Issues.

3. Yuhua Energy Holdings Ltd (stock code: 2728) published an announcement on 3 February 2016 in relation to, among other things, lapse of the subscription agreement. As such, this transaction was excluded in our analysis of the Comparable Issues.

4. Talent Property Group Limited ("**Talent Property**") (stock code: 760) published an announcement on 11 January 2016 in relation to, among other things, amendment of the terms of the convertible notes issued in 2010 and the application for the whitewash waiver in respect of the potential conversion of the convertible notes that would trigger a mandatory offer obligation under the Takeovers Code. Since the transaction and the terms of the convertible notes were determined in 2010 without revision in 2016 (which falls outside the period under the criteria of our analysis as set out above), this transaction has been excluded in our analysis.

5. Addchance Holdings Limited (stock code: 3344) published an announcement on 30 June 2016 in relation to, among other things, lapse of the subscription agreement and the whitewash waiver. As such, this transaction was excluded in our analysis of the Comparable Issues.

It is noted that, among the 11 Comparables Issues above, the discount rates of the respective subscription as compared to the closing prices on the last trading days prior to the respective announcements vary widely and range from a minimum discount of approximately 0% to maximum discount of approximately 97.9%. While 8 of them are at the discount rate over 50%. As such, in order not to distort the picture for the recent market practice in relation to the discount rate of the subscription prices, none of the Comparable Issues is excluded for assessing the fairness and reasonableness of the Subscription Price.

The Subscription Price represents (i) a discount of approximately 63.2% to the closing Share price on the Last Trading Day; (ii) a discount of approximately 59.9% to the closing Share price for the last five trading days prior to the release of the Announcement; and (iii) a discount of approximately 54.0% to the closing Share price on the last ten trading days prior to the release of the Announcement. As set out in the table above, these discounts are all within the range and lower than the mean and the median of the discounts of the Comparable Issues.

While assessing whether the Subscription Price and Conversion Price are fair and reasonable or not, the approach of Price-to-earnings ratio ("**P/E Ratio**") and net asset value ("**NAV**") per share are common and normal practice to assess the fairness and reasonableness. Given that the Company is incurring a net loss, the approach of P/E Ratio cannot be applied to our case. As for NAV per share, it is a critical financial information reflecting financial status of the Company. As the majority of the proceeds from the Subscription of Shares and Convertible Bonds are used for the Development Plan, we take the effect of Saipan Acquisition into account of the NAV. The NAV is thus adjusted so as to reflect the effect of Saipan Acquisition on the Company's financial status. Referring to "Unaudited pro forma financial information of the enlarged Group" as set out in appendix III of the April Circular, the adjusted NAV (after taking into account the Saipan Acquisition) is the same as the NAV of HK$175,356,000 as of 31 December 2015. The number of Shares is 2,340,250,000 as of Latest Practicable Date. Therefore, dividing the adjusted NAV by the number of issued Shares, the adjusted NAV per Share is HK$0.075. While the Subscription Price is HK$0.114, indicating a premium of approximately 52.00% over the adjusted NAV of the Company.

Taking into account that (i) the price of the Shares showed a downward trend and the trading volume of the Shares was low during the Review Period; (ii) the discounts of the Subscription Price are all within the range and lower than the mean and the median of the relevant discounts of the Comparable Issues; and (iii) a premium of approximately 52.00% over the adjusted NAV of the Company of approximately HK$0.075 per Share as at 31 December 2015 (assuming the Saipan Acquisition has been completed on 31 December 2015 and based on the number of issued Shares as at the Latest Practicable Date), we consider that the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned.

J. Comparison of the terms of the Convertible Bonds

In assessing the terms of the Convertible Bonds, we have reviewed a number of comparable transactions which involved the issue of convertible notes/bonds (the "**CB Comparable Transactions**"). The CB Comparable Transactions are selected based on the following criteria: (i) the issuers are listed on the Stock Exchange; (ii) such transactions involve the issue of convertible bonds/notes from March 2016 and up to the Latest Practicable Date; and (iii) the issuer companies incurred net loss in their respective latest annual reports. The reasons for the above criteria are to ensure the CB Comparable Transactions are similar transactions as that of the CB Subscription, i.e. the issue of convertible bonds/notes, and the issuer of the CB Comparable Transactions have similar financial position as that of the Company, which was loss making. Based on such criteria, we have identified the following CB Comparable Transactions. The Comparables Transactions represent an exhaustive list of companies meeting the selection criteria listed above. No special adjustment is needed in the avoidance of distorting the picture for the recent market practice in relation to the discount/premium rate of the subscription/placing prices, none of the CB Comparable Transactions is excluded for assessing the fairness and reasonableness of the Conversion Price. Therefore, we consider the CB Comparable Transactions (i) a fair and representative sample and (ii) an exhaustive list of relevant convertible notes/bonds comparable transactions based on the said criteria above:

Announcement Date	Company name and stock code	Principal amount	Term to maturity	Interest per annum	Redemption price more than or equal to 100%	Approximate premium/ (discount) of conversion price over/to the closing price of the shares as at the respective last trading day	Approximate premium/ (discount) of conversion price over/to the average closing price for the last five trading days prior to and including the respective last trading day
		(approximately HK$'million)	*(years)*	*(%)* *(Note 1)*		(%)	(%)
2-Mar-16	Chinese Strategic Holdings Limited (8089) *(Note 3)*	500.0 *(Note 2)*	4.1	3.0	Y	(26.5)	(39.6)
4-Mar-16	AGTech Holdings Limited (8279)	712.6	3.0	0.0	Y	(82.5)	(82.1)

Announcement Date	Company name and stock code	Principal amount *(approximately HK$'million)*	Term to maturity *(years)*	Interest per annum *(%)* *(Note 1)*	Redemption price more than or equal to 100%	Approximate premium/ (discount) of conversion price over/to the closing price of the shares as at the respective last trading day *(%)*	Approximate premium/ (discount) of conversion price over/to the average closing price for the last five trading days prior to and including the respective last trading day *(%)*
16-Mar-16	SDM Group Holdings Limited (8363)	3.0	7.0	0.0	Y	10.3	27.6
16-Mar-16	Prosperity International Holdings (H.K.) Limited (803)	155.4	2.0	5.0	Y	16.9	18.6
18-Mar-16	China Fortune Financial Group Limited (290)	40.4	1.0	12.0	Y	(9.1)	(8.1)
18-Mar-16	Wealth Glory Holdings Limited (8269)	42.1	5.0	0.0	Y	12.3	8.0
28-Mar-16	Innovative Pharmaceutical Biotech Limited (399)	280.0	3.0	8.5	Not Disclose	(9.1)	(7.8)
4-Apr-16	China Finance Investment Holdings Limited (875)	2400.0	5.0	0.0	Y	0.0	1.2
4-Apr-16	Green International Holdings Limited (2700)	12.0	3.0	8.0	Y	28.2	28.2
13-Apr-16	Huscoke Resources Holdings Limited (704)	43.3	1.0	2.5	Not disclose	0.0	7.1
14-Apr-16	FDG Electric Vehicles Limited (729)	275.0	5.0	0.0	Not disclose	8.7	10.1
20-Apr-16	China Agroforestry Low-Carbon Holdings Limited (1069)	5.0	2.0	8.0	Not disclose	(19.1)	(15.3)

Announcement Date	Company name and stock code	Principal amount	Term to maturity	Interest per annum	Redemption price more than or equal to 100%	Approximate premium/ (discount) of conversion price over/to the closing price of the shares as at the respective last trading day	Approximate premium/ (discount) of conversion price over/to the average closing price for the last five trading days prior to and including the respective last trading day
		(approximately HK$'million)	*(years)*	*(%)* *(Note 1)*		*(%)*	*(%)*
21-Apr-16	China Oil Gangran Energy Group Holdings Limited (8132)	36.0 *(Note 2)*	1.5	7.0	Y	57.9	51.5 *(Note 3)*
22-Apr-16	Code Agriculture (Holdings) Limited (8153)	120.0	3.0	6.0	Y	(94.6)	(94.6) *(Note 3)*
3-May-16	E-Rental Car Company Limited (1822)	100.0	2.0	5.0	Y	16.7	14.0
		100.0	3.0	5.0	Y	16.7	14.0
5-May-16	China Fortune Investments (Holding) Limited (8116)	10.0	2.0	0.0	Y	1.6	2.2 *(Note 3)*
16-May-16	Evershine Group Holdings Limited (8022)	30.0	2.0	0.0	Y	6.4	5.3
19-May-16	Sino Oil and Gas Holdings Limited (702)	100.0	2.0	8.0	Y	18.3	17.6
		30.0	2.0	8.0	Y	18.3	17.6
		30.0	2.0	8.0	Y	18.3	17.6
26-May-16	China Ruifeng Renewable Energy Holdings Limited (527)	171.6 *(Note 2)*	1.5	8.0	Y	(5.8)	(5.8) *(Note 3)*
30-May-16	Hna International Investment Holdings Limited (521)	404.6	2.0	8.0	Y	(14.0)	(12.3)
31-May-16	Prosten Technology Holdings Limited (8026)	35.0	1.0	6.0	Y	(18.4)	(19.5)
31-May-16	Sino Oil and Gas Holdings Limited (702)	1010.1	3.0	8.0	Y	17.0	15.0

Announcement Date	Company name and stock code	Principal amount	Term to maturity	Interest per annum	Redemption price more than or equal to 100%	Approximate premium/ (discount) of conversion price over/to the closing price of the shares as at the respective last trading day	Approximate premium/ (discount) of conversion price over/to the average closing price for the last five trading days prior to and including the respective last trading day
		(approximately HK$'million)	*(years)*	*(%)* *(Note 1)*		*(%)*	*(%)*
1-Jun-16	Success Dragon International Holdings Limited (1182)	220.0 *(Note 2)*	3.0	9.8	Y	16.9	14.6 *(Note 3)*
20-Jun-16	China Fortune Investment (Holding) Limited (8116)	90.0	2.0	0.0	Y	2.9	6.4 *(Note 3)*
23-Jun-16	Sino Energy International Holdings Group Limited (1096)	92.0	2.0	7.5	Y	4.2	8.1 *(Note 3)*
24-Jun-16	Green International Holdings Limited (2700)	30.0	3.0	8.0	Y	37.0	33.9
26-Jun-16	Sandmartin Holdings International Limited (482)	60.0	1.0	9.0	Y	24.3	25.3
30-Jun-16	China Zenith Chemical Group Limited (362)	400.0	3.0	0.0	Y	53.8	57.5 *(Note 3)*
13-Jul-16	Eminence Enterprise Limited (616)	50.0	3.0	2.0	Y	1.4	0.5
21-Jul-16	Value Convergence Holdings Limited (821)	850 *(Note 2)*	2.0	2.0	Y	(49.6)	(49.8) *(Note 3)*
3-Aug-16	China Fortune Investments (Holding) Limited (8116)	25.0	1.0	0.0	Y	0.0	0.1 *(Note 3)*
5-Aug-16	China Household Holdings Limited (692)	90.0	3.0	3.0	Y	(9.1)	1.0 *(Note 3)*

Announcement Date	Company name and stock code	Principal amount *(approximately HK$'million)*	Term to maturity *(years)*	Interest per annum *(%)* *(Note 1)*	Redemption price more than or equal to 100%	Approximate premium/ (discount) of conversion price over/to the closing price of the shares as at the respective last trading day *(%)*	Approximate premium/ (discount) of conversion price over/to the average closing price for the last five trading days prior to and including the respective last trading day *(%)*
8-Aug-16	Ground Properties Company Limited (989)	160.0	2.0	8.0	Y	(18.0)	(17.1) *(Note 4)*
		40.0	2.0	8.0	Y	(18.0)	(17.1) *(Note 3)*
8-Aug-16	Walker Group Holdings Limited (1386)	150.0	3.0	10.5	Y	(10.0)	(6.0)
23-Aug-16	China Agri-Products Exchange Limited (149)	360 *(Note 2)*	5.0	7.5	Note Disclose	9.6	9.3
24-Aug-16	China Fortune Investments (Holding) Limited (8116)	35	1.0	0.0	Y	(1.3)	0.2 *(Note 3)*

Announcement Date	Company name and stock code	Principal amount *(approximately HK$'million)*	Term to maturity *(years)*	Interest per annum *(%)* *(Note 1)*	Redemption price more than or equal to 100%	Approximate premium/ (discount) of conversion price over/to the closing price of the shares as at the respective last trading day *(%)*	Approximate premium/ (discount) of conversion price over/to the average closing price for the last five trading days prior to and including the respective last trading day *(%)*
	Maximum		7	12		57.9	57.5
	Minimum		1	0		(94.6)	(94.6)
	Mean		2.6	5.0		(0.3)	1.0
	Median		2	6.0		2.3	5.9
13-Jul-16	The Company	74.1	5.0	0.0	Y	(63.23)	(59.86)

Notes:

1. The interest rate was extracted from respective announcements of the convertible bonds/notes and excluded any form of fee, commissions or reward tangible or contingent to convertible bonds/notes other than the interest rate.

2. Pursuant to the announcements, these were the best effort placing issues, the principal amounts were subject to the actual amount placed.

3. Pursuant to the announcements, the discounts were calculated based on the last five consecutive trading days immediately prior to the respective last trading day.

As set out in the table above, there are 36 CB Comparable Transactions. The Conversion Price represents (i) a discount of approximately 63.23% to the closing Share price on the Last Trading Day; and (ii) a discount of approximately 59.86% to the average closing price for the 5 trading days immediately prior to and including the Last Trading Day. These discounts are:

(1) within the range of the relevant discounts, although close to the high end of discount range, of the CB Comparable Transactions for the closing share price as at the last trading day immediately prior to the respective announcements of the CB Comparable Transactions, as well as the average closing share price for the 5 trading days for the respective CB Comparable Transactions; and

(2) less favourable than the mean and median of the range of discounts of the CB Comparable Transactions for the closing share price as at the last trading day immediately prior to the respective announcements of the CB Comparable Transactions, as well as the average closing share price for the 5 trading days for the respective CB Comparable Transactions.

(i) Interest rate

The interest free Convertible Bond would save the Group from any potential interest expenses payable. We noted the interest rate of the CB Comparable Transactions range between zero to 12% per annum. We, therefore, are of the view that the zero interest rate of the Convertible Bonds is within the range of the CB Comparable Transactions and fair and reasonable so far as the Independent Shareholders are concerned.

(ii) Term to maturity

The term to maturity of the Convertible Bonds is five years which falls within the CB Comparable Transactions range between one to seven years. Since no interest has to be paid by the Company in respect of the Convertible Bonds, we, therefore are of the view that the five years tenor of the Convertible Bonds is within the range of the CB Comparable Transactions and fair and reasonable so far as the Independent Shareholders are concerned.

(iii) Transferability

We note that the Convertible Bonds may be transferred to another person provided that the holders of the Convertible Bond should transfer with fixed denomination of HK$100,000 of each bond and if the holder does not transfer the Convertible Bonds for financing purpose, consent must be obtained by the Company. As such, we are of the view that the term of the transferability of the Convertible Bonds is fair and reasonable so far as the Independent Shareholders are concerned.

(iv) Anti-dilution price adjustment clause

It is not uncommon for a similar mechanism being imposed on Convertible Bonds subscription to protect the Subscriber from conversion shares being diluted. The Conversion Price shall be adjusted from time to time upon the occurrence of certain events, including (i) consolidation, sub-division or reclassification of the Shares; (ii) capitalisation of profits or reserves; (iii) capital distribution to the Shareholders; (iv) issuance of Shares or securities or grants options to subscribe or purchase for any Shares (the **Anti-dilution adjustments**). We are in the view that such clause of Anti-dilution adjustments of the Convertible Bonds is fair and reasonable so far as the Independent Shareholders are concerned.

Based on all of the above and the section headed “Discussion on the Subscription Price and Conversion Price” as below, we are of the view that the terms of the Convertible Bonds are fair and reasonable so far as the Independent Shareholders are concerned, and is in the interests of the Company and its Independent Shareholders as a whole.

K. Discussion on the Subscription Price and Conversion Price

During the course of our analysis, we could not identify any companies listed on the Stock Exchange with principal activities similar to the businesses of the Group as described above. Accordingly, we have not carried out the approach of comparing the Company and other similar Hong Kong listed companies. Instead, our analysis in this respect includes comparing the Subscription Price and Conversion Price against historical price performance of the Shares as set out in the section headed "Review on the Share Price Performance" and our view on the Subscription Price and Conversion Price is formed after taking into consideration of number of factors as summarised below:

(1) the Company incurred a net loss of approximately HK$91.07 million for the year ended 31 December 2015, which was mainly due to: (i) the depressed sales; and (ii) the incurrence of exceptional expenditures;

(2) besides the Subscriptions, there is no other financing alternative currently available to the Group with comparable fund raising size. The Subscriptions allow the Group to bring in a strategic investor as Shareholder to revive its existing deteriorating financial performance;

(3) without an introduction of the Subscriber with sound reputation, the Group would have less bargaining power in securing future financing and refinancing which in turn would have negative impact on the business operation and development of the Group;

(4) the substantial amount to be raised from the Subscriptions could allow the Company to strengthen its financial position for the expansion of existing business and diversify its business model into new business areas of Development Plan in Saipan;

(5) without the proceeds from the Subscriptions to settle the principal and interest of the Promissory Note, the Group would have further interest burden;

(6) the discounts of the Subscription Price and Conversion Price to the closing prices of the Shares on the Last Trading Day and the average closing prices of the Shares for the last 5 trading days being within the range of the Comparable Issues and the CB Comparable Transactions; and

(7) the Subscription Price and the Conversion Price each represents a substantial premium of approximately 52.00% over the adjusted net asset value of the Company of approximately HK$0.075 per Share as at 31 December 2015,

we consider that the Subscription Price and the Conversion Price, although being at a deep discount of approximately 63.23% to the closing price of the Shares on the Last Trading Day, is fair and reasonable so far as the Independent Shareholders are concerned.

L. Pre-completion Covenants

The Company and the Warrantors have given certain pre-completion undertakings and covenants regarding the Group which are customary to similar transactions to the Subscriber under the Subscription Agreement, including, among other things (i) to conduct the business of the Group in the ordinary and usual course of business; (ii) not to issue or agree to issue or allot any share or loan capital of members of the Group, or any options or securities which are convertible or exchangeable into share or loan capital of members of the Group; (iii) not to carry out any capitalisation issue or any other reorganisation of share capital of members of the Group; (iv) not to declare, authorise, make or pay any dividend or other distribution or reduce, purchase or redeem any part of the paid-up share capital of members of the Group; and (v) not to alter the composition of the board of directors of members of the Group unless pursuant to the Subscription Agreement (other than due to any resignation, death, illness or incapacitation of any individual), from the date of the Subscription Agreement up to Subscription Completion.

We consider the above pre-completion undertakings and covenants are on normal commercial terms and is fair and reasonable so far as the Independent Shareholders are concerned.

M. Warrantors' Lock-up Undertaking

On 8 July 2016, the Warrantors executed a deed of undertaking (the "**Warrantors' Lock-up Undertaking**") in favour of the Subscriber pursuant to which each of Mr. Jiang and Surplus Excel has undertaken and covenanted with the Subscriber that, without the prior written consent of the Subscriber, they shall not, whether directly or indirectly, at any time during the period of twelve months commencing from the date of the Warrantors' Lock-up Undertaking:

(a) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, whether directly or indirectly, any Shares held by Surplus Excel and Mr. Jiang; or

(b) enter into any swap or other arrangement that would have (i) the same economic consequences as paragraph (a) above or (ii) the effect of transferring to another party of any of the economic benefits of ownership of the Shares held by Surplus Excel and Mr. Jiang.

Furthermore, Mr. Jiang has given a similar lock-up undertaking in respect of his holdings in Surplus Excel in favour of the Subscriber for a period of twelve months commencing from the date of the Warrantors' Lock-up Undertaking.

The purposes of the Warrantors' Lock-up Undertaking are to ensure that the Warrantors will have the necessary financial backing to satisfy any breach of the representations and warranties and pre-completion undertakings and covenants that they have given in favour of the Subscriber under the Subscription Agreement. If there is a termination of the Subscription Agreement, the Warrantors' Lock-up Undertaking shall automatically terminate and cease to have any binding effect on the Warrantors.

N. The Subscriber's Lock-up Undertaking

Pursuant to the Subscription Agreement, the Subscriber has undertaken to the Company that, without the prior consent of the Company, it shall not, whether directly or indirectly, in the period commencing on the Completion Date and ending on the date which is twelve (12) months from the Completion Date, sell or enter into agreement to sell any of the Subscription Shares which will result in the Subscriber ceasing to hold, whether directly or indirectly, 50% or more of the issued share capital of the Company.

We consider that the lock-up arrangement demonstrates the support of the Subscriber to the Company and is favourable to the other Shareholders.

Based on the above analysis, we consider the principal terms of the Subscription Agreement discussed above are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

O. Alternative financing methods

We have discussed with the Directors regarding other alternative financing methods other than the Subscriptions and were advised that the Board had considered alternative financial activities, including but not limited to debt financing, and other forms of equity financing such as rights issue and open offer, and placement of new Shares as described below:

(a) Debt financing

As stated in Annual Report 2015, the Group had equity attributable to owners of the Company of approximately HK$172.63 million as at 31 December 2015. The aggregate funding for the 1st phase of the Development Plan and the repayment of the Promissory Notes are approximately HK$372.1 million which represents an excess of approximately HK$199.47 million to the equity attributable to owners of the Company. The Board believes that without sufficient assets to provide collateral to banks or other creditors, it is not possible for the Company to borrow the required funding amount at a reasonable cost of funding.

(b) Rights issue or open offer

The Company notices that a rights issue or open offer would give an opportunity to all Shareholders to participate in the issuance of new Shares. However, this could hardly bring in strategic and experienced investors such as Mr. Huang, who is able to enhance the business status and network of the Group. Additionally, in light of the current volatile market condition, the Company is of the view that it would be difficult to procure underwriter(s) which is/are interested to underwrite a rights issue or open offer of the Company at a reasonable underwriting commission in light of the Group's current financial position. The Company considers that even if such an independent underwriter(s) is/are identified, the rights issue or open offer would involve issuance of prospectus and other administrative steps and the process could be time consuming.

(c) Placement of new Shares

The Company believes that, given the current market volatility, price fluctuation of the Shares and the Group's financial position, it would be difficult to procure placing agent(s) to seek for independent investors with a reasonable placing commission fee and there is no guarantee the Company can raise the required funding amount through placing of Shares. Provided that now the Subscriber is willing to subscribe both the Subscription Shares and the Convertible Bonds, the Company could reduce the risks of bearing high placing commission fee, long period of time for placing agent(s) to procure placees and most importantly allowing the Company to secure a consideration amount of funding.

Taking into account that (i) the additional financial burden incurred by debt financing; (ii) the difficulties in the equity financing through placement of new Shares and conducting a rights issue or an open offer; and (iii) the benefits of the Subscriptions as described above, we concur with the Directors' view that equity financing by way of the Subscriptions is comparatively a more appropriate and viable means of raising additional capital and that it is in the interest of the Company and the Independent Shareholders to raise fund through the Subscriptions.

P. Financial effects of the Subscriptions to the Group

a. Liquidity and cash position

Immediately upon the Subscription Completion, the liquidity and cash position of the Group will be improved as the Subscriptions will facilitate the Company to raise net proceeds to approximately HK$397,254,000.

b. Earnings

Save for the expenses relating to the Subscriptions, the Subscriptions will not have any immediate material impact to the earnings of the Company. However, as HK$235,700,000 of the net proceeds from the Subscriptions will be used to settle in full the 12% interest bearing Promissory Notes, the Group's annual earnings will be increased by the saving in the finance cost as a result of such settlement.

c. ***Net assets value***

As stated in the Annual Report 2015, the NAV of the Group as at 31 December 2015 was approximately HK$175,356,000. Immediately upon the Subscription Completion, the NAV of the Company will be improved as the issue of the Subscription Shares under the Subscriptions which would increase the share capital and equity of the Company while the issue of the Convertible Bonds has no effect on the NAV of the Company. Accordingly, the Subscriptions will have a positive impact on the NAV of the Group.

