Sino Golf Holdings Limited
順 龍 控 股 有 限 公 司

(Incorporated in Bermuda with limited liability)

Stock Code: 00361

ANNUAL REPORT 2022

CONTENTS

2	Corporate Information
3	Financial Highlights
4	Chairman's Statement
6	Management Discussion and Analysis
11	Biographical Details of Directors and Senior Management
14	Directors' Report
24	Corporate Governance Report
41	Environmental, Social and Governance Report
61	Independent Auditor's Report
67	Consolidated Statement of Profit or Loss and Other Comprehensive Income
68	Consolidated Statement of Financial Position
70	Consolidated Statement of Changes in Equity
72	Consolidated Statement of Cash Flows
74	Notes to the Consolidated Financial Statements
139	Financial Summary

CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. HUANG Bangyin *(Chairman)*
Mr. CHU Chun Man, Augustine

NON-EXECUTIVE DIRECTOR

Mr. WONG Hin Shek

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. SHENG Baojun
Mr. HO Kwong Yu
Ms. LIN Lin

AUDIT COMMITTEE

Mr. HO Kwong Yu *(Chairman)*
Mr. SHENG Baojun
Ms. LIN Lin

REMUNERATION COMMITTEE

Mr. SHENG Baojun *(Chairman)*
Mr. HO Kwong Yu
Ms. LIN Lin

NOMINATION COMMITTEE

Mr. HUANG Bangyin *(Chairman)*
Mr. SHENG Baojun
Mr. HO Kwong Yu
Ms. LIN Lin

COMPANY SECRETARY

Ms. CHOI Ka Ying

AUTHORISED REPRESENTATIVES

Mr. CHU Chun Man, Augustine
Ms. CHOI Ka Ying

AUDITORS

SHINEWING (HK) CPA Limited *(Note 1)*
17/F, Chubb Tower, Windsor House
311 Gloucester Road
Causeway Bay, Hong Kong

Grant Thornton Hong Kong Limited *(Note 2)*
11th Floor, Lee Garden Two
28 Yun Ping Road
Causeway Bay, Hong Kong SAR

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
DBS Bank (Hong Kong) Limited

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
4th floor North
Cedar House
41 Cedar Avenue
Hamilton HM12
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton, HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS

Room 4501
One Midtown
11 Hoi Shing Road
Tsuen Wan
Hong Kong

STOCK CODE

00361 (Main Board of The Stock Exchange of Hong Kong Limited)

WEBSITE

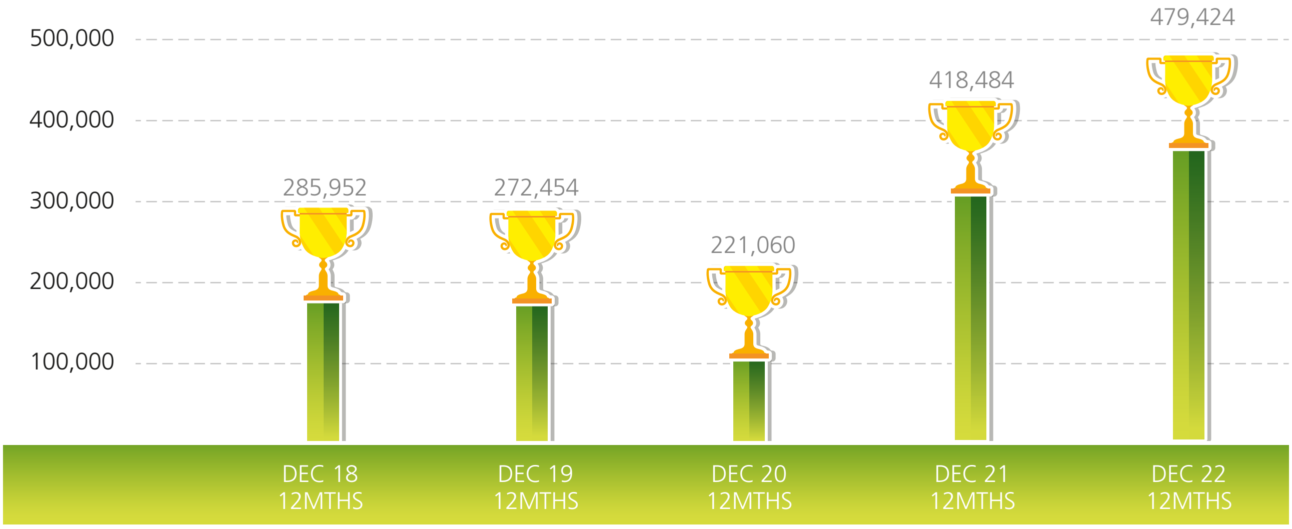
http://www.sinogolf.com

Notes:

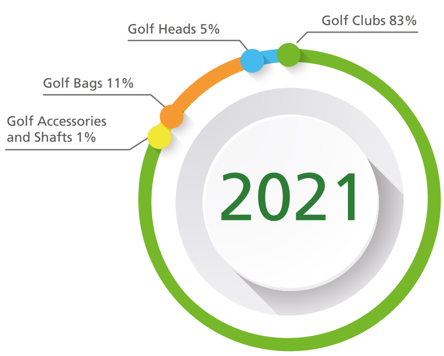
1. SHINEWING (HK) CPA Limited resigned as auditor of the Company with effect from 27 April 2023.
2. Grant Thornton Hong Kong Limited was appointed as auditor of the Company with effect from 30 May 2023.

Revenue

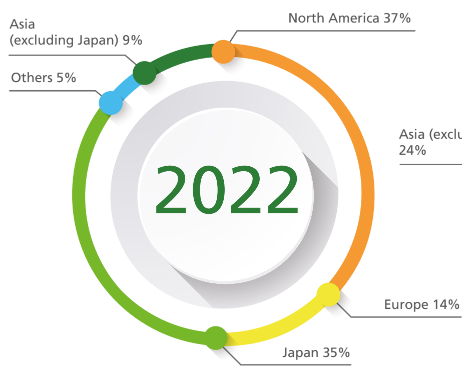
(HK$'000)

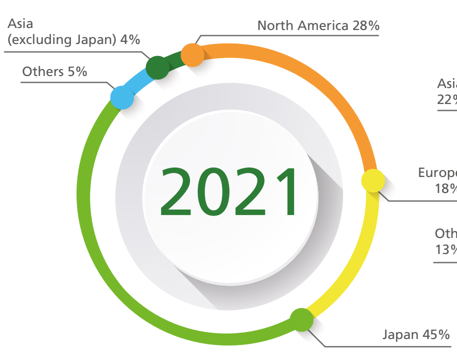


REVENUE BY PRODUCT

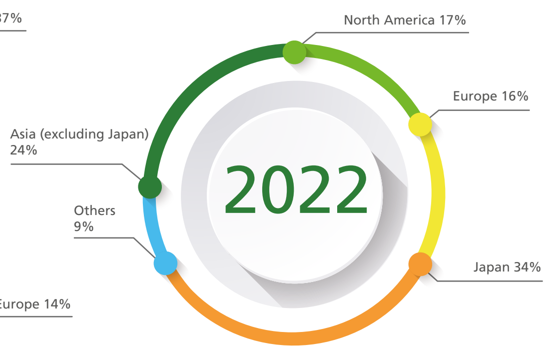


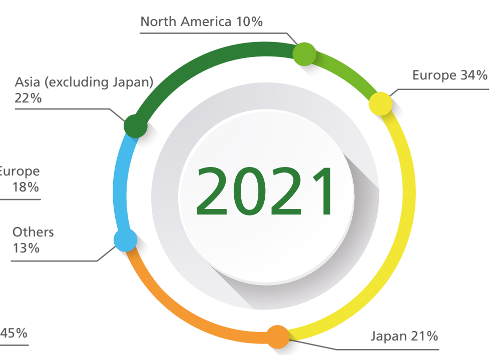
REVENUE (GOLF EQUIPMENT) BY GEOGRAPHICAL AREA





REVENUE (GOLF BAGS) BY GEOGRAPHICAL AREA





CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "**Board**") of the directors (the "**Directors**") of Sino Golf Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**"), I am pleased to present the annual results of the Group for the year ended 31 December 2022.

CHAIRMAN'S STATEMENT

BUSINESS REVIEW AND PROSPECTS

For the year ended 31 December 2022, the revenue of the Group increased by 14.6% to approximately HK$479,424,000 (2021: HK$418,484,000). Despite the economic slow-down during the pandemic, the Group managed to strengthen its golf business through diverse marketing initiatives and customer collaborations. With the rebound of the golf market, the golf revenue of the Group maintained an upward trend in 2022.

Looking forward, the Group will continue to pursue a cautious business approach to effectively monitor the golf business and seize other development opportunities to enhance competitiveness and strive for the best return and interest for the shareholders.

APPRECIATION

On behalf of the Board, I would like to express my appreciation to our management and staff for their hard work and dedication. Furthermore, I would like to take this opportunity to express my heartfelt gratitude to all of our valuable shareholders, investors, suppliers, business partners and customers for their continuous support and confidence in the Group. The management team and all staff members of the Group will continue striving for better results for the Group and bringing value to the Company and returns to the shareholders.

HUANG Bangyin
Chairman
Hong Kong, 30 June 2023

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS AND BUSINESS REVIEW

The novel coronavirus ("**COVID-19**") pandemic continued to prevail in 2022. The pandemic had nevertheless alleviated and became less severe in the second half of the year. Through mass vaccinations, the public in general has developed immunity to COVID-19 which paves the way for the world to restore by phases to pre-pandemic economic and life patterns. With the improved situation, there are indications that travel restrictions, social distancing and quarantine measures will be relaxed starting from early 2023. Despite the economic slow-down during the pandemic, the Group managed to strengthen its golf business through diverse marketing initiatives and customer collaborations. With the rebound of the golf market, the golf revenue of the Group maintained an upward trend in 2022. On the other hand, there was no revenue generated by the hospitality segment during the year due to postponement of the development of hospitality business until the external restricting factors prevailing in the Commonwealth of the Northern Mariana Islands (the "**CNMI**") are resolved. To strengthen our competitive edge amidst the pandemic challenges, the Group has pursued requisite measures to effectively rationalise the operations and optimise costs. The Board is committed to exploring more different potential development opportunities to expand and diversify the business of the Group.

The Group's revenue for the year ended 31 December 2022 amounted to approximately HK$479,424,000 (2021: HK$418,484,000). Loss for the year attributable to owners of the Company was reduced to approximately HK$15,949,000 (2021: HK$23,671,000). Basic and diluted loss per share were both approximately HK0.31 cent for the year ended 31 December 2022 (2021: HK0.46 cent).

GOLF EQUIPMENT BUSINESS

The golf equipment business has constituted the main operating segment of the Group throughout the years. It generated approximately 89.9% of the Group's revenue for the year ended 31 December 2022 (2021: 89.2%). Benefiting from the increased demand, the golf equipment revenue rose 15.4% to approximately HK$430,829,000 in 2022 (2021: HK$373,350,000). Of which, golf clubs sales accounted for approximately HK$400,160,000 (2021: HK$349,399,000) or 92.9% (2021: 93.6%) of the segment revenue, whilst components sales comprising mainly club heads took up the remaining balance of approximately HK$30,669,000 (2021: HK$23,951,000) or 7.1% (2021: 6.4%) of the segment revenue.

