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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 2014

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 2014 together with the comparative figures for the year ended 31 December 2013. 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 2014

	<i>NOTES</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Turnover	4	400,962	434,087
Cost of sales		(328,546)	(358,453)
Gross profit		72,416	75,634
Other operating income	4	2,099	1,553
Selling and distribution expenses		(4,790)	(3,131)
Administrative expenses		(53,415)	(48,727)
Finance costs	5	(7,591)	(9,328)
Profit before tax		8,719	16,001
Income tax expense	6	(424)	(2,348)
Profit for the year	7	8,295	13,653

* *for identification purpose only*

	<i>NOTE</i>	2014 <i>HK\$'000</i>	2013 HK\$'000
Profit (loss) for the year attributable to:			
Owners of the Company		8,295	13,661
Non-controlling interests		<u> -</u>	<u> (8)</u>
		<u>8,295</u>	<u>13,653</u>
Earnings per share	8		
Basic		<u>HK1.80 cents</u>	<u>HK2.97 cents</u>
Diluted		<u>HK1.79 cents</u>	<u>HK2.97 cents</u>
Profit for the year		8,295	13,653
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange difference arising on translation of foreign operations		47	2,043
<i>Items that may not be reclassified subsequently to profit or loss:</i>			
Deferred tax relating to leasehold land and buildings under revaluation model		<u> 90</u>	<u> 90</u>
Other comprehensive income for the year		<u> 137</u>	<u> 2,133</u>
Total comprehensive income for the year		<u>8,432</u>	<u>15,786</u>
Total comprehensive income (expenses) for the year attributable to:			
Owners of the Company		8,432	15,794
Non-controlling interests		<u> -</u>	<u> (8)</u>
		<u>8,432</u>	<u>15,786</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2014

	<i>NOTES</i>	2014 HK\$'000	2013 HK\$'000
Non-current assets			
Property, plant and equipment		205,908	205,300
Prepaid lease payments		9,929	10,297
Goodwill		14,820	14,820
Club debentures		2,897	3,397
Deposits and other receivables		270	844
Deposits paid for the acquisition of property, plant and equipment		627	1,643
		234,451	236,301
Current assets			
Inventories		170,219	173,247
Trade and other receivables	<i>10</i>	41,935	52,071
Prepaid lease payments		368	368
Bank balances and cash		16,676	26,241
		229,198	251,927
Assets classified as held for sale		–	7,776
		229,198	259,703
Current liabilities			
Trade and other payables	<i>11</i>	35,224	65,936
Amounts due to non-controlling shareholders of a subsidiary		462	462
Amount due to a director		7,589	10,142
Tax payable		248	2,518
Bank borrowings		104,033	108,704
Obligations under finance leases		368	712
		147,924	188,474
Net current assets		81,274	71,229
Total assets less current liabilities		315,725	307,530

	2014 HK\$'000	2013 HK\$'000
Non-current liabilities		
Obligations under finance leases	–	368
Deferred tax liabilities	<u>2,440</u>	<u>2,309</u>
	<u>2,440</u>	<u>2,677</u>
Net assets	<u>313,285</u>	<u>304,853</u>
Capital and reserves		
Share capital	46,005	46,005
Reserves	<u>264,879</u>	<u>256,447</u>
Equity attributable to owners of the Company	310,884	302,452
Non-controlling interests	<u>2,401</u>	<u>2,401</u>
Total equity	<u>313,285</u>	<u>304,853</u>

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

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

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

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

2. APPLICATION OF NEW REVISED HKFRSs

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 HKICPA.

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

* IFRIC represents the International Financial Reporting Interpretations Committee.

New and revised HKFRSs issued but not yet effective

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

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

¹ Effective for annual periods beginning on or after 1 July 2014.

² Effective for annual periods beginning on or after 1 January 2016.

³ Effective for annual periods beginning on or after 1 January 2017.

⁴ Effective for annual periods beginning on or after 1 January 2018.