As at the Latest Practicable Date, the number of Shares in issue was 2,340,250,000 Shares. The NAV per Share based on the NAV of the Group as at 31 December 2015 was approximately HK$0.075 per Share. Immediately after the Subscription Completion (assuming no conversion of the Convertible Bonds), the number of Shares in issue will be increased to 5,201,250,000 Shares. Assuming no changes to the Group's NAV as at 31 December 2015 other than the Subscriptions, the NAV of the Company will be increased by approximately HK$323,154,000 (i.e. the net proceeds amounting HK$397,254,000 from the Subscriptions less the principal amount of the Convertible Bonds amounting HK$74,100,000) from the proceeds of the Subscriptions to approximately HK$498,510,000 representing a NAV per Share of approximately HK$0.096 per Share. As such, the NAV per Share may increase by approximately HK$0.021 per Share. In light of this, we consider that the Independent Shareholders' interests, with reference to the NAV per Share, would be enhanced by the Subscriptions.

d. ***Gearing ratio***

According to the Annual Report 2015, the gearing ratio (defined as bank borrowings, loan from a third party and obligations under finance leases less bank balances and cash divided by the shareholders' equity) of the Group as at 31 December 2015 was approximately 35.0%, dividing HK$61,431,000 by HK$175,536,000. Upon Subscription Completion, the NAV and the equity of the Group would be improved as a result of the increase in share capital and equity of the Company due to the Subscriptions as explained in point (c) above. Assuming no additional interest bearing liabilities to be raised by the Group, the gearing level of the Group will be improved upon the Subscription Completion.

Based on the above, the Subscriptions may have an overall positive effect on the Group's financial position. As such, we consider that the Subscriptions are in the interests of the Company and the Shareholders as a whole.

Q. Potential dilution on shareholdings of the Company

The effect of the Subscriptions on the shareholding structure of the Company immediately upon Subscription Completion and the exercise of the conversion rights attaching to the Convertible Bonds in full, is set out below (assuming that there is no other change in the shareholding structure of the Company from the Latest Practicable Date up to Subscription Completion and conversion rights attaching to the Convertible Bonds are exercised in full at the initial Conversion Price of HK$0.114 per Conversion Share):

Shareholders:	**As at the Latest Practicable Date**		**Upon Subscription Completion and assuming no conversion of the Convertible Bonds**		**For illustrative purposes, upon Subscription Completion and assuming full conversion of the Convertible Bonds at the initial Conversion Price of HK$0.114 per Conversion Share**	
	Number of Shares	*Approx. %*	*Number of Shares*	*Approx. %*	*Number of Shares*	*Approx. %*
Surplus Excel *(Note 1)*	984,754,355	42.08	984,754,355	18.93	984,754,355	16.83
Mr. Chu Chun Man, Augustine and his associates *(Note 2)*	51,982,295	2.22	51,982,295	1.00	51,982,295	0.89
The Subscriber	–	–	2,861,000,000	55.01	3,511,000,000	60.00
Public Shareholders	1,303,513,350	55.70	1,303,513,350	25.06	1,303,513,350	22.28
Total	2,340,250,000	100.00	5,201,250,000	100.00	5,851,250,000	100.00

Notes:

1. As at the Latest Practicable Date, Surplus Excel is owned as to 80% by Mr. Jiang and as to 20% by Mr. Yan Kim Po; and

2. As at the Latest Practicable Date, Mr. Chu Chun Man, Augustine ("**Mr. Chu**"), an executive Director, held 46,460,520 Shares; Ms. Hung Tze Nga, Cathy, who is the spouse of Mr. Chu, held 750,000 Shares; and Mr. Chu Yuk Man, Simon, who is the elder brother of Mr. Chu, held 4,771,775 Shares.

According to the table set out above, the public Shareholders' shareholding will be diluted from approximately 55.70% as at the Latest Practicable Date to approximately 25.06% immediately upon Subscription Completion (assuming no conversion of the Convertible Bonds and there is no other change in the issued share capital of the Company other than the issue of Subscription Shares at Subscription Completion).

We regard this as a significant dilution to the public Shareholders, however, as mentioned above, the Subscriptions, based on the Subscription Price and the Conversion Price are above the NAV per Share of the Group as at 31 December 2015, will enhance the financial position of the Company with an increase in NAV per Share upon Subscription Completion. Also, the Subscription Price and the Conversion Price are considered to be fair and reasonable as set out in the section headed "Discussion on the Subscription Price and the Conversion Price" of above. Furthermore, the dilution is an unattractive feature in itself, but should be viewed with the current financial position and operational performance of the Group, and the benefits arising from the Subscriptions as set out in the section headed "Reasons for the Subscriptions and use of proceeds" above as a whole, which we consider fair and reasonable to the Independent Shareholders.

R. Litigation

As disclosed in the paragraph headed "Litigation" under the section headed "Appendix III – General information of the Group" in this Circular:

i. 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 defense.

ii. 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$1,607,000) with damages of approximately RMB55,000 (equivalent to approximately HK$65,000) 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 defense.

Save as disclosed above, as at the Latest Practicable Date, none of the members of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

Based on the fact that the aggregate penalties of the litigations are minimal (given that the aggregate penalties of approximately HK$3,150,000 only represents approximately 0.64% to total assets of the Group as at 30 June 2016), we agree with the Board that the contingent liabilities will have no material impact on the financial position of the Group.

S. The Whitewash Waiver

As at the Latest Practicable Date, the Subscriber, its ultimate beneficial owner and the parties acting in concert with any of them did not hold, control or has directions over any Shares, convertible securities, options, warrants or derivatives in the Company. Upon the Subscription Completion and assuming that: (i) none of the Convertible Bonds are converted; and (ii) there is no other change in the issued share capital of the Company from the date of the Subscription Agreement and up to Subscription Completion, the Subscriber, its ultimate beneficial owner and the parties acting in concert with them will be interested in an aggregate of 2,861,000,000 Subscription Shares, representing approximately 55.01% of the issued share capital of the Company as enlarged by the allotment and issuance of the Subscription Shares.

Assuming the Convertible Bonds are converted in full at the Conversion Price of HK$0.114 per Conversion Share and there is no other change in the issued share capital of the Company from the date of the Subscription Agreement and up to Subscription Completion, the Subscriber, its ultimate beneficial owner and the parties acting in concert with them will be interested in 3,511,000,000 Shares, comprising 2,861,000,000 Subscription Shares and 650,000,000 Conversion Shares, which in aggregate shall represent approximately 60.00% of the issued share capital of the Company as enlarged by the allotment and issuance of the Subscription Shares and the Conversion Shares.

Under Rule 26 of the Takeovers Code, the acquisition of voting rights from less than 30% to 30% or above will trigger an obligation on the Subscriber to make a general offer for all the securities of the Company other than those already owned or agreed to be acquired by the Concert Group, unless the Whitewash Waiver is granted by the Executive and approved by the Independent Shareholders at the SGM by way of poll.

The Subscriber has made an application to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, approval by the Independent Shareholders at the SGM by way of poll. The Executive has indicated that it will grant the Whitewash Waiver subject to the approval of the Independent Shareholders at the SGM by way of poll. Mr. Jiang and Surplus Excel, who are the Warrantors, are involved in the Subscriptions and therefore, each of them and their respective associates and concert parties, will abstain from voting on the relevant ordinary resolutions to be proposed at the SGM to approve the Subscriptions and the Whitewash Waiver.

If the Whitewash Waiver is approved by the Independent Shareholders, the shareholding of the Subscriber and parties acting in concert with it in the Company upon the issue of the Subscription Shares to the Subscriber will exceed 50%. The Subscriber may further increase its shareholdings in the Company without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer.

Notwithstanding the discount of the Subscription Price and the Conversion Price to the market price of the Share and the dilution effect on the shareholdings of the existing Shareholders as a result of Subscriptions, having considered that the reasons of and benefits for the Subscriptions, in particular (i) financing the Group with additional cash inflow for future business development in particular for the first phase of the Development Plan; (ii) providing the Group with the financial flexibility for any future investment opportunities in line with its existing business or in exploring new business segment for diversifying its business portfolios in particular in the field of the hotel tourism sector; (iii) the fairness and reasonableness of the Subscription Price and the Conversion Price as stated in the section headed "Discussion on the Subscription Price and Conversion Price" above, we consider that the grant of the Whitewash Waiver (the granting of which being one of the conditions precedent to the completion of the Subscriptions) is fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

T. Opinion and Recommendation

Despite of the discount of the Subscription Price and the Conversion Price to the market price of the Shares and the dilution effect on the shareholdings of the existing Shareholders as a result of Subscriptions, taking into account the principal factors and reasons mentioned above, which included:

(1) the recent deteriorated and weak operational performance of the Group as indicated by a net loss of approximately HK$91.07 million for the year ended 31 December 2015 as compared to a net profit of approximately HK$8.29 million for the year ended 31 December 2014;

(2) the deteriorated financial and liquidity position as reflected by a decrease in current ratio (as defined by the current assets divided by the current liabilities) from approximately 1.55 times as at 31 December 2014 to approximately 1.16 times as at 31 December 2014;

(3) the higher cost in obtaining debt financing mainly due a substantial loss of approximately HK$91.07 million for the financial year ended 31 December 2015;

(4) the net amount of fund to be raised which is in aggregate HK$397.25 million which (i) provides the Group with additional cash resources for the full settlement of the Promissory Notes in the principal amount of HK$235.7 million which help the Group to reduce an aggregate interest of approximately HK$56.6 million; (ii) finance the Group for the first phase of the Development Plan; and (iii) additional working capital for the Group to introduce more variety of golf products to source new customers;

(5) the fairness and reasonableness of the Subscription Price and the Conversion Price as detailed above so far as the Company and the Independent Shareholders are concerned; and

(6) the Subscription Price and the Conversion Price each represents a substantial premium of approximately 52.00% over the adjusted net asset value of the Company of approximately HK$0.075 per Share as at 31 December 2015,

we are of the view that the Subscriptions are in the interests of the Company and the Shareholders as a whole and the terms of the Subscription Agreement are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the relevant resolution(s) to be proposed at the SGM to approve the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver.

Yours faithfully,
For and on behalf of
Royal Excalibur Corporate Finance Company Limited
Kevin Chan
Director

1. FINANCIAL SUMMARY OF THE GROUP

The following is a summary of the audited consolidated financial information of the Group for the years ended 31 December 2013, 2014 and 2015 as extracted from the published annual reports of the Group for the relevant years and the unaudited consolidated financial information of the Group for the six months ended 30 June 2015 and 2016 as extracted from the published interim reports of the Group for the six months ended 30 June 2016. All of the annual and interim reports have been published on the website of the Stock Exchange as specifically set out below:

Annual reports for the financial year ended		Website
31 December 2013	:	http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0424/LTN20140424607.pdf
31 December 2014	:	http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0424/LTN20150424906.pdf
31 December 2015	:	http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0427/LTN20160427256.pdf

Interim reports for the six months ended		Website
30 June 2015	:	http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0902/LTN201509021014.pdf
30 June 2016	:	http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0919/LTN20160919418.pdf

The auditors of the Company for each of the three years ended 31 December 2013, 2014 and 2015, SHINEWING (HK) CPA Limited, did not issue any qualified or modified opinion on the consolidated financial statements of the Group for each of the three years ended 31 December 2013, 2014 and 2015.

	For the years ended			For the six months ended 30 June	
	2013	**2014**	**2015**	**2016**	**2015**
	(audited)	*(audited)*	*(audited)*	*(unaudited)*	*(unaudited)*
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
RESULTS					
Revenue	434,087	400,962	261,766	122,973	138,088
Profit (loss) before tax	16,001	8,719	(91,068)	(54,290)	(13,552)
Income tax expense	(2,348)	(424)	–	–	–
Profit (loss) for the year	13,653	8,295	(91,068)	(54,290)	(13,552)
Profit (loss) for the year attributable to:					
Owners of the Company	13,661	8,295	(91,068)	(54,290)	(13,552)
Non-controlling interests	(8)	–	–	–	–
	13,653	8,295	(91,068)	(54,290)	(13,552)

	HK cents	*HK cents*	*HK cents*	*HK cents*	*HK cents*
Profit/(loss) per Share attributable to the owners of the Company					
Basic and diluted	2.97 *(Note)*	0.36	(3.91)	(2.32)	(0.58) *(Noted)*
Dividends					
Dividend	–	–	–	–	–
Dividend per Share	–	–	–	–	–

The Group did not have any items which are exceptional because of size, nature or incidence for each of the three years ended 31 December 2013, 2014 and 2015.

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)
Total assets	496,004	463,649	343,707
Total liabilities	(191,151)	(150,364)	(168,351)
Non-controlling interests	(2,401)	(2,401)	(2,730)
Equity attributable to owners of the Company	302,452	310,884	172,626

Note: The number of Shares for the purpose of calculating basic earnings (loss) per Share for the year ended 31 December 2013 was extracted from audited consolidated financial statements for the year ended 31 December 2013 and was not adjusted for the bonus issue passed by the special resolution on 6 January 2016, in which every one Share held by the Shareholder is entitled to four bonus Shares. The bonus Shares were allotted and issued on 22 January 2016.

2. LATEST PUBLISHED FINANCIAL INFORMATION

Set out below is the audited consolidated financial statements of the Group for the year ended 31 December 2015, together with the notes thereto, which have been extracted from the annual report of the Group for the year ended 31 December 2015.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	NOTES	**2015** *HK$'000*	**2014** *HK$'000*
Revenue	*9*	261,766	400,962
Cost of sales		(240,102)	(328,546)
Gross profit		21,664	72,416
Other operating income	*9*	1,857	2,099
Gain on disposal of a subsidiary	*34*	93	–
Write-off of inventories	*23*	(31,671)	–
Selling and distribution expenses		(3,736)	(4,790)
Administrative expenses		(59,053)	(53,415)
Impairment loss on goodwill	*20*	(14,820)	–
Finance costs	*11*	(5,402)	(7,591)
(Loss) profit before tax		(91,068)	8,719
Income tax expense	*12*	–	(424)
(Loss) profit for the year	*13*	(91,068)	8,295
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		(16,200)	47
Exchange fluctuation reserve released on the deregistration of subsidiaries		(96)	–
Exchange fluctuation reserve released on the disposal of a subsidiary		(14,983)	–
		(31,279)	47
Items that will not be reclassified subsequently to profit or loss:			
Gain on revaluation of leasehold land and buildings under revaluation model		489	–
Deferred tax relating to leasehold land and buildings under revaluation model	*31*	(122)	90
		367	90
Other comprehensive (expense) income for the year		(30,912)	137
Total comprehensive (expense) income for the year		(121,980)	8,432
(Loss) profit for the year attributable to:			
Owners of the Company		(91,068)	8,295
Non-controlling interests		–	–
		(91,068)	8,295
Total comprehensive (expense) income for the year attributable to:			
Owners of the Company		(121,980)	8,432
Non-controlling interests		–	–
		(121,980)	8,432
		HK cents	*HK cents (Restated)*
(LOSS) EARNINGS PER SHARE	*14*		
Basic and diluted		(3.91)	0.36

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	NOTES	**2015** *HK$'000*	**2014** *HK$'000*
Non-current assets			
Property, plant and equipment	*18*	135,518	205,908
Prepaid lease payments	*19*	9,032	9,929
Goodwill	*20*	–	14,820
Club debentures	*21*	2,897	2,897
Pledged bank deposit	*25*	639	–
Deposits and other receivables	*22*	625	270
Prepayments for the acquisition of property, plant and equipment		740	627
		149,451	234,451
Current assets			
Inventories	*23*	119,841	170,219
Trade and other receivables	*24*	56,414	41,935
Prepaid lease payments	*19*	336	368
Short-term bank deposit	*25*	602	–
Bank balances and cash	*25*	17,063	16,676
		194,256	229,198
Current liabilities			
Trade and other payables	*27*	29,670	35,224
Amounts due to non-controlling shareholders of a subsidiary	*28*	–	462
Amounts due to related companies	*28*	59,684	–
Amount due to a director	*28*	–	7,589
Tax payable		160	248
Bank and other borrowings	*29*	78,494	104,033
Obligations under finance leases	*30*	–	368
		168,008	147,924
Net current assets		26,248	81,274
Total assets less current liabilities		175,699	315,725
Non-current liability			
Deferred tax liabilities	*31*	343	2,440
Net assets		175,356	313,285
Capital and reserves			
Share capital	*32*	46,805	46,005
Reserves		125,821	264,879
Equity attributable to owners of the Company		172,626	310,884
Non-controlling interests		2,730	2,401
Total equity		175,356	313,285

The consolidated financial statements on pages 39 to 111 were approved and authorised for issue by the Board on 30 March 2016 and are signed on its behalf by:

Wong Hin Shek	**Chu Chun Man, Augustine**
Director	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Attributable to owners of the Company											
	Share capital *HK$'000*	Share premium *HK$'000*	Share options reserve *HK$'000*	Contributed surplus *HK$'000* *(Note (i))*	Legal reserve *HK$'000* *(Note (ii))*	Assets revaluation reserve *HK$'000*	Statutory surplus reserve *HK$'000* *(Note (iii))*	Exchange fluctuation reserve *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total *HK$'000*
At 1 January 2014	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 differences 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

	Attributable to owners of the Company											
	Share capital *HK$'000*	**Share premium** *HK$'000*	**Share options reserve** *HK$'000*	**Contributed surplus** *HK$'000* *(Note (i))*	**Legal reserve** *HK$'000* *(Note (ii))*	**Assets revaluation reserve** *HK$'000*	**Statutory surplus reserve** *HK$'000* *(Note (iii))*	**Exchange fluctuation reserve** *HK$'000*	**Retained profits** *HK$'000*	**Total** *HK$'000*	**Non-controlling interests** *HK$'000*	**Total** *HK$'000*
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
Loss for the year	–	–	–	–	–	–	–	–	(91,068)	(91,068)	–	(91,068)
Other comprehensive (expense) income for the year:												
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	(16,200)	–	(16,200)	–	(16,200)

	Attributable to owners of the Company											
	Share capital *HK$'000*	**Share premium** *HK$'000*	**Share options reserve** *HK$'000*	**Contributed surplus** *HK$'000* *(Note (i))*	**Legal reserve** *HK$'000* *(Note (ii))*	**Assets revaluation reserve** *HK$'000*	**Statutory surplus reserve** *HK$'000* *(Note (iii))*	**Exchange fluctuation reserve** *HK$'000*	**Retained profits** *HK$'000*	**Total** *HK$'000*	**Non-controlling interests** *HK$'000*	**Total** *HK$'000*
Exchange fluctuation reserve released on the deregistration of subsidiaries	–	–	–	–	–	–	–	(96)	–	(96)	–	(96)
Exchange fluctuation reserve released on the disposal of a subsidiary *(note 34)*	–	–	–	–	–	–	–	(14,983)	–	(14,983)	–	(14,983)
Gain on revaluation of leasehold land and buildings under revaluation model	–	–	–	–	–	489	–	–	–	489	–	489
Deferred tax relating to leasehold land and buildings under revaluation model *(note 31)*	–	–	–	–	–	(122)	–	–	–	(122)	–	(122)

	Attributable to owners of the Company											
	Share capital HK$'000	Share premium HK$'000	Share options reserve HK$'000	Contributed surplus HK$'000 (Note (i))	Legal reserve HK$'000 (Note (ii))	Assets revaluation reserve HK$'000	Statutory surplus reserve HK$'000 (Note (iii))	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
Other comprehensive income (expense) for the year	–	–	–	–	–	367	–	(31,279)	–	(30,912)	–	(30,912)
Total comprehensive income (expense) for the year	–	–	–	–	–	367	–	(31,279)	(91,068)	(121,980)	–	(121,980)
Deregistration of subsidiaries *(note 35)*	–	–	–	–	–	–	–	–	–	–	329	329
Loss on revaluation on leasehold land and building under revaluation model *(note 18)*	–	–	–	–	–	(21,457)	–	–	–	(21,457)	–	(21,457)
Income tax related to loss on revaluation on leasehold land and building under revaluation model *(note 31)*	–	–	–	–	–	2,219	–	–	–	2,219	–	2,219

	Attributable to owners of the Company											
	Share capital *HK$'000*	**Share premium** *HK$'000*	**Share options reserve** *HK$'000*	**Contributed surplus** *HK$'000* *(Note (i))*	**Legal reserve** *HK$'000* *(Note (ii))*	**Assets revaluation reserve** *HK$'000*	**Statutory surplus reserve** *HK$'000* *(Note (iii))*	**Exchange fluctuation reserve** *HK$'000*	**Retained profits** *HK$'000*	**Total** *HK$'000*	**Non-controlling interests** *HK$'000*	**Total** *HK$'000*
Issue of shares upon exercise of share options *(note 33)*	800	2,891	(731)	–	–	–	–	–	–	2,960	–	2,960
At 31 December 2015	46,805	105,276	–	10,564	48	366	17	5,806	3,744	172,626	2,730	175,356

Notes:

(i) 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 therefore.

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	NOTES	**2015** *HK$'000*	**2014** *HK$'000*
OPERATING ACTIVITIES			
(Loss) profit before tax		(91,068)	8,719
Adjustments for:			
Finance costs		5,402	7,591
Interest income		(23)	(64)
Depreciation of property, plant and equipment		12,278	14,838
Amortisation of prepaid lease payments		336	368
Impairment loss on club debenture		–	500
Impairment loss of goodwill		14,820	–
Impairment loss recognised in respect of trade receivables		1	–
Loss (gain) on disposal or written off of property, plant and equipment		3,836	(581)
Write-off of inventories		31,671	–
Gain on disposal of a subsidiary	*34*	(93)	–
Gain on deregistration of subsidiaries	*35*	(275)	–
Gain on disposal of assets classified as held for sale		–	(83)
Operating cash flows before movements in working capital		(23,115)	31,288
(Increase) decrease in inventories		(7,111)	3,028
(Increase) decrease in trade and other receivables		(16,921)	10,136
(Increase) decrease in deposits and other receivables		(355)	574
Decrease in trade and other payables		(4,259)	(25,537)
Cash (used in) generated from operations		(51,761)	19,489
The PRC Enterprise Income Tax ("EIT") paid		–	(2,391)
Hong Kong Profits Tax Paid		(88)	(82)
NET CASH (USED IN) GENERATED FROM OPERATING ACTIVITIES		(51,849)	17,016
INVESTING ACTIVITIES			
Interest received		23	64
Proceeds on disposal of property, plant and equipment		655	1,226
Proceeds on disposal of assets classified as held for sale		–	2,731
Net cash inflow from disposal of a subsidiary	*34*	35,859	–
Purchase of property, plant and equipment		(3,818)	(13,027)
Prepayment for acquisition of property, plant and equipment		(740)	(1,063)
Placement of pledged bank deposit		(639)	–
NET CASH GENERATED FROM (USED IN) INVESTING ACTIVITIES		31,340	(10,069)

	NOTES	2015 HK$'000	2014 HK$'000
FINANCING ACTIVITIES			
Repayments of bank borrowings		(103,041)	(82,868)
Interest and factoring charges paid		(6,516)	(8,576)
Repayments of obligations under finance leases		(368)	(712)
Repayment to non-controlling shareholder of a subsidiary		(462)	–
New bank and other borrowings raised		78,494	78,205
Advance from related companies		59,684	–
Proceeds on issue of shares under share options		2,960	–
Repayment to a director		(7,589)	(2,553)
NET CASH GENERATED FROM (USED IN) FINANCING ACTIVITIES		23,162	(16,504)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		2,653	(9,557)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		15,684	25,241
Effect of foreign exchange rate changes		(672)	–
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		17,665	15,684
Analysis of components of cash and cash equivalents:			
Bank balances and cash	25	17,063	16,676
Short-term bank deposit	25	602	–
	29	–	(992)
Bank overdrafts		17,665	15,684

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

Sino Golf Holdings Limited (the "Company") was incorporated as an exempted company with limited liability in Bermuda under the Bermuda Companies Act. The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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

The principal activity of the Company is investment holding. The principal activities of the Group are manufacturing and trading of golf equipment, golf bags and accessories. The principal activities of its subsidiaries are set out in note 41.

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.

