SINO GOLF HOLDINGS LIMITED
順龍控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00361)

ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2013

The board of directors (the "Board") of Sino Golf Holdings Limited (the "Company") hereby announces the consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2013 together with the comparative figures for the year ended 31 December 2012. The consolidated financial statements have been reviewed by the Audit Committee of the Company.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2013

	NOTES	2013 HK$'000	2012 HK$'000
Turnover	4	**434,087**	272,113
Cost of sales		**(358,453)**	(240,174)
Gross profit		**75,634**	31,939
Other operating income	4	**1,553**	1,986
Selling and distribution expenses		**(3,131)**	(2,615)
Administrative expenses		**(48,727)**	(41,143)
Finance costs	5	**(9,328)**	(8,475)
Profit (loss) before tax		**16,001**	(18,308)
Income tax expense	6	**(2,348)**	(252)
Profit (loss) for the year	7	**13,653**	(18,560)

* *for identification purpose only*

	NOTE	**2013**	2012
		HK$'000	*HK$'000*
Profit (loss) for the year attributable to:			
Owners of the Company		**13,661**	(18,531)
Non-controlling interests		**(8)**	(29)
		13,653	(18,560)
Earnings (loss) per share	*8*		
Basic		**HK2.97 cents**	(HK4.03 cents)
Diluted		**HK2.97 cents**	(HK4.03 cents)
Profit (loss) for the year		**13,653**	(18,560)
Other comprehensive income (expenses)			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation		**2,043**	(5,928)
Items that may not be reclassified subsequently to profit or loss:			
Loss on revaluation of leasehold land and buildings		**–**	(362)
Deferred tax relating to revaluation of leasehold land and buildings		**90**	91
Other comprehensive income (expenses), net of income tax		**2,133**	(6,199)
Total comprehensive income (expenses) for the year		**15,786**	(24,759)
Total comprehensive income (expenses) for the year attributable to:			
Owners of the Company		**15,794**	(24,730)
Non-controlling interests		**(8)**	(29)
		15,786	(24,759)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2013

	NOTES	2013 HK$'000	2012 HK$'000
Non-current assets			
Property, plant and equipment		**205,300**	204,318
Prepaid lease payments		**10,297**	10,398
Goodwill		**14,820**	14,820
Club debentures		**3,397**	2,135
Deposits and other receivables		**844**	514
Prepayments for the acquisition of property, plant and equipment		**1,643**	332
		236,301	232,517
Current assets			
Inventories		**173,247**	161,718
Trade and other receivables	*10*	**52,071**	61,871
Prepaid lease payments		**368**	358
Bank balances and cash		**26,241**	13,958
		251,927	237,905
Assets classified as held for sale		**7,776**	7,581
		259,703	245,486
Current liabilities			
Trade and other payables	*11*	**65,936**	48,419
Amounts due to non-controlling shareholders of a subsidiary		**462**	462
Tax payable		**2,518**	170
Bank borrowings		**108,704**	126,938
Obligations under finance leases		**712**	681
Amount due to a director		**10,142**	–
Loan from immediate holding company		**–**	6,162
		188,474	182,832
Net current assets		**71,229**	62,654
Total assets less current liabilities		**307,530**	295,171

	2013	2012
	HK$'000	*HK$'000*
Non-current liabilities		
Bank borrowings	**–**	3,356
Obligations under finance leases	**368**	1,080
Deferred taxation	**2,309**	2,399
	2,677	6,835
	304,853	288,336
Capital and reserves		
Share capital	**46,005**	46,005
Reserves	**256,447**	239,922
Equity attributable to owners of the Company	**302,452**	285,927
Non-controlling interests	**2,401**	2,409
Total equity	**304,853**	288,336

Notes:

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") 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 assets.

2. APPLICATION OF NEW AND REVISED HKFRSs

The Group has applied the following new and revised HKFRSs issued by the HKICPA for the first time in the current year.

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

* IFRIC represents the International Financial Reporting Interpretation Committee.

New and revised HKFRSs issued but not yet effective

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

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

1 Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.

2 Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

3 HKFRS 9, as amended in December 2013, amended the mandatory effective date of HKFRS 9. The mandatory effective date is not specified in HKFRS 9 but will be determined when the outstanding phases are finalised. However, early application of HKFRS 9 is permitted.

4 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

3. SEGMENT INFORMATION

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

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

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

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

(a) Segment revenue and results

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

For the year ended 31 December

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

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represents the results of each segment without allocation of interest income, central administration costs, directors' remuneration, share-based payment expense 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	
	2013	2012	**2013**	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Assets and liabilities						
Segment assets	**437,721**	431,706	**19,948**	21,887	**457,669**	453,593
Unallocated corporate assets						
– Assets classified as held for sale					**7,776**	7,581
– Club debentures					**3,397**	2,135
– Bank balances and cash					**26,241**	13,958
– Others					**921**	736
Total assets					**496,004**	478,003
Segment liabilities	**50,676**	33,118	**15,023**	15,156	**65,699**	48,274
Unallocated corporate liabilities						
– Amounts due to non-controlling shareholders of a subsidiary					**462**	462
– Tax payable					**2,518**	170
– Bank borrowings					**108,704**	130,294
– Obligations under finance leases					**1,080**	1,761
– Amount due to a director					**10,142**	–
– Loan from immediate holding company					**–**	6,162
– Deferred taxation					**2,309**	2,399
– Others					**237**	145
Total liabilities					**191,151**	189,667

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

- all assets are allocated to operating segments other than assets classified as held for sale, club debentures, bank balances and cash and certain other receivables. Assets used jointly by reportable segments are allocated on the basis of the 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, tax payable, bank borrowings, obligations under finance leases, loan from immediate holding company, amount due to a director, deferred taxation and certain other payables. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

(c) Geographical information

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

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

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

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

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

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

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

(e) Information about major customers

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

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

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

4. TURNOVER AND OTHER OPERATING INCOME

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

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

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

5. FINANCE COSTS

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

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

6. INCOME TAX EXPENSE

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

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

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

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

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

7. PROFIT (LOSS) FOR THE YEAR

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

8. EARNINGS (LOSS) PER SHARE

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

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

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

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

Note: During the year ended 31 December 2013, 8,000,000 share options were granted on 11 July 2013.