During the year, sales to the largest segmental customer increased 16.4% to approximately HK$228,269,000 (2021: HK$196,092,000), representing approximately 53.0% (2021: 52.5%) of the segment revenue or approximately 47.6% (2021: 46.9%) of the Group's revenue for the year, respectively. Through diverse marketing initiatives, sales to other key segmental customers grew remarkably to contribute extra revenue as well. The Group also benefited from favorable pricing of certain products due to the increased demand. Revenue generated from the top five segmental customers rose 14.8% to approximately HK$421,232,000 (2021: HK$367,051,000), representing approximately 97.8% (2021: 98.3%) of the segment revenue or approximately 87.9% (2021: 87.7%) of the Group's revenue for the year, respectively. To substantiate the long term development, the golf equipment segment is determined to providing value-added services to best fulfill the customer needs as well as exploring new business opportunities from time to time.

To safeguard the operations under the pandemic, the Group has implemented stringent anti-epidemic measures to minimise infection risk and secure workplace safety. These measures include flexible working hours, quarantine requirements, mask wearing and quality hygiene practices. To combat the challenges of the prolonged pandemic, the Hong Kong government has relaunched the Employment Support Scheme in 2022 to grant relief to qualified enterprises in the business sector. During the year, the Group obtained wages subsidies totaling HK$360,000 (2021: nil) from the abovementioned scheme. The Group was also awarded subsidies of approximately RMB367,000 (equivalent to approximately HK$427,000) (2021: RMB431,000, equivalent to approximately HK$519,000) by the government of the People's Republic of China (the "**PRC**") for employment stabilisation purpose.

As regards the production, the parts and components cost went up during the year, which was mainly attributable to the supply shortage caused by the transportation and logistics issues during the pandemic. To mitigate the impact of the cost hikes, the Group reinforced the rationalisation measures to continually streamline the manufacturing process to enhance the production efficiency and output. The favorable exchange rates movements between United States dollars and Renminbi helped ease the cost burden when sales revenues in United States dollars were favorably converted into Renminbi to pay off manufacturing costs incurred in Renminbi currency. Further, the Group engaged experts with relevant experience to provide management service for regulating the operations of the Shandong manufacturing facility to better control costs and uplift efficiency. The increased utilisation of subcontracting arrangements helped save cost for the Group whilst maintaining the prescribed product quality. In addition, the Group offered performance incentives to motivate the production workforce to strive for higher productivity and output above the pre-set targets. The Shandong manufacturing facility conducted regular review of the workforce and took timely actions to optimise the headcount in line with the business volume and market conditions. Through proactive management, the Group effectively monitored the golf equipment business to enhance contribution margin despite the pandemic challenges. It is the Group's policy to engage professional valuer to conduct an independent valuation of the property comprising the Shandong manufacturing facility at each fiscal year end. A revaluation loss on the property of approximately HK$5,468,000 was recognised for the Shandong manufacturing facility for the year (2021: HK$6,138,000).

Benefiting from the increased demand and the proactive management, the golf equipment segment recorded a surge in segment profit to approximately HK$33,459,000 for the year ended 31 December 2022 (2021: HK$10,112,000), representing an increase of approximately 2.3 times over that of last year. Having considered the order book status and the prolonged challenges of COVID-19, it is anticipated that the golf equipment segment will continue to operate under volatile market conditions with great uncertainties. To substantiate the long-term development of the golf equipment business, the Group is committed to strengthening the customer relationship through diverse marketing initiatives augmented by value-added services as well as exploring new business opportunities from time to time. The management has adopted a prudent view with caution on the prospect of the golf equipment business for the ensuing year.

GOLF BAGS BUSINESS

The Group's revenue attributable to the golf bags segment, defined as comprising the sales of golf bags and accessories to external customers, increased moderately by 7.7% to approximately HK$48,595,000 (2021: HK$45,134,000), representing approximately 10.1% of the Group's revenue for the year (2021: 10.8%). The total revenue of the golf bags segment, before elimination of the inter-segmental sales of approximately HK$6,101,000 (2021: HK$16,592,000), decreased by 11.4% in 2022 to approximately HK$54,696,000 (2021: HK$61,726,000). The inter-segmental sales decreased by 63.2% and comprised those golf bags produced as components for the orders of golf club sets placed by customers with the golf equipment segment. The sales of the golf club sets have been properly classified as the revenue of the golf equipment segment in accordance with the Group's policy.

The segment revenue for the year comprised golf bags sales of approximately HK$40,537,000 (2021: HK$39,298,000) and accessories sales mainly sports bags of approximately HK$8,058,000 (2021: HK$5,836,000), representing approximately 83.4% (2021: 87.1%) and approximately 16.6% (2021: 12.9%) of the segment revenue, respectively. The sports bags sales boosted to contribute most of the segmental growth for the year. Sales to the largest segmental customer decreased by 4.6% during the year to approximately HK$22,371,000 (2021: HK$23,451,000), representing approximately 46.0% (2021: 52.0%) of the segment revenue or approximately 4.7% (2021: 5.6%) of the Group's revenue for the year. Through diverse marketing efforts, the increase in sales to other segmental customers was large enough to make up for the decrease in revenue from the largest segmental customer. The aggregate sales to the top five segmental customers managed to increase by 9.0% to approximately HK$46,145,000 (2021: HK$42,329,000), representing approximately 95.0% (2021: 93.8%) of the segment revenue or approximately 9.6% (2021: 10.1%) of the Group's revenue for the year. The golf bags segment has pursued the strategy to reinforce the rationalisation measures to streamline the operations and optimise costs.

With the increased sales and improved efficiency, the golf bags segment achieved a segment profit of approximately HK$6,930,000 for the year ended 31 December 2022, representing an increase of 27.2% over the segment profit of approximately HK$5,450,000 for the comparative preceding year. Taking into account the order book status and the economic uncertainties, it is envisaged that the golf bags segment will be operating in a depressed market with great challenges and intense competition. The management has adopted a cautious view on the outlook of the golf bags business for the ensuing year.

HOSPITALITY BUSINESS

The Board has been exploring appropriate diversification business opportunities and investments to expand the revenue sources and enhance the long-term growth potential of the Group. It provides the Group with opportunities to dip into the hospitality segment of the CNMI and savor in the development of the tourism and golf related industries in the CNMI.

Due to the shortage of local construction workers and uncertainty of overseas working visa quota in the CNMI, the development will be postponed until all external factors have been solved. The Group pursued a policy of engaging professional valuer to conduct an independent valuation of the right-of-use assets in the CNMI at each year end date. It was concluded that an impairment loss of the right-of-use assets in the amount of approximately HK$13,057,000 (2021: HK$8,194,000) was recognised during the year.

During the year ended 31 December 2022, no revenue (2021: nil) was generated from the hospitality business.

PROSPECTS

The prolonged COVID-19 persisted in 2022 to hinder a smooth economic recovery. The pandemic has significantly curtailed business activities in the past couple of years. With the anticipated relaxation of travel restrictions, social distancing and quarantine measures in early 2023, the business sector shall get prepared to revert by phases to the pre-pandemic economic and operating patterns. It is foreseeable that the lengthened transportation lead time for goods will steadily revert to normal with the logistics issues resolved concurrently. Customers are currently modifying their procurement policy to slow down the ordering pace so as to allow the inventories compiled during the pandemic for securing goods availability be consumed and orderly sold out. In view of the circumstances, the Group expects a decline in customer orders in the first half of 2023 which may last through the second half year. To mitigate the cost hikes since the pandemic, the Group has implemented requisite measures to effectively rationalise business operations and optimise costs. To uphold our competitive edge for the long-term development of the golf business, the Group has pursued to strengthen the customer relationship through diverse marketing initiatives and close collaborations as augmented by value-added services to best accommodate the needs of customers. More importantly, the Group has been able to maintain a solid financial position with adequate funds to finance its operations and discharge the liabilities when due. The management has adopted a prudent view with caution on the prospect of the golf business for the ensuing year.

Although the development plan in the CNMI has been postponed at the current stage, the Group will continue to observe the hospitality industry trend in the CNMI from time to time and start the development plan in best entry time.

Looking forward, the Group will continue to pursue a cautious business approach to effectively monitor the golf business and seize other development opportunities to enhance competitiveness and strive for the best return and interest for the shareholders.

DIVIDEND

The Board resolved not to recommend the payment of any dividend for the year ended 31 December 2022 (2021: nil).

FINANCIAL RESOURCES, LIQUIDITY AND GEARING

The Group meets its working capital and other funding requirements principally through cash generated from operations, borrowings and advances from a director. As at 31 December 2022, bank balances and cash, which were mostly denominated in United States dollars, Hong Kong dollars and Renminbi, amounted to approximately HK$141,165,000 (2021: HK$122,730,000). As at 31 December 2022, interest-bearing borrowings of the Group comprising bank borrowings amounted to RMB53,000,000 which was equivalent to approximately HK$59,551,000 (2021: RMB53,000,000 equivalent to approximately HK$65,432,000), of which all were repayable within one year and carried interest ranging from approximately 4.15% to 4.20% (2021: 4.35% to 5.44%) per annum. Bank borrowings were fixed-rate borrowings denominated in Renminbi as at 31 December 2022 and 2021. Amount due to a director of approximately HK$64,822,000 as at 31 December 2022 (2021: HK$63,463,000) was unsecured, carrying interest at 9.75% (2021: 9.75%) per annum and repayable on demand.

As at 31 December 2022, the gearing ratio, defined as bank borrowings, amount due to a director and convertible bond less bank balances and cash of approximately HK$36,725,000 (2021: HK$55,354,000) divided by the total equity of approximately HK$249,367,000 (2021: HK$267,717,000), was approximately 14.7% (2021: 20.7%).

As at 31 December 2022, the total assets and the net asset value of the Group amounted to approximately HK$488,612,000 (2021: HK$557,512,000) and HK$249,367,000 (2021: HK$267,717,000), respectively. Current and quick ratios as at 31 December 2022 were approximately 1.28 (2021: 1.12) and approximately 1.16 (2021: 0.87), respectively. Both the current ratio and quick ratio were improved and stayed reasonable. The Group has pursued a strategy to explore feasible ways to continually rationalise and improve its financial position from time to time.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES

The Group did not have any material acquisition or disposal of subsidiaries, associated companies or joint ventures for the year ended 31 December 2022.

PLEDGE OF ASSETS

As at 31 December 2022, bank borrowings from a PRC bank of RMB53,000,000 which was equivalent to approximately HK$59,551,000 (2021: RMB53,000,000 equivalent to approximately HK$65,432,000) were secured by property, plant and equipment and the right-of-use assets of the Group with a carrying value of approximately HK$78,721,000 (2021: HK$95,933,000).

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

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 Renminbi. The Group is exposed to foreign currency risk due to the exchange rate fluctuation of Renminbi against Hong Kong dollars. The Group had not entered into any derivative contracts to hedge against the risk in the year of 2022. The Group will review and monitor its currency exposure from time to time and when appropriate hedge its currency risk.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 31 December 2022.

EVENTS AFTER THE REPORTING PERIOD

SHINEWING (HK) CPA Limited ("**SHINEWING**") resigned as auditor of the Company with effect from 27 April 2023. On 30 May 2023, Grant Thornton Hong Kong Limited ("**Grant Thornton**") was appointed as auditor of the Company by shareholders of the Company to fill the casual vacancy following the resignation of SHINEWING and to hold office until the conclusion of the next annual general meeting of the Company ("**AGM**"). For further details, please refer to the announcements of the Company dated 27 April 2023, 4 May 2023 and 30 May 2023.

Save as disclosed herein, no significant event has taken place subsequent to 31 December 2022 and up to the date of this Annual Report.

CAPITAL COMMITMENTS

As at 31 December 2022, the Group had capital commitments, which are contracted but not provided in the consolidated financial statements in respect of property, plant and equipment, amounting to approximately HK$279,000 (2021: HK$384,000).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2022, the Group had approximately 910 employees (2021: 970 employees) located mainly in Hong Kong and the PRC. It is the Group's strategy to 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 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.

