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 2012

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 2012 together with the comparative figures for the year ended 31 December 2011. The consolidated financial statements have been reviewed by the Audit Committee of the Company.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2012

	NOTES	**2012** *HK$'000*	2011 *HK$'000*
Turnover	*4*	**272,113**	278,649
Cost of sales		**(240,174)**	(234,813)
Gross profit		**31,939**	43,836
Other operating income	*4*	**1,986**	3,062
Selling and distribution costs		**(2,615)**	(5,331)
Administrative expenses		**(41,143)**	(47,143)
Finance costs		**(8,475)**	(10,433)
Loss before tax		**(18,308)**	(16,009)
Income tax expense	*5*	**(252)**	(262)
Loss for the year	*6*	**(18,560)**	(16,271)
Other comprehensive (expenses) income			
Exchange difference arising on translation		**(5,928)**	5,149
Loss on revaluation of leasehold land and buildings		**(362)**	–
Deferred tax relating to revaluation of leasehold land and buildings		**91**	75
Other comprehensive (expenses) income, net of tax		**(6,199)**	5,224
Total comprehensive expenses for the year		**(24,759)**	(11,047)

* *for identification purpose only*

	NOTES	2012 HK$'000	2011 HK$'000
Loss for the year attributable to:			
Owners of the Company		**(18,531)**	(16,242)
Non-controlling interests		**(29)**	(29)
		(18,560)	(16,271)
Total comprehensive expenses for the year attributable to:			
Owners of the Company		**(24,730)**	(11,018)
Non-controlling interests		**(29)**	(29)
		(24,759)	(11,047)
Loss per share	*7*		
Basic		**(HK4.03 cents)**	(HK5.06 cents)
Diluted		**(HK4.03 cents)**	(HK5.06 cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2012

	NOTES	**2012** **HK$'000**	2011 HK$'000
Non-current assets			
Property, plant and equipment		**204,318**	225,205
Prepaid lease payments		**10,398**	12,845
Goodwill		**14,820**	14,820
Club debentures		**2,135**	2,135
Deposits and other receivables		**514**	877
Prepayments for the acquisition of property, plant and equipment		**332**	762
		232,517	256,644
Current assets			
Inventories		**161,718**	161,906
Trade and other receivables	*9*	**61,871**	66,831
Prepaid lease payments		**358**	416
Bank balances and cash		**13,958**	39,074
		237,905	268,227
Assets classified as held for sale		**7,581**	7,396
		245,486	275,623
Current liabilities			
Trade and other payables	*10*	**48,419**	48,386
Amounts due to non-controlling shareholders of a subsidiary		**462**	462
Income tax payable		**170**	170
Bank borrowings		**126,938**	121,626
Obligations under finance leases		**681**	653
Loan from ultimate holding company		**–**	11,524
Loan from immediate holding company		**6,162**	–
		182,832	182,821
Net current assets		**62,654**	92,802
Total assets less current liabilities		**295,171**	349,446
Non-current liabilities			
Bank borrowings		**3,356**	8,422
Loan from immediate holding company		**–**	23,678
Deferred taxation		**2,399**	2,490
Obligations under finance leases		**1,080**	1,761
		6,835	36,351
		288,336	313,095
Capital and reserves			
Share capital	*11*	**46,005**	46,005
Reserves		**239,922**	264,652
Equity attributable to owners of the Company		**285,927**	310,657
Non-controlling interests		**2,409**	2,438
Total equity		**288,336**	313,095

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 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 and financial instruments that are measured at revalued amounts or fair values. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

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

In the current year, the Group has applied the following new and revised amendments issued by the HKICPA.

Amendments to Hong Kong Accounting Standards ("HKAS") 12	Deferred Tax: Recovery of Underlying Assets
Amendments to HKFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
Amendments to HKFRS 7	Financial Instrument: Disclosures-Transfers of Financial Assets

The directors of the Company anticipate that the application of above new and revised amendments has had no material impact on the Group's performance and position for the current and prior years and/or the disclosures set out in these consolidated financial statements.

The Group has not early applied the following new and revised standards, amendments and interpretations that have been issued but are not yet effective.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle[1]
Amendments to HKFRS 1	Government Loans[1]
Amendments to HKFRS 7	Disclosure – Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosure[3]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosures of interests in Other Entities: Transition Guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[2]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]

HKAS 19 (as revised in 2011)	Employee Benefit[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
Amendments to HKAS 1	Presentation of items of Other Comprehensive Income[4]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[2]
HK(IFRIC[#])-Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]

1 Effective for annual periods beginning on or after 1 January 2013.
2 Effective for annual periods beginning on or after 1 January 2014.
3 Effective for annual periods beginning on or after 1 January 2015.
4 Effective for annual periods beginning on or after 1 July 2012.
IFRIC represents International Financial Reporting Interpretation Committee

Annual Improvements to HKFRSs 2009 – 2011 Cycle issued in June 2012

The Annual Improvements to HKFRSs 2009 – 2011 Cycle include a number of amendments to various HKFRSs. The amendments are effective for annual periods beginning on or after 1 January 2013. Amendments to HKFRSs include the amendments to HKAS 16 Property, Plant and Equipment and the amendments to HKAS 32 Financial Instruments: Presentation.