3. SEGMENT INFORMATION

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

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

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

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

(a) **Segment revenue and results**

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

For the year ended 31 December

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

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of interest income, gain on disposal of assets classified as held for sales, central administration costs, directors' emoluments, share-based payment expenses and finance costs. This is the measure reported to the chief operating decision maker of the Group for the purposes of resource allocation and performance assessment.

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

(b) **Segment assets and liabilities**

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

At 31 December

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

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, amount due to a director, 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, Europe, Asia (excluding Japan), 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	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
North America	212,019	290,996
Japan	94,779	58,498
Asia (excluding Japan)	39,135	38,646
Europe	36,854	31,032
Others	18,175	14,915
	<u>400,962</u>	<u>434,087</u>

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

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
The PRC	220,540	221,378
Hong Kong (country of domicile)	13,641	14,078
Others	-	1
	<u>234,181</u>	<u>235,457</u>

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

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

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

For the year ended 31 December

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

(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:

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

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:

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

5. FINANCE COSTS

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

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

6. INCOME TAX EXPENSE

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Hong Kong Profits Tax		
– Current	160	–
PRC Enterprise Income Tax Income (“EIT”)		
– Current	–	1,500
– Underprovision in prior years	43	848
	<hr/>	<hr/>
	203	2,348
Deferred tax		
– Current	221	–
	<hr/>	<hr/>
	424	2,348
	<hr/> <hr/>	<hr/> <hr/>

- i) Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for year ended 31 December 2014. For the year ended 31 December 2013, no provision of Hong Kong Profits Tax as the assessable profit was wholly absorbed by tax losses brought forward.
- ii) Under the Law of the People’s Republic of China on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

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

- iii) Under Decree-Law no. 58/99/M, Sino Golf Commercial Offshore De Macau Limitada, a Macau subsidiary incorporated under that Law is exempted from Macau Complementary tax as it satisfies the relevant conditions as specified in the Law.
- iv) The Group is not subject to taxation in other jurisdiction.

7. PROFIT FOR THE YEAR

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

8. EARNINGS PER SHARE

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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Earnings		
Earnings for the purpose of basic and diluted earnings per share	<u>8,295</u>	<u>13,661</u>
	2014 <i>'000</i>	2013 <i>'000</i>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>460,050</u>	<u>460,050</u>
Effect of dilutive potential ordinary shares: Share options	<u>3,878</u>	<u>396</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>463,928</u>	<u>460,446</u>

9. DIVIDENDS

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

10. TRADE AND OTHER RECEIVABLES

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

The Group does not hold any collateral over these balances.

- i) Included in deposits and other receivables is the advances to suppliers of HK\$14,088,000 (2013: HK\$9,169,000) which is expected to be recognised as expense within one year.
- ii) The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally between 30 and 60 days. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management.
- iii) The following is an aged analysis of trade receivables (net of impairment loss) of the Group presented based on the invoice dates, which approximates the respective revenue recognition dates, at the end of the reporting period:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
0 to 30 days	10,996	23,676
31 to 90 days	5,369	7,543
91 to 180 days	<u>10</u>	<u>1</u>
At the end of the year	<u>16,375</u>	<u>31,220</u>

11. TRADE AND OTHER PAYABLES

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Trade and bills payables	31,820	41,580
Customers' deposits received	1,065	375
Accrual and other payables	2,339	23,981
	<u>35,224</u>	<u>65,936</u>

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

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

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

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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
RMB	<u>1,962</u>	<u>3,846</u>

12. CAPITAL COMMITMENTS

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

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

BUSINESS REVIEW

Overview

Further to the business rebound in 2013, the Group continued to operate with strong sales during the first half of 2014 amidst challenging conditions that beset the golf industry including the unfavorable weather in golf markets to which the Group exported its products and a high level of compiled industry inventories. The sales momentum was however undermined by a slow-down in the golf equipment sales during the second half year when orders from certain customers started to shrink to reduce shipments. On the contrary, the golf bags segment has recorded significant growth in 2014 to partly compensate the impact of the sales drop of the golf equipment segment. Overall, the Group's revenue for 2014 declined due the depressed performance of the golf equipment segment.