EXECUTIVE DIRECTORS

Mr. HUANG Bangyin, aged 47, was appointed as the Chairman of the Board, an executive director and the Chairman of the nomination committee of the Company (the "**Nomination Committee**") on 20 April 2018. He obtained lawyer qualification in China in 1999 and received his master's degree in business administration from Peking University in 2015. Mr. Huang was served as the chairman of Global Benefits Holding Limited (潤民集團有限公司) and president and a committee member of Guangdong Provincial Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議廣東省委員會). Mr. Huang was named as one of the Shenzhen Top 100 Industry Leaders in both 2014 and 2017.

Mr. CHU Chun Man, Augustine, aged 65, is a founder of the Group. He remains as an executive director after ceasing to be the Chairman of the Board on 14 September 2015. Mr. Chu holds a bachelor's degree in commerce from the University of Calgary, Alberta, Canada and an executive master degree in business administration from the Chinese University of Hong Kong. He has over 39 years of experience in golf equipment manufacturing industry. He also serves various positions in the public sector including a membership of the 9th of The Chinese People's Political Consultative Conference – Guangdong Province.

NON-EXECUTIVE DIRECTOR

Mr. WONG Hin Shek, aged 53, was appointed as an executive director on 24 August 2015 and acted as the Chairman of the Board and the Chairman of Nomination Committee of the Company from 14 September 2015 to 7 November 2016. Mr. Wong was re-designated as a non-executive director after ceasing to be the Chairman of the Board on 7 November 2016. He obtained a Master of Science degree in Financial Management from the University of London in the United Kingdom and a Bachelor of Commerce degree from the University of Toronto in Canada. Besides having over 28 years of experience in the investment banking industry, Mr. Wong has been involved in the management, business development and strategic investment of listed companies in Hong Kong, having operations in finance, information technology, hotel, manufacturing and environmental protection industries. Mr. Wong is currently the chairman, the chief executive officer and an executive director of NOIZ Group Limited (formerly known as Merdeka Financial Group Limited) (Stock Code: 8163), whose shares are listed on the GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). He was an independent non-executive director of Fresh Express Delivery Holdings Group Co., Ltd. (Stock Code: 1175) from January 2022 to August 2022 and the chairman and an executive director of DeTai New Energy Group Limited (Stock Code: 559) from July 2009 to May 2021, both companies are listed on the Main Board of the Stock Exchange.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. SHENG Baojun, aged 58, was appointed as an independent non-executive director, the Chairman of the remuneration committee (the "**Remuneration Committee**"), a member of the audit committee (the "**Audit Committee**") and the Nomination Committee of Company on 9 November 2018. Mr. Sheng was admitted as a lawyer in the PRC in 1997. He received his master's degree in business administration from Fudan University in 1998, and his master's degree in law from Chicago-Kent College of Law in the U.S.A. in 2004.

Mr. Sheng has been working as a lawyer for nearly 25 years and has been a partner of a law firm since 2004. Mr. Sheng is currently a consultant of Beijing Zhong Lun Law Firm Shenzhen Office (北京市中倫(深圳)律師事務所), and had conducted related businesses for a number of companies, primarily including corporate restructuring, mergers and acquisitions, restructuring, listing, banking and finance, real estate development and management, and related arbitration and litigation. Mr. Sheng is also an arbitrator of Shenzhen Court of International Arbitration.

Mr. Sheng is currently an independent director of HPF Co., Ltd. (華鵬飛股份有限公司) (Stock Code: 300350), Shenzhen Dvision Co., Ltd. (深圳市迪威迅股份有限公司) (Stock Code: 300167) and Shenzhen WOTE Advanced Materials Co., Ltd. (深圳市沃特新材料股份有限公司) (Stock Code: 002886). He was an independent director of Shenzhen Tianyuan Dic Information Technology Co., Ltd. (深圳市天源迪科信息技術股份有限公司) (Stock Code: 300047) from April 2013 to April 2019 and an independent director of Shenzhen Clou Electronics Co., Ltd. (深圳市科陸電子科技股份有限公司) (Stock Code: 002121) from January 2016 to March 2022. The shares of each of these companies are listed on the Shenzhen Stock Exchange. Mr. Sheng is currently an independent director of Shenzhen BaiXingLong Creative Packaging Co., Ltd (深圳市柏星龍創意包裝股份有限公司) (Stock Code: 833075). The shares of this company are listed on the National Equities Exchange and Quotations.

Mr. HO Kwong Yu, aged 37, was appointed as an independent non-executive director, the chairman of the Audit Committee, and a member of the Remuneration Committee and the Nomination Committee of the Company on 9 November 2018. He graduated from the Chinese University of Hong Kong with a bachelor of business administration degree in professional accountancy in 2008. He has been a member of the Hong Kong Institute of Certified Public Accountants since 2011.

Prior to joining the Company, Mr. Ho has worked in an international audit firm and also listed companies, and has over 14 years of audit, accounting and financial management experience. Mr. Ho is currently an executive director and a member of the remuneration committee of Space Group Holdings Limited (Stock Code: 2448) where he is mainly responsible for business development and overall management of financial matters. Mr. Ho is also an independent non-executive director and the chairman of the audit committee of Most Kwai Chung Limited (Stock Code: 1716). The shares of the aforesaid companies are listed on the Main Board of the Stock Exchange.

Ms. LIN Lin, aged 44, was appointed as an independent non-executive director, a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company with effect from 4 April 2019. Ms. Lin was admitted as a lawyer in the PRC in 2005. She received her bachelor degree in law from Shantou University in 2001.

Ms. Lin has over 22 years of experience in the legal field, having been engaged in corporate legal affairs at Shenzhen Foreign Trade Property Management Limited from September 2001 to June 2004. From March 2005 to May 2006, Ms. Lin worked as a legal assistant in Guangdong Huatu Law Office and as a solicitor in the same firm from June 2006 to December 2017. From January 2018 to now, Ms. Lin is a solicitor in Guangdong VBorn Law Office, and has conducted related business for a number of companies, primarily covering corporate restructuring, mergers and acquisitions, restructuring, venture capital, and related arbitration and litigation.

SENIOR MANAGEMENT

Ms. CHOI Ka Ying, aged 38, is as the company secretary and chief financial officer of the Company since 2017. Ms. Choi has obtained a Bachelor of Business degree. She is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the Association of Chartered Certified Accountants. She worked for international audit firm prior to joining the Company. She has over 17 years of experience in accounting, auditing and financial management.

Mr. CO Man Kwong, aged 60, is the operations director of Group's golf segment. He is responsible for the finance, operations management and strategic planning of the Group's golf segment. Mr. Co joined the Group in September 2002. Prior to that, he worked in an international accounting firm for over 6 years before joining the commercial field. Mr. Co graduated from the Hong Kong Polytechnic University and is a fellow member of the Association of Chartered Certified Accountants, the United Kingdom, and the Hong Kong Institute of Certified Public Accountants, respectively.

Ms. LEE May Yee, aged 53, is the senior marketing manager of the Group. Ms. Lee has over 29 years of experience in the golf equipment manufacturing industry. She graduated with a bachelor's degree in business administration from the University of Baptist. She joined the predecessor Group in December 1992 and is currently in charge of the marketing function of the Group's golf business.

Mr. HE Xin Hong, aged 59, is the assistant general manager of the Group's production department. He joined the predecessor Group in December 1990 and is currently in charge of the overall production of the golf bags operation and the purchasing function of the Group's golf business. Mr. He has more than 30 years of experience in the golf manufacturing industry.

Mr. HUNG Yi Chuan, aged 60, is the assistant general manager of the Group's production department. He joined the predecessor Group in February 2000 and is currently in-charge of the overall production of the golf equipment operation. Mr. Hung has more than 34 years of experience in golf manufacturing industry.

DIRECTORS' REPORT

The Directors present their report and the audited consolidated financial statements of the Group for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in Note 36 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

BUSINESS REVIEW

A fair review of the business of the Company as well as a discussion and analysis of the Group's performance during the year and the material factors underlying its financial performance and financial position as required by section 388(2) and Schedule 5 to the Hong Kong Companies Ordinance can be found in the Chairman's Statement set out on pages 4 to 5 and Management Discussion and Analysis on pages 6 to 10 of this Annual Report.

The financial risk management objectives and policies of the Group are shown in Note 7 to the consolidated financial statements, while key sources of estimation uncertainty facing the Group are found in parts of Note 4 to the consolidated financial statements.

An analysis of the Group's performance during the year using financial key performance indicators is provided in the Financial Highlights set out on page 3 and in the Management Discussion and Analysis from pages 6 to 10 of this Annual Report. An account of the Group's key relationships with its key stakeholders are also found in this Directors' Report.

The above discussions form part of this Directors' Report.

The Group is committed to enhancing governance, promoting employee benefits and development, protecting the environment and giving back to society in order to fulfill social responsibility and achieve sustainable growth. The Group has complied with the relevant laws and regulations that have significant impact on the operations of the Group.

ENVIRONMENTAL POLICIES AND PERFORMANCE

As a responsible manufacturer of golf equipment, golf bags and related components, the Group has strictly endeavoured to comply with laws and regulations regarding environmental protection and adopted effective environmental technologies to ensure its merchandises meet the material standards and ethics in respect of environmental protection.

The Group has actively encouraged not to waste materials and supported the extensive use of environmentally friendly raw materials so as to protect the environment and improve air quality through production. Besides, the factories in Mainland China are located and centralised in the production areas which are quite far away from residential buildings, and therefore greatly reduces the impact of pollutions such as air and noise pollutions.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations, in particular those have a significant impact on the Group. The Audit Committee is delegated by the Board to review periodically and monitor the Group's policies and practices in compliance with the legal and regulatory requirements. The key management are encouraged to attend seminars in updating the latest knowledge relating to the relevant laws and regulations. Any changes in the applicable laws, rules and regulations which have been effective, may or will take effect in the future are brought to the attention of relevant employees and operation units from time to time.

RELATIONSHIP WITH EMPLOYEES

The Group strictly complies with relevant employment laws and regulations, constantly optimises its human resource management system, and fully respects and protects its employees' legitimate rights and interests. The Group provides its employees with a healthy and safe working environment and offers them competitive remuneration and benefits, fair promotion opportunities, and a sound training system.

IMPORTANT RELATIONSHIPS WITH STAKEHOLDERS

The Group regards shareholders, government departments, suppliers, customers and employees as its important stakeholders. To ensure the establishment of a set of sustainable development strategies that effectively manages environmental and social regulatory risks and to provide the appropriate corresponding disclosures, we continued to improve our long-term communications mechanism with various stakeholders. At the same time, a multi-dimensional risk analysis was conducted to identify environmental, social and governance ("**ESG**") issues that are of interest to the Group's development and stakeholders. For further details regarding our ESG issues, please refer to the section headed "Environmental, Social and Governance Report" of this Annual Report.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2022 and the state of affairs of the Group at that date are set out on pages 67 to 69 of this Annual Report.

The Directors do not recommend the payment of dividend in respect of the year.

FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited consolidated financial statements, is set out on pages 139 to 140 of this Annual Report. This summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in Note 18 to the consolidated financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in the Company's share capital and share options during the year are set out in Notes 30 and 31 to the consolidated financial statements, respectively.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to its existing shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 December 2022.

CHARITABLE DONATIONS

During the year, no charitable donations were made by the Group (2021: nil).