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

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions

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 positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Annual Improvements to HKFRSs 2010-2012 Cycle

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

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

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

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

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

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

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

The directors of the Company consider that the application of the amendments included in the *Annual Improvements to HKFRSs 2010-2012 Cycle* has had no material effect in 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 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 amendments are applied prospectively. The directors of the Company consider that the application of the amendments included in the *Annual Improvements to HKFRSs 2011-2013 Cycle* has had no material effect in the Group's consolidated financial statements.

Part 9 of Hong Kong Companies Ordinance (Cap. 622)

In addition, the annual report requirements of Part 9 "Accounts and Audit" of the Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year. As a result, there are changes to presentation and disclosures of certain information in the 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[2]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle[1]
Amendment to HKAS 1	Disclosure Initiative[1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[1]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[1]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[1]

1 Effective for annual periods beginning on or after 1 January 2016.

2 Effective for annual periods beginning on or after 1 January 2018.

3 Effective date not yet been determined.

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

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

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

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

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.

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

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

HKFRS 15 will become effective for annual periods beginning on or after 1 January 2018 with early application permitted. The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on 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 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 based 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 anticipate that the application of the amendments included in the Annual *Improvements to HKFRSs 2012-2014 Cycle* will not have a material effect in the Group's consolidated 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.

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 correlated high correlation between revenue and the consumption of the economic benefits of the intangible assets could be demonstrated.

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.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date under current market condition (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting 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: (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group's return.

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

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

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

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

When the Group loses control of a subsidiary, it (i) derecognises the assets (including the goodwill) and liabilities of the subsidiary at their carrying amounts at the date when the control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group. When assets and liabilities of the subsidiaries are carried at revalued amounts and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets and liabilities (i.e. reclassified to profit or loss or transferred directly to retained profits as specified by applicable HKFRSs).

Non-controlling interests, unless as required by another standards, are measured at acquisition-date fair value except for non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets on a transaction-by-transaction basis.

Goodwill

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

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

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

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.

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.

Foreign Currencies

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

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange difference arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange fluctuation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily 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.

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.

Property, Plant and Equipment

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

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

The assets revaluation reserve in respect of the leasehold land and buildings held for use in the production or supply of goods at revalued amount is transferred directly to retained earnings when it is realised on retirement or disposal and as the asset is used by the Group in which the amount transferred is calculated at the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost.

Depreciation is recognised so as to 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.

Prepaid Lease Payments

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

Club Debentures

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

Inventories

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

Cash and Cash Equivalents

Bank balances and cash 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.

Financial Instruments

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

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

Financial Assets

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

Effective Interest Method

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

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

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 long-term bank deposit and deposits and other receivables included in non-current assets, trade and other receivables, short term bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss of financial assets below).

Impairment Loss on Financial Assets

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

Objective evidence of impairment could include:

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

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

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

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

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

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, amount due to a director, amounts due to related companies, bank and other borrowings and obligations under finance leases, 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 expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Share-Based Payment Transactions

Share Options Granted to Employees

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

Impairment of Tangible Assets and Club Debentures (Other than Impairment of Goodwill set out in Accounting Policy of Goodwill above)

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

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

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

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

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

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 cash-generating unit to which goodwill has been allocated for the purpose of impairment assessment, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

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

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

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

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

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

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgements in applying accounting policies

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

Liquidity

The Group relies on bank and other borrowings as a significant source of liquidity. As at 31 December 2015, the Group has available unutilised bank loan facilities of approximately HK$12,048,000 (2014: HK$61,002,000). The directors of the Company consider that there is no uncertainty on renewing the banking facilities. Details of which are set out in note 29.

Material litigation

On 18 April 2015, an indirect wholly-owned subsidiary of the Company has been named as defendant in a local PRC court by summon for a claim of approximately RMB1,366,000, equivalent to approximately HK$1,645,000, with damages of approximately RMB55,000, equivalent to approximately HK$66,000, together with interest thereon and costs in relation to dispute involving supply of equipment by the plaintiff. Based on the opinion of the independent legal adviser of the Company, as at 31 December 2015, the directors of the Company consider that no provision for any potential liability has been made in the condensed consolidated financial statements as the Group has pledged reasonable chance of success in defence. Details of the material litigation are disclosed in note 38.

Classification of leasehold land and buildings

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

As at 31 December 2014, the directors of the Company determine that the lease payments of leasehold land and buildings of approximately HK$155,940,000 cannot be allocated reliably between the land and buildings elements due to infeasibility of the allocation of purchase price between the leasehold land and buildings. The total amount has been classified as a finance lease under the property, plant and equipment.

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 cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors of the Company to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

As at 31 December 2015, impairment loss on goodwill of approximately HK$14,820,000 (2014: nil) has been recognised. Details of the impairment testing and the recoverable amount calculation are disclosed in note 20.

Net realisable value of inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs to make the sale. The cost of inventories is written down to the net realisable value when there is objective evidence that the cost of inventories may not be recoverable. The amount written off to the consolidated statement of profit or loss and other comprehensive income is the difference between the carrying value and net realisable value of inventories. In determining whether the cost of inventories can be recovered, significant judgment is required. In making this judgment, the directors of the Company evaluate, amongst other factors, the duration, extent and means by which the amount will be recovered. These estimates are based on the current market and past experience in sales of similar products. It could change significantly as a result of changes in customer preferences and competitor actions in response to changes in market condition.

At 31 December 2015, the carrying amount of inventories was approximately HK$119,841,000 (2014: HK$170,219,000). Write-off of inventories of approximately HK$31,671,000 (2014: nil) has been recognised for the year ended 31 December 2015. Details of the written-off of inventories are disclosed in note 23.

Allowance for doubtful debts in respect of trade and other receivables

When there is objective evidence of the allowance for doubtful debts in respect of trade and other receivables, the Group takes into consideration the estimation of future cash flows. The amount of the allowance for doubtful debts is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a further allowance may arise.

At 31 December 2015, 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$29,801,000 (2014: HK$16,375,000) net of allowance for doubtful debts of approximately HK$1,000 (2014: HK$2,000), HK$17,325,000 (2014: HK$20,403,000) and HK$178,000 (2014: HK$270,000) respectively. Impairment loss recognised in respect of trade and other receivables of approximately HK$1,000 (2014: nil) has been recognised for the year ended 31 December 2015.

Impairment of property, plant and equipment other than leasehold land and buildings, and prepaid lease payments

At the end of the reporting period, the directors of the Company review the carrying amounts of its property, plant and equipment other than leasehold land and buildings at revalued amount, and prepaid lease payments of approximately HK$38,759,000 (2014: HK$49,968,000) and HK$9,368,000 (2014: HK$10,297,000), respectively, and identified if there is indication that those assets may suffer an impairment loss. Accordingly, the recoverable amount of the property, plant and equipment other than leasehold land and buildings, and prepaid lease payments are estimated in order to determine the extent of the impairment loss. The estimates of the recoverable amounts of the property, plant and equipment and prepaid lease payments require the use of assumptions such as cash flow projections and discount rates.

Based on the estimated recoverable amount, no impairment loss has been recognised for the years ended 31 December 2015 and 2014.

Estimation of fair value of leasehold land and buildings

In the absence of current prices in an active market for similar properties, the directors of the Company consider information from a variety of sources, including: (a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those difference; (b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and (c) discounted cash flow projection based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of cash flows. The principal assumptions for the Group's estimation of the fair value include those related to current market rents and future maintenance costs. As at 31 December 2015, the revalued amount of leasehold land and buildings was approximately HK$96,759,000 (2014: HK$155,940,000).

Depreciation and useful lives of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account their estimated residual values. The determination of the useful lives and residual values involve management's estimation based on the Group's business model, its asset management policy, the industry practice and expected usage of each category of property, plant and equipment. The directors of the Company assess the residual values and the useful lives of the property, plant and equipment annually and if the expectation differs from the original estimates, such differences may impact the depreciation in the year and the estimates will be changed in the future period. For the years ended 31 December 2015 and 2014, there were no changes on the useful lives and residual value of property, plant and equipment.

Income taxes

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

5. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes amounts due to non-controlling shareholders of a subsidiary, related companies and a director disclosed in note 28, bank and other borrowings disclosed in note 29, obligations under finance leases disclosed in note 30, net of cash and cash equivalents disclosed in note 25 and equity attributable to owners of the Company, comprising issued share capital and reserves.

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% (2014: 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:

	2015	**2014**
	HK$'000	*HK$'000*
Amounts due to non-controlling shareholders of a subsidiary	–	462
Amount due to related companies	59,684	–
Bank and other borrowings	78,494	104,033
Obligations under finance leases	–	368
Amount due to a director	–	7,589
Less: bank balances and cash	(17,063)	(16,676)
Less: short-term and long-term bank deposits	(1,241)	–
Net debts	119,874	95,776
Equity attributable to owners of the Company	172,626	310,884
Non-controlling interests	2,730	2,401
Total equity	175,356	313,285
Gearing ratio	68%	31%

6. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2015	**2014**
	HK$'000	*HK$'000*
Financial assets		
Loans and receivables (including bank balances and cash)	69,058	53,724
Financial liabilities		
Financial liabilities at amortised cost	167,375	146,611

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, short-term and long-term bank deposits, trade and other payables, amounts due to non-controlling shareholders of a subsidiary, related companies and a director, bank and other borrowings and obligations under finance leases which are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

Several subsidiaries of the Company have foreign currency purchases, which expose the Group to foreign currency risk. Approximately 4% (2014: 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	
	2015	**2014**
	HK$'000	*HK$'000*
RMB	1,360	1,962

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

Sensitivity analysis

The Group is mainly exposed to the effects of fluctuation in RMB. Management of the Group considers the currency risk of the Group is insignificant for the years ended 31 December 2015 and 2014, hence no sensitivity analysis is presented.

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to bank and other borrowings (see note 29 for details of these borrowings) 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 while the short-term and long-term bank deposits are fixed-rate bank deposits. The exposure of the interest rate risk is minimal and no sensitivity to interest rate risk is presented.

The Group's exposure to interest rates on financial liabilities is detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of base lending rate published by the People's Bank of China, 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 (2014: 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 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. No sensitivity analysis has been presented for the year ended 31 December 2015 as all bank and other borrowings are in fixed interest rate.

Credit risk

At 31 December 2015, 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 74% and 90% (2014: 3% and 66%) of the total trade receivables which are due from the Group's largest customer and the five largest customers, respectively. However, management consider the credit risk is under control since the management exercises due care in granting credit and reviews the recoverable amount of each balance at the end of each reporting period to ensure adequate impairment losses have been made for irrecoverable amounts.

The Group's concentration of credit risk by geographical locations is mainly in the North America, which accounted for 78% (2014: 66%) of the total trade receivables as at 31 December 2015.

Liquidity risk

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

The Group relies on bank and other borrowings as a significant source of liquidity. As at 31 December 2015, the Group has available short-term bank loan facilities of approximately HK$12,048,000 (2014: HK$61,002,000).

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. 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 2015		
	Within one year or on demand	**Total contractual undiscounted cash flows**	**Carrying amount**
	HK$'000	*HK$'000*	*HK$'000*
Non-derivative financial liabilities			
Trade and other payables	29,197	29,197	29,197
Bank and other borrowings	81,072	81,072	78,494
Amount due to related companies	59,684	59,684	59,684
	169,953	169,953	167,375

	At 31 December 2014		
	Within one year or on demand	**Total contractual undiscounted cash flows**	**Carrying amount**
	HK$'000	*HK$'000*	*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

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

8. FAIR VALUE MEASUREMENTS

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

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

9. REVENUE AND OTHER OPERATING INCOME

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

Analysis of the Group's revenue and other operating income for the year is as follows:

	2015	**2014**
	HK$'000	*HK$'000*
Revenue:		
Sales of golf equipment and related components and parts	218,574	354,701
Sales of golf bags, other accessories and related components and parts	43,192	46,261
	261,766	400,962
Other operating income:		
Interest income	23	64
Sales of scrap materials	237	118
Sample income	519	175
Tooling income	322	315
Gain on disposal of property, plant and equipment	–	581
Gain on disposal of assets classified as held for sale *(note 26)*	–	83
Gain on deregistration of subsidiaries *(note 35)*	275	–
Sundry income	481	763
	1,857	2,099

10. SEGMENT INFORMATION

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

For the year ended 31 December

	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*
Segment revenue:								
Sales to external customers	218,574	354,701	43,192	46,261	–	–	261,766	400,962
Inter-segment sales	–	–	3,799	7,155	(3,799)	(7,155)	–	–
Other operating income	1,179	1,684	380	495	–	(227)	1,559	1,952
Total	219,753	356,385	47,371	53,911	(3,799)	(7,382)	263,325	402,914
Segment results	(69,492)	20,622	(9,608)	2,084	–	–	(79,100)	22,706
Interest income							23	64
Gain on deregistration of subsidiaries							275	–
Gain on disposal of assets classified as held for sale *(note 26)*							–	83
Gain on disposal of a subsidiary *(note 34)*							93	–
Impairment loss on club debenture							–	(500)
Unallocated corporate expenses							(6,957)	(6,043)
Finance costs							(5,402)	(7,591)
(Loss) profit before tax							(91,068)	8,719

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment results represents the profit earned (loss incurred) by each segment without allocation of interest income, gain on deregistration of subsidiaries, gain on disposal of assets classified as held for sale, gain on disposal of a subsidiary, impairment loss on club debenture, central administration costs, 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 prices.

(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	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets and liabilities						
Segment assets	309,046	417,863	13,193	25,726	322,239	443,589
Unallocated corporate assets						
– Club debentures					2,897	2,897
– Bank balances and cash					17,063	16,676
– Others					1,508	487
Total assets					343,707	463,649
Segment liabilities	20,490	19,454	5,366	15,634	25,856	35,088
Unallocated corporate liabilities						
– Amounts due to non-controlling shareholders of a subsidiary					–	462
– Amounts due to related companies					59,684	–
– Amount due to a director					–	7,589
– Tax payable					160	248
– Bank and other borrowings					78,494	104,033
– Obligations under finance leases					–	368
– Deferred tax liabilities					343	2,440
– Others					3,814	136
Total liabilities					168,351	150,364

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

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

- all liabilities are allocated to operating segments other than amounts due to non-controlling shareholders of a subsidiary, amounts due to related companies, amount due to a director, tax payable, bank and other 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.

(c) Geographical information

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

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

	Revenue from external customers	
	2015	**2014**
	HK$'000	*HK$'000*
North America	102,534	212,019
Japan	93,803	94,779
Europe	27,816	36,854
Asia (excluding Japan)	26,002	39,135
Others	11,611	18,175
	261,766	400,962

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

	2015	**2014**
	HK$'000	*HK$'000*
The PRC	143,809	220,540
Hong Kong (country of domicile)	4,378	13,641
	148,187	234,181

(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		Unallocated		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*
Additions to non-current assets *(note)*	4,574	14,516	663	559	435	–	5,672	15,075
Amortisation of prepaid lease payments	336	368	–	–	–	–	336	368
Impairment loss recognised in respect of trade receivables	–	–	1	–	–	–	1	–
Write-off of inventories	28,671	–	3,000	–	–	–	31,671	–
Depreciation of property, plant and equipment	11,069	12,690	1,187	2,148	22	–	12,278	14,838
Impairment loss on goodwill	6,824	–	7,996	–	–	–	14,820	–
Loss (gain) on disposal or write-off of property, plant and equipment	3,196	(581)	640	–	–	–	3,836	(581)

Note: Non-current assets included property, plant and equipment and prepayments 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		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*
Interest income	(18)	(60)	(5)	(4)	–	–	(23)	(64)
Gain on deregistration of subsidiaries	–	–	–	–	(275)	–	(275)	–
Gain on disposal of assets classified as held for sale *(note 26)*	–	–	–	–	–	(83)	–	(83)
Gain on disposal of a subsidiary *(note 34)*	(93)	–	–	–	–	–	(93)	–
Finance costs	5,130	7,357	196	234	76	–	5,402	7,591
Impairment loss on club debenture	–	–	–	–	–	500	–	500
Income tax expense	–	424	–	–	–	–	–	424

(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	2015	2014
		HK$'000	*HK$'000*
Customer A	Golf equipment	N/A[1]	125,163
Customer B	Golf equipment	103,748	119,461
Customer C	Golf equipment	63,974	70,911

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

11. FINANCE COSTS

	2015	2014
	HK$'000	*HK$'000*
Factoring charges	788	2,788
Interest expenses on:		
– bank overdrafts	26	40
– bank and other borrowings	5,502	5,378
– advances from a director	196	337
– obligations under finance leases	4	33
Total borrowing costs	6,516	8,576
Less: amounts capitalised *(note)*	(1,114)	(985)
	5,402	7,591

Note: Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 6.00% (2014: 6.00%) per annum to expenditure on qualifying assets.

12. INCOME TAX EXPENSE

	2015	2014
	HK$'000	*HK$'000*
Hong Kong Profits Tax		
– Current	–	160
PRC Enterprise Income Tax Income ("EIT")		
– Underprovision in prior years	–	43
	–	203
Deferred tax *(note 31)*		
– Current	–	221
	–	424

(i) No provision for Hong Kong Profits Tax has been made for the current year as there are no assessable profits generated or the estimated assessable profit has been net of tax losses brought forward from previous years for the year ended 31 December 2015.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the year ended 31 December 2014.

(ii) Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

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

(iii) Under Decree-Law no. 58/99/M, Sino Golf 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.

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

	2015	2014
	HK$'000	*HK$'000*
(Loss) profit before tax	(91,068)	8,719
Tax calculated at rates applicable to profits in the respective tax jurisdiction concerned	(16,114)	1,633
Effect of tax exemptions granted	–	(749)
Tax effect of income not taxable for tax purposes	(99)	(1,105)
Tax effect of expense not deductible for tax purposes	3,512	742
Tax effect of tax losses not recognised	12,701	252
Utilisation of tax losses previously not recognised	–	(392)
Underprovision in prior years	–	43
Income tax expense	–	424

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

13. (LOSS) PROFIT FOR THE YEAR

	2015 *HK$'000*	2014 *HK$'000*
(Loss) 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	84,467	105,861
Retirement benefits schemes contributions	7,812	9,555
Compensation for lay-down of employees	6,646	–
Total staff cost	98,925	115,416
Amortisation of prepaid lease payments	336	368
Auditors' remuneration	1,094	1,230
Impairment loss recognised in respect of trade receivables	1	–
Cost of inventories sold, excluding write-off of inventories	240,102	328,546
Depreciation of property, plant and equipment	12,278	14,838
Exchange loss (net)	755	159
Loss on disposal of property, plant and equipment	3,836	–
Impairment loss on club debentures *(note 21)*	–	500
Impairment loss on goodwill *(note 20)*	14,820	–
Operating leases rentals in respect of land and buildings	4,158	3,758
Research and development costs recognised as an expense	1,055	1,106

14. (LOSS) EARNINGS PER SHARE

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

	2015 *HK$'000*	2014 *HK$'000*
(Loss) earnings		
(Loss) earnings for the purpose of basic and diluted earnings per share	(91,068)	8,295

	2015 **'000**	2014 **'000** *(Restated)*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	2,328,634	2,300,250
Effect of dilutive potential ordinary shares:		
Share options	–	19,389
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	2,328,634	2,319,639

The computation of diluted loss per share for the year ended 31 December 2015 does not assume the conversion of the Company's share options since their exercise would result in a decrease in loss per share.

Note:

The number of shares for the purpose of calculating basic (loss) earnings per share for the years ended 31 December 2015 and 2014 was based on the bonus issue passed by the special resolution on 6 January 2016, in which every one share held by the shareholder is entitled to four bonus shares. The bonus shares were allotted and issued on 22 January 2016.

15. DIVIDENDS

No dividends were paid, declared or proposed during the year ended 31 December 2015, nor has any dividend been proposed since the end of the reporting period (2014: Nil).

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

	2015	**2014**
	HK$'000	*HK$'000*
Salaries, allowances and other benefits in kind	80,695	102,805
Compensation for lay-off of employees *(note (III))*	6,646	–
Retirement benefits schemes contributions	7,783	9,523
	95,124	112,328

(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 independent administered fund. The subsidiaries' employer contributions vest fully with the employees when contributed into the MPF Scheme. During the year ended 31 December 2015, a total contribution of approximately HK$190,000 (2014: approximately HK$190,000) was made by the Group in respect of this scheme.

(II) The PRC, other than Hong Kong

The employees in the Group who work in the PRC are required to participate in pension schemes operated by the local governments. The Group is required to contribute 5% to 8% (2014: 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 2015, a total contribution of approximately HK$7,593,000 (2014: approximately HK$9,333,000) was made by the Group in respect of this scheme.

(III) Compensation for lay-off employees

The workforce of Guangzhou factory was reduced from over 220 employees to about 20 employees in the current year which incurred severance payment of approximately HK$6,646,000 upon laying off the redundant workers (2014: Nil).

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 eleven (2014: six) directors, including the chief executive, were as follows:

For the year ended 31 December 2015

	Executive directors					Independent non-executive director						
	Wong Hin Shek[1]	Zhang Yi[2]	Chu Chun Man, Augustine[3]	Chu Yuk Man, Simon[4]	Chang Hua Jung[4]	Chu Yin Yin, Georgiana[2]	Yip Tai Him[2]	Chan Kai Wing[2]	Choy Tak Ho[4]	Chiu Lai Kuen, Susanna[4]	Zhu Shengli[4]	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking:												
Fees	852	–	789	225	405	51	51	51	90	125	45	2,684
Contributions to retirement benefits schemes	–	–	18	11	–	–	–	–	–	–	–	29
Discretionary bonus	–	–	15	–	8	–	–	–	–	–	–	23
Other benefits *(note (iii))*	–	–	840	225	–	–	–	–	–	–	–	1,065
Total emoluments	852	–	1,662	461	413	51	51	51	90	125	45	3,801

1. Appointed as an executive Director on 24 August 2015 and as the chairman of the Board on 14 September 2015

2. Appointed as an executive Director on 24 August 2015

3. Stepped down his position as the chairman of the Board on 14 September 2015 and remained as an executive Director thereafter

4. Resigned on 14 September 2015

For the year ended 31 December 2014

	Executive directors			Independent non-executive directors			
	Chu Chun Man, Augustine	Chu Yuk Man, Simon	Chang Hua Jung	Choy Tak Ho	Chiu Lai Kuen, Susanna	Zhu Shengli	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking:							
Fees	596	400	540	120	100	60	1,816
Contributions to retirement benefits schemes	17	15	–	–	–	–	32
Discretionary Bonus	30	30	15	–	–	–	75
Other benefits *(note (iii))*	840	325	–	–	–	–	1,165
Total emoluments	1,483	770	555	120	100	60	3,088

Mr. Chu Chun Man, Augustine was the chief executive of the Company until 14 September 2015. Since 14 September 2015, Mr. Wong Hin Shek becomes the chief executive of the Company. The emoluments of Mr. Chu Chun Man, Augustine and Mr. Wong Hin Shek disclosed above covered those for their services as the chief executive of the Company.

Certain of the comparative information of directors' emoluments for the year ended 31 December 2014 previously disclosed in accordance with the predecessor Companies Ordinance have been restated in order to comply with the new scope and requirements by the Hong Kong Companies Ordinance (Cap. 622).

Notes:

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

(ii) No directors waived or agreed to waive any emoluments during the years ended 31 December 2015 and 2014.

(iii) Other benefits represented housing benefits of approximately HK$840,000 (2014: HK$840,000) and HK$225,000 (2014: HK$325,000) paid on behalf of Chu Chun Man, Augustine and Chu Yuk Man, Simon, in respect of the free use of apartments rented by a subsidiary.

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, two (2014: two) were directors of the Company whose emoluments are set out above. The emoluments of the remaining three (2014: three) highest paid individuals were as follows:

	2015	**2014**
	HK$'000	*HK$'000*
Salaries, allowances and other benefits in kind	3,546	2,951
Retirement benefits schemes contributions	54	26
	3,600	2,977

Their emoluments were within the following bands:

	Number of individuals	
	2015	**2014**
Nil to HK$1,000,000	1	2
HK$1,000,001 to HK$1,500,000	1	1
HK$1,500,001 to HK$2,000,000	1	–
	3	3

(c) No emoluments have been paid by the Group to the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office for the years ended 31 December 2015 and 2014.