The Group's turnover decreased 7.6% in 2014 to HK\$400,962,000 (2013: HK\$434,087,000). Gross profit for the year amounted to HK\$72,416,000 (2013: HK\$75,634,000) whilst the average gross profit margin had improved to 18.1% (2013: 17.4%) mainly due to contributions from the reengineering and cost control measures. The Group persisted to reinforce the business reengineering and cost rationalization programs to mitigate the impact of cost hikes prevailing in recent years. The strengthened customer base and the enhanced manufacturing capabilities of the Group have upheld our position as a key market participant with broad mission to best serve the customers and satisfy their needs. To accomplish the objective, the Group has prioritized and customarily focused on product innovation and clients' fulfillment with a goal to provide one-stop premium services to customers to enhance our market share as well as enterprise recognition. The Group remains committed to achieving long-term growth and development and rests assured of growing and exploring the businesses with credible customers and business partners including the first tier golf name brands. Augmented by the effective management team, the Group has been endeavoring to continually improve and strengthen its operations to preserve our capabilities and competitive edge in a dynamic and volatile economic environment.

During the year, the golf equipment sales decreased 13.2% to HK\$354,701,000 (2013: HK\$408,459,000) whilst the golf bags sales, after eliminating inter-segmental sales of HK\$7,155,000 (2013: HK\$12,128,000), surged 80.5% to HK\$46,261,000 (2013: HK\$25,628,000) to partly offset the revenue drop sustained by the golf equipment segment. The Group recorded segment profits of HK\$20,622,000 for the golf equipment business (2013: HK\$31,147,000) and HK\$2,084,000 for the golf bags business (2013: HK\$771,000), respectively.

Golf Equipment Business

The golf equipment segment persisted as the Group's main operating segment and accounted for 88.5% of the Group's turnover for the year (2013: 94.1%) irrespective of a slow-down in customer orders during the second half year. Total golf equipment sales decreased 13.2% to HK\$354,701,000 in 2014 compared with HK\$408,459,000 for the comparative preceding year.

The segment turnover for the year comprised golf clubs sales of HK\$332,810,000 (2013: HK\$373,450,000) and components sales of HK\$21,891,000 (2013: HK\$35,009,000), representing 93.8% (2013: 91.4%) and 6.2% (2013: 8.6%), respectively of the segment revenues. During the year, the golf clubs sales dropped 10.9% whilst the components sales plummeted more than one-third mainly due to the decrease in golf heads sales. Included in the golf clubs sales were club sets and individual clubs in the respective proportion of 86.9% (2013: 86.0%) and 13.1% (2013: 14.0%) which had not shown significant fluctuation throughout the years. For components sales, the golf heads dominated and accounted for 78.1% (2013: 75.6%) leaving the shafts and other accessories taking up the remaining 21.9% (2013: 24.4%) thereof.

During the year, sales to the largest segmental customer decreased to HK\$125,163,000 (2013: HK\$187,925,000), which represents 35.3% (2013: 46.0%) of the segment turnover or 31.2% (2013: 43.3%) of the Group's turnover for the year, respectively. Due to internal reorganization undertaken by this customer to merge its operations with the parent company, there was an impact with delay on their launch of products which had adversely affected the business volume with our Group during the second half of 2014. It is envisaged that the business volume with this customer would remain depressed and could further reduce depending on the strategy and arrangements adopted by their new management. Through active marketing effort, aggregate sales to the next two highest-ranked segmental customers remained fairly stable during the year to generate similar amount of revenues as those in the comparative preceding year. Facing the undesirable market conditions, turnover generated from the top five segmental customers diminished 13.6% to HK\$342,461,000 (2013: HK\$396,238,000) and represents 96.5% (2013: 97.0%) of the segment turnover or 85.4% (2013: 91.3%) of the Group's turnover for the year, respectively. To substantiate long term development, the Group has pursued the strategy to cooperate and work closely with the existing customers to promote mutual interest and facilitate growth as well as actively exploring opportunities with other reputable golf name brands for new businesses. Given the unfavorable market conditions, the Group anticipates that the golf equipment business would remain unstable and volatile for the ensuing year in light of the business uncertainties.