EQUITY-LINKED AGREEMENTS

On 7 November 2016, the Company issued convertible bonds (the "**Convertible Bonds**") at aggregate principal amount of HK$74,100,000 to Wealth Sailor Limited ("**Wealth Sailor**"), with the maturity date on 7 November 2021. On 30 December 2020, the Company and Wealth Sailor entered into an amendment letter to extend the original maturity date for five years to 7 November 2026 (the "**Extended CB Maturity Date**"). The Convertible Bonds were interest free, unsecured and denominated in Hong Kong dollars. The bondholders will have the right, during the period commencing from the date of issue of the Convertible Bonds up to the close of business in Hong Kong on the Extended CB Maturity Date to convert all or part of the Convertible Bonds held by it into new ordinary shares of HK$0.01 each in the share capital of the Company at the conversion price (the "**Conversion Price**") of initially HK$0.114 per conversion share (subject to adjustments). The Convertible Bonds are convertible into a maximum of 650,000,000 conversion shares at the Conversion Price. No exercise of conversion rights attaching to the Convertible Bonds shall be allowed if the conversion would result in the Company breaching the minimum public float requirement under Rule 8.08 of the Listing Rules and such breach is not curable at the time of the conversion.

As at 31 December 2022 and up to the date of this Annual Report, all of the Convertible Bonds remained outstanding and no share has been issued thereunder. For further details of the Convertible Bonds, please refer to the announcements of the Company dated 13 July 2016, 29 September 2016 and 27 November 2020, the circulars of the Company dated 30 September 2016 and 9 December 2020, and Note 28 to the consolidated financial statements.

Save for the Convertible Bonds and the share option scheme of the Company as disclosed in the section headed "Share Option Scheme" below, no equity-linked agreements were entered into by the Group, or existed, during the year.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in Note 35(iii) to the consolidated financial statements and in the consolidated statement of changes in equity on pages 70 to 71, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2022, the Company did not have any reserves available for distribution. In accordance with the Companies Act 1981 of Bermuda, the Company's contributed surplus may be distributed in certain circumstances. In addition, the Company's share premium account, in the amount of approximately HK$399,369,000 (2021: HK$399,369,000), may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 92.7% of the total sales for the year, and sales to the largest customer included therein amounted to approximately HK$250,640,000, representing 52.3% of the total sales for the year. Purchases from the Group's five largest suppliers accounted for less than 30% of the total purchases for the year.

None of the Directors or any of their close associates or any shareholders (which, to the best knowledge of the Directors, owning more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers.

DIRECTORS

The Directors during the year and as of the date of this Annual Report were:

EXECUTIVE DIRECTORS

Mr. HUANG Bangyin *(Chairman)*
Mr. CHU Chun Man, Augustine

NON-EXECUTIVE DIRECTOR

Mr. WONG Hin Shek

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. SHENG Baojun
Mr. HO Kwong Yu
Ms. LIN Lin

In accordance with Bye-laws 87(1) and 87(2) of the Company's Bye-laws, Mr. HO Kwong Yu and Ms. LIN Lin will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming AGM.

The Company has received an annual confirmation of independence in accordance with Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") from each of the independent non-executive Directors, namely Mr. SHENG Baojun, Mr. HO Kwong Yu and Ms. LIN Lin, and as at the date of this Annual Report, the Company still considers them to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 11 to 13 of this Annual Report.

PERMITTED INDEMNITY PROVISION

Pursuant to code provision C.1.8 in Part 2 of the Corporate Governance Code set out under Appendix 14 to the Listing Rules and subject to the provisions of the Hong Kong Companies Ordinance, the Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of any losses or liabilities incurred, or any legal actions brought against the Directors and senior management of the Group which may arise out of corporate activities. The permitted indemnity provision is in force for the benefit of the Directors as required by section 470 of the Hong Kong Companies Ordinance.

DIRECTORS' SERVICE CONTRACTS

Each Director has entered into a letter of appointment with the Company which does not specify any fixed term of service and may be terminated by either party giving to the other not less than one-month prior notice in writing. Each Director will be subject to retirement by rotation and re-election at the general meetings of the Company in accordance with the Bye-laws of the Company.

No Director proposed for re-election at the forthcoming AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

REMUNERATION POLICY

The Company has a formal and transparent policy on remuneration of individual Directors and employees, which is reviewed on a regular basis to ensure that it aligns with the market practices.

With the shareholders' approval at general meeting, the Board is authorised to fix the Directors' remuneration including directors' fee. Other emoluments are determined by the Board with reference to directors' duties, responsibilities and performance and the results of the Group.

The objective of remunerating non-executive Director(s) is to ensure that there is an appropriate level of remuneration to attract and retain experienced people of high calibre to oversee the Group's business and development.

The Directors believe that the ability to attract, motivate and retain skilled and experienced personnel is of significant importance to the long-term successful development of the Group. It is the Group's strategy to 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 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.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in Note 34 to the consolidated financial statements, no transactions, arrangements or contracts of significance in relation to the Group's business to which the Company, or any of its holding company, or any of the Company's subsidiaries and fellow subsidiaries was a party, and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, and no contract of significance between the Company or any of its subsidiaries and the Company's controlling shareholder or any of its subsidiaries, subsisted at any time during the year or at the end of the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year, no Director was interested in any business apart from the Company's business, which competes or is likely to compete, either directly or indirectly, with the Company's business which is required to be disclosed pursuant to the Listing Rules.

MANAGEMENT CONTRACTS

During the year, no contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or in the year under review.

CONNECTED AND RELATED PARTY TRANSACTIONS

During the year, the Group has not entered into any significant connected transaction or continuing connected transaction which should be disclosed pursuant to the requirements under the Listing Rules.

Details of the related party transactions of the Group are set out in Notes 26 and 34 to the consolidated financial statements. All of such related party transactions are regarded as exempt continuing connected transactions of the Company under Rule 14A.76(1) of the Listing Rules.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2022, the interests and short positions of the Directors in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**"), were as follows:

(I) LONG POSITIONS IN ORDINARY SHARES AND UNDERLYING SHARES OF THE COMPANY:

	Number of shares held and interests in underlying shares, capacity and nature of interest				
Name of Director	Directly beneficially owned	Through spouse	Through controlled corporations	Total	Percentage of the company's issued share capital
Mr. CHU Chun Man, Augustine	46,460,520	750,000	–	47,210,520	0.91%

(II) LONG POSITIONS IN SHARES AND UNDERLYING SHARES OF ASSOCIATED CORPORATION:

Name of Director	Name of associated corporation	Relationship with the Company	Shares	Number of shares held	Capacity and nature of interest	Percentage of the associated corporation's issued non-voting deferred share capital
Mr. CHU Chun Man, Augustine	Sino Golf Manufacturing Company Limited	Company's subsidiary	Non-voting deferred shares	1,190,607	Directly beneficially owned	30.98%

In addition to the above, a Director has non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Group solely for the purpose of complying with the then minimum company membership requirements.

Save as disclosed above, as at 31 December 2022, none of the Directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

At no time during the year or at the end of the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, or any of its holding companies or subsidiaries or fellow subsidiaries, a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

By an ordinary resolution passed at the AGM held on 5 June 2012, the Company had terminated the original share option scheme (the "**Original Share Option Scheme**") and adopted a new share option scheme (the "**New Share Option Scheme**") for replacement. The Original Share Option Scheme was adopted since 7 August 2002 which would otherwise have expired on 6 August 2012 if not terminated. There were no options outstanding under the Original Share Option Scheme.

The purpose of the New Share Option Scheme is to enable the Company to continue to grant options to eligible participants which have been extended to include the employees (including any Director, whether executive or non-executive and whether independent or not) in full-time or part-time employment with the Group or any entity in which the Group holds an equity interest (the "**Invested Entity**") as well as contracted celebrity, advisor, consultant, service provider, agent, customer, partner or joint-venture partner of the Group or any Invested Entity, or any persons who, in the sole discretion of the Board, have contributed or may contribute to the Group or any Invested Entity. The New Share Option Scheme aims to provide incentives and help the Group in retaining its employees and recruiting additional employees and to provide them with a direct economic interest in attaining the long-term business objectives of the Group.

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

The New Share Option Scheme has taken effect after the Stock Exchange granted an approval on 6 June 2012 for the listing of shares which may be issued by the Company upon the exercise of options granted thereunder and, unless otherwise terminated or amended, will remain in force for 10 years from its adoption date on 5 June 2012. Upon expiry of the New Share Option Scheme on 4 June 2022, no further share option shall be offered under the New Share Option Scheme. At 1 January 2022, the number of options available for grant under the scheme mandate of the New Share Option Scheme was 190,025,000. From 1 January 2022 to 4 June 2022 (i.e. the expiry date of the New Share Option Scheme), the maximum number of shares which may be allotted and issued upon exercise of all options to be granted under the New Share Option Scheme was 190,025,000 (2021: 190,025,000) shares, which represented approximately 3.65% (2021: 3.65%) of the shares of the Company in issue as at 31 December 2022 and up to the date of this Annual Report.

At 31 December 2022, no outstanding share option was held by the Directors or employees (2021: nil), the New Share Option Scheme has therefore been terminated. There were no share options granted, exercised, cancelled, lapsed or forfeited during the year ended 31 December 2022 (2021: nil). There were no outstanding share option at the beginning and at the end of the year.

Further details of the New Share Option Scheme are disclosed in Note 31 to the consolidated financial statements.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 December 2022, the following interests of 5% or more of the issued share capital and underlying shares of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO or as otherwise notified to the Company:

LONG POSITIONS:

Name	Notes	Capacity and nature of interest	Number of ordinary shares held and interest in underlying shares	Percentage of the Company's issued share capital
China Huarong Asset Management Co., Ltd.	(a)	Security interest held by controlled corporation	3,511,000,000	67.50%
China Huarong International Holdings Limited	(a)	Security interest held by controlled corporation	3,511,000,000	67.50%
Right Select International Limited	(a)	Security interest held by controlled corporation	3,511,000,000	67.50%
Wise Choice Ventures Limited	(a) / (b)	Security interest	3,511,000,000	67.50%
Wealth Sailor Limited	(c)	Beneficial owner	3,511,000,000	67.50%
Prominent Victory Limited	(b) / (d)	Beneficial interest held by controlled corporation	3,511,000,000	67.50%
Mr. HUANG Youlong	(e)	Beneficial interest held by controlled corporation	3,511,000,000	67.50%
Ms. ZHAO Wei	(f)	Interest of spouse	3,511,000,000	67.50%
Surplus Excel Limited	(g)	Beneficial owner	313,814,355	6.03%
Ms. YUE Xuqun	(h)	Beneficial interest held by controlled corporation	313,814,355	6.03%

Notes:

(a) Wise Choice Ventures Limited is a company wholly and beneficially owned by Right Select International Limited. Right Select International Limited is a company wholly and beneficially owned by China Huarong International Holdings Limited. China Huarong Asset Management Co., Ltd. is the ultimate beneficial owner of Wise Choice Ventures Limited. Each of Right Select International Limited, China Huarong International Holdings Limited and China Huarong Asset Management Co., Ltd. is deemed to be interested in the shares which Wise Choice Ventures Limited has security interest by virtue of the SFO.

(b) As at 31 December 2022, Wealth Sailor has provided a first fixed share charge in respect of the 2,861,000,000 shares held by it and a first fixed charge in respect of the convertible bond held by it convertible into 650,000,000 shares in favour of Wise Choice Ventures Limited to secure the payment obligations under the secured notes issued by Prominent Victory Limited to Wise Choice Ventures Limited.

(c) Wealth Sailor is a company incorporated in the British Virgin Islands ("**BVI**") with limited liability.

(d) The interest disclosed are the shares directly beneficially owned by Wealth Sailor, the issued share capital of which is wholly held by Prominent Victory Limited. Accordingly, Prominent Victory Limited is deemed to be interested in the shares owned by Wealth Sailor.