9. DIVIDENDS

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

10. TRADE AND OTHER RECEIVABLES

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

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

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

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

11. TRADE AND OTHER PAYABLES

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

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

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

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

12. CAPITAL COMMITMENTS

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

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

BUSINESS REVIEW

Overview

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

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

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

Golf Equipment Business

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

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

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

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

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

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

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

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

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

Golf Bags Business

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

The segment turnover for the year comprised golf bags sales of HK$18,260,000 (2012: HK$17,956,000) and accessories sales constituting mainly boston bags of HK$7,368,000 (2012: HK$9,935,000), representing 71.2% (2012: 64.4%) and 28.8% (2012: 35.6%) of the segment turnover, respectively. The product categories had not fluctuated materially in proportion throughout the years. During the year, sales to the largest golf bags customer dropped 32.1% to HK$4,606,000 (2012: HK$6,783,000), which represents 18.0% (2012: 24.3%) of the segment turnover or 1.1%

(2012: 2.5%) of the Group's turnover for the year. The substantial drop in sales to the largest segmental customer had been attributable to the shift by this customer of a significant portion of its orders to an affiliated factory in the South East Asia since last year. Notwithstanding the undesirable impact, our long-term cooperation with this customer persisted who had indicated its intention to let us produce more golf bags for its Mainland market which implies a possible rebound of business volume with the largest golf bags customer in the foreseeable future. Through our initiatives, sales to other key segmental customers increased moderately and new customers were also added during the year to partly compensate the revenues foregone due to the orders relocation by the largest segmental customer. Turnover from the top five golf bags customers aggregated to HK$16,132,000 (2012: HK$19,894,000), representing 62.9% (2012: 71.3%) of the segment turnover or 3.7% (2012: 7.3%) of the Group's turnover for the year.

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

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

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

Geographical Segments

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

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

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

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

PROSPECTS AND RISK FACTORS

Prospects

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

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

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

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

Risk Factors

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

Status of The United States Economy and Currency Fluctuations

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

Interest Rates Movement

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

Reliance on Key Customers

In 2013, sales to the largest customer represented 46.0% of the turnover of the golf equipment segment or 43.3% of the Group's annual turnover. The five largest customers in aggregate accounted for about 91.3% of the Group's turnover for the year. It is the Group's objective to diversify its business to establish a healthy and balanced customer portfolio and there has been reasonable progress towards the goal. Due to our reliance on a limited number of key customers, it follows that any incidents with material adverse impact on the Group's key customers could also adversely affect the Group's business.

Materials Cost and Supply Sources

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Results of Operations

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

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

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

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

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

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

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

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

Liquidity and Financial Resources

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

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

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

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

Exposure to Fluctuations in Exchange Rates and Contingent Liabilities

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

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

Employee and Remuneration Policies

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

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

AUDIT COMMITTEE

The Audit Committee comprises three Independent Non-Executive Directors of the Company. It has reviewed with management the accounting policies and practice adopted by the Group and discussed auditing, internal control and financial reporting matters including a review of the consolidated financial statements for the year ended 31 December 2013.

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

The Nomination Committee comprises three Independent Non-Executive Directors and two Executive Directors of the Company. It met once during the year ended 31 December 2013 to review the structure, size and composition of the Board; assess the independence of all INEDs of the Company and also nominate Mr. ZHU Shengli for appointment as an INED of the Company and another retiring Director for re-election at the 2013 annual general meeting ("AGM") of the Company, respectively.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the Company's code of conduct for dealings in securities of the Company by the Directors. Specific enquiry has been made with all the Directors and the Directors have confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2013.

CORPORATE GOVERNANCE

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

a) The roles of the chairman and chief executive officer have not been separated. The deviation is deemed appropriate as the Board believes that vesting the roles of both chairman and chief executive officer in the same person provides the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies. It also considers that the current structure does not impair the balance of power and authority between the Board and the management of the Company.

b) The Independent Non-executive Directors have not been appointed for any specific terms as they are subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Company's Bye-laws.

c) Due to prior business engagement, Mr. HSIEH Ying Min, an INED and the chairman of the Remuneration Committee who retired at the AGM of the Company, could not attend the AGM held on 10 June 2013 but he had delegated to the company secretary of the Company to attend and act for his behalf at the AGM for sake of good corporate governance practice.

ACKNOWLEDGEMENT

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

PUBLICATION OF THE 2013 ANNUAL REPORT ON THE WEBSITE OF THE STOCK EXCHANGE

The Company's annual report for 2013 will be dispatched to the shareholders of the Company and published on the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk and the Company's website at www.sinogolf.com in due course.

By order of the Board
Chu Chun Man, Augustine
Chairman

Hong Kong, 28 March 2014

As at the date hereof, the board of directors of the Company comprises 6 directors, of which 3 are Executive Directors, namely Mr. CHU Chun Man, Augustine; Mr. CHU Yuk Man, Simon and Mr. CHANG Hua Jung, and the rest of 3 are Independent Non-Executive Directors, namely Mr. CHOY Tak Ho; Ms. CHIU Lai Kuen, Susanna and Mr. ZHU Shengli.