To progressively optimize the manufacturing operations and monitor associated costs, the Group has completed the construction of the new production workshop at the Shandong manufacturing facility to provide additional capacity for taking up production volume further relocated from the Group's Guangdong manufacturing facility. The move aimed to effectively centralize the bulk production of golf equipment under the integrated set-up at the Shandong manufacturing facility which offered an advantageous operating environment with lower costing background for achieving higher efficiency and cost effectiveness. The cost hikes attributable to a rising trend in energy; labor and social welfare expenditures in southern China in recent years have undermined the competitive edge of the

manufacturers and jeopardized their margins over the time. Currently, the Shandong manufacturing facility has been responsible for more than 70% of the Group's production of golf clubs including shafts and certain volume of golf bags being the components for fulfilling the orders of golf club sets. It is our strategy to consistently scale down the output of the Guangdong manufacturing facility to smaller volume in reaction to the cost hikes and unstable labor supply that prevailed in southern China to adversely affect the manufacturers operating in that territory. The Shandong manufacturing facility represents a milestone of the Group's development and provides a distinct foundation to better equip the Group to outperform other competitors under intensive competitions. Since the inception, the Shandong manufacturing facility has built up solid relationship with the customers as evidenced by a rising trend in production volume during these years. By allocating sufficient capacities with skillful labor to fulfill and satisfy the customers' requirements, the Shandong manufacturing facility has obviously upgraded our industry profile to facilitate the Group to procure new businesses from credible golf name brands that are looking for high quality alternative supply sources in a dynamic and highly competitive environment.

The Group entered into an agreement with an independent third party last year to effectively realize the Yong He facility located in Guangdong Province, the PRC through the disposal of the entire equity interest of a subsidiary (the "Target Company") to be formed from the split of the subsidiary holding the Yong He facility. The arrangement aimed to accomplish the realization of the remaining redundant capacities of the Group in Southern China for the benefit of the Company and its shareholders. The transaction has been progressing on schedule and the Group has obtained the approval of the local PRC government in January 2014 authorizing the split of the subsidiary holding the Yong He facility which was followed by the incorporation of the Target Company in April 2014 for the purpose of taking over the Yong He facility, the entire equity interest of which is to be transferred to the purchaser pursuant to the agreement. It was estimated that the transfer of the equity interest of the Target Company should be completed by 2016. The Group will thereafter maintain and conduct its manufacturing operations in Guangdong Province, the PRC at a reduced scale occupying a smaller rented area as appropriate to its actual needs.

Through stringent credit control and sound corporate governance practices, the Group achieved the objective to maintain a high quality trade receivable profile with insignificant impairment of HK\$2,000 as at 31 December 2014 (2013: HK\$2,000). The Group has adhered to the policy of limiting credit terms to not exceeding 60 days and requiring deposits and cash payments for shipments to new customers. In addition, the Group continued to procure insurance and/or factoring on major trade receivables to hedge against the bad debt risk. It is the Group's strategy to diversify and broaden the customer base to reduce the concentration risk and maintain a reasonable balance of reliance on individual customers. The management was satisfied with the overall customer performance and shall keep alert of any material exceptions or irregularities to protect and safeguard the Group's interest.

During the year, the price of raw materials and components for golf equipment manufacturing remained at stable level and fluctuated within narrow ranges. The Group has been working closely with the suppliers to continually improve material quality and optimize purchase price to reflect bulk quantity purchases. On the other hand, the manufacturing overheads including labor, social insurances and retirement benefit expenditures went up substantially due to compliance and regulatory requirements, which operated to undermine the profit margins against the savings derivable from the Group's cost control initiatives.

Impacted by the sales down-turn, the golf equipment segment managed to record a segment profit of HK\$20,622,000 for the year (2013: HK\$31,147,000), representing a decrease of 33.8% from the comparative preceding year. Given the unfavorable market conditions and taking into account the current order book and customer status, it is anticipated that the golf equipment business would remain depressed and continue to operate under uncertainties and challenges in the ensuing year. Nevertheless, the Group endeavors to strengthen and reinforce the marketing initiatives to persistently promote and develop the golf equipment business and we maintain a cautious view on the prospect of the golf equipment segment going forward.