(e) This represents the 2,861,000,000 shares and the convertible bond (convertible into 650,000,000 shares) held by Wealth Sailor. Mr. HUANG Youlong is the sole ultimate beneficial shareholder and sole director of Wealth Sailor, indirectly holding 100% of the issued share capital of Wealth Sailor through his wholly-owned company, Prominent Victory Limited.

(f) Ms. ZHAO Wei is the spouse of Mr. HUANG Youlong. Accordingly, Ms. ZHAO Wei is deemed to be interested in the shares Mr. Huang Youlong is interested in.

(g) Surplus Excel Limited is a company incorporated in the BVI with limited liability.

(h) Ms. YUE Xuqun controls 100% of the equity interest in Surplus Excel Limited and is deemed to be interested in the shares held by Surplus Excel Limited.

Save as disclosed above, as at 31 December 2022, no person, other than the Directors, whose interests are set out in the section "Directors' Interests and Short Positions in Shares and Underlying Shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this Directors' Report.

AUDITORS

SHINEWING was appointed as auditor of the Company on 24 December 2008 and resigned with effect from 27 April 2023. Grant Thornton was appointed as auditor of the Company with effect from 30 May 2023 to fill the casual vacancy following the resignation of SHINEWING and to hold office until the conclusion of the forthcoming AGM. The consolidated financial statements for the year ended 31 December 2022 were audited by Grant Thornton.

Grant Thornton will retire and, being eligible, offer themselves for reappointment at the forthcoming AGM. A resolution for the reappointment of Grant Thornton as auditor of the Company will be proposed at the forthcoming AGM.

Save as mentioned above, there was no change in auditor of the Company in any of the preceding three years.

The Directors' Report was approved and authorised for issue by the Board.

ON BEHALF OF THE BOARD

HUANG Bangyin
Chairman

Hong Kong
30 June 2023

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company recognises the importance of good corporate governance to its sustained long-term growth. By adopting the principles and code provisions as set out in Part 2 of the Corporate Governance Code (the "**CG Code**") as contained in Appendix 14 to the Listing Rules as the basis for corporate governance practices, the Company will pursue efforts to identify and implement corporate governance practices appropriate to the Company's needs and circumstances.

The Company has complied with all the applicable code provisions as set out in Part 2 of the CG Code during the year ended 31 December 2022, except for the deviation from code provision C.2.1 in Part 2 of the CG Code as more fully explained hereinafter. The Company has also put in place certain Recommended Best Practices as set out in Part 2 of the CG Code.

THE BOARD

COMPOSITION OF THE BOARD

During the year ended 31 December 2022, the Board comprised six Directors, with two executive Directors, namely Mr. HUANG Bangyin (Chairman) and Mr. CHU Chun Man, Augustine; three independent non-executive Directors, namely Mr. SHENG Baojun, Mr. HO Kwong Yu and Ms. LIN Lin; and one non-executive Director, namely Mr. WONG Hin Shek.

Each Director (including each non-executive Director) has entered into a letter of appointment with the Company which does not specify any fixed term of service and may be terminated by either party giving to the other not less than one-month prior notice in writing. Each Director will be subject to retirement by rotation once every three years and re-election at the AGM in accordance with the Bye-laws of the Company.

Save as disclosed in the section headed "Biographical Details of Directors and Senior Management", there is no financial, business, family or other material/relevant relationship among the members of the Board.

The Board considers that the composition of the Board provides a strong independent element with a balance of power and influence between individuals on the Board. The biographies of the Directors are set out on pages 11 to 13 of this Annual Report under the section headed "Biographical Details of Directors and Senior Management".

The Company's circular regarding the notice of 2023 AGM contains detailed information of the Directors standing for re-election.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provision C.2.1 in Part 2 of the CG Code requires that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

During the year, Mr. HUANG Bangyin acted as the Chairman of the Board and was also responsible for overseeing the general operations of the Group. The Company does not have an officer with the title "Chief Executive Officer". The overall responsibility of supervising and ensuring that the Group functions in line with the order of the Board in terms of day-to-day operations and execution is vested in the Board itself. The deviation is deemed appropriate and the Board believes that even vesting the roles of both chairman and chief executive officer in the same person could still provide the Company with strong and consistent leadership and allow for effective and efficient planning and implementation of business decisions and strategies. The Board further considers that the current structure does not impair the balance of power and authority between the Board and the management of the Company.

INDEPENDENCE OF THE BOARD

Independent Directors enhance the effectiveness and decision-making of the Board by providing objective judgement and constructive challenge to management. The Company has established mechanisms to ensure independent views and input are available to the Board (the "**Board Independence Evaluation Mechanisms**"), which set out the processes and procedures to ensure a strong independent element on the Board that allows the Board to effectively exercise independent judgement to better safeguard shareholders' interests. The objectives of the Board Independence Evaluation Mechanisms are to improve Board effectiveness, maximise strengths and identify the areas that need improvement or further development. The evaluation process also clarifies what actions need to be taken to maintain and improve the Board performance.

The key features of the Board Independence Evaluation Mechanisms include:

- **Composition of the Board and Board committees:** The Board endeavours to ensure the appointment of at least three independent non-executive Directors and at least one-third of its members being independent non-executive Directors. Apart from that, independent non-executive Directors shall be appointed to other Board committees as far as practicable.

- **Independence assessment:** The Nomination Committee must strictly adhere to the nomination policy adopted by the Company (the "**Nomination Policy**") and any other relevant policies of the Company and the independence assessment criteria as set out in the Listing Rules with regard to the nomination and appointment of independent non-executive Directors. Each independent non-executive Director is also required to inform the Company if there is any change in his/her own personal particulars that may materially affect his/her independence. The Nomination Committee is mandated to assess annually the independence of all independent non-executive Directors by reference to the independence criteria as set out in the Listing Rules.

- **Professional advice:** Directors may seek further information from the management on the matters to be discussed at board meetings. They may also seek assistance from the Company's company secretary and, where necessary, obtain independent advice from external professional advisers at the Company's expense.

- **Conflicts management:** A Director shall not vote or be counted in the quorum on any board resolution approving any contract or arrangement in which such Director or any of his/her close associates has or deemed to have a material interest.

- **Meetings with the Chairman:** The Chairmen of the Board shall at least annually hold meetings with the independent non-executive Directors without the presence of other Directors to discuss major issues and any concerns.

The Board reviews the implementation and effectiveness of the Board Independence Evaluation Mechanisms on an annual basis.

The independent non-executive Directors are all experienced with expertise in the related industry or financial aspects who provide valuable advice to the Board, including advice on corporate governance related matters under no undue influence.

The Company has received confirmation of independence from each of the independent non-executive Directors. The Board considers each of the independent non-executive Directors to be independent by reference to the factors as set out in Rule 3.13 of the Listing Rules. The independent non-executive Directors have been identified in all corporate communications that disclose the names of Directors.

ROLES AND RESPONSIBILITIES OF THE BOARD

The Board is responsible for the leadership and control of the business operations of the Group including the corporate governance function. Decisions made are driven for the best interests of the shareholders of the Company by maximising the value for shareholders. The Directors formulate strategic directions, oversee the operations and monitor the financial and management performance of the Group as a whole.

The Board is responsible for performing the corporate governance duties as set out under code provision A.2.1 in Part 2 of the CG Code. During the year, the Directors have met to discuss, monitor and deal with the corporate governance matters through the Board meetings, which included a review of (i) the appropriateness of the policies and practices on corporate governance; (ii) the status of training and continuous professional development of the Directors and senior management; (iii) the adequacy of the policies and practices on compliance with legal and regulatory requirements; (iv) the code of conduct and its compliance by the employees and the Directors; and (v) the proper compliance with the CG Code and disclosures in the Corporate Governance Report. Relevant and necessary updates and amendments have been made to ensure a proper standard of the corporate governance practices is in place.

DELEGATION TO THE MANAGEMENT

The management, consisting of executive Directors along with other senior management of the Group, is delegated with the responsibilities to carry out policies set by the Board from time to time and supervises the day-to-day management of the Group. The management of the Group meets regularly to review the business performance of the Group as a whole, co-ordinate overall resources and make financial and operational decisions.

The Board has delegated some of its functions to the board committees. Matters specifically reserved for the Board's decision include:

- long-term objectives and strategies of the Group;
- material change in or extension of group activities into new business areas;
- preliminary announcements of interim and final results;
- dividends;
- material banking facilities;
- material acquisitions and disposals of assets and/or business;
- annual assessment of the effectiveness of the risk management and internal control systems;
- appointment of members to the Board; and
- other matters of significance, which the management submits for the Board's consideration and decision.

BOARD DIVERSITY POLICY

The Company has formulated and adopted the board diversity policy (the "**Board Diversity Policy**") for compliance with the code provision of the CG Code concerning the diversity of board members.

The Board recognises the importance of having a diverse Board in enhancing the Board effectiveness and corporate governance. The Board Diversity Policy sets out the approach to achieve diversity in the Board which will include and make good use of differences in the talents, skills, regional and industry experience, cultural and educational background, ethnicity, gender and other qualities of the members of the Board and does not discriminate on the ground of race, age, gender or religious belief. These differences will be considered in determining the optimum composition of the Board and when possible should be balanced appropriately.

The Nomination Committee has the responsibility for identifying and nominating for approval by the Board candidates for appointment to the Board. It takes responsibility in assessing the appropriate mix of experience, expertise, skills and diversity required on the Board and assessing the extent to which the required skills are represented on the Board and overseeing the Board succession. The Nomination Committee will consider to set measurable objectives for implementing the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress towards achieving those objectives. At present, the Nomination Committee has not set any measurable objectives.

The Nomination Committee is also responsible for reviewing and reporting to the Board in relation to the implementation and effectiveness of the Board Diversity Policy on an annual basis. All appointments of the members of the Board will be based on merit and contribution while taking into account the benefits of diversity on the Board.

The Company values gender diversity across all levels of the Group. At 31 December 2022, the Group had approximately 910 employees (including senior management), with 40% male and 60% female. The Company currently has five senior management members, with 60% male and 40% female. At present, the Company has achieved gender diversity at the Board with one female Director. The Board targets to maintain at least the current level of female representation. The Company is committed to improve greater gender diversity in the Board, senior management and other employees of the Group. Appropriate emphasis on maintaining gender diversity has been placed in the reviews of board composition, board diversity and succession planning to ensure a pipeline of potential successors in achieving and maintaining gender diversity. The Board will continue to take opportunities to increase the proportion of female members over time as and when suitable candidates are identified.

DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

All Directors have been given relevant guideline materials regarding the duties and responsibilities of being a director, the relevant laws and regulations applicable to the Directors, duty of disclosure of interest in business of the Group and such induction materials will also be provided to newly appointed Directors shortly upon their appointment as Directors. All Directors have been updated on the latest developments regarding the Listing Rules and other applicable regulatory requirements to ensure compliance and enhance their awareness of good corporate governance practices. There is a procedure agreed by the Board to allow Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances at the Company's expenses.

The Directors confirmed that they have complied with code provision C.1.4 in Part 2 of the CG Code throughout the year ended 31 December 2022 on Directors' training requirement. During the year, the Directors have participated in continuous professional development by attending seminars, in-house briefings or reading materials on the related areas to develop and refresh their knowledge and skills. Records of Directors' trainings during the year were kept by the Company. The following table summarises the compliance status of all Directors in respect of code provision C.1.4 during the year:

	In compliance with code provision C.1.4
Executive Directors	
Mr. HUANG Bangyin (Chairman)	✓
Mr. CHU Chun Man, Augustine	✓
Non-Executive Director	
Mr. WONG Hin Shek	✓
Independent Non-Executive Directors	
Mr. SHENG Baojun	✓
Mr. HO Kwong Yu	✓
Ms. LIN Lin	✓

DIRECTORS' INSURANCE

The Company has arranged for appropriate liability insurance for the Directors and officers of the Group for indemnifying their liabilities arising from corporate activities. The insurance coverage is reviewed on an annual basis.