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 2014	164,937	6,233	108,230	6,459	6,002	9,357	301,218
Additions	–	918	2,261	370	546	11,996	16,091
Disposal	(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
Exchange realignment	(7,009)	(391)	(5,915)	(304)	(137)	(1,193)	(14,949)
Additions	–	634	1,527	258	14	3,126	5,559
Disposal of a subsidiary *(note 34)*	(54,000)	–	(8,185)	(500)	–	(343)	(63,028)
Deregistration of a subsidiary	–	(5)	–	(39)	(263)	–	(307)
Revaluation	(7,163)	–	–	–	–	–	(7,163)
Disposals	–	(6,100)	(35,812)	(956)	(901)	–	(43,769)
Transfers	–	–	413	–	–	(413)	–
At 31 December 2015	96,759	1,289	58,008	5,197	4,814	21,335	187,402
ACCUMULATED DEPRECIATION							
At 1 January 2014	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
Exchange realignment	(1,053)	(344)	(4,070)	(252)	(124)	–	(5,843)
Provided for the year	3,552	332	7,412	274	708	–	12,278
Loss on revaluation	21,457	–	–	–	–	–	21,457
Deregistration of a subsidiary	–	(5)	–	(39)	(263)	–	(307)
Disposal of a subsidiary	(25,295)	–	(8,127)	(500)	–	–	(33,922)
Eliminated on revaluation	(7,652)	–	–	–	–	–	(7,652)
Eliminated on disposals	–	(5,550)	(32,025)	(936)	(767)	–	(39,278)
At 31 December 2015	–	250	43,176	4,404	4,054	–	51,884
CARRYING VALUES							
At 31 December 2015	96,759	1,039	14,832	793	760	21,335	135,518
At 31 December 2014	155,940	1,334	25,994	881	1,601	20,158	205,908

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

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

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

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

The fair value of the leasehold land and buildings of the Group as at 31 December 2015 has been arrived at on the basis of a valuation carried out on that date by LCH (Asia-Pacific) Surveyors Limited ("LCH"), independent qualified professional valuers not connected with the Group. LCH has appropriate qualifications and has recent experience in the valuation of similar properties in the relevant locations. The valuation was arrived at by valuation techniques and assumptions as discussed below.

There has been no change from the valuation technique used in the valuation performed for the leasehold land and buildings as at 31 December 2012.

As at 31 December 2014, in the opinion of the directors of the Company, by reference to the quotation or sales prices of comparable properties on a price per square metre basis near the end of reporting period, no material changes on the fair value of the leasehold land and buildings as at 31 December 2012.

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$87,243,000 (31 December 2014: HK$129,828,000).

The leasehold land and buildings, which are measured subsequent to initial recognition at fair value, grouped into fair value hierarchy Level 3 based on the degree to which the inputs to fair value measurements observable. There were no transfers between levels of fair value hierarchy during the year.

There has been no change from the valuation technique used in the valuation performed for the leasehold land and buildings as at 31 December 2015. In estimating the fair value of the leasehold land and buildings, the highest and best use is their current use.

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

	Fair value hierarchy	**Fair value as at 31 December 2015** *HK$'000*	**Valuation techniques and key inputs**	**Significant unobservable inputs**	**Range**	**Relationship of key inputs and significant unobservable inputs to fair value**
Leasehold land and building	Level 3	HK$96,759 (equivalent to RMB80,310)	Depreciated replacement cost ("DRC") approach	Replacement cost per square metre	From RMB710 to RMB2,490	The higher the replacement cost, the higher the fair value

The fair value of the leasehold land and buildings located in the PRC is determined using DRC approach. DRC approach is a procedural valuation approach and an application of the cost approach in valuing specialised properties like this property. The use of this approach requires an estimate of the market value of the land use rights for its existing use, and an estimate of the new replacement cost of the buildings and other site works from which deductions are then made to allow for age, condition, and functional obsolescence taken into account of the site formation cost and those public utilities connection charges to the property. The land use right of this property has been determined from market-based evidences by analysing similar sales or offerings of comparable properties.

The reconciliation of Level 3 fair value measurements of leasehold land and buildings is as follows:

	Leasehold land and buildings
	HK$'000
At 1 January 2014	160,095
Disposal	(4)
Depreciation	(4,151)
At 31 December 2014	155,940
Exchange realignment	(5,956)
Depreciation	(3,552)
Disposal of a subsidiary	(50,162)
Net increase in fair value recognised in other comprehensive income	489
At 31 December 2015	96,759

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

(d) At 31 December 2014, the carrying values of motor vehicles included an amount of approximately HK$926,000 in respect of assets under finance leases. There is no asset under finance lease at 31 December 2015.

(e) At 31 December 2015, the Group's leasehold land and buildings and plant and machinery with carrying values of approximately HK$96,759,000 and HK$13,508,000 (2014: HK$104,951,000 and HK$17,307,000) was pledged as security for the banking facilities granted to the Group respectively.

19. PREPAID LEASE PAYMENTS

	2015	**2014**
	HK$'000	*HK$'000*
Leasehold land held under medium-term lease in the PRC and are analysed for reporting purposes as follows:		
Current assets	336	368
Non-current assets	9,032	9,929
	9,368	10,297

At 31 December 2015, the Group's prepaid lease payment with carrying value of approximately HK$9,368,000 (2014: HK$10,297,000) was pledged as security for the banking facilities granted to the Group.

20. GOODWILL

	2015	2014
	HK$'000	*HK$'000*
COST		
At 1 January and 31 December	14,820	14,820
IMPAIRMENT		
At 1 January	–	–
Impairment loss recognised during the year	(14,820)	–
At 31 December	(14,820)	–
CARRYING AMOUNTS		
At 31 December	–	14,820

Impairment test on goodwill

For the purpose of impairment testing, goodwill set out above has been allocated to two individual cash-generating units (2014: two). The carrying amounts of goodwill (net of accumulated impairment loss) as at the end of the reporting period allocated to these cash-generating units are as follows:

	2015	2014
	HK$'000	*HK$'000*
Golf equipment	–	6,824
Golf bags	–	7,996
	–	14,820

During the year ended 31 December 2015, the Group recognised an impairment loss of HK$6,824,000 (2014: Nil) and HK$7,996,000 (2014: Nil) in relation to goodwill arising on acquisition of golf equipment and golf bags, respectively. The impairment loss recognised during the year relates to the decline in the global golf market and decrease in the market needs.

The basis of the recoverable amounts of the above cash-generating units 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 has been determined based on a value in use calculation. That calculation uses cash flows projections based on the financial budgets approved by the management covering a period of five years (2014: five years), and pre-tax discount rate of 13.87% (2014: 13.47%). The golf equipment's cash flows beyond 5-year period are projected using zero growth rate (2014: zero growth rate). This growth rate was based on past performance and its expectation on the relevant industry growth forecasts. The golf equipment's cash flows were based on the budgeted sales and budgeted gross margins during the budget period. Budgeted gross margins were determined based on management's expectation for market development, and management believes that the budgeted gross margins were reasonable. The recoverable amount of the golf equipment segment is HK$142,532,000. The directors of the Company have consequently determined to write off the goodwill directly related to golf equipment amounting to HK$6,824,000. No other write-down of the assets of golf equipment is considered necessary.

The impairment loss has been included in profit or loss of the consolidated financial statements.

Golf bags

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

The recoverable amount has been determined based on a value in use calculation. That calculation uses cash flows projection based on the financial budgets approved by the management covering a period of five years (2014: five years) at a pre-tax discount rate of 14.67% (2014: 14.25%). The golf bags' cash flows beyond 5-year period are projected using zero growth rate (2014: zero growth rate). This growth rate was based on past performance and its expectation on the relevant industry growth forecasts. The golf bags' cash flows were based on the budgeted sales and budgeted gross margins during the budget period. Budgeted gross margins were determined based on management's expectation for market development, and management believes that the budgeted gross margins were reasonable. The recoverable amount of the golf bags segment is HK$1,731,000. The directors of the Company have consequently determined to write off the goodwill directly related to golf bags amounting to HK$7,996,000. No other write-down of the assets of golf bags is considered necessary.

The impairment loss has been included in profit or loss of the consolidated financial statements.

21. CLUB DEBENTURES

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

	2015	2014
	HK$'000	*HK$'000*
COST		
At 1 January and 31 December	3,397	3,397
ACCUMULATED IMPAIRMENT		
At 1 January	(500)	–
Impairment loss during the year *(note)*	–	(500)
At 31 December	(500)	(500)
CARRYING AMOUNT		
At 31 December	2,897	2,897

Note:

During the year ended 31 December 2014, the Group has recognised an impairment loss of HK$500,000 in relation to one of the club debentures with carrying amount of HK$1,262,000. There is no impairment loss recognised during the year ended 31 December 2015.

The recoverable amount of the club debentures 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. No impairment loss has been recognised as at 31 December 2015 (2014: HK$500,000).

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

22. DEPOSITS AND OTHER RECEIVABLES

Included in the deposits and other receivables of approximately HK$178,000 (2014: HK$270,000) represents loans advanced to employees of the Group. The loans are unsecured, non-interest bearing and are not repayable within the next twelve months from the end of the reporting period.

23. INVENTORIES

	2015 *HK$'000*	2014 *HK$'000*
Raw materials	62,572	60,174
Work in progress	33,609	57,363
Finished goods	23,660	52,682
	119,841	170,219

Note: During the year ended 31 December 2015, as a result of the reallocation of the PRC factory, the Group had conducted a review on the inventories and write-off of inventories of approximately HK$31,671,000 (2014: nil) was incurred and reflected in the consolidated financial statements.

24. TRADE AND OTHER RECEIVABLES

	2015 *HK$'000*	2014 *HK$'000*
Trade receivables	29,802	16,377
Less: allowance for impairment of trade receivables	(1)	(2)
	29,801	16,375
Prepayments	5,043	626
Other receivables	17,325	20,403
Prepayments to suppliers	4,245	4,531
	56,414	41,935

The Group does not hold any collateral over these balances.

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

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

	2015 *HK$'000*	2014 *HK$'000*
1 January	2	2
Impairment loss recognised in respect of trade receivables	1	–
Amount write-off as uncollectible	(2)	–
31 December	1	2

Included in the allowance for impairment of trade receivables are individually impaired trade receivables with an aggregate balances of approximately of HK$1,000 (2014: HK$2,000) due to long outstanding. The amount of approximately HK$2,000 has been write-off as uncollectible as a result of the loss of contact of the debtors with impaired balances.

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

	2015	**2014**
	HK$'000	*HK$'000*
0 to 30 days	24,516	10,996
31 to 90 days	5,023	5,369
91 to 180 days	262	10
	29,801	16,375

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

	Total	**Neither past due nor impaired**	**Past due but not impaired 0 to 90 days**
	HK$'000	*HK$'000*	*HK$'000*
At 31 December 2015	29,801	28,443	1,358
At 31 December 2014	16,375	13,383	2,992

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

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

25. PLEDGED BANK DEPOSIT/CASH AND CASH EQUIVALENTS

Pledged bank deposit

Pledged bank deposit represents deposit pledged to a PRC bank for a bank guarantee issued to the landlord of the Group's factory for 3 years leasing agreement and is therefore classified as non-current assets.

The pledged bank deposit carries fixed interest rate of 4.8% per annum.

Cash and cash equivalents

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

	2015	**2014**
	HK$'000	*HK$'000*
Bank balances and cash *(note i)*	17,063	16,676
Short-term bank deposit *(note ii)*	602	–
Less: bank overdrafts *(note 29)*	–	(992)
Cash and cash equivalents	17,665	15,684

(i) Bank balances carry interest at market rates which ranged from 0.01% to 0.50% per annum (2014: 0.01% to 0.50% per annum).

(ii) Short-term bank deposit carries interest at 2.0% per annum with a maturity date of 3 months.

(iii) Bank overdraft carried interest at market rates which is 5.75% per annum for the year ended 31 December 2014.

(iv) At 31 December 2015, the Group's bank balances and cash denominated in RMB amounted to approximately RMB8,016,000, equivalent to approximately HK$9,658,000 (2014: RMB9,956,000, equivalent to approximately HK$12,764,000). 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

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 had been transferred to local PRC government with the consideration of approximately RMB6,130,000, equivalent to approximately HK$7,859,000. Approximately HK$5,128,000 had been received in prior years, and the remaining amount of approximately HK$2,731,000 was received in current year. Gain on disposal of assets classified as held for sale of approximately HK$83,000 was recognised on the difference of the total consideration paid and the carrying amount.

27. TRADE AND OTHER PAYABLES

	2015	**2014**
	HK$'000	*HK$'000*
Trade and bills payables	25,637	31,820
Customers' deposits received	473	1,065
Accruals and other payables	3,560	2,339
	29,670	35,224

(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:

	2015	**2014**
	HK$'000	*HK$'000*
0 to 90 days	19,365	20,056
91 to 180 days	5,279	9,885
181 to 365 days	266	1,352
Over 365 days	727	527
	25,637	31,820

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:

	2015	2014
	HK$'000	*HK$'000*
RMB	1,360	1,962

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

The amounts due to non-controlling shareholders of a subsidiary at 31 December 2014 were unsecured, non-interest bearing and repayable on demand.

The amount due to a director at 31 December 2014 was unsecured, interest bearing ranging from 3% to 5% per annum and repayable on demand.

The amounts due to related companies of approximately HK$58,394,000 and HK$1,290,000, which a director of the Company has beneficial interest in and the substantial shareholder of the Company has beneficial interest in, respectively, are unsecured, non-interest bearing and repayable on demand.

29. BANK AND OTHER BORROWINGS

	2015	2014
	HK$'000	*HK$'000*
Bank overdrafts	–	992
Term loans	73,494	78,205
Trust receipts and packing loans	–	24,836
Other borrowing	5,000	–
	78,494	104,033
Secured	73,494	78,205
Unsecured	5,000	25,828
Carrying amount repayable within one year	78,494	104,033

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

At 31 December 2014, bank borrowings of approximately HK$78,205,000 and HK$25,828,000 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 2.26% to 5.75% per annum.

(ii) During the year ended 31 December 2015, the Group renewed new bank borrowings of approximately HK$73,494,000 (2014: HK$78,205,000) to finance its working capital.

(iii) At 31 December 2015, the bank facilities of the Group were secured by leasehold land and buildings, plant and machinery and prepaid lease payments of approximately HK$96,759,000 (note 18(e)), HK$13,508,000 (note 18(e)) and HK$9,368,000 (note 19) (2014: HK$104,951,000, HK$17,307,000 and HK$10,297,000) respectively.

(iv) At 31 December 2015, no guarantee was provided by the Company in relation to bank borrowings and banking facilities granted to certain subsidiaries (2014: HK$26,195,000). At the end of the reporting period, the Group had unused banking facilities of approximately HK$12,048,000 (2014: HK$61,002,000).

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

At 31 December 2014, except for bank borrowings equivalent to approximately HK$78,205,000 and HK$24,016,000 which are denominated in RMB and US$, 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) At 31 December 2015, other borrowing of HK$5,000,000 is a fixed-rate borrowing which carries interest of 12% per annum. The loan is unsecured and repayable on demand.

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 terms of which was four years. The finance leases have been fully settled during the year ended 31 December 2015.

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**	
	2015	**2014**	**2015**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amounts payable under finance leases:				
Within one year	–	372	–	368
In more than one year and not more than five years	–	–	–	–
	–	372	–	368
Less: future finance charges	–	(4)	–	–
Present value of lease obligations	–	368	–	368
Less: amounts due for settlement within one year shown under current liabilities			–	(368)
Amounts due for settlement after one year			–	–

Obligations under finance leases at 31 December 2014 borne interest at a fixed interest rate at 4.3% per annum. The Group's obligations under finance leases were 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 *HK$'000*	Accelerated tax depreciation *HK$'000*	Estimated tax loss *HK$'000*	Total *HK$'000*
At 1 January 2014	(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)
Reversed upon loss on revaluation of leasehold and building included in the disposal group	2,219	–	–	2,219
Charged to other comprehensive income	(122)	–	–	(122)
At 31 December 2015	(122)	(221)	–	(343)

At the end of the reporting period, the Group had unused tax losses of approximately HK$103,450,000 (2014: HK$45,605,000) available for offset against future profits. Included in unused tax losses are losses of approximately HK$82,740,000 (2014: HK$45,605,000) that will expire in 5 years from the year of origination. Other losses may be carried forward indefinitely.

Deferred tax asset in respect of the unused tax losses of approximately HK$1,093,000 as at 31 December 2013 had been fully utilised in year 2014. No deferred tax asset has been recognised in respect of unused tax losses as at 31 December 2015 and 2014.

Under the EIT Law of PRC, withholding tax is imposed on dividends in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards (the "Post-2008 Earnings"). Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary difference attributable to the "Post-2008 Earnings" amounting to approximately HK$10,603,000 (2014: HK$14,551,000) 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.

32. SHARE CAPITAL

Ordinary shares of HK$0.10 (2014: HK$0.10) each	Number of shares *'000*	Share capital *HK$'000*
Authorised		
At 1 January 2014, 31 December 2014 and 31 December 2015	1,000,000	100,000
Issued and fully paid		
At 1 January 2014 and 31 December 2014	460,050	46,005
Exercise of share options *(note)*	8,000	800
At 31 December 2015	468,050	46,805

Note: On 17 April 2015, 8,000,000 share options with exercise price of HK$0.37 per ordinary share were exercised to subscribe 8,000,000 ordinary shares of the Company at a consideration of HK$2,960,000. HK$800,000 were credited to share capital, while remaining consideration of HK$2,160,000 and the reversal of share options reserve of HK$731,000 upon exercise of share options, were credited to share premium.

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.

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.

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

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

At 31 December 2015, no share option has remained outstanding under the New Share Option Scheme. 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, representing approximately 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 2015**	**Granted during the year**	**Exercised during the year**	**Outstanding at 31 December 2015**
11 July 2013	8,000,000	–	(8,000,000)	–
Exercisable at the end of the year				–
Exercise price	HK$0.37	N/A	HK$0.37	N/A

	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

At 31 December 2015 and 2014, no outstanding share option was held by the directors.

In respect of the share options exercised during the year, the share price at the dates of exercise is HK$1.01 (2014: Nil).

34. DISPOSAL OF A SUBSIDIARY

On 13 May 2013, the Group entered into a sale and purchase agreement to dispose its entire equity interests in Guangzhou Shen Tong Trading Development Company Limited* ("Shen Tong") (廣州市紳通貿易發展有限公 司) which was included in the golf equipment segment prior to the disposal to an independent third party with consideration of RMB28,000,000, equivalent to approximately HK$35,897,000. The completion of the disposal of Shen Tong took place on 24 August 2015, upon which Shen Tong ceased to be a subsidiary of the Group for the year ended 31 December 2015.

The net assets of Shen Tong on the date of disposal were as follows:

	HK$'000
Consideration:	
Cash consideration	35,897

Analysis of assets and liabilities over which control was lost:

	2015
	HK$'000
Property, plant and equipment	29,106
Inventories	21,344
Bank balances and cash	38
Other receivables	299
Net assets disposed of	50,787

Loss on disposal of a subsidiary:

Total consideration	35,897
Net assets disposed of	(50,787)
Cumulative exchange differences in respect of net assets of the subsidiary reclassified from equity to profit or loss on loss of control of the subsidiary	14,983
Gain on disposal	93

The results of Shen Tong for the period from 1 January 2015 to 24 August 2015, which have been included in the consolidated statement of profit or loss and other comprehensive income as follows:

	Period from 1 January 2015 to 24 August 2015	**Period from 9 April 2014 (date of incorporation) to 31 December 2014**
	HK$'000	*HK$'000*
Revenue	–	–
Administrative expense	(862)	(435)
Loss before taxation	(862)	(435)
Income tax expense	–	–
Loss for the period	(862)	(435)

Loss for the period from Shen Tong includes the following:

	Period from 1 January 2015 to 24 August 2015	**Period from 9 April 2014 (date of incorporation) to 31 December 2014**
	HK$'000	*HK$'000*
Depreciation	803	403
Employee benefit expenses	27	19

During the period from 1 January 2015 to 24 August 2015, Shen Tong contributed approximately HK$26,000 (period from 9 April 2014 (date of incorporation) to 31 December 2014: paid approximately HK$31,000) to the Group's net operating cash flows and nil (period from 9 April 2014 (date of incorporation) to 31 December 2014: contributed approximately HK$20,000) in respect of financing activities.

	HK$'000
Net cash inflow arising on disposal:	
Cash consideration	35,897
Less: bank balances and cash disposed of	(38)
	35,859

* The English name is for identification purpose only

35. DEREGISTRATION OF SUBSIDIARIES

On 2 January 2015 and 22 January 2015, two subsidiaries of the Company, Sino Golf Sourcing Company Limited ("Sino Golf Sourcing") and Pingxiang Shundalong Golf Manufacturing Company Limited* ("Pingxiang Shundalong") (萍鄉順達隆高爾夫球製品有限公司) were voluntarily deregistered respectively.

The net liabilities of Sino Golf Sourcing on the date of deregistration was as follows:

	HK$'000
Net liabilities deregistered of	
Other payables	508
Release of cumulative exchange translation reserve	102
	610
Less: Non-controlling interests	(329)
Gain on deregistration of Sino Golf Sourcing	281

The reserve of Pingxiang Shundalong on the date of deregistration was as follows:

	HK$'000
Release of cumulative exchange translation reserve	(6)
Loss on deregistration of Pingxiang Shundalong	(6)

The net gain on deregistration of subsidiaries was as follows:

	HK$'000
Gain on deregistration of Sino Golf Sourcing	281
Loss on deregistration of Pingxiang Shundalong	(6)
Net gain on deregistration of subsidiaries	275

* The English name is for identification purpose only

36. OPERATING LEASE COMMITMENT

The Group as lessee

The Group leases certain of its office properties, production plants and staff quarters under operating lease arrangements. Leases are negotiated for a term ranging from one to six years (2014: one to four 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:

	2015	**2014**
	HK$'000	*HK$'000*
Within one year	3,813	1,519
In the second to fifth years, inclusive	3,764	94
	7,577	1,613

37. CAPITAL COMMITMENTS

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

	2015	**2014**
	HK$'000	*HK$'000*
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
Leasehold land and buildings	84	54
Plant and machinery	1,468	4,924
	1,552	4,978

38. MATERIAL LITIGATION

At 31 December 2015, an indirect wholly-owned subsidiary of the Company has been named as defendant in a High Court action since a writ was issued against it in April 2011 and it was claimed for an amount of approximately HK$1,546,000. The subsidiary has filed a full defence to this writ.

On 24 April 2015, an indirect wholly-owned subsidiary of the Company has been named as defendant in a local PRC court by summon for a claim of approximately RMB1,366,000, equivalent to approximately HK$1,645,000, with damages of approximately RMB55,000, equivalent to HK$66,000, together with interest thereon and costs in relation to dispute involving supply of equipment by the plaintiff. The proceedings are in process.

Up to the date of these consolidated financial statements, 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.

39. RELATED PARTY AND CONNECTED PARTY TRANSACTIONS

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

	Notes	**2015** *HK$'000*	**2014** *HK$'000*
Rental expenses	*(a)*	840	840
Rental expenses	*(b)*	225	325
Company secretarial compliance services fee	*(c)*	226	–

Notes:

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

(b) The rental expenses paid to a related company, which a director of the Company, who resigned on 14 September 2015, has beneficial interest in, were determined at rates agreed between the Group and the related company.

(c) The Company's secretarial compliance services fee paid to a related company, which a director of the Company has beneficial interest in, were determined at rates agreed between the Group and the related company.