Golf Bags Business

The golf bags business rebounded strongly during the year to turnaround from last year's depression. Both the Japan-line and Non-Japan line of products prospered to boost sales and enhance segment profit. The Group's turnover attributable to the golf bags segment, defined as comprising the sales of golf bags and accessories to external customers, increased 80.5% to HK\$46,261,000 (2013: HK\$25,628,000), representing 11.5% of the Group's turnover for the year (2013: 5.9%). Total sales of the golf bags segment, before elimination of the inter-segmental sales of HK\$7,155,000 (2013: HK\$12,128,000), went up 41.5% in 2014 to HK\$53,416,000 (2013: HK\$37,756,000). The inter-segmental sales represented the golf bags produced as components for fulfilling the orders of golf club sets placed by customers with the golf equipment segment. 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 constituted golf bags sales of HK\$35,430,000 (2013: HK\$18,260,000) and accessories sales mainly boston bags of HK\$10,831,000 (2013: HK\$7,368,000), representing 76.6% (2013: 71.2%) and 23.4% (2013: 28.8%) of the segment turnover, respectively. There has not been significant fluctuation in the product mix percentage throughout the years. During the year, sales to the largest golf bags customer amounted to HK\$14,014,000 (2013: HK\$4,606,000 for a customer ranked the second largest in the current year), which represents 30.3% (2013: 18.0%) of the segment turnover or 3.5% (2013: 1.1%) of the Group's turnover for the year. Sales to the largest segmental customer had increased more than 6.6 times from about a sales amount of HK\$1,835,000 in 2013 which was ranked the sixth largest in segment sales last year. Business with this customer has been growing satisfactorily with great potential which is an American based company and specialized in marketing golf bags. On the other hand, sales to the second largest golf bags customer, which was ranked the largest segmental customer in 2013, also rebounded strongly and more than doubled the sales amount in the current year. Through active marketing initiatives, sales to other major golf bags customers had increased remarkably and new customers were

successfully added to help boost segment revenues for the current year. Benefiting from a strong performance, turnover from the top five golf bags customers aggregated to HK\$36,311,000 (2013: HK\$16,132,000), representing 78.5% (2013: 62.9%) of the segment turnover or 9.1% (2013: 3.7%) of the Group's turnover for the year.

To review alternatively from a product design perspective, the segment turnover for the year comprised the sales of the Japan line and the non-Japan line of products in the respective proportion of 25.2% (2013: 19.7%) and 74.8% (2013: 80.3%). During the year, sales of the Japan line of products rebounded strongly and increased 130.9% to HK\$11,642,000 (2013: HK\$5,042,000) whereas sales of the non-Japan line of products, comprising mostly golf bags of American design, jerked up 68.2% to HK\$34,619,000 (2013: HK\$20,586,000). The rising trend of the Japan line of products was consistent with the surge in sales noted for the second largest golf bags customer which is a Japan based company specializing in golf bags business. It is the Group's strategy to grasp every opportunity to persistently develop and explore the golf bags business encompassing both the Japan line and the non-Japan line of products with a goal to uplift the market share and broaden the customer base. We shall continue to allocate and invest necessary resources on various initiatives that will facilitate to contribute and bring more business volume with sensible margins to the Group.

During the year, the price of raw materials for golf bags production including PVC, PU and nylon showed no material fluctuation whilst the price of accessories such as metal parts and plastic components had managed to stay at similar level as that of the preceding year. On the other hand, the manufacturing overheads including labor, social insurances; samples and transportation increased due to higher sales volume and additional compliance requirements. The rising expenditures tended to inflate costs to undermine the profit margin and the impact was mitigated through reinforcement of effective cost control measures and the savings derived therefrom. The Group is dedicated to focus on developing and specialize in the business of high-end golf bags that could offer more attractive and higher margins to substantiate the long-term growth of the golf bags segment.