The amendments to HKAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in HKAS 16 and as inventory otherwise. The directors of the Company do not anticipate that the application of the amendments will have a material effect on the Group's consolidated financial statements.

The amendments to HKAS 32 clarify that income tax on distributions to holders of an equity instrument and transaction costs of an equity transaction should be accounted for in accordance with HKAS 12 Income Taxes. The directors of the Company anticipate that the amendments to HKAS 32 will have no effect on the Group's consolidated financial statements as the Group has already adopted this treatment.

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities and amendments to HKFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities

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

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to HKFRS 7 are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

The directors of the Company anticipate that the application of these amendments to HKAS 32 and HKFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

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

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

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

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

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. HK (SIC) – Int 12 Consolidation – Special Purpose Entities will be withdrawn upon the effective date of HKFRS 10. Under HKFRS 10, there is only on basis for consolidation, that is, control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. HK (SIC) – Int 13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers will be withdrawn upon the effective date of HKFRS 11. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate consolidation.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013 with earlier application permitted provided that all of these five standards are applied at the same time.

The directors of the Company anticipate that the application of these five standards have no significant impact on amounts reported in the consolidated financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities

The amendments to HKFRS 10 introduce an exception to consolidating subsidiaries for an investment entity, except where the subsidiaries provide services that relate to the investment entity's investment activities. Under the amendments to HKFRS 10, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss.

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

- obtain funds from one or more investors for the purpose of providing them with professional investment management services;

- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and

- measure and evaluate performance of substantially all of its investments on a fair value basis.

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

The amendments to HKFRS 10, HKFRS 12 and HKAS 27 are effective for annual periods beginning on or after 1 January 2014, with early application permitted. The directors of the Company anticipate that the application of the amendments will have no effect on the Group as the Company is not an investment entity.

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 Financial Instruments: Disclosures will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. The directors of the Company anticipate that application of the new standard may affect certain amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

Amendments to HKAS 1 – Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 Presentation of Items of Other Comprehensive Income introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a "statement of comprehensive income" is renamed as a "statement of profit or loss and other comprehensive income" and an "income statement" is renamed as a "statement of profit or loss". The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in future accounting periods.

Other than disclosed above, the directors of the Company anticipate that the application of the other new and revised standards, amendments and interpretations will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

Information reported to the chief operating decision maker, 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 revenues 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	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Sales to external customers	**244,222**	234,822	**27,891**	43,827	**–**	–	**272,113**	278,649
Inter-segment revenue	**–**	–	**19,349**	12,993	**(19,349)**	(12,993)	**–**	–
Other operating income	**1,456**	2,353	**271**	648	**–**	–	**1,727**	3,001
Total	**245,678**	237,175	**47,511**	57,468	**(19,349)**	(12,993)	**273,840**	281,650
Segment results	**(5,275)**	(498)	**1,167**	1,182			**(4,108)**	684
Interest income							**259**	61
Unallocated corporate expenses							**(5,984)**	(6,321)
Finance costs							**(8,475)**	(10,433)
Loss before tax							**(18,308)**	(16,009)

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 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	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Assets and liabilities						
Segment assets	**431,706**	456,976	**21,887**	25,537	**453,593**	482,513
Unallocated corporate assets						
– Assets classified as held for sale					**7,581**	7,396
– Club debentures					**2,135**	2,135
– Bank balances and cash					**13,958**	39,074
– Others					**736**	1,149
Total assets					**478,003**	532,267
Segment liabilities	**33,118**	31,432	**15,156**	16,792	**48,274**	48,224
Unallocated corporate liabilities						
– Amounts due to non-controlling shareholders of a subsidiary					**462**	462
– Income tax payable					**170**	170
– Bank borrowings					**130,294**	130,048
– Obligations under finance leases					**1,761**	2,414
– Loan from ultimate holding company					**–**	11,524
– Loan from immediate holding company					**6,162**	23,678
– Deferred taxation					**2,399**	2,490
– Others					**145**	162
Total liabilities					**189,667**	219,172

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, income tax payable, bank borrowings, obligations under finance leases, loan from ultimate/immediate holding company, 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 revenue is presented below:

	Revenue from external customers	
	2012	2011
	HK$'000	*HK$'000*
North America	**135,372**	170,193
Europe	**33,640**	29,712
Asia (excluding Japan)	**50,651**	37,372
Japan	**42,472**	33,017
Others	**9,978**	8,355
	272,113	278,649

Less than 10% of the Group's revenue is derived from customers based in the PRC including Hong Kong (country of domicile) for the year ended 31 December 2012 (2011: 1%).