DIRECTORS' ATTENDANCE RECORD

The attendance of each Director at the Board meetings, Audit Committee meetings, Remuneration Committee meetings, Nomination Committee meetings and the general meeting of the Company held during the year is set out in the following table:

Meetings held for the year ended 31 December 2022

	Board	Audit Committee	Remuneration Committee	Nomination Committee	General Meeting
Executive Directors					
Mr. HUANG Bangyin *(Chairman)*	3/4	N/A	N/A	2/2	1/1
Mr. CHU Chun Man, Augustine	3/4	N/A	N/A	N/A	1/1
Non-Executive Director					
Mr. WONG Hin Shek	4/4	N/A	N/A	N/A	1/1
Independent Non-Executive Directors					
Mr. SHENG Baojun	4/4	2/2	4/4	2/2	1/1
Mr. HO Kwong Yu	4/4	2/2	4/4	2/2	1/1
Ms. LIN Lin	4/4	2/2	4/4	2/2	1/1
Total number of meetings held	4	2	4	2	1

Code provision C.1.6 in Part 2 of the CG Code requires that independent non-executive Directors and other non-executive Directors should attend general meetings and develop a balanced understanding of the views of shareholders.

BOARD MEETINGS AND PROCEEDINGS

Regular board meetings were held at approximately quarterly intervals. The Directors have access to the advice and services of the company secretary and key officers of the Company's secretarial team for ensuring that the Board procedures, all applicable rules and regulations are followed.

With the assistance of the company secretary, the meeting agenda is set by the Chairman of the Board meetings in consultation with other Board members. Board meeting notice was sent to the Directors at least 14 days prior to each regular Board meeting. Draft and final versions of the minutes of Board meetings and Board committee meetings, drafted in sufficient details by the secretary of the meetings, were circulated to the Directors for their comments and records respectively. Originals of such minutes, being kept by the company secretary, are open for inspection at any reasonable time on reasonable notice by any Director.

If a Director has conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the Director will abstain from voting on the relevant Board resolution in which he/she or any of his/her associates have a material interest and he/she shall not be counted in the quorum present at the Board meeting.

BOARD COMMITTEES

To assist the Board in execution of its duties and facilitate effective management, certain functions of the Board have been delegated by the Board to the Audit Committee, Remuneration Committee and Nomination Committee.

The majority of the members of the Nomination Committee and all members of the Audit Committee and the Remuneration Committee are independent non-executive Directors. All Board committees are formed with specific written terms of reference which deal clearly with their authorities and duties. Details of the Board committees are set out below:

1. AUDIT COMMITTEE

The Audit Committee consisted of three independent non-executive Directors, namely Mr. HO Kwong Yu (Chairman of the Audit Committee), Mr. SHENG Baojun and Ms. LIN Lin. The specific written terms of reference of the Audit Committee is available on the Company's website.

The main duties of the Audit Committee include the followings:

(a) To review the consolidated financial statements and reports and consider any significant or unusual items raised by the responsible accounting and internal audit personnel or external auditor before submission to the Board.

(b) To review the relationship with the external auditor by reference to the work performed by the auditor, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditor.

(c) To review the adequacy and effectiveness of the Group's financial reporting system, internal control system and risk management system and associated procedures.

In 2022, the Audit Committee performed the duties and responsibilities under its terms of reference and other duties under the CG Code during the year. A summary of work performed by the Audit Committee during the year included the followings:

(a) It has reviewed with the senior management, the accounting and finance officers and the external auditor the accounting principles and practices adopted by the Group, the accuracy and fairness of the 2021 annual report and annual results announcement and the 2022 interim report and interim results announcement with a recommendation to the Board for approval.

(b) It has met twice with the external auditor to discuss and review their work and findings relating to the review of results; the internal control and risk management review; and the effectiveness of the audit process.

(c) It has reviewed with the senior management, the accounting and finance officers the effectiveness and compliance procedures of the risk management and internal control systems of the Group.

(d) It has reviewed the audit plan for the financial year ended 31 December 2022, assessed the external auditor's independence, approved the engagement of external auditor and recommended the Board on the re-appointment of external auditor.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed with the management regarding auditing, risk management and internal control and financial reporting matters, as well as the effectiveness of the Company's internal audit functions. The Audit Committee has also reviewed the Group's results for the year ended 31 December 2022. Based on this review and discussions with the management, the Audit Committee was satisfied that the Group's audited consolidated financial statements were prepared in accordance with applicable accounting standards and fairly presented the Group's financial position and results for the year ended 31 December 2022.

2. *REMUNERATION COMMITTEE*

The Remuneration Committee consisted of three independent non-executive Directors, namely Mr. SHENG Baojun (Chairman of the Remuneration Committee), Mr. HO Kwong Yu and Ms. LIN Lin. The specific written terms of reference of the Remuneration Committee is available on the Company's website.

During the year ended 31 December 2022, the Board has amended the terms of reference of the Remuneration Committee to incorporate the changes brought by the amendments to the CG Code in relation to matters relating to share schemes under Chapter 17 of the Listing Rules.

The Remuneration Committee has adopted the model code described in code provision E.1.2(c)(i) in Part 2 of the CG Code in its terms of reference. The primary objectives of the Remuneration Committee include making recommendations on and approving the remuneration policy and structure and remuneration packages of the Directors and the senior management. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

The Remuneration Committee normally meets towards the end of each year for reviewing the remuneration policy and structure and determination of the annual remuneration packages of the Directors and the senior management and other related matters. The management is responsible for collection and administration of the human resources data and making recommendations to the Remuneration Committee for consideration. The Remuneration Committee shall consult the Chairman of the Board about these recommendations on remuneration policy and structure and remuneration packages.

The Remuneration Committee met four times during the year ended 31 December 2022 to (i) review the remuneration policy and structure of the Company; (ii) assess performance of the Directors; and (iii) confirm, approve and ratify the remuneration packages of the Directors and the senior management for the year under review.

The emoluments of the senior management whose profiles are set out in the section headed "Biographical Details of Directors and Senior Management" in this Annual Report fell within the following bands:

	Number of individuals	
	2022	2021
Nil to HK$1,000,000	**3**	3
HK$1,000,000 – HK$1,500,000	**2**	1
	5	4

3. NOMINATION COMMITTEE

There are four members of the Nomination Committee of which one member is an executive Director, namely Mr. HUANG Bangyin (Chairman of the Nomination Committee), and three independent non-executive Directors, namely, Mr. SHENG Baojun , Mr. HO Kwong Yu and Ms. LIN Lin. The specific terms of reference of the Nomination Committee is available on the Company's website.

The primary duties of the Nomination Committee are:

(a) to review the structure, size and composition of the Board;

(b) to identify suitable individuals qualified to become board members;

(c) to assess the independence of independent non-executive Directors;

(d) to review the effectiveness of the Nomination Policy and the Board Diversity Policy; and

(e) to make recommendations to the Board on any proposed changes to the Board or selection of individual nominated for directorships, or on appointment or re-appointment of Directors.

Where vacancies on the Board exist, the Nomination Committee will carry out the selection process by making reference to the Nomination Policy, pursuant to which the Nomination Committee takes into consideration the skills, experience, professional knowledge, personal integrity and time commitments of the proposed candidates, the Company's needs and other relevant statutory requirements and regulations. The Nomination Committee may adopt any process it deems appropriate in evaluating the suitability of the candidates, such as interviews and background checks. An external recruitment agency may be engaged to carry out the recruitment and selection process when necessary. Upon considering whether a candidate is suitable for the directorship, the Nomination Committee will hold a meeting and/or by way of written resolutions to, if thought fit, approve the recommendation to the Board for appointment. The selected candidate will be recommended to the Board for appointment.

The Nomination Committee met twice during the year ended 31 December 2022 to (i) review the structure, size and composition of the Board; (ii) assess the independence of all and independent non-executive Directors of the Company; (iii) review the effectiveness of the Board Diversity Policy; and (iv) review the terms of reference of the Nomination Committee.

SECURITIES TRANSACTIONS OF DIRECTORS

The Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions. Having made specific enquiry of all Directors, all of them confirmed that they have complied with the required standard of dealings set out in the Model Code and its code of conduct regarding directors' securities transactions throughout the year ended 31 December 2022.

ACCOUNTABILITY AND AUDIT

The Directors acknowledge that it is their responsibilities to prepare the consolidated financial statements which give a true and fair view of the state of affairs and the results and cash flows of the Group. The management has provided such explanation and information to the Board to enable it to make an informed assessment of the financial and other Board decisions.

The Directors have selected appropriate accounting policies and applied them consistently, made judgements and estimates that are prudent and reasonable and prepared the consolidated financial statements on a going concern basis in accordance with the statutory requirement and relevant financial reporting standards. The auditor's responsibilities are stated in the section headed "INDEPENDENT AUDITOR'S REPORT" in this Annual Report.

The management has provided the Directors with monthly updates and extracts of the Group's management accounts information so as to enable the Directors to make a balanced and understandable assessment of the Group's performance, position and prospects.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for maintaining and reviewing the effectiveness of the Group's risk management and internal control system. The risk management and internal control systems are implemented to manage, rather than eliminate, the risks of failure to achieve business objectives to which the Group is exposed and used as a management tool for the day-to-day operation of business. The system therefore serves to provide reasonable but not absolute assurance against material misstatements, losses and fraud.

The Board has delegated to the management which is primarily responsible for the design, implementation and maintenance of the risk management and internal control systems to safeguard the shareholders' interest and the assets of the Group. Budgets, forecasts and variance reports are prepared for management review. The management monitors the business activities closely and reviews results of operations against budgets and forecasts. The main features of the risk management and internal control systems of the Company are comprehensive risk management which covers the entire business process of the Company (including but not limited to material risks relating to the ESG matters) and penetrates full-process control and monitoring.

Proper controls are put in place for safeguarding assets and recording of complete, accurate and timely accounting and management information. These are reviewed periodically by management to ensure proper compliance. Regular audits are carried out to ensure that the financial statements are prepared in accordance with generally accepted accounting principles, the Group's policies and applicable laws and regulations.

The Company has an internal audit function and the personnel who are in charge of the internal audit functions are responsible for carrying out risk assessment and internal audit work on selected areas and will report their findings and irregularities, if any, to the management and advise on necessary steps for rectification and improvements. The recommendations are reviewed with action plans approved by the Audit Committee or the Board.

The Board reviews and assesses the effectiveness of the risk management and internal control systems of the Group once a year to cover the immediately preceding year. The approach of the review includes conducting interviews with relevant management and staff members, reviewing relevant documentation of the risk management and internal control systems and evaluating findings on any deficiencies in the design of the risk management and internal controls and developing recommendations for improvement, where appropriate, which helps resolve material internal control defects (if any) in a timely manner. The scope and findings of their review had been reported to and reviewed by the Audit Committee and the Board.

The following policies and procedures are also in place to enhance and strengthen the risk management and internal control systems:

(a) the policies regarding procedures of risk management and internal controls for the handling and dissemination of Inside Information has been adopted to ensure that inside information which comes to the knowledge of any one or more officers should be promptly identified, assessed and escalated for the attention of the Board to assess and decide about the need for disclosure in compliance with the requirement of the SFO;

(b) appropriate policies and practices on the compliance with the applicable legal and regulatory requirements which will be reviewed and monitored by the Board and Audit Committee regularly;

(c) a whistle-blowing policy and system for employees of the Group and those who deal with the Company to raise concerns, in confidence, about possible improprieties in financial reporting, risk management and internal control or other matters to the Audit Committee or the Board for further investigations, if necessary; and

(d) an anti-corruption and bribery policy to safeguard against corruption and bribery within the Group. The directors and employees of the Group have a duty to report any potential violations of such policy or any offer of bribery they receive. The Company continues to carry out anti-corruption and anti-bribery activities to cultivate a culture of integrity, and actively organizes anti-corruption training to promote anti-corruption laws and regulations.