(II) Compensation of key management compensation

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

	2015 *HK$'000*	**2014** *HK$'000*
Short-term benefits	5,735	6,689
Post-employment benefits	52	75
	5,787	6,764

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

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

	NOTES	2015 HK$'000	2014 HK$'000
Non-current assets			
Property, plant and equipment		413	–
Deposit and other receivables		447	–
Investments in subsidiaries	*(i)*	–	15,717
		860	15,717
Current assets			
Amounts due from subsidiaries	*(ii)*	144,473	193,475
Prepayment and deposits		198	–
Bank balances and cash		3,185	38
		147,856	193,513
Current liabilities			
Other borrowing		5,000	–
Amount due to a related company	*(ii)*	1,290	–
Other payables		1,186	136
Financial guarantee liabilities		–	22
		7,476	158
Net current assets		140,380	193,355
		141,240	209,072
Capital and reserves			
Share capital		46,805	46,005
Reserves	*(iii)*	94,435	163,067
		141,240	209,072

Notes:

(i) Investments in subsidiaries

	2015 HK$'000	2014 HK$'000
COST		
Unlisted investments	15,717	15,717
IMPAIRMENT		
At the beginning of the financial year	–	–
Less: Impairment loss recognised during the year	(15,717)	–
At the end of the year	(15,717)	–
CARRYING AMOUNT		
Unlisted investments, carrying amount	–	15,717

(ii) The amounts are unsecured, non-interest bearing and repayable on demand. For the year ended 31 December 2015, impairment loss of approximately HK$50,119,000 (2014: nil) has been recognised in respect of the amounts due from subsidiaries.

(iii) Reserves

	Share premium *HK$'000*	**Contributed surplus** *HK$'000* *(note)*	**Share options reserve** *HK$'000*	**Retained profits** *HK$'000*	**Total** *HK$'000*
At 1 January 2014	102,385	15,516	731	36,802	155,434
Profit and total comprehensive income for the year	–	–	–	7,633	7,633
At 31 December 2014	102,385	15,516	731	44,435	163,067
Loss and total comprehensive expense for the year	–	–	–	(70,792)	(70,792)
Issue of shares upon exercise of share options	2,891	–	(731)	–	2,160
At 31 December 2015	105,276	15,516	–	(26,357)	94,435

Note: 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.

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Name of subsidiary	**Place of incorporation/ establishment and operations**	**Issued and paid up capital**	**Percentage of equity interest and voting power attributable to the Company** **2015** *Directly*	*Indirectly*	**2014** *Directly*	*Indirectly*	**Principal activities**
Sino Golf (BVI) Company Limited	BVI/ Hong Kong	US$101	100	–	100	–	Investment holding
Sino Golf Manufacturing Company Limited ("Sino Golf Manufacturing")	Hong Kong	HK$2 (ordinary) HK$3,842,700 (non-voting deferred) *(note (iii))*	–	100	–	100	Investment holding and trading of golf equipment and accessories
Zengcheng Sino Golf Manufacturing Company Limited* 增城市順龍高爾夫球製品有限公司 *(Note (ii))*	PRC	HK$121,510,000	–	100	–	100	Manufacture and trading of golf equipment and accessories

Name of subsidiary	Place of incorporation/ establishment and operations	Issued and paid up capital	Percentage of equity interest and voting power attributable to the Company 2015		2014		Principal activities
			Directly	*Indirectly*	*Directly*	*Indirectly*	
CTB Golf (HK) Limited	Hong Kong	HK$10,000,000 (ordinary) HK$2,730,000 (preference)	–	100	–	100	Trading of golf bags and accessories
Dongguan Qi Heng Manufacturing Company Limited* 東莞騏衡運動用品製造有限公司 *(Note (ii))*	PRC	HK$38,000,000	–	100	–	100	Manufacture and trading of golf bags
Linyi Sino Golf Company Limited* 臨沂順億高爾夫球製品有限公司 *(Note (ii))*	PRC	HK$124,486,000 (2014: HK$117,975,080)	–	100	–	100	Manufacture and trading of golf equipment and accessories
Sino Golf Commercial Offshore De Macao Limitada	Macau	MOP 100,000	–	100	–	100	Trading of golf equipment and accessories

* The English name is for identification purpose only

Notes:

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

(ii) These are wholly foreign-owned enterprises established under the PRC law.

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

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

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

Principal activities	Principal place of business	Number of subsidiaries 2015	2014
Investment holding	Hong Kong	–	1
Inactive	Hong Kong	2	1
Inactive	PRC	1	4
		3	6

42. EVENTS AFTER THE REPORTING PERIOD

(A) Bonus issue

Pursuant to the special resolution passed on 6 January 2016, the Company's authorised share capital has been changed from 1,000,000,000 ordinary shares of par value of HK$0.1 each into 10,000,000,000 ordinary shares of par value of HK$0.01 each. No change has been made on the amount of the authorised share capital.

After the change of the authorised share capital, bonus issue has been made on 22 January 2016 on the basis of four bonus shares for every one existing shares held by existing shareholders. 1,872,200,000 ordinary shares have been allotted and issued to existing shareholders as a result. Details are set out in the Company's announcement dated 14 December 2015.

(B) Major acquisition

On 2 February 2016, Future Success Group Limited ("Future Success"), a wholly-owned subsidiary of the Company incorporated after 31 December 2015, entered into a sale and purchase agreement with Top Force Ventures Limited ("Top Force"), an independent third party, for the purchase of an investment holding company named as Lucky Fountain Holdings Limited (the "Target Company"), which are wholly owned by Top Force, at a cash consideration of HK$235,700,000. The acquisition was not yet completed as of the date of approval of consolidated financial statements. Further details of the proposed acquisition are set out in the Company's announcement dated 2 February 2016, 26 February 2016, 11 March 2016 and 24 March 2016.

43. COMPARATIVE FIGURES

As a result of the retrospective adjustment of the bonus issue on 22 January 2016, comparative figures in note 14 have been restated to provide comparative amounts in respect of items disclosed in 2014.

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Set out below are the unaudited consolidated financial statements of the Group for the six months ended 30 June 2015 and 2016 extracted from the interim report of the Company for the six months ended 30 June 2016.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	NOTES	Six months ended 30 June 2016 HK$'000 (Unaudited)	2015 HK$'000 (Unaudited)
Revenue	4	122,973	138,088
Cost of sales		(116,934)	(120,144)
Gross profit		6,039	17,944
Other operating income	7	833	877
Write-off of inventories		(21,660)	–
Selling and distribution expenses		(1,255)	(2,229)
Administrative expenses		(31,795)	(26,895)
Finance costs	8	(6,452)	(3,249)
Loss before tax		(54,290)	(13,552)
Income tax	9	–	–
Loss for the period	10	(54,290)	(13,552)
Other comprehensive (loss) income for the period:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		(2,271)	–
Exchange fluctuation reserve released on the deregistration of subsidiaries		–	(96)
Items that will not be reclassified subsequently to profit or loss:			
Deferred tax relating to leasehold land and buildings under revaluation model		(61)	1,133
Other comprehensive (loss) income for the period		(2,332)	1,037
Total comprehensive loss for the period		(56,622)	(12,515)
Loss for the period attributable to:			
Owners of the Company		(54,290)	(13,552)
Non-controlling interest		–	–
		(54,290)	(13,552)
Total comprehensive loss for the period attributable to:			
Owners of the Company		(56,622)	(12,515)
Non-controlling interest		–	–
		(56,622)	(12,515)
		HK cents	HK cents (Restated)
Loss per share	12		
Basic and diluted		(2.32)	(0.58)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

	NOTES	**30.6.2016** *HK$'000* *(Unaudited)*	**31.12.2015** *HK$'000* *(Audited)*
Non-current assets			
Property, plant and equipment	*13*	130,038	135,518
Prepaid lease payments	*14*	217,013	9,032
Club debentures		2,897	2,897
Pledged bank deposit		624	639
Deposits and other receivables		604	625
Prepayments for the acquisition of property, plant and equipment		1,124	740
		352,300	149,451
Current assets			
Inventories		93,691	119,841
Trade and other receivables	*15*	30,874	56,414
Prepaid lease payments	*14*	6,554	336
Short-term bank deposit		–	602
Bank balances and cash		11,783	17,063
		142,902	194,256
Current liabilities			
Trade and other payables	*16*	27,193	29,670
Amounts due to related companies		50,020	59,684
Tax payable		160	160
Bank and other borrowings	*17*	80,265	78,494
		157,638	168,008
Net current (liabilities) assets		(14,736)	26,248
Total assets less current liabilities		337,564	175,699
Non-current liabilities			
Promissory note	*18*	218,426	–
Deferred tax liabilities		404	343
		218,830	343
Net assets		118,734	175,356
Capital and reserves			
Share capital	*19*	23,403	46,805
Reserves		92,601	125,821
Equity attributable to owners of the Company		116,004	172,626
Non-controlling interests		2,730	2,730
Total equity		118,734	175,356

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Attributable to owners of the Company											
	Share capital	Share premium	Share options reserve	Contributed surplus	Legal reserve	Assets revaluation reserve	Statutory surplus reserve	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Note i)	*(Note ii)*		*(Note iii)*					
At 1 January 2015 (audited)	46,005	102,385	731	10,564	48	19,237	17	37,085	94,812	310,884	2,401	313,285
Loss for the period	–	–	–	–	–	–	–	–	(13,552)	(13,552)	–	(13,552)
Other comprehensive income (loss) for the period	–	–	–	–	–	1,133	–	(96)	–	1,037	–	1,037
Total comprehensive income (loss) for the period	–	–	–	–	–	1,133	–	(96)	(13,552)	(12,515)	–	(12,515)
Deregistration of subsidiaries	–	–	–	–	–	–	–	–	–	–	329	329
Issue of shares upon exercise of share options	800	2,891	(731)	–	–	–	–	–	–	2,960	–	2,960
At 30 June 2015 (unaudited)	46,805	105,276	–	10,564	48	20,370	17	36,989	81,260	301,329	2,730	304,059

	Attributable to owners of the Company											
	Share capital	Share premium	Share options reserve	Contributed surplus	Legal reserve	Assets revaluation reserve	Statutory surplus reserve	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (*Note i*)	*HK$'000* (*Note ii*)	*HK$'000*	*HK$'000* (*Note iii*)	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2016 (audited)	46,805	105,276	–	10,564	48	366	17	5,806	3,744	172,626	2,730	175,356
Loss for the period	–	–	–	–	–	–	–	–	(54,290)	(54,290)	–	(54,290)
Other comprehensive loss (income) for the period	–	–	–	–	–	(61)	–	(2,271)	–	(2,332)	–	(2,332)
Total comprehensive loss (income) for the period	–	–	–	–	–	(61)	–	(2,271)	(54,290)	(56,622)	–	(56,622)
Capital reduction	(42,124)	–	–	42,124	–	–	–	–	–	–	–	–
Issue of bonus shares	18,722	–	–	(18,722)	–	–	–	–	–	–	–	–
At 30 June 2016 (unaudited)	23,403	105,276	–	33,966	48	305	17	3,535	(50,546)	116,004	2,730	118,734

Notes:

i 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.

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

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016	**2015**
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Cash flows from operating activities		
Net cash from (used in) operating activities	5,103	(2,755)
Cash flows from investing activities		
Purchase of property, plant and equipment	(990)	(2,531)
Prepayment for acquisition of property, plant and equipment	(823)	(343)
Proceeds from disposal of property, plant and equipment	1	101
Interest received	9	12
Net cash used in investing activities	(1,803)	(2,761)
Cash flows from financing activities		
Repayment of bank borrowings	(51,017)	(55,722)
New bank and other borrowings raised	54,088	55,128
Advance from a director	–	3,786
Repayment to related companies	(9,664)	–
Interest and factoring charges paid	(2,384)	(3,867)
Proceeds of shares issue upon exercise of share options	–	2,960
Repayments of obligations under finance leases	–	(368)
Net cash from (used in) financing activities	(8,977)	1,917
Net decrease in cash and cash equivalents	(5,677)	(3,599)
Cash and cash equivalents at 1 January	17,665	15,684
Effect of foreign exchange rate changes	(205)	–
Cash and cash equivalents at 30 June	11,783	12,085
Analysis of cash and cash equivalents:		
Bank balances and cash	11,783	12,085
	11,783	12,085

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

1. GENERAL

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

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

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

The principal activities of the Group are the manufacture and trading of golf equipment, golf bags and accessories.

2. BASIS OF PREPARATION

The condensed consolidated financial information of Sino Golf Holdings Limited and its subsidiaries (collectively, the Group) for the six months ended 30 June 2016 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").

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial information 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 information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2015.

In the current period, 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 Group's financial year beginning 1 January 2016.

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

The application of the new and revised HKFRSs in the current period 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.

4. 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.

5. SEGMENT INFORMATION

During the year ended 31 December 2015, the Group's revenue and expenses were generated solely from the manufacture and trading of golf equipment and golf bags businesses. The management of the Group made decisions about resources allocation and performance assessment of the Group based on the operating results from the business activities of golf equipment and golf bags businesses. Accordingly, the Directors are of the opinion that the abovementioned businesses were two single reportable operating segments of the Group for the year ended 31 December 2015.

On 2 February 2016, the Group entered into a sale and purchase agreement with Top Force Ventures Limited ("Top Force"), an independent third party, for the acquisition of the entire equity interest in Lucky Fountain Holdings Limited ("Lucky Fountain") and its subsidiaries (collectively, the "Lucky Fountain Group"). The principal assets of the Lucky Fountain Group are twelve land parcels located in Saipan with a total site of approximately 79,529 square metres (the "Properties"). The acquisition was completed on 16 May 2016 and the Board is in the preliminary view to precede the development of hotel resorts, the Properties and commence the hospitality business since then.

For management purposes, the Group is organised into business units based on their products and nature and has three (2015: two) reportable and operating segments as follow:

Golf equipment	–	The manufacture and trading of golf equipment, and related components and parts.
Golf bags	–	The manufacture and trading of golf bags, other accessories, and related components and parts.
Hospitality	–	The development of tourism industries in Saipan.

(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		Hospitality		Eliminations		Consolidated	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
Segment revenue:										
Sales to external customers	114,446	111,583	8,527	26,505	–	–	–	–	122,973	138,088
Inter-segment sales	–	–	1,049	2,877	–	–	(1,049)	(2,877)	–	–
Other operating income	471	652	353	214	–	–	–	–	824	866
Total	114,917	112,235	9,929	29,596	–	–	(1,049)	(2,877)	123,797	138,954
Segment results	(40,954)	(7,943)	(1,642)	668	(795)	–	–	–	(43,391)	(7,275)
Interest income									9	11
Unallocated corporate expenses									(4,456)	(3,039)
Finance costs									(6,452)	(3,249)
Loss before tax									(54,290)	(13,552)

Segment results represent the (loss incurred) profit earned by 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 prices.

(b) Segment assets and liabilities

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

	Golf equipment		Golf bags		Hospitality		Consolidated	
	30.6.2016	**31.12.2015**	**30.6.2016**	**31.12.2015**	**30.6.2016**	**31.12.2015**	**30.6.2016**	**31.12.2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	*(Audited)*	*(Unaudited)*	*(Audited)*	*(Unaudited)*	*(Audited)*	*(Unaudited)*	*(Audited)*
Segment assets	253,820	309,046	10,701	13,193	214,576	–	479,097	322,239
Unallocated corporate assets								
– Club debentures							2,897	2,897
– Bank balances and cash							11,783	17,063
– Others							1,425	1,508
Total assets							495,202	343,707
Segment liabilities	22,462	20,490	4,272	5,366	–	–	26,734	25,856
Unallocated corporate liabilities								
– Amounts due to related companies							50,020	59,684
– Tax payable							160	160
– Bank and other borrowings							80,265	78,494
– Promissory note							218,426	–
– Deferred tax liabilities							404	343
– Others							459	3,814
Total liabilities							376,468	168,351

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, certain other receivables and plant and equipment for central administrative purpose. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and

- all liabilities are allocated to reportable segments other than amounts due to related companies, tax payable, bank and other borrowings, promissory note, deferred tax liabilities and certain other payables. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

6. SEASONALITY OF OPERATIONS

There are no material seasonal events in business activities of the Group.

7. OTHER OPERATING INCOME

	Six months ended 30 June	
	2016	**2015**
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Interest income	9	11
Gain on deregistration of subsidiaries	–	275
Sale of scrap materials	8	92
Tooling income	157	226
Gain on disposal of property, plant and equipment	299	–
Sundry income	360	273
	833	877

8. FINANCE COSTS

	Six months ended 30 June	
	2016	**2015**
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Factoring charges	–	797
Interest expenses on		
– Bank overdrafts	–	26
– Bank and other borrowings	2,384	2,844
– Promissory note	4,555	–
– Obligations under finance leases	–	4
– Amount due to a director	–	196
Total borrowing costs	6,939	3,867
Less: amount capitalised *(note)*	(487)	(618)
	6,452	3,249

Note: The capitalisation ratio of borrowings for the six months ended 30 June 2016 is 5% (six months ended 30 June 2015: 6%).

9. INCOME TAX

(a) No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2016 and 2015 as there are no assessable profits generated.

(b) 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 People's Republic of China ("PRC") subsidiaries is 25% from 1 January 2008 onwards.

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

(c) 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.

(d) The corporate income tax in the Commonwealth of the Northern Mariana Islands (the "CNMI") is calculated at 35% of the estimated profit for the six months ended 30 June 2016. No provision for corporate income tax rate for the subsidiary incorporated in the CNMI as no income has been derived from the CNMI during the six months ended 30 June 2016.

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

10. LOSS FOR THE PERIOD

Loss for the period is arrived at after charging:

	Six months ended 30 June	
	2016	**2015**
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Amortisation of prepaid lease payments	945	183
Cost of inventories sold	116,934	120,144
Depreciation of property, plant and equipment	4,563	6,764
Exchange loss, net	570	7
Operating leases rentals in respect of land and building	2,109	1,843
Loss on disposal of property, plant and equipment	–	50

11. DIVIDENDS

No dividends were paid, declared or proposed during the interim period. The Directors have determined that no dividend will be paid in respect of the interim period (six months ended 30 June 2015: nil).

12. LOSS PER SHARE

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

	Six months ended 30 June	
	2016	**2015**
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Loss		
Loss for the purposes of basic and diluted loss per share	(54,290)	(13,552)

	Six months ended 30 June	
	2016	**2015**
	'000	*'000*
	(Unaudited)	*(Unaudited)*
		(Restated)
Number of shares		
Weighted average number of shares for the purpose of basic and diluted loss per share	2,340,250	2,316,604

Diluted loss per share for the six months ended 30 June 2016 is the same as the basic loss per share for the six months ended 30 June 2016 as there are no dilutive potential ordinary shares outstanding during the six months ended 30 June 2016.

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

The weighted average number of shares for the purpose of calculating basic loss per share for the six months ended 30 June 2015 was retrospectively adjusted on the bonus issue passed by the special resolution on 6 January 2016, in which every one share held by the shareholder is entitled to four bonus shares. The bonus shares were allotted and issued on 22 January 2016.

13. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2016, the Group incurred approximately HK$1,903,000 (six months ended 30 June 2015: approximately HK$3,064,000) on acquisition of property, plant and equipment net of capitalised interest expenses of approximately HK$487,000 (six months ended 30 June 2015: HK$618,000).

Assets with a net carrying value of HK$188,000 were disposed of by the Group during the six months ended 30 June 2016 (six months ended 30 June 2015: HK$152,000), resulting in a net gain on disposal of HK$299,000 (six months ended 30 June 2015: net loss on disposal of HK$50,000).

In the opinion of the Directors, the aggregate carrying amount of the Group's leasehold land and buildings at the end of the current interim period that is carried at revalued amount does not differ significantly from their estimated fair value. Consequently, no revaluation surplus or deficit has been recognised in the current interim period.

14. PREPAID LEASE PAYMENTS

	30.6.2016	**31.12.2015**
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
Carrying amount at 1 January	9,368	10,297
Addition	213,864	–
Transaction cost capitalised	1,499	–
Amortisation during the period/year	(945)	(336)
Exchange realignment	(219)	(593)
	223,567	9,368
Less: current portion	(6,554)	(336)
Non-current portion	217,013	9,032

At 30 June 2016, the Group's prepaid lease payments with carrying value of approximately HK$8,990,000 (31 December 2015: HK$9,368,000) was pledged as security for the banking facilities granted to the Group.

15. TRADE AND OTHER RECEIVABLES

	30.6.2016	**31.12.2015**
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
Trade receivables	11,677	29,802
Less: allowance for impairment of trade receivables	–	(1)
	11,677	29,801
Prepayments	4,082	5,043
Other receivables	11,004	17,325
Prepayments to suppliers	4,111	4,245
	19,197	26,613
	30,874	56,414

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

	30.6.2016	**31.12.2015**
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
0 to 30 days	6,871	24,516
31 to 90 days	4,740	5,023
91 to 180 days	66	262
	11,677	29,801

16. TRADE AND OTHER PAYABLES

	30.6.2016	**31.12.2015**
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
Trade and bills payables	23,034	25,637
Customers' deposits received	314	473
Accrual and other payables	3,845	3,560
	27,193	29,670

The following is an aged analysis of trade and bills payables presented based on invoice dates at the end of the reporting period of the Group is as follows:

	30.6.2016	**31.12.2015**
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
0 to 90 days	16,955	19,365
91 to 180 days	4,910	5,279
181 to 365 days	490	266
Over 365 days	679	727
	23,034	25,637

17. BANK AND OTHER BORROWINGS

	30.6.2016	**31.12.2015**
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
Term loans	71,765	73,494
Other borrowing	8,500	5,000
	80,265	78,494
Secured	71,765	73,494
Unsecured	8,500	5,000
Carrying amount repayable within one year	80,265	78,494

During the current interim period, the Group renewed new bank and other borrowings of approximately HK$54,088,000 (year ended 31 December 2015: approximately HK$73,494,000) to finance its working capital.

At 30 June 2016, bank borrowings of approximately HK$71,765,000 are fixed-rate borrowings and are denominated in RMB (year ended 31 December 2015: approximately HK$73,494,000). The fixed-rate borrowings carry interest ranging from 5.00% to 5.52% per annum (year ended 31 December 2015: 5.00% to 6.15% per annum).

At 30 June 2016, other borrowing of HK$8,500,000 (year ended 31 December 2015: HK$5,000,000) is a fixed-rate borrowing which carries interest of 12% per annum. The loan is unsecured and repayable on demand.

18. PROMISSORY NOTE

On 16 May 2016, the Company issued a promissory note with principal amount of HK$235,700,000 to Top Force upon the completion of the acquisition of Lucky Fountain as disclosed in note 26.

The promissory note carries interest at a rate of 12% per annum and is unsecured. The outstanding principal amount plus any accrued interest will be repayable on the maturity date falling on the second anniversary of the date of the promissory note, i.e. 15 May 2018. The carrying amount of the promissory note at period end was computed by discounting the principal amount of the note by the effective interest rate.

19. SHARE CAPITAL

Ordinary shares of HK$0.01 (2015: HK$0.10) each

	Number of Shares *'000*	**Share capital** *HK$'000*
Authorised		
At 1 January 2015 and 31 December 2015	1,000,000	100,000
Sub-division *(note (i))*	9,000,000	–
At 30 June 2016	10,000,000	100,000
Issued and fully paid		
At 1 January 2014 and 31 December 2014	460,050	46,005
Exercise of share options *(note (ii))*	8,000	800
At 31 December 2015 and 1 January 2016	468,050	46,805
Capital reduction *(note (i))*	–	(42,124)
Issue of bonus shares *(note (iii))*	1,872,200	18,722
At 30 June 2016	2,340,250	23,403

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

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

(ii) On 17 April 2015, 8,000,000 share options with exercise price of HK$0.37 per ordinary share were exercised to subscribe 8,000,000 ordinary shares of the Company at a consideration of HK$2,960,000. HK$800,000 were credited to share capital, while remaining consideration of HK$2,160,000 and the reversal of share options reserve of HK$731,000 upon exercise of share options, were credited to share premium.

(iii) An ordinary resolution was passed at the special general meeting held on 6 January 2016 for the Bonus Issue. A total of 1,872,200,000 shares of HK$0.01 each were issued on 22 January 2016.

20. SHARE OPTION SCHEME

The Company has a share option scheme for eligible employees of the Group. Details of the shares options outstanding are as follows:

	30.6.2016	31.12.2015
Number of share options outstanding	–	–

On 17 April 2015, 8,000,000 share options with exercise price of HK$0.37 per ordinary share were exercised to subscribe 8,000,000 ordinary shares of the Company at a consideration of HK$2,960,000. HK$800,000 were credited to share capital, while remaining consideration of HK$2,160,000 and the reversal of share options reserve of HK$731,000 upon exercise of share options, were credited to share premium.