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

	2012	2011
	HK$'000	*HK$'000*
Hong Kong (country of domicile)	**14,185**	15,479
The PRC	**217,817**	240,285
Others	**1**	3
	232,003	255,767

(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	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Other segment information:						
Addition to non-current assets *(Note)*	**8,278**	8,450	**482**	491	**8,760**	8,941
Amortisation of prepaid lease payments	**397**	533	**–**	107	**397**	640
Bad debts directly written off on other receivables	**–**	350	**–**	–	**–**	350
Bad debts directly written off on trade receivables	**258**	5	**–**	54	**258**	59
Depreciation of property, plant and equipment	**17,496**	14,450	**2,648**	3,338	**20,144**	17,788
Loss on disposal of property, plant and equipment and prepaid lease payment	**838**	609	**29**	100	**867**	709
Loss on disposal of a subsidiary	**–**	2,456	**–**	–	**–**	2,456

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

(e) Information about major customers

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

	Revenue generated from	**2012** ***HK$'000***	2011 *HK$'000*
Customer A	Golf equipment	**78,435**	79,869
Customer B	Golf equipment and golf bags	**79,596**	91,516

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:

	2012	2011
	HK$'000	*HK$'000*
Turnover		
Sales of golf equipment and related components and parts	**244,222**	234,822
Sales of golf bags, other accessories and related components and parts	**27,891**	43,827
	272,113	278,649
Other operating income		
Interest income	**259**	61
Sale of scrap materials	**335**	201
Sample income	**23**	131
Sundry income	**860**	2,058
Tooling income	**509**	611
	1,986	3,062
Total revenues	**274,099**	281,711

5. INCOME TAX EXPENSE

	2012	2011
	HK$'000	*HK$'000*
Hong Kong Profits Tax		
– Current	**–**	169
– Overprovision in prior year	**–**	(546)
	–	(377)
PRC Enterprise Income Tax Income ("EIT") – Current	**252**	639
	252	262

i) Hong Kong Profits Tax was calculated at 16.5% of the estimated assessable profit for the years ended 31 December 2012 and 2011.

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 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 2012 is 12.5% (2011: 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.

6. LOSS FOR THE YEAR

	2012	2011
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging:		
Staff cost (including directors' emoluments):		
Salaries, wages and other benefits in kind	**69,323**	74,081
Retirement benefit scheme contributions	**3,356**	2,785
Total staff cost	**72,679**	76,866
Amortisation of prepaid lease payments	**397**	640
Auditor's remuneration	**1,062**	931
Bad debts directly written off on other receivables	**–**	350
Bad debts directly written off on trade receivables	**258**	59
Cost of inventories sold	**240,174**	234,813
Depreciation of property, plant and equipment	**20,144**	17,788
Exchange loss (net)	**505**	2,017
Loss on disposal of a subsidiary	**–**	2,456
Loss on disposal of property, plant and equipment and prepaid lease payment	**867**	709
Operating leases rentals in respect of land and buildings	**4,679**	5,405
Research and development costs	**2,076**	2,444

7. LOSS PER SHARE

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

	2012	2011
	HK$'000	*HK$'000*
Loss		
Loss for the purpose of basic and diluted loss per share	**(18,531)**	(16,242)

	2012	2011
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**460,050**	320,983

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 and 2011.

8. DIVIDENDS

No dividends were paid, declared or proposed during the year ended 31 December 2012, nor has any dividend been proposed since the end of the reporting period (2011: Nil).

9. TRADE AND OTHER RECEIVABLES

	2012	2011
	HK$'000	*HK$'000*
Trade receivables	**29,620**	18,685
Less: impairment loss recognised	**(29)**	(65)
	29,591	18,620
Prepayments	**6,621**	3,644
Deposits and other receivables	**25,659**	44,567
	32,280	48,211
	61,871	66,831

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

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

	2012	2011
	HK$'000	*HK$'000*
At the beginning of the year	**65**	522
Written off during the year	**(36)**	(457)
At the end of the year	**29**	65

At 31 December 2012, included in the impairment loss of trade receivables are individually impaired trade receivables with an aggregate balances of approximately HK$29,000 (2011: HK$65,000) due to long outstanding. The Group does not hold any collateral over these balances.

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

	2012	2011
	HK$'000	*HK$'000*
0 to 30 days	**24,842**	13,407
31 to 90 days	**4,721**	4,823
91 to 180 days	**21**	380
181 to 365 days	**7**	10
At the end of the year	**29,591**	18,620

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

		Neither past	**Past due but not impaired**		
		due nor	**0 to 90**	**91 to 180**	**181 to 365**
	Total	**impaired**	**days**	**days**	**days**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2012	29,591	28,258	1,313	16	4
At 31 December 2011	18,620	16,376	2,190	44	10

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

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

10. TRADE AND OTHER PAYABLES

	2012	2011
	HK$'000	*HK$'000*
Trade and bills payables	**35,478**	36,772
Customers' deposits received	**2,273**	3,096
Accrual and other payables	**10,668**	8,518
	48,419	48,386

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:

	2012	2011
	HK$'000	*HK$'000*
0 to 90 days	**28,625**	26,372
91 to 180 days	**5,059**	6,143
181 to 365 days	**746**	523
Over 365 days	**1,048**	3,734
	35,478	36,772

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.