Supported by the strong sales across all product categories, the golf bags segment improved substantially during the year to nearly triple the segment profit to HK\$2,084,000 (2013: HK\$771,000), up 170.3% compared to the corresponding preceding year. It is anticipated that the golf bags business will continue to prosper in 2015 according to work progress and projections with major segment customers. Taking into consideration the current order book status and the prevailing market conditions, the Group maintains a positive view on the outlook of the golf bags business for the ensuing year amidst the economic challenges. It is further expected that the golf bags set-up at the Shandong manufacturing facility will be self sufficient to produce enough golf bags as components for fulfilling the orders of golf club sets, thus releasing more capacity from the Group's golf bags facility at Dongguan City, the PRC to satisfy and take up orders of other golf bags customers to generate additional revenues.

Geographical Segments

During the year, shipments to the Japan market increased drastically both in monetary amount and as a percentage of the Group's turnover to increase its importance for the Group's business. This was mainly attributable to the surge in volume of the golf club sets shipped by major customers with Japan as the destination. On the contrary, shipments to North America, the world's largest golf market, dropped 27.1% in monetary amount during the year. Yet it persisted as the largest geographical segment to account for 52.9% of the Group's turnover for 2014 (2013: 67.0%). Other geographical segments including Japan, Asia (excluding Japan), Europe; and others contributed 23.6%, 9.8%, 9.2% and 4.5% of the Group's turnover for the year, respectively (2013: 13.5%; 8.9%; 7.2%; and 3.4%, respectively).

In terms of percentage of the Group's turnover, shipments to North America which were mainly to the United States declined 14.1 percentage points to 52.9% in 2014 whereas shipments to the Japan market escalated 10.1 percentage points to 23.6% of the Group's turnover. Due to the depressed performance of the North American market, shipments to other geographical regions covering Asia (excluding Japan); Europe and others all increased in 2014, in terms of percentage of the Group's turnover, to 9.8%; 9.2% and 4.5%, respectively (2013: 8.9%; 7.2% and 3.4%, respectively).

In monetary amounts, shipments to the North American market dropped 27.1% in 2014 to HK\$212,019,000 (2013: HK\$290,996,000) and comprised golf equipment and golf bag sales in the proportion of 91.2% (2013: 98.1%) and 8.8% (2013: 1.9%), respectively. Shipments to the Japan market increased 62.0% in 2014 to HK\$94,779,000 (2013: HK\$58,498,000), mainly due to the surge in volume of golf club sets with Japan as the destination. Through active marketing effort, shipments to other geographical regions covering Asia (excluding Japan); Europe and others managed to increase in aggregate by 11.3% in 2014 to HK\$94,164,000 (2013: HK\$84,593,000).

It is the Group's objective to uphold our dominant position in the North American market through strengthening the cooperation and work closely with the existing customers to promote growth for mutual interest as well as exploring business opportunities with other reputable golf name brands that are looking for high quality alternative supply sources. To further develop and effectively tap the opportunities in Asian's largest golf market, the Group is committed to persistently investing and devoting resources for the Japan market both in the golf bags and golf equipment business. To substantiate long-term development, the Group has attached greater weight to focus on expanding businesses in other geographical regions encompassing Asia (excluding Japan); Europe; and others, particularly the Asian market in which golf activities have become more popular and economically affordable.

PROSPECTS AND RISK FACTORS

Prospects

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. It is anticipated that the golf equipment business would remain depressed in 2015 in light of the uncertainties and challenges about the business with certain major customer whilst the golf bags business is expected to perform reasonably given a strong performance of both the Japan line and non-Japan line of products. The market conditions have become more challenging and competitions are intense amongst the golf equipment manufacturers facing a lower and unstable market demand. Nevertheless, the Group is devoted to cooperating and working closely with the customers to promote business and strengthen the competitive edge for mutual interest. We maintain a cautious view on the golf equipment business for 2015 in light of the current business condition and lower order volume and we expect the golf bags business to remain stable and perform reasonably under the prevailing market condition and order status. It is envisaged that the economic environment and the global economy will remain volatile and fluctuate to pose new challenges and uncertainties for the business sector going forward.