The Company engaged professional firms in possession of relevant expertise to conduct annual independent reviews of the risk management and internal control systems of the Group for the financial year ended 31 December 2022, in order to ensure (i) proper process used to identify, evaluate and manage significant risks; (ii) main features of the risk management and internal control systems were identified; (iii) the systems were designed to manage the risks to achieve business objectives and provide reasonable assurance against material misstatement or loss; (iv) appropriate process to resolve material risk management and internal control defects; and (v) effective procedures of risk management and internal controls for inside information management.

The Board has conducted a review on the effectiveness of risk management and internal control systems of the Group including financial, operational, compliance controls, risk management functions and the adequacy of resources, staff qualifications and experience, and training programmes and budgets of the Company's accounting, internal audit, financial reporting functions and those relating to the Company's ESG performance and reporting for the year. The Board considered that the Group's risk management and internal control systems are effective and adequate and the Company has complied with the code provisions on the risk management and internal control aspects in general.

COMMUNICATION WITH SHAREHOLDERS

The Company has maintained an on-going dialogue with shareholders. A policy regarding the communications with shareholders (the "**Shareholders Communication Policy**") has been established to streamline policies and procedures for provision of appropriate and timely information about the Company to the shareholders, as well as ensuring that shareholders' views and concerns are appropriately addressed.

The Shareholders Communication Policy is reviewed on a regular basis to ensure its implementation and effectiveness and to reflect current best practices in communications with shareholders and the investment community. The most recent review was conducted in June 2023 and the results were satisfactory.

The Company has established a number of channels for maintaining an on-going dialogue with its shareholders, which include:

- **Shareholders' enquiries:** Shareholders may make any enquiries with respect to the Company by following procedures set out in the paragraph headed "Shareholders' Rights – Enquiries from Shareholders" below.

- **Corporate communications:** "Corporate Communications" have the meaning ascribed thereto in the Listing Rules, including but not limited to (i) the directors' report, the annual accounts together with a copy of the auditor's report; (ii) the interim report; (iii) notice of general meeting; (iv) a listing document; (v) a circular; and (vi) a form of proxy. Corporate Communications should be made available to the shareholders in a timely manner. They should be in plain language and in both English and Chinese versions. Shareholders are encouraged to provide, amongst others, their contact details (in particular, their email addresses) to the Company's share registrar, Tricor Tengis Limited, in order to facilitate timely and effective communications.

- **Corporate website:** Information released by the Company for publication on the website of the Stock Exchange is also posted on the website of the Company promptly. Such information includes but is not limited to annual reports, interim reports, announcements, circulars, notices of general meetings and any other information in compliance with continuous disclosure obligations from time to time. Information on the website of the Company is updated on a regular basis.

- **General meetings:** General meetings provide an opportunity for constructive communication between the Company and its shareholders. Appropriate arrangements for the general meetings shall be put in place to encourage shareholders' participation. Notices of AGM, related circulars and forms of proxy will be distributed to the shareholders at least 21 days (or any other period required under the Listing Rules or the Bye-laws of the Company from time to time) prior to the respective AGM. The circulars will set out details of the proposed resolutions and other relevant information. The forms of proxy shall also be provided to the shareholders for appointing proxies to attend and vote at the AGM on their behalves. Directors (including non-executive Directors), in particular, the Chairman of the Board committees or their delegates, appropriate senior executives and external auditor shall attend the AGM to answer questions from shareholders. Proceedings of the Company's general meetings will be reviewed from time to time to ensure that they are in compliance with the requirements under the Bye-laws of the Company, the Listing Rules and the applicable laws of Bermuda, and follow good corporate governance practices. Separate resolution on each substantially separate issue will be proposed for voting at the general meeting. The Chairman of the general meeting will propose to vote the resolutions (except resolutions which relate purely to procedural or administrative matters) by poll in accordance with the Bye-laws of the Company. Scrutineer will be appointed for the vote-taking at the general meeting. The voting results will be published on the websites of Stock Exchange and the Company subsequent to the conclusion of the general meeting.

- **Investment market communications:** To facilitate communication between the Company, shareholders and the investment community, briefings and presentations are conducted with shareholders and potential investors as appropriate from time to time.

The Chairman of the Board, the Chairman of the Audit Committee, other Directors (including non-executive Directors), the solicitors and the external auditor attended the AGM of the Company held on 24 June 2022 to solicit and understand the views of shareholders and stakeholders and to answer any questions raised by the shareholders. The procedures for voting by poll were explained at the commencement of the meeting. The Chairman of the meeting has demanded poll on each and every resolution (except resolutions which relate purely to procedural or administrative matters) put to the vote in the 2022 AGM. Poll results were posted on the websites of the Stock Exchange and the Company following the meeting.

The forthcoming AGM will be held on 17 August 2023 and will be conducted by way of poll for resolutions put to the vote thereat.

DIVIDEND POLICY

Pursuant to the dividend policy adopted by the Company, declaration and/or payment of dividends is subject to the Board's determination on whether such declaration and/or payment is in the best interests of the Group and the shareholders of the Company. In determining whether any distribution shall be made and the amount of dividends, the Board shall take into account the following factors:

- the Group's actual and expected financial performance;
- the retained earnings and distributable reserves of the Group and each of the members of the Group;
- the level of the Group's debts-to-equity ratio, return on equity and the relevant financial covenants;
- the Group's capacity for current and future operation and future commitments at the time of preparing and making the distribution;
- any restrictions on payment of dividends that may be imposed by the Group's lenders;
- any restrictions under the laws of Hong Kong and Bermuda and the Company's Bye-laws;
- the dividends received from the Group's subsidiaries and associates, which in turn depends on the ability of those subsidiaries and associates to pay a dividend;
- the Group's expected working capital requirements;
- general economic conditions, business cycle of the Group's core business and other internal or external factors that may have an impact on the business or financial performance and position of the Group; and
- any other factors that the Board deems appropriate.

The Board endeavours to maintain a balance between the expectations of its shareholders and prudent capital management with a sustainable dividend policy.

COMPANY SECRETARY

Ms. CHOI Ka Ying has been the company secretary of the Company since 31 March 2017. She has complied with the relevant professional training requirement for company secretary under Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

Set out below is a summary of certain rights of the shareholders as required to be disclosed pursuant to the CG Code.

PROCEDURES FOR SHAREHOLDERS TO CONVENE A SPECIAL GENERAL MEETING

Pursuant to Bye-law 58 of the Company's Bye-laws, the Board may whenever it thinks fit call special general meetings (i.e. general meetings other than AGM), and shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty one days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda.

ENQUIRIES FROM SHAREHOLDERS

Shareholders should direct their enquiries about their shareholdings to the Company's share registrar, Tricor Tengis Limited, through email at is-enquiries@hk.tricorglobal.com. Other shareholders' enquiries with respect to the Company can be directed to the Board either through email at admin@sinogolfholdings.com or by raising questions at general meetings.

PROCEDURES FOR PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS

If a shareholder wishes to put forward proposals or propose a person for election as a director of the Company at a general meeting, he or she may deposit a written notice to that effect at the principal place of business of the Company for the attention of the company secretary of the Company. The written notice (i) must include the personal information of the candidate as required by Rule 13.51(2) of the Listing Rules; and (ii) must be signed by the shareholder concerned and signed by the candidate indicating his/her willingness to be elected and consent of publication of his/her personal information.

Further details of the procedures for proposing a person for election as a director are available at the Company's website at www.sinogolf.com.

CONSTITUTIONAL DOCUMENTS

The Memorandum of Association and the Bye-laws of the Company have been posted on the website of the Company at www.sinogolf.com in accordance with the requirements of the Listing Rules.

AUDITOR'S INDEPENDENCE AND REMUNERATION

The total auditor's remuneration charged in respect of audit services and non-audit services for the year ended 31 December 2022, are set out below:

	HK$'000
Audit services:	
– SHINEWING	1,090
– Grant Thornton	2,000
Non-audit services:	
– Tax compliance and consultancy services*	306
– Compilation of Environmental, Social and Governance Report*	95
	3,491

* Performed by affiliate companies of SHINEWING (HK) CPA Limited, the former auditor of the Company who resigned with effect from 27 April 2023

The Audit Committee is mandated to review and monitor the independence of the external auditor to ensure objectivity and the effectiveness of the audit of the financial statements in accordance with applicable standards. Members of the Audit Committee were of the view that the Company's auditor, Grant Thornton (appointed with effect from 30 May 2023), is independent and have recommended the Board to re-appoint it as the Company's auditor at the forthcoming AGM.

INVESTOR RELATIONS

The Company keeps on promoting investor relations and enhancing communication with the shareholders and potential investors. It welcomes suggestions from investors, stakeholders and the public who may contact the Company by phone on (852) 3976 6963 during normal business hours, by fax at (852) 3976 6916 or by e-mail at admin@sinogolfholdings.com.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT ESG REPORT

This is the Environmental, Social and Governance ("**ESG**") report of Sino Golf Holdings Limited (the "**Company**") and its subsidiaries (collectively the "**Group**" or "**we**"), which elaborates our commitments and strategies, and summarises our efforts and achievements on corporate social responsibility and sustainable development from 1 January to 31 December 2022 (the "**Year**"). As for the information of corporate governance, please refer to the Corporate Governance Report of this Annual Report.

SCOPE OF THE REPORT

The ESG Report focuses on the Group's sustainability approach and performance in environmental and social aspects of the golf equipment and golf bags business in the People's Republic of China (the "**PRC**") and Hong Kong, which are the only revenue-generating segments of the Group currently. The key performance indicators ("**KPIs**") are based on the performance of the Group's subsidiary Linyi Sino Golf Company Limited ("**Linyi Sino Golf Company**") which is the major production site of the Group located in Shandong Province.

REPORTING FRAMEWORK

The ESG Report has been prepared in accordance with Appendix 27 "Environmental, Social and Governance Reporting Guide" to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The ESG Report follows all the principles as stipulated in Appendix 27:

Materiality

- Based on the results of the stakeholder engagement and materiality assessment set out in the Stakeholder Engagement and Materiality Assessment, the Group has identified the content of the ESG report, covering the key ESG issues of concern to stakeholders

Quantitative

- Environmental and social KPIs are disclosed in the ESG report. The ESG report sets out the criteria, methodology and references for calculating the KPIs so the stakeholders can be fully informed of the Group's ESG performance.

Consistency

- The Group uses consistent reporting and calculation methods within a reasonably practicable range and details significant changes in data or methods in the corresponding sections to achieve comparability of ESG performance.

FEEDBACKS

We value your views on this report. If you have any comments or suggestions, please contact us via: admin@sinogolfholdings.com.

OUR APPROACH TO ESG

BOARD STATEMENT

The Board is responsible for monitoring the Group's ESG-related issues, including performance, measures, and compliance to relevant laws and regulations. The Board oversees the implementation of ESG-related actions and risk management, and reviews the content and quality of the ESG report annually. Members of the Board are also aware of the latest ESG megatrends in the market and keep pace with every ESG transition around the globe.

To precisely manage key ESG issues, the Group employed an independent consulting firm to conduct materiality assessment on ESG issues. To identify the material issues, stakeholder surveys were conducted and industry-specific issues were considered through the use of materiality maps with professional advice. The management of the Group reports to the Board on the material ESG issues and their respective performance annually and hence the Board is fully aware of the results and will continue to review the engagement channels and activities, and monitor the impacts of material ESG issues on relevant stakeholders.