11. SHARE CAPITAL

	Number of shares	Share capital
		HK$'000
Ordinary shares of HK$0.10 each		
Authorised		
At 1 January 2011, 31 December 2011 and 31 December 2012	1,000,000,000	100,000
Issued and fully paid		
At 1 January 2011	302,200,000	30,220
Exercise of share options	4,500,000	450
Issue of shares upon rights issue	153,350,000	15,335
At 31 December 2011 and 31 December 2012	460,050,000	46,005

12. CAPITAL COMMITMENTS

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

	2012	2011
	HK$'000	*HK$'000*
Contracted, but not provided for:		
Leasehold land and buildings	**348**	1,763
Plant and machinery	**782**	835
	1,130	2,598

BUSINESS REVIEW

Overview

The global economy continued to fluctuate in 2012 and remained volatile throughout. Our Group has experienced another year of challenge and recorded a loss. The Group's business progressed fairly reasonable in the first half of 2012 but became unpredictable during the latter part of the year when certain programs in the pipeline had not realised due to a general economic slowdown. This has impacted on the revenue for the current financial year. During the year, the Group managed to preserve the golf equipment sales but sustained an apparent downturn in the golf bag sales nevertheless. Total turnover stayed depressed and fell slightly year over year.

With the on-going economic uncertainties, business participants generally pursued a more prudent strategy so as to minimize the exposures under a volatile economic environment. This resulted in the delay and cancellation of some targeted programs by our customers in 2012, which had depleted the profitability of the Group for the current financial year. The business sentiment has however improved in early 2013 as customers' orders surged significantly to boost anticipated sales and business volume for the first half of 2013. Our management is of the opinion that the Group's performance would have a reasonable chance to turnaround in the ensuing year in light of the perceived rebound.

The Group's turnover decreased by 2.3% in 2012 to HK$272,113,000 (2011: HK$278,649,000). Gross profit for the year was HK$31,939,000 (2011: HK$43,836,000). The average gross profit margin slipped to 11.7% (2011: 15.7%) mainly due to the recouping of fixed costs through a depressed turnover and a general increase in the manufacturing overheads. To uphold our competitive edge in a volatile economy, the Group reinforced its reengineering and cost control measures to mitigate the impact caused by the suppressed revenues. The broadened customer base and the enhanced manufacturing capabilities of the Group have helped strengthen our role as a key market player at times of economic instability. In pursuance of our mission to provide one-stop premium services to customers, the Group has been persistently focusing on product innovation and customers' fulfillment with an objective to enhance our market share with higher enterprise recognition. The Group is committed to achieving long-term growth and development and endeavors to grow and explore our business with the reputable first-tier customers. We maintain in confidence a positive view with caution on the business outlook for the ensuing year in light of the market conditions and the perceived rebound in customers' orders in early 2013.

In 2012, the golf equipment segment generated sales of HK$244,222,000 (2011: HK$234,822,000) to account for 89.8% (2011: 84.3%) of the Group's turnover. Sales of the golf bag segment, after eliminating inter-segmental sales of HK$19,349,000 (2011: HK$12,993,000), amounted to HK$27,891,000 (2011: HK$43,827,000) to take up the remaining 10.2% (2011: 15.7%). Suffering from the depressed revenues, the Group recorded a segmental loss of HK$5,275,000 attributable to the golf equipment business (2011: HK$498,000) and a segmental profit of HK$1,167,000 for the golf bag business (2011: HK$1,182,000), respectively.

Golf Equipment Business

The golf equipment segment retained its dominant role to account for 89.8% of the Group's turnover for the year (2011: 84.3%). Benefiting from our marketing effort, the golf equipment sales increased moderately in 2012 by 4.0% to HK$244,222,000 (2011: HK$234,822,000) despite an unfavorable business sentiment. The segment turnover comprised golf clubs sales of HK$200,177,000 (2011: HK$210,492,000) and components sales of HK$44,045,000 (2011: HK$24,330,000), representing 82.0% (2011: 89.6%) and 18.0% (2011: 10.4%), respectively. The components sales surged remarkably during the year mainly due to the increase in golf head sales achieved through the sales program. Amongst the golf clubs sales, the proportion of club sets versus individual clubs was 80.5% (2011: 81.8%) and 19.5% (2011: 18.2%), respectively. For the components sales, club heads accounted for 81.5% (2011: 83.0%) with shafts and other accessories taking up the remaining 18.5% (2011: 17.0%).

During the year, sales to the largest segmental customer decreased by 12.9% to HK$79,591,000 (2011: HK$91,377,000), representing 32.6% (2011: 38.9%) of the segment turnover or 29.2% (2011: 32.8%) of the Group's turnover for the year. Sales to the second and the third largest customers were down by 1.8% and 8.6%, respectively whereas sales to other segmental customers generally increased upon our effort to expand business with non-key customers so as to mitigate the impact of the sales drop with the key customers. In consequence, turnover generated from the top five segmental customers managed to stay at similar level as last year, which aggregated to HK$218,170,000 (2011: HK$218,823,000) to represent 89.3% (2011: 93.2%) of the segment turnover or 80.2% (2011: 78.5%) of the Group's turnover for the year. Supported by the broadened customer base, the Group is devoted to persistently developing the golf equipment business with an objective to grow our sales through the existing customers as well as by taking on new first-tier name brands.