There were no share options granted, cancelled or lapsed during the six months ended 30 June 2016 (six months ended 30 June 2015: nil).

At 30 June 2016 and at 31 December 2015, no outstanding share option was held by the Directors.

21. OPERATING LEASE COMMITMENT

The Group as Lessee

The Group leases certain of its office properties, production plants and staff quarters under operating lease arrangements. Leases are negotiated for a term ranging from one to six years (year ended 31 December 2015: one to six years). The Group does not have option to purchase the leased assets at the expiry of the lease period.

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

	30.6.2016 *HK$'000* *(Unaudited)*	31.12.2015 *HK$'000* *(Audited)*
Within one year	2,150	3,813
In the second to fifth years, inclusive	1,205	3,764
	3,355	7,577

22. CAPITAL COMMITMENTS

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

	30.6.2016 *HK$'000* *(Unaudited)*	31.12.2015 *HK$'000* *(Audited)*
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of:		
Leasehold land and buildings	–	84
Plant and machinery	1,645	1,468
	1,645	1,552

23. LITIGATIONS

A writ of summon was issued against CTB Golf (HK) Ltd., 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.

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, with damages of approximately RMB55,000, together with interest thereon and costs in relation to dispute involving supply of equipment by the plaintiff. As at the reporting period ended 30 June 2016, the proceedings are in process.

Up to the date of these condensed consolidated financial information, in the opinion of the Directors, no provision for any potential liability has been made in the condensed consolidated financial information as the Group has pleaded reasonable chance of success in the defence.

24. FAIR VALUE DISCLOSURE

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost as at 30 June 2016 and 31 December 2015 approximate to their fair values due to their short-term maturities and the discounting impact is not significant.

25. RELATED PARTY TRANSACTIONS

(a) Save as disclosed in elsewhere of the condensed consolidated financial information, the Group entered into the following significant transactions with related parties during the period:

		Six months ended 30 June	
		2016	**2015**
		HK$'000	*HK$'000*
	Notes	*(Unaudited)*	*(Unaudited)*
Rental expenses	*(i)*	420	420
Rental expenses	*(ii)*	–	150
Company secretarial compliance services fee	*(iii)*	367	–
Professional fee	*(iv)*	375	–

Notes:

(i) The rental expenses paid to a related company, in which a Director has beneficial interest, were determined at rates agreed between the Group and the related company.

(ii) The rental expenses paid to a related company, in which a Director who resigned on 14 September 2015 has beneficial interest, were determined at rates agreed between the Group and the related company.

(iii) The company secretarial compliance services fee paid to a related company, in which a Director has beneficial interest, were determined at rates agreed between the Group and the related company.

(iv) The professional fee paid to a related company, in which a Director has beneficial interest, were determined at rates agreed between the Group and the related company.

(b) Key management compensation

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

	Six months ended 30 June	
	2016	**2015**
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Short-term benefits	3,414	3,422
Post-employment benefits	29	44
	3,443	3,466

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

26. ACQUISITION OF SUBSIDIARIES ACCOUNTED FOR AS ASSETS ACQUISITION

On 16 May 2016, Future Success Holdings Limited ("Future Success"), a wholly-owned subsidiary of the Company, completed the acquisition of entire equity interest in Lucky Fountain, from Top Force, at a consideration of HK$235,700,000 settling through issue of promissory note (note 18). The Directors are of the opinion that the acquisition of Lucky Fountain is in substance an asset acquisition instead of a business combination, as the net assets of Lucky Fountain Group were mainly prepaid lease payments and Lucky Fountain Group was investment holdings prior to the acquisition of the Group.

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

	16 May 2016
	HK$'000
Net assets acquired	
Prepaid lease payments	213,864
Bank balances and cash	7
	213,871
Satisfied by:	
Promissory note	213,871
Cash inflows arising from acquisition, representing bank balances and cash	7

27. EVENTS AFTER THE REPORTING PERIOD

On 8 July 2016, the Company entered into a subscription agreement with (i) Wealth Sailor Limited (the "Subscriber"), a company incorporated in the British Virgin Islands ("BVI") with limited liability; (ii) Surplus Excel Limited ("Surplus Excel"), a company incorporated in BVI with limited liability; and (iii) Mr. Jiang Jianhui, who beneficially owns as to 80% of Surplus Excel in relation to the subscription of subscription shares and convertible bonds. Pursuant to the subscription agreement, the Company has conditionally agreed to allot and issue to the Subscriber, and the Subscriber has conditionally agreed to subscribe for (i) an aggregate of 2,861,000,000 new shares (the "Subscription Shares") at subscription price of HK$0.114 per Subscription Share; and (ii) a zero coupon convertible bonds due 2021 with aggregate principal amount of HK$74,100,000 to be issued by the Company to the Subscriber, which entitle the Subscriber to subscribe for 650,000,000 conversion shares at the initial conversion price of HK$0.114 per conversion share.

The subscription was not yet completed as of the date of this report. Further details of the proposed subscription are set out in the Company's announcements dated 13 July 2016, 19 July 2016 and 1 August 2016.

28. APPROVAL OF THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

This unaudited condensed consolidated financial information were approved and authorised for issue by the Board on 30 August 2016.

3. STATEMENT OF INDEBTEDNESS

As at the close of business on 30 June 2016, being the latest practicable date for the purpose of this statement of indebtedness prior to printing of this circular, the indebtedness of the Group was as follows:

(i) Bank and other borrowings

The Group's bank borrowings in aggregate of approximately HK$71,765,000 were secured by certain property, plant and equipment and prepaid lease payments of the Group with carrying amount in aggregate of approximately HK$114,231,000.

The Group's unsecured loans plus accrued interests in aggregate of approximately HK$8,964,000 were unsecured in which the principal amounts in aggregate of HK$8,500,000 were interest bearing of 12% per annum and repayable within one year from the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular.

(ii) Other indebtedness

The Group had outstanding promissory note with a principal amount of approximately HK$235,700,000, which was unsecured, interest bearing of 12% per annum and repayable on 15 May 2018.

The Group had outstanding indebtedness of approximately HK$48,744,000 due to a related company which was beneficially owned by a director of the Company. The balance was unsecured, non-interest bearing and repayable on demand.

The Group had outstanding indebtedness of approximately HK$1,276,000 due to a related company which was beneficially owned by the substantial shareholder of the Company. The balance was unsecured, non-interest bearing and repayable on demand.

(iii) Contingent liabilities

Apart from the section headed "Litigation" in note 8 of Appendix III of this circular, the Group had no other material contingent liabilities.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-Group liabilities and normal trade payables, 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 other material contingent liabilities.

For the purpose of the above indebtedness statement, the foreign currency, Renminbi has been translated into HK$ at the approximate rate of 0.85:1.

4. MATERIAL CHANGE

The Directors confirmed that, save as disclosed below, there had been no material change in the financial or trading position or outlook of the Group since 31 December 2015, being the date to which the latest published audited consolidated financial statements of the Company were made up, and up to and including the Latest Practicable Date:

(i) on 2 February 2016, the Company entered into the sale and purchase agreement in relation to the acquisition of the entire issued share capital of Lucky Fountain Holdings Limited and its subsidiaries (the "**Target Group**") from Top Force Ventures Limited (the "**Acquisition**"). The Company published a completion announcement which stated that the Acquisition was completed on 16 May 2016. The Target Group has become subsidiaries of the Company and the financial results of the Target Group will be consolidated into the Company's consolidated financial statements;

(ii) on 11 August 2016, the Company published a voluntary announcement which stated that one of the four major customers of the Company ("**Customer A**"), who contributed an annual revenue of approximately USD8 million to the Company's golf business segment for the year ended 31 December 2015, has recently decided to egress the golf gear manufacturing industry (the "**Customer A's Exit**"). The Customer A's Exit may have a negative impact to the sales volume of the Company's golf business segment for the next financial year ending 31 December 2017;

(iii) as stated in the interim report of the Company for the six months ended 30 June 2016 published on 19 September 2016, the Group recorded a loss attributable to the owners of the Company of HK$54,290,000, representing an increase of loss of approximately 3.01 times as compared to the loss recorded for the six months ended 30 June 2015 of HK$13,552,000. The increase in loss was mainly attributed to the continued depression in the golf market. The Group's revenue for the six months ended 30 June 2016 dropped by approximately 10.9% which the golf bags sales plummeted by approximately 67.8%; and

(iv) on 27 September 2016, the Company entered into a letter of intent with an indirect wholly-owned subsidiary of Imperial Pacific International Holdings Limited (stock code: 1076) (the "**Lessee**") in respect to the leasing of 40 rooms of the 1st phase of the Development Plan ("**LOI**"). Pursuant to the LOI, upon completion of the 1st phase of the Development Plan by the Group, the Lessee intends to lease 40 rooms (out of an aggregate of 80 rooms) of the 1st Phase Development on a contractual basis with a term of 5 years i.e. 1 January 2019 to 31 December 2023 for the purpose of accommodating the casino visitors and senior management of Imperial Pacific International Holdings Limited. Further details of the LOI are set out in the announcement of the Company dated 27 September 2016.

5. BUSINESS TREND AND FINANCIAL AND TRADING PROSPECT

Business trend

As disclosed in the annual report 2015 of the Company, the Group had been operating under a depressed golf market resulting in a significant downturn in business revenue. The golf equipment sales plummeted as the largest customer of the Group for the preceding year radically changed its procurement practice to place orders mainly ("Largest Customer") from the Largest Customer's parent company upon a reorganisation of operations. Besides, shipments to other key customers of the golf equipment segment generally decreased in a volatile market with intense competition. In contrast, the golf bags business showed less fluctuation and recorded a moderate decline in the segment revenue. The Group's revenue for the year ended 31 December 2015 decreased by approximately 34.7% to approximately HK$261,766,000 as compared to the Group's revenue for the year ended 31 December 2014 of HK$400,962,000. Loss for the year attributable to owners of the Company was approximately HK$91,068,000 in contrast to a profit of approximately HK$8,295,000 in 2014. The turnaround was mainly due to the depressed sales and the incurrence of exceptional expenditures.

Apart from the section headed "Litigation" in note 8 of Appendix III of this circular, the Group had no other material contingent liabilities. Given that the aggregate penalties of the litigations are minimal (given that the aggregate penalties of approximately HK$3,150,000 only represents approximately 0.64% to the total assets of the Group as at 30 June 2016), the Board considers that there will be no material impact of the contingent liabilities to the financial position of the Group.

Prospects

In view of the challenges in global economy, management of the Group maintains a prudent view with caution that the golf equipment and golf bags business will continue to operate under great challenges amidst intense competition.

The Shandong manufacturing facility facilitates to strengthen the Group's competitive edge through persistently enhancing the quality and productivity. It also enables the Group to constantly monitor and rationalise the manufacturing costs given a lower operating cost environment and more stable labour supply in the northern part of the PRC. The Group has endeavoured to explore business opportunities with other reputable golf name brands and increase cooperation to expand business with the existing customers to better serve and satisfy their needs. The management is determined to keep continuous awareness of the market changes and development to ensure it timely addresses any issues to protect and safeguard the Group's interests.

In addition, the Group has completed the Saipan Acquisition on 16 May 2016 which comprises twelve land parcels located in the Saipan Island, with a total site area of approximately 79,529 square metres. The Board intends to develop hotel resorts and/or timeshare condominiums on the land parcels in four phases, with the commencement of the first phase estimated to be around third quarter of 2016. Saipan Island is an attractive market for golf related tourism and is home to a host of golf courses and the twelve land parcels under the Saipan Acquisition are located in close proximity to those golf courses such that the Board believes that the Saipan Acquisition allows the Group to enjoy synergy effect with the existing business of the Group and the Group can offer an unique golf-theme accommodation experience to Saipan's tourists and is able to help promoting the tourism industry of Saipan.

The following is the full text of a letter and valuation report prepared for the purpose of incorporation in this Circular received from Vigers Appraisal and Consulting Limited, in connection with the valuation of the Properties held by "Sino Golf Holdings Limited" as at 31 July 2016.

Sino Golf Holdings Limited

21st Floor,
1 Duddell Street, Central,
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Vigers Appraisal and Consulting Limited
General Practice Sector

30 September 2016
Our Ref.: DC/FW/KM/SN/VC/VA24406-2016

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10/F, The Grande Building,
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Dear Sirs,

RE: 12 LAND PARCELS LOCATED IN ISLAND OF SAIPAN, COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS, UNITED STATES OF AMERICA (REFERRED TO AS "THE PROPERTIES")

We refer to the recent instruction from "Sino Golf Holdings Limited" (the "Company") for us to assess the market value of the Properties in existing state and physical condition as at 31 July 2016 ("Valuation Date") for public disclosure purpose. We confirm that we have inspected the Properties, made relevant enquiries and investigations as well as obtained such further information as we consider necessary for the purpose of providing with our opinion of value of the Properties as at the Valuation Date.

BASIS OF VALUE

Our valuation is our opinion of market value of the Properties which is defined as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion". Our valuation has been prepared in accordance with "The HKIS Valuation Standards (2012 Edition)" published by "The Hong Kong Institute of Surveyors" ("HKIS"), "RICS Valuation – Professional Standards (January 2014)" published by the "Royal Institution of Chartered Surveyors" ("RICS"), relevant provisions in the "Companies Ordinance", and relevant chapters in the "Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (Main Board)" published by "The Stock Exchange of Hong Kong Limited".

Market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of special value. The market value of a property is estimated without regard to costs of sale and purchase, and without offset for any associated taxes.

VALUATION APPROACH

In the course of our valuation, we have adopted the market approach in which recent transactions of comparable properties in the locality are analysed and compared with the Properties. As defined in the "International Valuation Standards 2013" published by the "International Valuation Standards Council" ("IVSC"), "market approach provides an indication of value by comparing the subject asset with identical or similar assets for which price information is available". In our valuation, we have assessed the Properties by comparison method of valuation whereby comparisons based on actual sales transactions of comparable properties in the locality on a unit selling price basis have been made. Comparable properties with similar character, location, size, building quality and so on are analysed and carefully weighed against all respective advantages and disadvantages of the Properties in order to arrive at a fair comparison of value.

TITLE INVESTIGATIONS

The Properties are located in the United States of America ("USA"), and we have been given extracted copies of relevant title documents for the Properties but we have not checked the titles to the Properties nor scrutinized the original title documents. We have relied on the advice given by the Company, its legal adviser, "O'Connor Berman Dotts & Banes" ("USA Legal Adviser") on the laws of the USA and the ALTA commitment forms issued by Stewart Title Guaranty Company regarding titles to the Properties. For the purpose of our valuation, we have taken the legal opinion and the ALTA commitment forms prepared by the USA Legal Adviser and Stewart Title Guaranty Company into account, in particular title, ownership, encumbrances and so on of the Properties. While we have exercised our professional judgement in arriving at our valuation, you are urged to consider our valuation assumptions with caution.

VALUATION CONSIDERATION

Having examined all relevant documents, we have relied to a considerable extent on the information given by the Company, particularly planning approvals or statutory notices, easements, land lease term, site and floor areas, development scheme, occupancy status as well as in the identification of the Properties. We have had no reason to doubt the truth and accuracy of the information provided to us by the Company, and we have been advised by the Company that no material fact has been omitted from the information provided. In undertaking our valuation, we have been assisted by a local licensed real estate appraiser, "LBT Appraisal" ("LBT"), in Saipan, Commonwealth of Northern Mariana Islands ("CNMI"), the USA. We have not carried out detailed on-site measurement to verify the correctness of the site and floor areas of the Properties but we have assumed that the site and floor areas shown on the documents handed to us are accurate and reliable. All dimensions, measurements and areas included in our valuation report are based on the information contained in the documents provided to us by the Company and are therefore approximations.

On-site inspection to the Properties was carried out by Ms. Kathy L. L. MAK *BSc(Hons)* on 15th August 2016 but we must stress that we have not carried out any structural survey nor have we inspected the woodwork or other parts of the structures of the Properties which were covered, unexposed or inaccessible to us. We are therefore unable to report whether such part of the Properties is free from any structural or non-structural defect.

VALUATION ASSUMPTIONS

Our valuation has been made on the assumption that the Properties could be sold in the prevailing market in existing state but without the effect of any deferred term contract, leaseback, joint venture or any other similar arrangement which may serve to affect the value of the Properties, unless otherwise noted or specified. In addition, no account has been taken into of any option or right of pre-emption concerning or affecting the sale of the Properties.

In our valuation, we have made reference to the legal opinion prepared by the USA Legal Adviser and the ALTA commitment forms issued by Stewart Title Guaranty Company regarding titles to the Properties that the owner of the Properties has free and uninterrupted rights to use and assign the Properties during the whole of the unexpired land lease terms granted subject to payment of usual land-use fee(s). Our valuation for the Properties is carried out on the basis of a cash purchase, and no allowance has been made for interest and/or funding cost in relation to the sale or purchase of the Properties.

We had carried out on-site inspection to the Properties but no soil investigation has been carried out to determine the suitability of ground condition or building services for any property development to be erected on the Properties. Our valuation has been carried out on the assumption that these aspects are satisfactory. In our valuation, we have also assumed that all necessary consents, approvals and licences from relevant government authorities have been or will have been granted for any property development to be erected on the Properties.

Our market value assessment of the Properties is the value estimated without regard to costs of sale or purchase or transaction and without offset for any associated tax(es) or potential tax(es). Any transaction cost(s) or encumbrances such as mortgage, debenture or other charges against the Properties has been disregarded. In our valuation, we have made reference to the legal opinion prepared by the USA Legal Adviser and the ALTA commitment forms issued by Stewart Title Guaranty Company regarding titles to the Properties that the Properties are free from encumbrances, restrictions and outgoings of an onerous nature which may serve to affect the value of the Properties.

REMARKS

We hereby confirm that:

(1) we have no present or prospective interest in the Properties and are not a related corporation nor having a relationship with the Company;

(2) we are authorised to practise as external valuer and have the necessary expertise and experience in valuing similar types of properties;

(3) our valuation has been prepared on a fair and unbiased basis; and

(4) our compensation is not contingent upon the reporting of a predetermined value or direction in value that favours the cause of the vendor or purchaser, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.

For the purpose of compliance with Rule 11.3 of The Codes on Takeovers and Mergers and Share Buy-backs by Securities and Futures Commission (the "Takeovers Codes"), as advised by the Company, the potential tax liabilities which may arise from the sale of the Properties in Saipan, CNMI, the USA including Business Gross Revenue Tax from 0% to 5% and Excise Tax on the value of a transaction of the property at 5%. The Properties subject to the NMTIT may be entitled to a rebate on their NMTIT tax liability, the rebate ranges from 50% to 90% depending on the amount of tax paid. As advised by the Company, the Company has no plan to sell the Properties and it is unlikely that the potential tax liability will be crystallised in the near future.

Unless otherwise stated, all monetary amounts stated herein are denoted in United States Dollars ("US$"), the lawful currency of the USA.

We enclose herewith the core content of our valuation report.

Yours faithfully,
For and on behalf of
Vigers Appraisal and Consulting Limited

David W. I. CHEUNG
MRICS MHKIS RPS(GP) CREA
RICS Registered Valuer
Executive Director

Franky C. H. WONG
MSc(RealEst) MCIM MRICS MHKIS RPS(GP)
RICS Registered Valuer
Director

Note: Mr. David W. I. CHEUNG is a "Registered Professional Surveyor in General Practice Division" ("RPS(GP)") under the "Surveyors Registration Ordinance" (Cap. 417) in Hong Kong Special Administrative Region ("Hong Kong"), and is a "RICS Registered Valuer" under the "Valuer Registration Scheme" regulated by the RICS with over 33 years' valuation experience on properties in various regions including Hong Kong, Macao, the PRC, Taiwan, Japan, the United Kingdom ("UK"), Canada and the USA. Mr. Cheung has been vetted on the "List of Property Valuers for Undertaking Valuations for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers" published by the HKIS, and is suitably qualified for undertaking valuations relating to listing exercises. Mr. Cheung has been employed by "Vigers Appraisal and Consulting Limited" as a qualified surveyor since 2006.

Graduated from The University of Hong Kong with a Master of Science in Real Estate, Mr. Franky C. H. WONG is a "Registered Professional Surveyor in General Practice Division" ("RPS(GP)") under the "Surveyors Registration Ordinance" (Cap. 417) in Hong Kong, and is a "RICS Registered Valuer" under the "Valuer Registration Scheme" regulated by the RICS with over 15 years' valuation experience on properties in various regions including Hong Kong, Macao, the PRC, Taiwan, Japan, UK and the USA. Mr. Wong has been vetted on the "List of Property Valuers for Undertaking Valuations for Incorporation or Reference in Listing Particulars and Circulars and Valuations in connection with Takeovers and Mergers" published by the HKIS and "List of Property Valuers for Undertaking Valuations for Incorporation or Reference in Listing Particulars and Circulars and Valuations in connection with Takeovers and Mergers" published by RICS Hong Kong, and is suitably qualified for undertaking valuations relating to listing exercises. Mr. Wong has been employed by "Vigers Appraisal and Consulting Limited" as a valuer since 2006 and as a qualified surveyor since 2009.

Property held for development purpose

The Properties	Description and Tenure	Occupancy Status	Market Value in Existing State as at the Valuation Date
Lot 007 A 02, Lot 007 A 03, Lot 007 A 04, Lot 022 A 02, Lot 022 A 03, Lots 007 A 05, Lots 007 A 06, Lots 007 A 07, Lot 032 A 01, Lot 036 D 01, Lot 010 A 02 and Lot 010 A 17, Saipan, CNMI, the USA	The Properties comprise 12 pieces of vacant land with total site area of about 79,529 square metres for rural use (Portion of the Property is in the process of Application of Rezone. Please refer to Note 10 below for further details.) in Saipan of the USA. *(Please also refer to Note 5 below for further details.)* The Properties are held under Assignment of Leases for various terms with the earliest and latest expiry dates on 31st May 2042 and 12th August 2069 respectively.	The Properties were left vacant as of the date of our inspection.	US$31,000,000

Note:

1. Pursuant to the information made available to us, the ownership details of the Properties are listed below.

Lot No.	Lease Term	Site Area	Registered Owner
Lot 007 A 02	From 29th September 2014 to 12th August 2069	1,500 square metres	BILLION VENTURES (CNMI) LIMITED
Lot 007 A 03	From 29th September 2014 to 12th August 2069	500 square metres	BILLION VENTURES (CNMI) LIMITED
Lot 007 A 04	From 29th September 2014 to 12th August 2069	500 square metres	BILLION VENTURES (CNMI) LIMITED
Lot 022 A 02	From 29th September 2014 to 12th August 2069	3,584 square metres	BILLION VENTURES (CNMI) LIMITED
Lot 022 A 03	From 29th September 2014 to 12th August 2069	15,000 square metres	BILLION VENTURES (CNMI) LIMITED
Lots 007 A 05	From 29th September 2014 to 25th November 2042	2,500 square metres	BILLION VENTURES (CNMI) LIMITED
Lots 007 A 06	From 29th September 2014 to 25th November 2042	2,500 square metres	BILLION VENTURES (CNMI) LIMITED
Lots 007 A 07	From 29th September 2014 to 25th November 2042	2,501 square metres	BILLION VENTURES (CNMI) LIMITED
Lot 032 A 01	From 30th April 2015 to 31st May 2042	9,352 square metres	BILLION VENTURES (CNMI) LIMITED
Lot 036 D 01	From 29th September 2014 to 12th August 2069	10,980 square metres	BILLION VENTURES (CNMI) LIMITED
Lot 010 A 02	From 29th September 2014 to 21st December 2043	20,408 square metres	BILLION VENTURES (CNMI) LIMITED
Lot 010 A 17	From 29th September 2014 to 21st December 2043	10,204 square metres	BILLION VENTURES (CNMI) LIMITED

2. Pursuant to the ALTA commitment forms prepared by Stewart Title Guaranty Company, there is no material encumbrances registered against the Properties.