To strengthen our competitive edge in a dynamic market, the Group pursued to reinforce the business reengineering and cost control initiatives to continually rationalize its operations to enhance efficiency and optimize costs. The Group has completed the new production workshop at the Shandong manufacturing facility to cater for the production volume further relocated from the Guangdong manufacturing facility. The move aimed to take greater advantage of the cost favorable operating environment and a more stable labor market in the northern part of the PRC, which contributes to mitigate the impact brought about by the cost hikes and labor supply issues prevailing in southern China in recent years.

To substantiate the long term development, the Group pursues the strategy to devoting effort to explore business opportunities with reputable golf name brands that are actively looking for high quality supply sources under the highly competitive economy as well as strengthening the existing customer tie to promote business and expansion. We have successfully added some new customers for both golf segments with reasonable performance and growth potential. We have been endeavoring to work closely with the existing customers to expand the business and provide better services to support them for mutual benefits and success. The Group will continue to search and participate in diversification opportunities as justified to make effective utilization of the Group's resources to generate revenues. Our management is obliged to keep continuous awareness of the market changes and development to ensure a timely and swift response with appropriate actions to safeguard the Group's 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 could eventually lead to the emergence of trade barriers and/or protectionism practices if not timely dealt with and resolved by the respective governments. On the other hand, the tendency of a strong 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 movement 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 2014, sales to the largest customer represented 35.3% of the turnover of the golf equipment segment or 31.2% of the Group's annual turnover. The five largest customers in aggregate accounted for about 87.9% 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 declined 7.6% in 2014 to HK\$400,962,000 (2013: HK\$434,087,000). Profit for the year attributable to owners of the Company amounted to HK\$8,295,000 (2013: HK\$13,661,000). Basic and diluted earnings per share were HK1.80 cents for the year (2013: HK2.97) and HK1.79 cents (2013: 2.97). The directors did not recommend the payment of a dividend in respect of the year ended 31 December 2014 (2013: Nil).

During the year, the turnover of the golf equipment segment dropped 13.2% to HK\$354,701,000 (2013: 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 HK\$46,261,000 (2013: HK\$25,628,000). Total sales of the golf bags segment, before elimination of inter-segmental sales of HK\$7,155,000 (2013: HK\$12,128,000), rose 41.5% in 2014 to HK\$53,416,000 (2013: HK\$37,756,000).

In addition to sales revenues, movements in other income and major operating expenses during the year were reviewed and analyzed as follows:

Other operating income for the year increased to HK\$2,099,000 from HK\$1,553,000 in 2013, mainly due to the gain realized on disposal of property, plant and equipment.

Selling and distribution expenses for the year surged to HK\$4,790,000 from HK\$3,131,000 in 2013, primarily attributable to the increase in transportation and sample costs incurred against the rise in golf bags volume.

Administrative expenses for the year soared to HK\$53,415,000 from HK\$48,727,000 in 2013, mainly attributable to the increase in staff costs; social insurance; retirement benefit expenses; exchange differences and impairment loss on club debentures.

Finance costs for the year decreased to HK\$7,591,000 from HK\$9,328,000 in 2013, mainly due to the reduction in term loan interest.

Adversely affected by the sales down-turn, the Group sustained a reduction in profitability to achieve a profit attributable to owners of the Company of HK\$8,295,000 for the year (2013: HK\$13,661,000).