The Group has placed principal reliance on its Shandong manufacturing facility in fulfilling the Group's production need and adheres to the strategy of maintaining only an optimal production scale at the Guangdong manufacturing facilities so as to take full advantage of the favorable labor and costing environment in the northern part of the PRC. Since the inception, the Shandong manufacturing facility has been expanded to account for over two-third of the Group' current production of golf clubs including shafts and a limited volume of golf bags as components of the club sets. This facilitated to integrate the production of golf clubs and related components under the same roof to further enhance efficiency and optimize costs. In recent years, the labor supply and workers-related problems have intensified to adversely affect most manufacturing entities in the southern part of the PRC. Some golf manufacturers were forced to significantly curtail their output due to the failure to secure proper and sufficient labor while certain peers failed to survive the economic depression. The Shandong manufacturing facility has helped distinguish the Group from other competitors in that we possess enough capacities with skillful labor at competitive cost to satisfy the customers' requirements. It sets out a key milestone in our development history and provides a platform through which the Group can effectively solicit businesses from those credible name brands that are desirous of establishing high quality alternative supply sources.

Further to relocating the main production function to the Shandong manufacturing facility, the Group has taken steps to realize the redundant capacities at its Guangdong manufacturing facilities for the benefit of the Group and its shareholders. The Company announced on 9 March 2012 that the Group had entered into separate agreements with independent third parties to dispose of the two Guangdong manufacturing facilities, namely, the Yong He facility and the Sino Concept facility for a cash consideration of RMB25,500,000 and RMB12,000,000, respectively. The disposal of the Sino Concept facility was completed in September 2012 to record a gain of about HK$424,000 after netting off the carrying book value of approximately HK$14,576,000. Proceeds from the disposal had been applied to reduce bank debts and provide general working capital for the Group. On the other hand, the disposal of the Yong He facility was not proceeded as the Company announced on 11 September 2012 that the Group had entered into a termination agreement with the purchaser since it was confirmed that certain approvals for the transfer of the Yong He facility could not be obtained from the relevant PRC authorities. Both parties concurred to terminate the transaction and the Group refunded deposits of RMB13,850,000 without interest to the purchaser. As part of the process to further streamline the Group's structure and operating efficiency, the Company announced on 27 September 2012 that the subsidiary that used to own the disposed Sino Concept facility, namely, Guangzhou Sino Concept Golf Manufacturing Co., Ltd. ("Guangzhou Sino Concept"), has resolved to merge with another subsidiary that owns the Yong He facility, namely, Zengcheng Sino Golf Manufacturing Co., Ltd., which will take up all its assets and liabilities including staff in accordance with the relevant applicable PRC laws and regulations. Guangzhou Sino Concept will be deregistered upon completion of the merge. The arrangement was an intra-group reorganization and will have no material adverse implications on the Group. The merge process has been progressing on schedule and is anticipated to complete within a reasonable time period in 2013. The Group will continue to seek opportunity to realize and deal with the redundant capacity at the Yong He facility.

To assure the due recoverability of trade receivables, the Group continued to pursue the sound practice of procuring factoring and insurance for its major trade debts to the extent feasible. In reaction to a fluctuating economy, the Group has acted prudently to limit the customers' credit terms to generally not exceeding 60 days and further requires deposit from new customers to avoid excessive exposures. Our management adhered to the strictest credit control practices and was satisfied with the overall performance of the customers as evidenced by a minimal impairment of about HK$29,000 representing only 0.1% of the trade receivable balance at 31 December 2012.

During the year, raw materials and component costs for golf equipment fluctuated and moved up moderately partly due to the continued appreciation of the Renminbi currency that made domestic purchases more costly. Besides, the launch of sales program at competitive price and the impact of a rising trend in manufacturing costs including labor, social insurances, energy and fuel expenses have squeezed and undermined the profit margins further.

Adversely affected by the depressed revenues and the cost hikes, the golf equipment segment has recorded an increase in segmental loss to HK$5,275,000 for the year (2011: HK$498,000). Having taken into account the current market conditions, the perceived rebound of business in early 2013 and the current order book status, the management believes that the golf equipment segment would have a reasonable chance to turnaround in performance in the ensuing year notwithstanding a continued fluctuating economy with uncertainties. The Group maintains in confidence a positive view with caution on the prospect of the golf equipment segment to substantiate a long-term growth going forward.

Golf Bag Business

Hard hit by the substantial drop in sales of the Japan line of products, the turnover of the golf bag segment (defined as comprising only the sales to external customers) plummeted by 36.4% to HK$27,891,000 (2011: HK$43,827,000), representing 10.2% of the Group's turnover for the year (2011: 15.7%). The total sales of the golf bag segment however decreased, before elimination of the inter-segmental sales of HK$19,349,000 (2011: HK$12,993,000), just by 16.9% in 2012 to HK$47,240,000 (2011: HK$56,820,000). The inter-segmental sales of golf bags surged substantially during the year mainly due to the increase in customers' orders of golf club sets that incorporated golf bags as components. Sales of the golf club sets had been classified to constitute the turnover of the golf equipment segment.