3. As confirmed by the Company, the use of the Properties does not constitute any breach of environmental regulations.

4. As confirmed by the Company, there is no pending litigation, breaches of law or title defects against the Properties.

5. As confirmed by the Company, the Properties are intended to be developed into hotel resorts and/or timeshare condominiums in four phases, of which the first phase of the Development Plan with a site area of approximately 9,352 square metres will be developed into a 3-star 8-storey timeshare condominium resort comprising 8,000 square metres and the preliminary estimated development cost is US$17,600,000 or thereabout; whilst the remainder is intended to be kept as land reserves of the Company.

6. As confirmed by the Company, there is no plan to dispose of the Properties.

7. As confirmed by the Company, there is no other information considered material for investors.

8. In our valuation, we have identified and analyzed various relevant sales evidence in the locality which has similar characteristic as the Properties. The unadjusted unit selling prices of those comparable properties on site area basis range from US$317 per square metre to US$425 per square metre. Appropriate adjustments and analysis have been considered for the differences in location, size and other characters between the comparable properties and the Properties to arrive the market value of the Properties as at the Valuation Date. The assessed unit rate of the Properties as at the Valuation Date is in line with the unit rates of those comparable properties.

9. The Properties are located on the northeastern side of Saipan, Commonwealth of the Northern Mariana Islands, the USA and within 15 minutes' drive from downtown, where hotel resorts and low-rise residential developments can also be found in the locality.

10. Pursuant to 3 forms of Application for Rezone (File Numbers: 2014-2597, 2014-2598 and 2014-2599) all dated 11 July 2016, part of the Properties (including Lot 010 A17, Lot 010 A02, Lot 022 A03, Lot 022 A02, Lot 007 A02, Lot 007 A03, Lot 007 A04, Lot 007 A05, Lot 007 A06, Lot 007 A07 and Lot 032 A 01) was in the process of rezoning application from "Rural" to "Tourist Resort" as of the Valuation Date.

11. Pursuant to the legal opinion prepared by the USA Legal Adviser, the likelihood of rezoning application as listed in Note 10. above would depend on whether there is public benefit(s) to the CNMI, current uses of adjacent properties, whether the rezoning is impermissible "spot zoning" and quality of development.

12. We had been instructed by the Company to assess the market values of the Properties as at 31 December 2015 and 31 January 2016 which were US$31,000,000 and US$31,000,000 respectively as included in the Circular of the Company dated 21 April 2016.

13. BILLION VENTURES (CNMI) LIMITED is a wholly-owned subsidiary of the Company.

The following is the full text of a letter and valuation report prepared for the purpose of incorporation in this Circular received from LCH (Asia-Pacific) Surveyors Limited, in connection with their valuation of the property interests held by the Group as at 30 June 2016.

利駿行測量師有限公司
LCH (Asia-Pacific) Surveyors Limited
PROFESSIONAL SURVEYOR
PLANT AND MACHINERY VALUER
BUSINESS & FINANCIAL ASSETS VALUER

The readers are reminded that the report which follows has been prepared in accordance with the reporting guidelines set by the International Valuation Standards 2013 and published by the International Valuation Standards Council which entitles the valuer to make assumptions which may on further investigation, for instance by the readers' legal representative, prove to be inaccurate. Any exception is clearly stated below. Headings are inserted for convenient reference only and have no effect in limiting or extending the language of the paragraphs to which they refer. Translations of terms in English or in Chinese are for reader's identification purpose only and have no legal status or implication in this report. This report was prepared and signed off in English format, translation of this report in language other than English shall only be used as a reference and should not be regarded as a substitute for this report. Piecemeal reference to this report is considered to be inappropriate and no responsibility is assumed from our part for such piecemeal reference. It is emphasised that the findings and conclusion presented below are based on the documents and facts known to us at the Latest Practicable Date of this circular. If additional documents and facts are made available, we reserve the right to amend this report and its conclusions.

17th Floor
Champion Building
Nos. 287-291 Des Voeux Road
Central
Hong Kong

30 September 2016

The Board of Directors
Sino Golf Holdings Limited
21st Floor
1 Duddell Street
Central
Hong Kong

Dear Sirs,

In accordance with the instructions given by the present management of Sino Golf Holdings Limited (hereinafter referred to as the "Instructing Party") to us to value a real property (same as the word *property* in this report) in which Sino Golf Holdings Limited (hereinafter referred to as the "Company") and its subsidiaries (collectively, hereinafter together with the Company referred to as the "Group") have interest in the People's Republic of China (hereinafter referred to as the "PRC" or "China"), we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary to support our opinion of value of the property interest as at 30 June 2016 (hereinafter referred to as the "Valuation Date") for general disclosure purpose in the Company's circular as at today's date.

We understand that the use of our work product (regardless of form of presentation) will form part of the Instructing Party's business due diligence but we have not been engaged to make specific sales or purchase recommendations, or give opinions for any financing arrangement. We further understand that the use of our work product will not supplant other due diligence which the Instructing Party should conduct in reaching its business decisions regarding the property valued. Our work is designed solely to provide information that will give a reference to the Instructing Party as part of its due diligence process, and our work should not be the only factor to be referenced by the Instructing Party.

BASIS OF VALUATION AND ASSUMPTIONS

According to the IVS, there are two valuation bases, namely market value basis and valuation bases other than market value. In this engagement, we have provided our opinion of value of the property interest on the market value basis.

The term "Market Value" is defined by the IVS as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Save except the facts disclosed in the PRC legal opinion, our valuation of the property interest has been made on the assumptions that, as at the Valuation Date:

1. the legally interested party in the property sells its relevant property interest in the market in its existing states as a unique interest without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any other similar arrangement which would serve to increase the value of the property interest; and

2. the property can be freely disposed of and transferred free of all encumbrances as at the Valuation Date for its existing use in the market to both local and overseas purchasers without payment of any premium to the government.

Should any of the above not be the case, it will have adverse impact to the value as reported.

APPROACH TO VALUE

Having considered the general and inherent characteristics of the property, we have adopted the depreciated replacement cost ("DRC") approach. The DRC approach is a procedural valuation approach and is an application of the Cost Approach in valuing specialised properties like this property when there is no readily identifiable market sale comparable, and the buildings cannot be valued by comparable market transactions. The use of this approach requires an estimate of the market value of the land use rights for its existing use, and an estimate of the new replacement cost of the buildings and other site works or improvement works from which deductions are then made to allow for age, condition, and functional obsolescence taken into account of the site formation cost and those public utilities connection charges to the property. The land use right of this property has been determined from market-based evidences by analysing similar sales or offerings of comparable properties.

For owner-occupied specialised property where it is impracticable to identify the Market Value by the Sales Comparison Approach, the DRC approach is considered as the most appropriate approach. The underlying theory of this approach is the Market Value of the valued property should, at least, be equivalent to the replacement cost of the remaining service potential of the valued property i.e. the DRC of the valued property. In our opinion, the estimated DRC generally furnishes the most reliable indication of value for property where it is not practicable to ascertain its value on market basis.

The valuation of the property is on the assumption that the property is subject to the adequate potential profitability of the business having due regard to the value of the total assets employed and the nature of the operation.

By using this approach, the land should be assumed to have the benefit of planning permission for the replacement of the existing buildings and it is always necessary when valuing the land, to have regard to the manner in which the land is developed by the existing buildings and site works, and the extent to which these realise the full potential value of the land. When considering a notional replacement site, it should normally be regarded as having the same physical and location characteristics as the actual site, other than characteristics of the actual site which are not relevant, or are of no value, to the existing use. In considering the building, the estimated gross replacement cost of the building should take into consideration everything which is necessary to complete the construction from a new green field site to provide building as it is, as at the valuation date, fit for and capable of being occupied and used for the current use. These costs to be estimated are not to erect building in the future but have the building available for occupation at the valuation date, the work having commenced at the appropriate time.

We need to state that our opinion of value of the property is not necessarily intended to represent the amount that might be realised from disposition of its land use rights or various buildings on piecemeal basis in the open market.

Unless otherwise stated, we have not carried out a valuation on a redevelopment basis and the study of possible alternative development options and the related economics do not come within the scope of our work.

MATTERS THAT MIGHT AFFECT THE VALUE REPORTED

For the sake of valuation, we have adopted the areas as appeared in the copies of the documents as provided, and no further verification work has been conducted. Should it be established subsequently that the adopted areas were not the latest approved, we reserve the rights to revise our report and the valuation accordingly.

No allowance has been made in our valuation for any charges, mortgages, outstanding premium or amounts owing on the property valued nor any expenses or taxation which may be incurred in effecting a sale.

As at the Latest Practicable Date of this circular, we are unable to identify any adverse news against the property which may affect the reported value in our work product. Thus, we are not in the position to report and comment on its impact (if any) to the property. However, should it be established subsequently that such news did exist at the Valuation Date, we reserve the right to adjust the value reported herein.

ESTABLISHMENT OF TITLES

Based on the purpose of this engagement and the market value basis of valuation, the Instructing Party or the appointed personnel of the Company were requested to provided us the necessary copies of documents to support the Group's titles to the property and that the Group has free and uninterrupted rights to transfer, to mortgage or to let its relevant property interests (in this instance, an absolute title) for the whole of the unexpired terms as granted free of all encumbrances, and any premiums payable have already been paid in full or outstanding procedures have been completed (if any). We have been provided with copies of the documents. However, we have not examined the original documents to verify the ownership and encumbrances, or to ascertain the existence of any amendments which may not appear on the copies handed to us. All documents disclosed (if any) are for reference only and no responsibility is assumed for any legal matters concerning the legal titles and the rights (if any) to the property valued. Any responsibility for our misinterpretation of the documents cannot be accepted.

The land registration system of China forbids us to search the original documents of the property that are filed in the relevant authorities, and to verify legal titles or to verify any material encumbrances or amendment which may not appear on the copies handed to us. We need to state that we are not legal professional and are not qualified to ascertain the title and to report any encumbrances that may be registered against the property. However, we relied solely on the copy of the PRC legal opinions provided by the Instructing Party with regards to the legal titles of the whole of the property. We are given to understand that the PRC legal opinion was prepared by the Company's PRC legal adviser, 山東師郯律師事務所 (Shandong ShiTan Law Firm*).

* *The English translation of the Chinese name is for information only.*

INSPECTIONS AND INVESTIGATIONS OF THE PROPERTY

We have inspected the exterior, and where possible, the interior of the property in respect of which we have been provided with such information as we have requested for the purpose of our valuation. We have not inspected those parts of the property which were covered, unexposed or inaccessible and such parts have been assumed to be in a reasonable condition. We cannot express an opinion about or advise upon the condition of the property and our work product should not be taken as making any implied representation or statement about the condition of the property. No building survey, structural survey, investigation or examination has been made, but in the course of our inspection we did not note any serious defects in the property valued. We are not, however, able to report that the property is free from rot, infestation or any other structural defects. No tests were carried out to the utilities (if any) and we are unable to identify those utilities covered, unexposed or inaccessible.

We have not carried out on-site measurements to verify the correctness of the areas of the property, but have assumed that the area shown on the documents and official layout plans handed to us are correct. All dimensions, measurements and areas are approximations.

Our engagement and the agreed procedures to value the property did not include an independent land survey to verify the legal boundaries of the property. We need to state that we are not in the land survey profession, therefore, we are not in the position to verify or ascertain the correctness of the legal boundaries of such property that appeared on the documents handed to us. No responsibility from our part is assumed. The Instructing Party or interested party in the property should conduct their own legal boundaries due diligence work.

We have not arranged for any investigation to be carried out to determine whether or not any deleterious or hazardous material have been used in the construction of the property, or has since been incorporated into the property, and we are therefore unable to report that the property is free from risk in this respect, and therefore we have not considered such factor in our valuation.

We are not aware of the content of any environmental audit or other environmental investigation or soil survey which may have been carried out on the property and which may draw our attention to any contamination or the possibility of any such contamination. In undertaking our work, we have assumed that no contaminative or potentially contaminative uses have ever been carried out in the property. We have not carried out any investigation into past or present uses, either of the property or of any neighbouring land, to establish whether there is any contamination or potential for contamination to the property from these uses or sites, and have therefore assumed that none exists. However, should it be established subsequently that contamination, seepage or pollution exists at the property or on any neighbouring land, or that the premises have been or are being put to a contaminative use, this might reduce the value now reported.

If the Instructing Party or other interested party is proposing to purchase the property and wants to satisfy themselves as to its condition, then they should obtain a qualified surveyor's detailed inspection and report of their own before deciding whether or not to enter into an agreement for sale and purchase.

SOURCES OF INFORMATION AND ITS VERIFICATION

In the course of our works, we have been provided with copies of the documents (including legal opinion) regarding the property, and these copies have been referenced without further verifying with the relevant bodies and/or authorities. Our procedures to value did not require us to conduct any searches or inspect the original documents to verify ownership or to verify any amendment which may not appear on the copies handed to us. We need to state that we are not legal professional, therefore, we are not in the position to advise and comment on the legality and effectiveness of the documents provided by the Instructing Party or the appointed personnel of the Company.

We have relied solely on the information provided by the Instructing Party or the appointed personnel of the Company without further verification and have fully accepted advice given to us on such matters as planning approvals or statutory notices, locations, titles, easements, tenure, occupation, site and floor areas and all other relevant matters.

Our valuation has been made only based on the advice and information made available to us. While a limited scope of review had been made to the local property market information, we are not in a position to verify and ascertain the correctness of the information available to us. No responsibility or liability is assumed.

Information furnished by others, upon which all or portions of our report are based, is believed to be reliable but has not been verified in all cases. Our procedures to value or work do not constitute an audit, review, or compilation of the information provided. Thus, no warranty is made nor liability assumed for the accuracy of any data, advice, opinions, or estimates identified as being furnished by others which have been used in formulating our report.

When we adopted the work products from other professions, external data providers and the Instructing Party or the appointed personnel of the Company in our works, the assumptions and caveats that adopted by them in arriving at their figures also applied in this report. The procedures we have taken do not provide all the evidence that would be required in an audit and, as we have not performed an audit, accordingly, we do not express an audit opinion.

The scope of valuation has been determined by reference to the property list provided by the Instructing Party. All items on the list have been included in our report. The Instructing Party has confirmed to us that the Group has no property interests other than those specified on the list supplied to us and included in this report.

We are unable to accept any responsibility for the information that has not been supplied to us by the Instructing Party or the appointed personnel of the Company. Also, we have sought and received confirmation from the Instructing Party or the appointed personnel of the Company that no materials factors have been omitted from the information supplied. Our analysis and valuation are based upon full disclosure between us and the Instructing Party of material and latent facts that may affect our works.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Instructing Party or the appointed personnel of the Company. We consider that we have been provided with sufficient information to reach an informed view, and have had no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary amounts are in Renminbi Yuan ("RMB").

LIMITING CONDITIONS

Our conclusion of value of the property in this report is valid only for the stated purpose and only for the Valuation Date, and for the sole use of the Instructing Party. We or our personnel shall not be required to give testimony or attendance in court or to any government agency by reason of this report, and we accept no responsibility whatsoever to any other person.

Unless otherwise stated, our valuation has been made on the assumption that no unauthorised alteration, extension or addition has been made in the property, and that the inspection and the use of this report do not purport to be a building survey of the property. We have assumed that the property is free of rot and inherent danger or unsuitable materials and techniques.

No responsibility is taken for changes in market conditions and local government policy, and no obligation is assumed to revise our report to reflect events or conditions, which occur or make known to us subsequent to the date hereof.

Neither the whole nor any part of this report or any reference made hereto may be included in any published documents, circular or statement, or published in any way, without our written approval of the form and context in which it may appear. Nonetheless, we consent to the publication of this report in this circular to the Company's shareholders' reference.

No action or proceedings for any breach of this engagement shall be commenced against us after the expiry of three years from completion of our services.

Our liability for loss or damage shall be limited to such sum as we ought reasonably to pay having regard to our responsibility for the same on the basis that all other consultants and specialists, where appointed, shall be deemed to have provided to the Instructing Party contractual undertakings in respect of their services and shall be deemed to have paid to the Instructing Party such contribution as may be appropriate having regard to the extent of their responsibility for such loss or damage.

Our liability for any loss or damage arising out of the action or proceedings aforesaid shall, notwithstanding the preceding provisions, in any event be limited to a sum not exceeding the charges paid to us for the portion of services or work products giving rise to liability. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, loss of profits, opportunity cost etc.), even if it has been advised of their possible existence. For the avoidance of doubt our liability shall never exceed the lower of the sum calculated in accordance with the preceding provisions and the sum provided for in this clause.

The Instructing Party and the Company are required to indemnify and hold us and our personnel harmless from any claims, liabilities, costs and expenses (including, without limitation, attorney's fees and the time of our personnel involved) brought against, paid or incurred by us at a time and in any way based on the information made available in connection with our engagement except to the extent that any such losses, expenses, damages or liabilities are ultimately determined to be the result of gross negligence, misconduct, willful default or fraud of our engagement team in conducting its work. This provision shall survive even after the termination of this engagement for any reason.

STATEMENTS

For the purpose of compliance with Rule 11.3 of The Codes on Takeovers and Mergers and Share Buy-backs by Securities and Futures Commission (the "Takeovers Codes"), as advised by the Company, the potential tax liabilities which may arise from the sale of the properties in the PRC including applicable stamp duties, Value Added Tax at 11% and related surcharges on Value Added Tax at 11%, Enterprise Income Tax on the taxable income from the sale of the property at 25%, and Land Value Appreciation Tax at a progressive tax rates ranging from 30% to 60% on the taxable gains from the sale of the property. As advised by the appointed personnel of the Group, the property is occupied by the Group for its own business operations, and the Group has no plan to sell the property and it is unlikely that the potential tax liability will be crystallised in the near future.

This report is prepared in line with the requirements contained in Chapter 5 and Practice Note No. 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as well as the Takeover Codes and the reporting guidelines contained in the IVS. The valuation has been undertaken by us, acting as external valuer, qualified for the purpose of the valuation.

We retain a copy of this report together with the data provided by the Instructing Party or its appointed personnel for this assignment, and these data and documents will, according to the Laws of Hong Kong, be kept for a period of 6 years from the date it provided to us and to be destroyed thereafter. We considered these records confidential, and we do not permit access to them by anyone, with the exception for law enforcement authorities or court order, without the Instructing Party's authorisation and prior arrangement made with us. Moreover, we will add the Company's information into our client list for our future reference.

The valuation of the property depends solely on the assumptions made in our report and not all of which can be easily quantified or ascertained exactly. Should some or all of the assumptions prove to be inaccurate at a later date, it will affect the reported findings or value significantly.

We hereby certify that the fee for this service is not contingent upon our conclusion of value and we have no significant interest in the property, the Group or the value reported.

Our valuation certificate is attached.

Yours faithfully,
For and on behalf of
LCH (Asia-Pacific) Surveyors Limited

Elsa Ng Hung Mui *B.Sc. M.Sc. RPS (GP)*
Executive Director

Note:

Ms. Elsa Ng Hung Mui has been conducting valuation of real properties in Hong Kong, Macau and mainland China since 1994. She is a Fellow of The HKIS and a valuer on the List of Property Valuers for Undertaking Valuation for Incorporation or Reference in Listing Particulars and Circulars and Valuation in Connection with Takeovers and Mergers published by The HKIS.

VALUATION CERTIFICATE

Property held and occupied by the Group under various long-term title certificates in the PRC and valued on market value basis

Property	Description and tenure	Particulars of occupancy	Amount of valuations in existing state attributable to the Group as at 30 June 2016
A factory complex erected on two parcels of adjoining land, No. 10 Tanma Road, Tancheng Economic Development Zone, Tancheng County, Linyi City, Shandong Province, The People's Republic of China 276188	The property comprises two parcels of adjoining land and having a total site area of approximately 133,684 sq.m. There are 16 various major buildings and structures including a 5-storey dormitory block, a 2-storey office, a 2-storey canteen, three single-storey workshops and other supporting facilities erected thereon. The buildings and structures that covered by title certificates have a total gross floor area of approximately 36,640.23 sq.m. They were completed between 2007 and 2008. There are 2 various buildings known as Workshops C1 and C2 in the property are classified as construction in progress and having a total gross floor area of approximately 9,665.65 sq.m. The property is subject to a right to use the land for two various terms until 21 January 2055 and 18 May 2055, respectively, for industrial purpose.	As inspected and confirmed by the appointed personnel of the Company, the property was occupied by the Group for manufacturing, storage, ancillary office and staff quarters purposes with portion of the property was under construction as at the Valuation Date.	RMB115,570,000 (100% interest) *(See Note 4 below)*

Notes:

1. The right to possess the land is held by the State and the rights to use the land have been granted by the State to 臨沂順億高爾夫球製品有限公司 Linyi Sinoeia Golf Co., Ltd., the wholly owned subsidiary of the Company (subsequently renamed as Linyi Sino Golf Co., Ltd. and hereinafter referred to as "Sinoeia") by the following ways, they are:

   i. A parcel of land having a site area of approximately 53,695 sq.m.

      Pursuant to a Contract for the Grant of State-owned Land Use Rights (國有土地使用權出讓合同書) dated 16 February 2006 and made between the Land Resources Bureau of Tancheng County and Sinoeia, the land use rights of the land having a site area of approximately 53,695 sq.m. has been granted to Sinoeia for a terms of 50 years for industrial purpose at a land premium of RMB4,027,125. As advised by the management of the Company, the land premium has been fully paid.

Pursuant to a State-owned Land Use Rights Certificate – Tan Guo Yong (2006) Di 1656 Hao (國有土地使用證 – 郯國用(2006)第1656號) dated 20 September 2006 issued by the People's Government of Tancheng County (郯城縣人民政府), Sinoeia has been granted the land use rights of a parcel of land having a site area of 53,695 sq.m. for a term until 18 May 2055 for industrial use.

ii. A parcel of land having a site area of approximately 79,989 sq.m.

Pursuant to a Contract for the Grant of State-owned Land Use Rights (國有土地使用權出讓合同書) made between the Land Resources Bureau of Tancheng County and Sinoeia, the land use rights of the land having a site area of approximately 79,989 sq.m. has been granted to Sinoeia for a terms of 50 years for industrial purpose at a land premium of RMB5,991,200. As advised by the management of the Company, the land premium has been fully paid.

Pursuant to a State-owned Land Use Rights Certificate – Tan Guo Yong (2005) Di 006 Hao (國有土地使用證 – 郯國用(2005)第006號) dated 26 January 2005 issued by the People's Government of Tancheng County (郯城縣人民政府), Sinoeia has been granted the land use rights of a parcel of land having a site area of 79,989 sq.m. for a term until 21 January 2055 for industrial use.

2. Pursuant to 2 various Realty Title Certificates – Tan Fang Quan Zheng Kai Fa Qu Zi Di 000261 and 000262 Hao (郯房權證開發區字第000261及000262號) dated 9 March 2009 and issued by the People's Government of Tancheng County (郯城縣人民政府), the legally interested party in the 16 various buildings and structures having a total gross floor area of approximately 36,640.23 sq.m. is Sinoeia. The area breakdowns for each of the buildings covered by the certificates are listed as follows:

		Gross Floor Area *(sq.m.)*
(i)	a single storey workshop A	11,165.55
(ii)	a single storey workshop B	10,502.25
(iii)	a single storey workshop	1,039.65
(iv)	a 2-storey office building	3,814.25
(v)	4 single storey guard rooms	112.00
(vi)	a 5-storey staff quarters	4,350.95
(vii)	a 2-storey canteen	2,068.00
(viii)	a single storey dangerous good store	157.59
(ix)	a single storey pump room	44.00
(x)	a single storey warehouse	2,523.99
(xi)	a single storey heat supply station	55.00
(xii)	a single storey garbage room	775.50
(xiii)	a single storey duty room/sewage treatment	31.50
	Total:	36,640.23

3. According to the information provided by the management of the Company, the property is subject to a mortgage in favour of 中國農業銀行股份有限公司郯城縣支行 Agricultural Bank of China Limited Tancheng County Branch.

4. As confirmed by the appointed personnel of the Company, portion of the property with facilities as at the Valuation Date were classified as construction in progress (CIP) items. The cost incurred for the CIP items was approximately RMB16,815,000 as at the Valuation Date. In our valuation, the CIP items are reported at cost spent as at the Valuation Date.