Liquidity and Financial Resources

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

At 31 December 2014, bank balances and cash, which were mostly denominated in United States dollars, Hong Kong dollars and Renminbi, amounted to HK\$16,676,000 (2013: HK\$26,241,000). The bank balances and cash decreased mainly attributable to the funds utilized for the construction of the new production workshop at the Shandong manufacturing facility. With the reduced sales, trade receivables decreased to HK\$16,375,000 as at 31 December 2014 (2013: HK\$31,220,000), which had substantially all been settled after the yearend to provide cash flows for the operations. During the year, certain land and building situated in the PRC and classified as assets held for sale with a carrying value of HK\$7,776,000 had been disposed of to the local PRC government upon completion of the transfer of the land and building in accordance with the agreement. Total consideration amounted to RMB6,130,000 which was equivalent to HK\$7,859,000, of which HK\$5,128,000 had been received in prior years and the balance of HK\$2,731,000 was received in the current year. A gain of HK\$83,000 (2013: Nil) was recognized in the income statement for the year upon the completion of the transaction. It has been the Group's policy to maintain a level of funds adequate for its operations and discharging 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 2014, interest-bearing borrowings comprising bank borrowings and obligations under finance leases aggregated to HK\$104,401,000 (2013: HK\$109,784,000), of which HK\$104,401,000 (2013: HK\$109,416,000) was repayable within one year. The advance from a director, who is the controlling shareholder, of HK\$7,589,000 at 31 December 2014 (2013: HK\$10,142,000) was unsecured, repayable on demand and carried interest at rates ranging 3% to 5% per annum (2013: 4% to 6% per annum). On the other hand, bank loans from certain PRC banks of HK\$78,205,000 at 31 December 2014 (2013: HK\$80,756,000) were secured by property, plant and equipment of the Group with a carrying value of HK\$132,555,000

(2013: HK\$170,760,000). The gearing ratio, defined as bank borrowings and obligations under finance leases less bank balances and cash of HK\$87,725,000 divided by the shareholders' equity of HK\$313,285,000, was 28.0% as at 31 December 2014 (2013: 27.4%). The gearing ratio would have been restated as 30.4% at 31 December 2014 (2013: 30.7%) if the advance from a director was included in the computation of the ratio.

It is the Group's objective to pursue and maintain a financial position appropriate to support long-term development and growth. At 31 December 2014, the total assets and the net asset value of the Group amounted to HK\$463,649,000 (2013: HK\$496,004,000) and HK\$313,285,000 (2013: HK\$304,853,000) respectively. Current and quick ratios as at 31 December 2014 were 1.55 (2013: 1.38) and 0.40 (2013: 0.46) respectively. Both the current ratio and quick ratio were considered reasonable and the Group is devoted to continue exploring possible means to further rationalize the financial position from time to time

The Company announced on 15 September 2014, which was followed by subsequent monthly announcements to update the status, that CM Investment Co., Ltd. and Fortune Belt Ltd. (the "Selling Shareholders") were in negotiation with a potential investor in relation to a possible transaction (the "Possible Transaction") to transfer the shares held by the Selling Shareholders aggregating to approximately 62.4% of the Company's issued share capital. Negotiation was extended to another potential investor in October 2014 in respect of the Possible Transaction. Details about the progress of negotiations in respect of the Possible Transaction were shown in each of the monthly announcements of the Company through December 2014 and continued in 2015. The Company has announced on 12 March 2015 that the Selling Shareholders have terminated the negotiations with the first potential investor in respect of the Possible Transaction and negotiations with the second potential investor continue to be on-going and no formal or legally binding agreement has been entered into between the parties yet. As there is no assurance that the Possible Transaction will materialize or eventually be consummated and the relevant discussions may or may not lead to a general offer under Rule 26.1 of Takeovers Code, the shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company and to consult their professional advisors in case of any doubt about their position.

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 2014, 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 2014.

Employee and Remuneration Policies

At 31 December 2014, the Group employed a total of approximately 1,600 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.

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 2014.

REMUNERATION COMMITTEE

The Remuneration Committee comprises three Independent Non-Executive Directors and two Executive Directors of the Company. It met once during the year ended 31 December 2014 to (i) review the remuneration policy and structure of the Company; and (ii) confirm, approve and ratify the remuneration packages of the directors and the senior management for the year under review.

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 2014 to review the structure, size and composition of the Board; assess the independence of all INEDs of the Company; review the effectiveness of the Board Diversity Policy; and also nominate retiring Directors for re-election at the 2014 annual general meeting ("AGM") of the Company.

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 2014.

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 2014, 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.

ACKNOWLEDGEMENT

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

PUBLICATION OF THE 2014 ANNUAL REPORT ON THE WEBSITE OF THE STOCK EXCHANGE

The Company’s annual report for 2014 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, 27 March 2015

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.