Of the segment turnover for the year, golf bag sales amounted to HK$17,956,000 (2011: HK$30,086,000) to represent 64.4% (2011: 68.6%), whereas accessories sales comprising mainly shoe bags aggregated to HK$9,935,000 (2011: HK$13,741,000) to account for the remaining 35.6% (2011: 31.4%). There has not been material change in the product mix percentage throughout the years. During the year, sales to the largest golf bag customer plummeted by 74.8% to HK$6,783,000 (2011: HK$26,917,000), which represents 24.3% (2011: 61.4%) of the segment turnover or 2.5% (2011: 9.7%) of the Group's turnover for the year. The drastic drop in sales to the largest segmental customer had been due to the shift by this customer of a significant portion of products procurement to its affiliated factory in the South East Asia. Notwithstanding the adverse change, there have been communications to indicate that this customer may relocate some business back to our Group due to delivery and other issues associated with its own production facility. Turnover from the top five golf bag customers aggregated to HK$19,894,000 (2011: HK$38,311,000), representing 71.3% (2011: 87.4%) of the segment turnover or 7.3% (2011: 13.7%) of the Group's turnover for the year.

Analyzed 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 percentages of 25.3% (2011: 61.9%) and 74.7% (2011: 38.1%), respectively. During the year, sales of the Japan line of products shrank substantially by 74.0% to HK$7,066,000 (2011: HK$27,147,000) whereas sales of the non-Japan line of products, comprising mostly golf bags of American design, increased by 24.9% to HK$20,825,000 (2011: HK$16,680,000). The Group is determined to grasp every opportunity to persistently develop and explore both the Japan line and the non-Japan line of golf bags with an objective to grow our market share and broaden the customer base. It is our strategy to commit necessary and adequate resources to support projects and activities relating to golf bag business that could bring us the desired business volume with proper profit margins.

During the year, the prices of major raw materials for the golf bag production such as PVC, PU and nylon fluctuated upwards whilst the accessories price for items like metal parts and plastic components stayed fairly stable. On the other hand, the manufacturing costs including labor, social insurances, energy and fuels did move up moderately to increase the cost burden. To uphold our competitiveness, the golf bag segment reinforced the reengineering and cost control measures it had implemented to streamline the operations and enhance efficiency for cost rationalization. In particular, the Group has successfully reduced the annual rental of its golf bag facility at Guangdong Province by about HK$1,200,000 through consolidating the production operations to occupy and run in a lesser space. It is our Group's strategy to continually develop and specialize in the business of high-end golf bags that offers greater margins to substantiate the Group's long-term growth in the golf bag segment.

Despite a drop in the segment revenue, the performance of the golf bag segment remained preserved under our effort to streamline operations and control costs. It has managed to record a segmental profit of HK$1,167,000 for the year (2011: HK$1,182,000), slightly down 1.3% from the previous year. In light of the current market conditions, the possible regain in business volume for the Japan line of products and the current order book status, the management anticipates the golf bag segment to maintain a reasonable performance in the ensuing year notwithstanding a volatile economic environment with various challenges.

Geographical Segments

While retaining a dominant role in the geographical distribution of the Group's business, there was observed a remarkable drop in the percentage of the Group's shipments to North America, the world's largest golf market. This change has been mainly the result of our strategy and effort to diversify and expand sales to other geographical regions to enhance their relative importance in contributing revenues for the Group. Being the world's largest golf market, North America accounted for 49.7% of the Group's turnover in 2012 (2011: 61.1%). Other geographical regions covering Japan, Asia (excluding Japan), Europe; and others contributed 15.6%, 18.6%, 12.4% and 3.7% of the Group's turnover for the year, respectively (2011: 11.8%; 13.4%; 10.7%; and 3.0%, respectively).

In terms of percentages of the Group's turnover, sales to the North American market mainly the United States decreased, year over year, by 11.4 percentage points to 49.7% in 2012 whereas sales to the Japan market increased by 3.8 percentage points to 15.6% of the Group's turnover. Augmented by our effort to seize opportunities to develop and explore other markets, sales to regions covering Asia (excluding Japan); Europe and others also grew in importance and increased, as a percentage of the Group's turnover, to 18.6%; 12.4% and 3.7%, respectively in 2012 (2011: 13.4%; 10.7% and 3.0%, respectively).

In monetary terms, sales to the North American market fell 20.5% in 2012 to HK$135,372,000 (2011: HK$170,193,000), comprising golf equipment and golf bag sales in the proportion of 95.5% (2011: 96.2%) and 4.5% (2011: 3.8%), respectively. Sales to the Japan market however increased by 28.6% in 2012 to HK$42,472,000 (2011: HK$33,017,000), mainly due to the surge in golf equipment sales with Japan as the destination. Under our effort to tap opportunities for other markets, sales to other geographical regions covering Asia (excluding Japan); Europe and others also increased in aggregate by 25.0% in 2012 to HK$94,269,000 (2011: HK$75,439,000).

It has been the Group's strategy to reinforce our position in the North American market through strengthening the business cooperation with the existing customers as well as exploring every opportunity to establish and expand business with other first-tier name brands that are seeking high quality alternative supply sources. To tap opportunities in the largest golf market in Asia, the Group remains devoted to persistently developing the Japan market both for the golf bag and golf equipment business. To facilitate the long-term development, the Group has put greater emphasis on exploiting businesses in the geographical regions covering, Asia (excluding Japan); Europe; and others, especially the Asian market where the golf activities have become increasingly more popular and economically affordable.