5. According to the legal opinion as prepared by the Company's PRC legal adviser, the following opinions are noted:

(i) Sinoeia is the legally interested party in the property mentioned in Notes 1 and 2 above. Its right in the property is protected by the relevant laws in China; and

(ii) Sinoeia has the right to use, occupy and assign the property, but subject to the mortgage.

1. RESPONSIBILITY STATEMENT

The circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

This circular includes particulars given in compliance with the Takeovers Code. The Directors jointly and severally accept full responsibility for the accuracy of the information (other than that relating to the Subscriber, its ultimate beneficial owner and parties acting in concert with any of them) contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular (other than those expressed by the Subscriber, its ultimate beneficial owner and parties acting in concert with any of them) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

The sole director of the Subscriber accepts full responsibility for the accuracy of the information relating to the Concert Group contained in this circular and confirm, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed by the Concert Group in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

2. MARKET PRICE

The table below shows the closing price per Share as quoted by the Stock Exchange (i) on the last day on which trading took place in each of the six calendar months during the period commencing six months preceding the Last Trading Day and ending on the Latest Practicable Date; (ii) 8 July 2016, being the Last Trading Day; and (iii) as at the Latest Practicable Date:

Date	**Closing price per Share**
	HK$
2016	
29 January	0.182
29 February	0.164
31 March	0.185
29 April	0.181
31 May	0.163
30 June	0.226
8 July (the Last Trading Day)	0.310
29 July	0.176
31 August	0.207
Latest Practicable Date	0.204

The highest and lowest closing prices per Share recorded on the Stock Exchange during the period between 13 January 2016 (being the date falling six months prior to 13 July 2016, the date of the Announcement) and ending on the Latest Practicable Date (both dates inclusive) are HK$0.310 and HK$0.130 on 8 July 2016 and 25 January 2016 respectively.

3. SHARE CAPITAL

(a) Share capital

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date; and (ii) assuming the Subscriptions have completed and immediately following the exercise in full of the conversion rights attaching to the Convertible Bonds was/will be as follows:

(i) As at the Latest Practicable Date:

Authorised		*HK$*
10,000,000,000	Shares	100,000,000.00
Issued and fully paid		
2,340,250,000	Shares	23,402,500.00

(ii) Assuming the Subscriptions have completed and immediately following the exercise in full of the conversion rights attaching to the Convertible Bonds at the Conversion Price of HK$0.114 per Conversion Share (which would result in an aggregate of 650,000,000 new Shares being allotted and issued)

Authorised		*HK$*
10,000,000,000	Shares	100,000,000.00
Issued and fully paid		
2,340,250,000	Shares as at the Latest Practicable Date	23,402,500.00
2,861,000,000	Subscription Shares to be allotted and issued pursuant to the Subscription Agreement	28,610,000.00
650,000,000	New Shares to be issued upon full exercise of the conversion rights attached to the Convertible Bonds	6,500,000.00
5,851,250,000	Shares	58,512,500.00

All the existing Shares in issue are listed on the Stock Exchange and rank *pari passu* in all respects with each other including rights to dividends, voting and return of capital.

When issued and fully paid, the new Subscription Shares and the Conversion Shares will rank *pari passu* in all respects with the Shares then in issue. Holders of the fully-paid new Subscription Shares or the Conversion Shares will be entitled to receive all dividends and distributions which are declared, made or paid after the date of allotment of the new Subscription Shares or the Conversion Shares in their fully-paid form.

Since 31 December 2015 (the date to which the latest published audited financial statements of the Company were made up) to the Latest Practicable Date, the Company issued and has issued 2,340,250,000 Shares as fully paid. Save as disclosed, the Company has not issued nor agreed to issue any new Shares (other than under the Subscription Agreement).

(b) Options, warrants and convertible securities

As at the Latest Practicable Date, the Company does not have any derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Shares.

4. DISCLOSURE OF INTERESTS BY DIRECTORS AND CHIEF EXECUTIVE IN THE COMPANY

i. Directors' interests in the Company

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of the Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

I. Long positions in ordinary shares of the Company:

	Number of Shares held, capacity and nature of interest			
Name of Director	**Directly beneficially owned**	**Through spouse**	**Total**	**Approximate percentage of the Company's issued share capital**
Mr. Chu Chun Man, Augustine	46,460,520	750,000	47,210,520	2.02%

II. Long positions in shares and underlying shares of associated corporation:

Name of Director	Name of associated corporation	Relationship with the Company	Shares	Number of shares held	Capacity and nature of interest	Approximate percentage of the associated corporation's issued non-voting deferred share capital
Mr. Chu Chun Man, Augustine	Sino Golf Manufacturing Company Limited ("**Sino Golf Manufacturing**")	Company's subsidiary	Non-voting deferred shares *(Note)*	1,190,607	Directly beneficially owned	30.98%

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

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were otherwise required to notify the Company and the Stock Exchange pursuant to the Model Code.

ii. Substantial shareholders' and other persons' interests in the Shares and underlying Shares

As at the Latest Practicable Date, so far as any Directors are aware, the interests or short positions owned by the following parties (other than the Directors or chief executive of the Company) in the Shares or underlying shares of the Company which were required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO were as follows:

Name	Capacity/nature of interest	Number of Shares	Approximate percentage of the total issued share capital of the Company as at the Latest Practicable Date
Surplus Excel *(Note 1)*	Beneficial owner	984,754,355	42.08%
Mr. Jiang *(Note 1)*	Interest of controlled corporation	984,754,355	42.08%
The Subscriber *(Note 2)*	Beneficial owner	3,511,000,000	150.03%
Prominent Victory Limited *(Note 2)*	Interest of controlled corporation	3,511,000,000	150.03%
Mr. Huang *(Note 2)*	Interest of controlled corporation	3,511,000,000	150.03%
Ms. Zhao Wei *(Note 2)*	Family interest	3,511,000,000	150.03%

Notes:

1. The 984,754,355 Shares are held by Surplus Excel, which is owned as to 80% by Mr. Jiang. Thus, he is deemed to be interested in the 984,754,355 Shares held by Surplus Excel pursuant to the SFO.

2. These 3,511,000,000 Shares comprise 2,861,000,000 Subscription Shares and 650,000,000 Conversion Shares which will be issued to the Subscriber upon the exercise of the conversion rights attaching to the Convertible Bonds in full at an initial Conversion Price of HK$0.114 per Conversion Share. The Subscriber is wholly-owned by Prominent Victory Limited which in turn is wholly-owned by Mr. Huang. Ms. Zhao Wei is the spouse of Mr. Huang. Accordingly, each of Mr. Huang, Ms. Zhao Wei and Prominent Victory Limited is deemed to be interested in these 3,511,000,000 Shares.

Save as disclosed above and as at the Latest Practicable Date, the Directors are not aware of any interests or short positions owned by any persons (other than the Directors or chief executive of the Company) in the Shares or underlying shares of the Company which were required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO.

iii. The Subscriber and parties acting in concert with it

Save for the entering into of the Subscription Agreement, the Subscriber, its ultimate beneficial owner and parties acting in concert with any of it has not dealt for value in any Shares or any other convertible securities, warrants, options or derivatives in respect of the Shares during the Relevant Period. As at the Latest Practicable Date, the Subscriber, its ultimate beneficial owner and parties acting in concert with them did not own or control any Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

iv. Others

As at the Latest Practicable Date:

i. None of the subsidiaries of the Company, nor any pension funds of the Company or of any of its subsidiaries, nor the Independent Financial Adviser nor any other advisers to the Company as specified in class (2) of the definition of "associate" under the Takeovers Code owned or controlled any Shares, convertible securities, warrants, options or derivatives of the Company.

ii. No person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code (a) with the Company or any person who is an associate of the Company by virtue of clauses (1), (2), (3) and (4) of the definition of associate under the Takeovers Code and; (b) with the Subscriber or any party acting in concert with it, and none of them had dealt for value in any securities of the Company during Relevant Period.

iii. No shareholding in the Company was managed on a discretionary basis by fund managers connected with the Company.

(a) Dealings in securities

i. Directors

None of the Directors or parties acting in concert with any of them had dealt in any Shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period. As at the Latest Practicable Date, save as disclosed in the paragraph headed "Disclosure of Interest by Directors and chief executive in the Company – i. Directors' interests in the Company" in this appendix, none of the Directors was interested in any Shares, convertible securities, warrants, options or derivatives of the Shares. Mr. Chu intends to vote in favour of the resolutions approving the Subscription Agreement and the transactions contemplated thereunder, the Specific Mandate in relation to the Subscriptions and the Whitewash Waiver at the SGM.

ii. Others

During the Relevant Period, none of the subsidiaries of the Company, nor any pension fund of the Company or any of its subsidiaries, nor the Independent Financial Adviser nor any other advisers to the Company as specified in class (2) of the definition of "associate" under the Takeovers Code had dealt for value in any existing Shares, convertible securities, warrants, options or derivatives of the Company.

During the Relevant Period, no fund managers who managed funds on a discretionary basis connected with the Company had dealt for value in any Shares, convertible securities, warrants, options and derivatives of the Company.

During the Relevant Period, none of the Company or the Directors has borrowed or lent any existing Shares.

The sole director of the Subscriber was not interested in any Shares, convertible securities, warrants, options or derivatives of the Shares; nor had the sole director of the Subscriber dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Shares during the Relevant Period.

(b) Interests and dealings in the Subscriber

None of the Directors or the Company had any interest in the shares, convertible securities, options, warrants or derivatives of the Subscriber and none of them had dealt for value in any shares, convertible securities, options, warrants or derivatives of the Subscriber during the Relevant Period.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors or proposed Directors had entered into any service contracts with the Company or any member of the Group or any associated companies of the Company which (a) (including continuous and fixed term contracts) have been entered into or amended within the Relevant Period; (b) are continuous contracts with a notice period of 12 months or more; (c) are fixed term contracts with more than 12 months to run irrespective of the notice period; or (d) are not determinable by any member of the Group within one year without payment of compensation (other than statutory compensation).

6. OTHER INTERESTS OF THE DIRECTORS

As at the Latest Practicable Date:

(a) none of the Directors had any direct or indirect interest in any assets which have, since 31 December 2015, being the date of the latest published audited consolidated financial statements of the Group were made up, been acquired or disposed of by, or leased to, or are proposed to be acquired or disposed of by, or leased to any member of the Group;

(b) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which contract or arrangement is subsisting as at the date of this circular and which is significant in relation to the business of the Group as a whole; and

(c) there was no material contract entered into by the Subscriber in which any Director had a material personal interest.

7. COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors or their respective associates had any interests in a business which competes or may compete, either directly or indirectly, with the business of the Group or any other conflicts of interests with the Group.

8. LITIGATION

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 defense.

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$1,607,000) with damages of approximately RMB55,000 (equivalent to approximately HK$65,000) 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 defense.

Save as disclosed above, as at the Latest Practicable Date, none of the members of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

9. MATERIAL CONTRACTS

The following contracts, not being contracts entered into in ordinary course of business of the Group, have been entered into by the members of the Group within two years preceding the date of the Announcement and up to the Latest Practicable Date and which are, or maybe, material:

(a) the conditional sale and purchase agreement dated 2 February 2016 entered into between Future Success Group Limited, a direct wholly-owned subsidiary of the Company, as the purchaser and Top Force in relation to the sale and purchase of the entire issued share capital of Lucky Fountain Holdings Limited for a total consideration of HK$235,700,000 (the "**Saipan Sale and Purchase Agreement**");

(b) the supplemental agreement dated 5 April 2016 entered into between Future Success Group Limited and Top Force in relation to the amendment of certain terms of the Saipan Sale and Purchase Agreement;

(c) the subscription agreement dated 8 July 2016 entered into among the Company, the Subscriber and the Warrantors in relation to the Subscriptions; and

(d) the extension letter dated 29 September 2016 entered into among the Company, the Subscriber and the Warrantors in respect to the extension of Long Stop Date.

10. EXPERT'S QUALIFICATION AND CONSENT

The following is the qualification of the expert who has given opinion and advice, which is contained in this circular:

Name	**Qualification**
Kingston Corporate Finance Limited ("**Kingston Corporate Finance**")	a corporation licensed to carry out business in type 6 (advising on corporate finance) regulated activity under the SFO
Veda Capital Limited ("**Veda**")	a corporation licensed to carry out business in type 6 (advising on corporate finance) regulated activity under the SFO
Royal Excalibur Corporate Finance Company Limited	a corporation licensed to carry out business in type 6 (advising on corporate finance) regulated activity under the SFO
Vigers Appraisal and Consulting Limited ("**Vigers**")	Independent valuer
LCH (Asia-Pacific) Surveyors Limited ("**LCH**")	Independent valuer

Each of Kingston Corporate Finance, Veda, Vigers, LCH and Royal Excalibur Corporate Finance Company Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and/or opinion (as the case may be) and all references to its name in the form and context in which they appear.

As at the Latest Practicable Date, each of Kingston Corporate Finance, Veda, Vigers, LCH and Royal Excalibur Corporate Finance Company Limited was not beneficially interested in the share capital of any member of the Group nor did it 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 nor did it has any interest, either direct or indirect, in any assets which have been, since the date to which the latest published audited consolidated financial statements of the Group were made up (that is, 31 December 2015), acquired, disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

11. CORPORATE AND OTHER INFORMATION

(a) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda.

(b) The head office and principal place of business of the Company in Hong Kong is located at 21st Floor, 1 Duddell Street, Central, Hong Kong.

(c) The secretary of the Company is Ms. Wong Po Ling, Pauline ("**Ms. Wong**") who is a member of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales. She is also a member of the Institute of Chartered Secretaries and Administrator, the Hong Kong Institute of Chartered Secretaries and the Taxation Institute of Hong Kong. Ms. Wong has over 15 years of experience in financial management, mergers and acquisitions and corporate governance matters.

(d) The Hong Kong branch share registrar and transfer office of the Company is Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(e) The auditor of the Company, SHINEWING (HK) CPA Limited, as Certified Public Accountants, is located at 43/F., Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong.

(f) The register office of the Independent Financial Adviser, Royal Excalibur Corporate Finance Company Limited, is at Room 1204 12/F OfficePlus@SheungWan, 93-103 Wing Lok Street, Sheung Wan, Hong Kong.

(g) As at the Latest Practicable Date, the Board comprises three executive Directors, namely Mr. Wong Hin Shek, Mr. Zhang Yi and Mr. Chu Chun Man, Augustine and three independent non-executive Directors, namely Ms. Chu Yin Yin, Georgiana, Mr. Yip Tai Him and Mr. Chan Kai Wing.

(h) As at the Latest Practicable Date, the sole ultimate beneficial shareholder and the sole director of the Subscriber is Mr. Huang Youlong whose address is at 38A, The Westminster Terrace, No. 2A Yau Lai Road, Yau Kom Tau, Tsuen Wan, New Territories, Hong Kong.

(i) The register office of the Subscriber is at Sertus Chambers, P.O. Box 905, Quastisky Building, Road Town, Tortola, British Virgin Islands.

(j) The financial adviser of the Subscriber, namely Kingston Corporate Finance Limited, is a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity as defined under the SFO, whose registered office is at Suite 2801, 28th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong.

(k) As at the Latest Practicable Date, none of the Independent Shareholders had irrevocably committed themselves to vote for or against the Subscriptions and/or the Whitewash Waiver.

(l) As at the Latest Practicable Date, save and except the Warrantors' Lock-up Undertaking, there is no agreement, arrangement or understanding (including any compensation arrangement) between the Subscriber or any person acting in concert with it and any of the Directors, recent Directors, Shareholders and recent Shareholders having any connection with or dependence upon the outcome of the Subscriptions and/or the Whitewash Waiver.

(m) There are no benefits to be given to any Directors as compensation for loss of office or otherwise in connection with the Subscriptions and the Whitewash Waiver.

(n) As at the Latest Practicable Date, there is no agreement or arrangement between any Directors and any other person which is conditional on or dependent upon the outcome of the Subscriptions and the Whitewash Waiver or otherwise connected therewith.

(o) The Subscriber, its ultimate beneficial owner and parties acting in concert with any of them have not borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.

(p) There is no material contract entered into by the Subscriber in which any Director has a material personal interest.

(q) None of the Directors has any interest, direct or indirect, in any assets which had been, since 31 December 2015, being the date of the latest published audited consolidated financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

(r) The Subscriber and its parties acting in concert will abstain from voting on the resolutions in relation to the Subscription Agreement and the transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver.

(s) There is no agreement, arrangement or understanding to transfer, charge or pledge any voting rights over the Subscription Shares and the Conversion Shares.

(t) The English text of this circular shall prevail over the Chinese text in case of inconsistency.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection (i) during normal business hours from 9:30 a.m. to 5:00 p.m. (except Saturdays and public holidays) at the principal place of business of the Company in Hong Kong at 21st Floor, 1 Duddell Street, Central, Hong Kong; (ii) on the website of the Company (http://www.sinogolf.com/); and (iii) on the website of the Securities and Futures Commission (www.sfc.hk) from the date of this circular up to and including the date of the SGM;

(a) this circular;

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

(c) the memorandum of association and articles of association of the Subscriber;

(d) the annual reports of the Company for the financial years ended 31 December 2013, 2014 and 2015;

(e) the interim reports of the Company for the six months ended 30 June 2015 and 2016;

(f) the material contracts as referred to in the paragraph headed "Material Contracts" in this Appendix;

(g) the letter from the Board, the text of which are set out on pages 6 to 37 of this circular;

(h) the valuation reports of the Group as set out in Appendix IIA and IIB of this circular;

(i) the letter from the Independent Board Committee, the text of which are set out on pages 38 to 39 of this circular;

(j) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which are set out on pages 40 to 94 of this circular; and

(k) the written consent referred to in the section headed "Expert's Qualification and Consent" in this appendix or required under paragraph 1(d) of Notes to Rule 8 of the Takeovers Code.

The above documents (except this circular) will be uploaded at the website of the Securities and Futures Commission at www.sfc.hk and the Company's website at http://www.sinogolf.com/ from the date of this circular up to (and including) the date of the SGM in accordance with Notes 1 and 2 to rule 8 of the Takeovers Code.

SINO GOLF HOLDINGS LIMITED
順龍控股有限公司*

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

NOTICE OF THE SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the "**SGM**") of Sino Golf Holdings Limited (the "**Company**") will be held at 2/F, J Plus, 35-45B Bonham Strand, Sheung Wan, Hong Kong on Thursday, 20 October 2016 at 11:00 a.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolutions which will be proposed as ordinary resolutions:

ORDINARY RESOLUTIONS

1. "THAT:

(a) the conditional subscription agreement dated 8 July 2016 (as amended and supplemented by an extension letter dated 29 September 2016) (the "**Subscription Agreement**"), a copy of which has been produced to the meeting and marked "A" and initialed by the chairman of the SGM for the purpose of identification, and and entered into among the Company as issuer, Wealth Sailor Limited (the "**Subscriber**") as subscriber, and Surplus Excel Limited and Mr. Jiang Jianhui as warrantors in relation to (i) the issue of 2,861,000,000 new ordinary shares (each a "**Subscription Share**") of HK$0.01 each in the share capital of the Company at the subscription price of HK$0.114 per Subscription Share (the "**Share Subscription**"); and (ii) the issue of zero-coupon unsecured convertible bonds due 2021 in the aggregate principal amount of HK$74,100,000 (the "**Convertible Bonds**") (the "**CB Subscription**", together with the Share Subscription, the "**Subscriptions**") by the Company to the Subscriber and the transactions respectively contemplated thereunder, be and are hereby confirmed, approved and ratified;

(b) subject to the fulfillment (or waiver, as appropriate) of the conditions of the Subscription Agreement, any one director (each a "**Director**") of the Company be and is hereby authorised to exercise all the powers of the Company and to take all steps as might in his/her opinion be desirable or necessary in connection with the Subscription Agreement to, including and without limitation, allot and issue the Subscription Shares and issue the Convertible

* *For identification purposes only*

Bonds in favour of the Subscriber (or its nominees) in accordance with the terms and conditions of the Subscription Agreement;

(c) the allotment and issue of new ordinary shares (each a "**Conversion Share**") of HK$0.01 each in the share capital of the Company upon the exercise of the conversion rights attaching to the Convertible Bonds, pursuant to the terms and conditions of the Convertible Bonds, be and is hereby approved;

(d) the board (the "**Board**") of directors of the Company be and is hereby granted with a specific mandate to allot and issue the Subscription Shares in accordance with the terms and conditions of the Subscription Agreement, and to allot and issue the Conversion Shares pursuant to the terms and conditions of the Convertible Bonds; and

(e) any Director be and is hereby authorised to do such acts and things, to sign and execute all such further documents (in case of execution of documents under seal, to do so by any two Directors or any Director together with the secretary of the Company) and to take such steps as he/she may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Subscription Agreement or any transactions contemplated thereunder and all other matters incidental thereto or in connection therewith, and to agree to and make such variations, amendments or waivers of any of the matters relating thereto or in connection therewith."

2. "THAT, subject to the granting of Whitewash Waiver (as defined below) by the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any of his delegate(s) and any conditions that may be imposed thereon, the waiver (the "**Whitewash Waiver**") of the obligation on the part of the Subscriber, its ultimate beneficial owner and parties acting in concert with any of them to make a mandatory general offer to the shareholders of the Company for all the issued ordinary shares of HK$0.01 each in the share capital of the Company (other than those already owned or agreed to be acquired by Subscriber, its ultimate beneficial owner and parties acting in concert with any of them) which might otherwise arise as a result of the Subscriber subscribing for the Subscription Shares under the Subscription Agreement pursuant to Note 1 on Dispensations from Rule 26 of The Code on Takeovers and Mergers be and is hereby approved, and that any one or more of the Directors be and is/are hereby authorised to do all such acts and things and execute all such documents under seal where applicable as he/she considers necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to any of the matters relating to, or incidental to, the Whitewash Waiver."

3. "THAT the appointment of Huang Youlong as an executive Director with effect from the completion of the Subscriptions be and is hereby approved and the Board be and is hereby authorised to fix his remuneration."

4. "THAT the appointment of Liu Tianmin as a non-executive Director with effect from the completion of the Subscriptions be and is hereby approved and the Board be and is hereby authorised to fix his remuneration."

5. "THAT the appointment of Tung Sung-Yuan as a non-executive Director with effect from the completion of the Subscriptions be and is hereby approved and the Board be and is hereby authorised to fix his remuneration."

By order of the Board
Sino Golf Holdings Limited
Wong Hin Shek
Chairman

Hong Kong, 30 September 2016

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

Head office and principal place of business in Hong Kong:
21st Floor
1 Duddell Street
Central, Hong Kong

Notes:

(1) A member of the Company entitled to attend and vote at the SGM convened by the above notice is entitled to appoint one or if he/she is the holder of two or more shares, more than one proxy to attend and, subject to the provisions of the memorandum of association and bye-laws of the Company, to vote on his/her behalf. A proxy need not be a member of the Company but must be present in person at the SGM to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.

(2) In order to be valid, the form of proxy must be deposited together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, at the office of the Hong Kong branch share registrar and transfer office, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the meeting or adjourned meeting. Completion and return of the form of proxy will not preclude a member of the Company from attending and voting in person at the SGM or any adjournment thereof, should he so wish.

(3) Completion and return of an instrument appointing a proxy will not preclude a member of the Company from attending and voting in person at the meeting and/or any adjournment thereof and in such event, the instrument appointing a proxy shall be deemed to be revoked.

(4) Mr. Jiang Jianhui ("**Mr. Jiang**") and Surplus Excel Limited ("**Surplus Excel**"), being the warrantors, are involved in the Subscriptions and therefore, Mr. Jiang, who is interested in 984,754,355 shares (representing approximately 42.08% of the existing issued share capital of the Company as at the date hereof), and Mr. Jiang and Surplus Excel, each of them and their respective associates and concert parties, will abstain from voting on the relevant resolutions to be proposed at the SGM to approve the Subscriptions and the Whitewash Waiver.

(5) As required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the above resolutions will be decided by the Shareholders by way of poll.

As at the date of this notice, the Board comprises Mr. Wong Hin Shek, Mr. Zhang Yi and Mr. Chu Chun Man, Augustine, all being executive Directors; and Ms. Chu Yin Yin, Georgiana, Mr. Yip Tai Him and Mr. Chan Kai Wing, all being independent non-executive Directors.