PROSPECTS AND RISK FACTORS

Prospects

The year of 2012 turned out another year of challenge for the Group. While the global economy remained volatile and fluctuating, our Group continued to pursue active marketing efforts to generate and promote sales. We managed to preserve the golf equipment sales but sustained an apparent shrinkage in the golf bag sales. Total turnover stayed depressed and was marginally down by 2.3% in 2012 to record a loss. To combat the undesirable business status, the Group reinforced the reengineering and cost control measures to streamline efficiency and optimize expenditures. In addition, the Group was commissioned to further enhance the production capacity of the Shandong manufacturing facility to meet with the anticipated business volume and to take on additional production volume relocated from the Guangdong manufacturing facility. Taking advantage of the lower operating cost structure in the northern part of the PRC, the move facilitates to mitigate the impact of cost hikes that are prevailing in the southern part of the PRC to adversely affect most business operations. It also helps resolve and ease the pressure stemming from the labor supply and workers-related issues wide-spreading in the southern part of the PRC.

Supported by the broadened customer network, our Group is used to getting a timely update on the market development and ad hoc incidents to assure prompt response to capture opportunities or mitigate exposures in our best interest. Our Group has been working on some programs aiming to introduce reputable golf name brands to our customer portfolio in the ensuing year. We are also liaising closely with certain existing golf equipment customers about revising up their order volume in light of the anticipated market demand. Besides, there is a reasonable chance that we may gain back some business from the largest golf bag customer. It is the Group's objective to establish and maintain a long-term cooperation with our customers to substantiate mutual growth and success. Further to start producing a small volume of tools products during the year, the Group will continue to keep alert on possible diversification opportunities to expand our business to make more effective utilization of the Group's production resources to generate revenues.

Including the actual shipments of about HK$60 million made up to February 2013, the Group has currently orders on hand of about HK$210 million for delivery in the first half of 2013 with additional orders to be received from time to time during the rest of 2013. Based on the current order book status and the prevailing market conditions, the management maintains in confidence a positive view with caution about the business outlook for 2013. We expect the golf equipment business to achieve a satisfactory rebound while the golf bag business should manage to perform reasonably irrespective of a continued volatile economic environment. We will also keep ourselves alert of the market changes to assure timely response for the Group's best interest.

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 present an outline of those factors that could affect the Group's future performance and/or financial condition. These factors could cause the Group's future performance and/or financial condition to differ materially from those of the prior years or from management's expectations or estimates.

Status of The United States Economy and Currency Fluctuation

As the Group is principally engaged in exporting a substantial part of its products to the United States, any material fluctuation or adverse change in the economy of the United States might have or turn out to have an effect 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 emergence of trade barriers and/or protectionism practices between the two countries if not properly 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.

Interest Rates Movement

The Group utilizes banking facilities to partly 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 arrange 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 2012, sales to the largest customer represented 32.6% of the turnover of the golf equipment segment or 29.2% of the Group's annual turnover. The five largest customers in aggregate accounted for about 81.3% 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 to date. Due to our reliance on a limited number of key customers, it follows that 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 major cost component of the Group's products, any significant price fluctuation or supply problem may pose threats to undermine the profit margins even if the Group could adjust the product prices and pass the cost increase to customers by some extent. Besides, the tendency of attaching more reliance on the component makers and those suppliers specified by the customers may limit and reduce the choice and flexibility in the selection of competitive suppliers by the Group that might undermine or curtail our profit margins in 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 thus keep alert on the existence or occurrence of any other risks and react promptly to adopt effective measures to mitigate the Group's exposures as the circumstances require.

MANAGEMENT DISCUSSION AND ANALYSIS

Results of Operations

The Group's turnover decreased by 2.3% in 2012 to HK$272,113,000 (2011: HK$278,649,000). Loss for the year attributable to owners of the Company amounted to HK$18,531,000 (2011: HK$16,242,000). Loss per share was HK4.03 cents for the year (2011: HK5.06 cents) and the diluted loss per share for both years was the same as its respective basic loss per share as there were no dilutive potential ordinary shares during both periods. The directors did not recommend the payment of a dividend for the year (2011: Nil).

During the year, the turnover of the golf equipment segment increased moderately by 4.0% to HK$244,222,000 (2011: HK$234,822,000) whereas the turnover of the golf bag segment, defined as comprising only the sales to external customers, plummeted by 36.4% to HK$27,891,000 (2011: HK$43,827,000). Prior to the elimination of inter-segmental sales of HK$19,349,000 (2011: HK$12,993,000), the total sales of the golf bag segment decreased by just 16.9% in 2012 to HK$47,240,000 (2011: HK$56,820,000), which shows the actual change in the total business volume of the golf bag segment. The inter-segmental sales of golf bags surged significantly during the year mainly due to the increase in customers' orders of golf club sets that incorporated golf bags as components. Sales of those golf club sets had been classified to constitute the turnover of the golf equipment segment.

Other operating income for the year decreased to HK$1,986,000 from HK$3,062,000 in 2011, mainly due to the drop in handling charge and subcontracting fees income.

Selling and distribution costs for the year was reduced to HK$2,615,000 from HK$5,331,000 in 2011, primarily owing to the absence in the current year of non-recurring freight charges that were incurred in respect of certain delayed shipments in 2011.

Administrative expenses for the year decreased to HK$41,143,000 from HK$47,143,000 in 2011, mainly attributable to the reduction in staff costs; entertainment and promotion expenses; and exchange differences. Besides, included in the administrative expenses for 2011 was a loss of HK$2,456,000 for the disposal of a subsidiary and there was no similar charge in the current year.

Finance costs for the year came down to HK$8,475,000 from HK$10,433,000 in 2011, as a result of the decrease in the term loan interest and the export factoring charges.

Suffering from the depressed revenues, the Group sustained a loss attributable to owners of the Company of HK$18,531,000 for the year (2011: HK$16,242,000).

Liquidity and Financial Resources

To substantiate the long-term development, the Group has been generally relying on and will continue to procure funds from internally generated cash flows, banking facilities and, when needed, financial support 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 objective to manage the financial risks with due care and prudence to pursue a healthy financial position for our long-term growth and success.

At 31 December 2012, bank balances and cash, which were mostly denominated in United States dollars, Hong Kong dollars and Renminbi, amounted to HK$13,958,000 (2011: HK$39,074,000). The decrease in bank balances and cash was mainly attributable to the application of funds to settle bank borrowings and repay loans from the ultimate and immediate holding companies. At 31 December 2012, the trade receivables net of impairment amounted to HK$29,591,000 (2011: HK$18,620,000) which had substantially all been settled by customers after the yearend to contribute cash flows. Besides, inventories at 31 December 2012 amounted to HK$161,718,000 (2011: HK$161,906,000), a significant part of which had subsequently been consumed and realized in the normal cause of business to generate receivables and cash flows aggregating to about HK$60 million through shipments to customers up to February 2013. The Group has pursued the policy to maintain an optimal amount 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 loans from the controlling shareholder 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 2012, interest-bearing borrowings comprising bank borrowings and obligations under finance leases aggregated to HK$132,055,000 (2011: HK$132,462,000), of which HK$127,619,000 (2011: HK$122,279,000) was repayable within one year. The loan from the immediate holding company of

HK$6,162,000 at 31 December 2012 was unsecured, interest-free and repayable on or before 31 March 2013 (2011: HK$23,678,000), whereas the loan from the ultimate holding company was unsecured, interest-free and had been repaid during the year (2011: HK$11,524,000). On the other hand, bank loans from certain PRC banks of HK$84,988,000 at 31 December 2012 (2011: HK$81,768,000) were secured by the land and buildings of the Group with a carrying value of HK$171,631,000 (2011: HK$187,686,000). The gearing ratio, defined as bank borrowings and obligations under finance leases less bank balances and cash of HK$118,097,000 divided by the shareholders' equity of HK$288,336,000, was 41.0% as at 31 December 2012 (2011: 29.8%). The gearing ratio would have been restated as 43.1% at 31 December 2012 (2011: 41.1%) if the loan from the immediate holding company and the ultimate holding company were both included in the computation of the ratio.

Pursuant to the Group's policy, the land and buildings should be revalued by independent professional valuers at sufficient regularity or at least once every three years. It was time to conduct a professional revaluation of the Group's land and buildings at 31 December 2012 which had been revalued by LCH (Asia-Pacific) Surveyors Ltd. and an adjustment of about HK$362,000 (2011: Nil) was made to reduce the carrying amount of the Group's land and buildings to the revalued amount. It has been the Group's objective to maintain a financial position that is supportive of our long-term development and healthy growth. At 31 December 2012, the total assets and the net asset value of the Group amounted to HK$478,003,000 (2011: HK$532,267,000) and HK$288,336,000 (2011: HK$313,095,000) respectively. Current and quick ratios as at 31 December 2012 were 1.34 (2011: 1.51) and 0.46 (2011: 0.62) respectively. Both the current ratio and quick ratio worsen mainly due to the effect of the loss sustained during the year. The Group is however determined to explore all feasible ways to further improve and strengthen its financial 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 2012, the Group had no significant contingent liabilities.

Employee and Remuneration Policies

At 31 December 2012, the Group employed a total of approximately 1680 employees mainly located in Hong Kong and the PRC. It is the Group's strategy to establish and maintain a harmonious relationship 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 industrial practices. The remuneration packages are reviewed annually to assure fairness and competitiveness 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 2012.

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 2012 and reviewed the remuneration policy and structure of the Company and 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. During the year, there was no newly-appointed directors and there was one meeting held for the purpose of nominating the retiring directors for re-election at the Company's annual general meeting convened on 5 June 2012.

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 2012.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices (effective until 31 March 2012) and the Corporate Governance Code (the "CG Code") which has been effective from 1 April 2012 as set out in Appendix 14 to the Listing Rules throughout the year ended 31 December 2012, 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 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 2012 ANNUAL REPORT ON THE WEBSITE OF THE STOCK EXCHANGE

The Company's annual report for 2012 will be published on the website of the Stock Exchange 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 2013

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. HSIEH Ying Min.