To ensure that ESG issues are managed correctly, the Board has set respective targets with regard to material ESG issues as outlined in the ESG report. The Board will oversee the coordination between departments in line with their respective objectives and regularly review the ESG performance of the Group as well as the overall progress made against the targets set.

STAKEHOLDER ENGAGEMENT

The Group believes that active participation and continuous support of its stakeholders play an important role in the long-term success of the Group. We hope to communicate with various stakeholders to improve the Group's sustainable development management system and implement sustainable development goals. Through different communication methods, stakeholders from different fields can express their opinions on the Group, and hence we can respond to their expectations and concerns specifically, which helps improve our ESG performance and strategies as well as our future development.

Stakeholders	Expectations	Management Responses/ Communication Channels
Government and regulators	• Compliance with national policies, laws and regulations • Support for local economic growth • Contribution in local employment • Tax payment in full and on time • Safe production	• Regular information reporting • Regular meetings with regulators • Dedicated reports • Inspection and monitoring
Shareholders	• Returns • Compliance operations • Rise in company value • Transparency and effective communication	• General meetings • Announcements • Email, telephone conversation and company website
Partners	• Operation with integrity • Equal Rivalry • Performance of contracts • Mutual benefits	• Review and appraisal meetings • Business communication • Discussion and exchange of opinions • Engagement and cooperation

Stakeholders	Expectations	Management Responses/ Communication Channels
Customers	• Outstanding products and services • Health and safety • Performance of contracts • Operation with integrity	• Customer satisfaction surveys • Meetings with customers
Environment	• Compliance with emission regulations • Energy saving and emission reduction • Environmental protection	• Communication with local environmental departments • Communication with local people • ESG reporting • Regular inspection
Industry	• Formulation of industrial standards • Support for industrial development	• Site visits with peers
Employees	• Protection of rights • Occupational health • Remunerations and benefits • Career development	• Meetings with employees • Employee mailbox • Training and workshop • Employee activities
Community and the public	• Enhancement of community environment • Transparency	• Company website • Announcements

We have engaged employees from different departments in the preparation of the ESG report, which enables us to better recognise our current environmental and social performance. The information and data collected are not only a summary of our environmental and social initiatives carried out during the Year but also form the basis for us to map out short-term and long-term strategies for sustainable development.

MATERIALITY ASSESSMENT

Given the relevance and validity of this ESG report to the Group's environmental and social performance, the Group has conducted a materiality assessment to identify ESG issues that are critical to the Group's business and stakeholders. An internal stakeholder survey was conducted to rate and rank the ESG issues according to the level of stakeholder concern. With the professional advice of ESG consulting firm, we also considered the key ESG issues of concern to the industry using materiality maps[1] provided by reputable external organizations. As a result, we identified 10 material issues, which are discussed in detail in the ESG report.

Aspects	Material issues
General	Compliance management
Environmental Protection	Packaging material usage Waste management
Employment and labour practices	Welfare and benefits Occupational health and safety
Operating practices	Customer service, health and privacy Product quality and safety Supply chain management Protection of intellectual property right Anti-corruption

1 The materiality maps referenced in the materiality assessment include the ESG Industry Materiality Map and the SASB Materiality Map produced respectively by Morgan Stanley Capital International (MSCI) and the Sustainability Accounting Standards Board (SASB).

ENVIRONMENTAL PROTECTION

WASTEWATER DISCHARGE AND AIR EMISSIONS

Despite the fact that production of golf equipment and bags generates only a small amount of air and water pollutants, the Group, as a manufacturer that attaches great importance to environmental protection, spares no effort to control emissions in the production process and regularly arrange environmental compliance inspections to ensure that the Group complies with applicable environmental laws. The Group targets to continuously reduce the emission of air and water pollutants.

The wastewater generated by the Group mainly included general effluent, production wastewater (such as wastewater from manufacturing processes, waste liquid and circulating cooling water) and wastewater from washing equipment, testing solutions, and cleansing water. The Group strictly abides by the Law of the PRC on Prevention and Control of Water Pollution and Water Quality Standards for Sewage Discharge into Urban Sewers and has obtained the Pollutant Discharge Permit. We have a small-scale water treatment plant in our factory, which treats the wastewater generated from the production process through filtration, bio-oxidation and sedimentation. As a result, the pollution level of the wastewater can be limited to that set by the contracted wastewater treatment company. Water discharged from the small-scale water treatment plant will then be transferred to the contracted company for further treatment. The wastewater quality at the discharge outlet tested by the local environmental monitoring station during the Year is shown in the table below.

	Discharge concentration		**Discharge**	
Water pollutants	**2022**	2021	**standard**	**Unit**
Chemical oxygen demand ("**COD**")	**61**	39	500	mg/L
Ammonia-nitrogen	**6.33**	3.16	35	mg/L
Suspended solids	**84**	26	300	mg/L

In order to reduce the exhaust emissions generated during the sand blasting process, paint spraying process and casting of clubs, the Group has adopted corresponding control measures to meet the 3rd-period emission standard of the Integrated Emission Standard of Regional Air Pollutants in Shandong Province (DB37/2376-2019). For example, flue gas is treated by baghouse filters and discharged through the 15m-long discharged pipe while dust is collected through a water curtain dust collector. The Group also installed an extra dust extraction system for grinding which could avoid the spreading of dust generated during the grinding process. We strictly abide by the relevant laws and regulations, including but not limited to Atmospheric Pollution Prevention and Control Law of the People's Republic of China, and have obtained the Pollutant Discharge Permit. The air emissions during the production process tested by the local environmental monitoring station are shown in the table below.

	Emission concentration		**Emission**	
Air pollutants	**2022**	2021	**standard**	**Unit**
Flue dust	**1.9**	2.2	20	mg/m^3
Sulfur dioxide	**<2**	< 2	100	mg/m^3
Nitrogen oxides	**19**	60	200	mg/m^3

Besides, sulfur oxides, nitrogen oxides and particulate matter generated by fuel consumption of vehicles also contribute to air pollution of the Group. The emissions from the use of vehicles during the Year are shown in the table below.

Air pollutants Note 1	**2022**	2021	**Unit**
Sulfur oxides	**73**	139	g
Nitrogen oxides	**2,806**	5,258	g
Particulate matter	**207**	387	g

Note:

1 The emission factors used are from Appendix 2 "Reporting Guidance on Environmental KPIs" issued by The Stock Exchange of Hong Kong Limited ("**Appendix 2**") and the guidelines on greenhouse gas emission accounting and reporting provided by the National Development and Reform Commission ("**NDRC**") of the PRC.

In order to ensure that wastewater discharge and air emissions meet the corresponding standards and to mitigate the environmental impacts caused by our operation, we have established internal management systems such as Wastewater and Exhaust Gas Management and Control Procedures and Regulations on Wastewater Quality Inspection. We also regularly arrange qualified testing organizations to test the quality of wastewater discharge and air emissions. In case of failure to meet the emission standards, we follow the Emergency Plan for Environmental Accidents to carry out emergency and corrective plans. During the Year, we abided by all applicable laws and standards on wastewater discharge and air emissions. Non-compliance such as excessive discharge was not observed.

GREENHOUSE GAS EMISSIONS

Greenhouse gas ("**GHG**") emissions from our production and operation activities can be divided into three scopes: Scope 1 – Direct emissions from sources, including emissions from fuel consumption by boilers, gas cooking stoves and vehicles; Scope 2 – Energy indirect emissions, including emissions from purchased electricity and heating; and Scope 3 – Other indirect emissions, including emissions from business travel by airplane, electricity consumption for fresh water and sewage processing, and disposal of waste paper at landfills. We strictly abide by the relevant laws and regulations, including but not limited to Atmospheric Pollution Prevention and Control Law of the People's Republic of China and Air Pollution Control Ordinance of Hong Kong. The Group targets to continuously reduce GHG emissions and to do so, we use electricity to replace some of the natural gas used for heat production in the production process. For more details on the actions planned and done, please refer to section "Use of Resources" in this ESG report. The GHG emissions during the Year are shown in the following table.

GHG emissions[Note 1]	**2022**	2021	**Unit**
Scope 1 – Direct emissions[Note 2]	**655**	551	tonnes CO_2e
Scope 2 – Energy indirect emissions[Note 3]	**8,841**	9,070	tonnes CO_2e
Scope 3 – Other indirect emissions[Note 4]	**36**	45	tonnes CO_2e
Total GHG emissions	**9,532**	9,666	tonnes CO_2e
GHG emission intensity	**15.25**	13.63	tonnes CO_2e/employee

Notes:

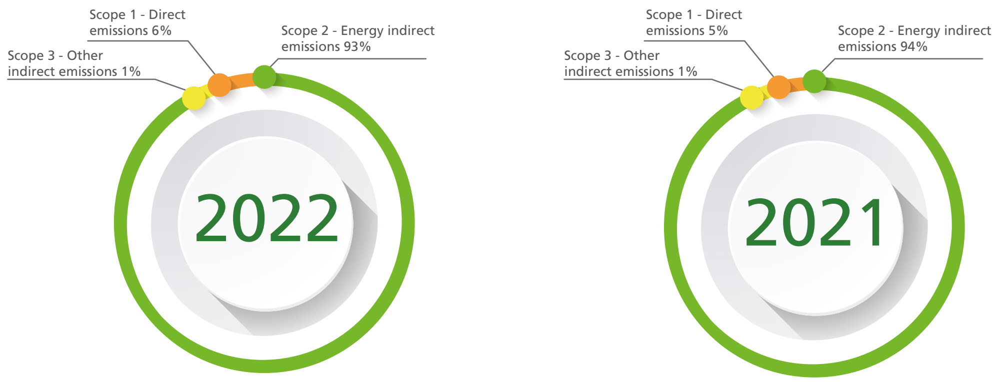
1 The calculation of greenhouse gas emissions is based on Appendix 2 and the Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong published by Environmental Protection Department and Electrical and Mechanical Services Department. The Group's data includes carbon dioxide, methane and nitrous oxide. For ease of reading and understanding, the greenhouse gas emissions data is presented in tonnes of carbon dioxide equivalent (tonnes CO2e). The global warming potential (GWP) used are referenced from Climate Change 2021: The Physical Science Basis, The Working Group I contribution to the Sixth Assessment Report.

2 Scope 1 covers the emissions from stationary combustion sources, mobile combustion sources and removals from tree planting. The emission factors used are from Appendix 2 and the guidelines on greenhouse gas emission accounting and reporting provided by the NDRC of the PRC.

3 Scope 2 covers the emissions from purchased electricity and purchased steam for heating. The calculation of emission is based on the average carbon dioxide emission factor of China regional power grid provided by the NDRC and the guidelines on greenhouse gas emission accounting and reporting provided by the NDRC of the PRC.

4 Scope 3 covers the emissions from business travel, water consumption and processing and paper waste disposal. The emissions data is based on Appendix 2 and the International Civil Aviation Organisation Carbon Emissions Calculator.

GREENHOUSE GAS EMISSIONS BY SCOPE



WASTE MANAGEMENT AND DISPOSAL

The Group conducts proper waste management with an aim to build a clean and sustainable working and living environment for our employees and the community. The non-hazardous waste generated by the Group mainly includes waste paper, waste metal, waste plastics, waste molds and daily garbage, while the hazardous waste mainly includes industrial oil, waste organic solvent, waste rag and gloves, waste paint buckets, waste paint residues and chemical waste. The amounts of waste generated during the Year by type and by handling method are shown in the following table and figure respectively.

Waste	**2022**	2021	**Unit**
Non-hazardous waste	**1,087**	968	tonnes
Intensity	**1.74**	1.36	tonnes/employee
Hazardous waste	**19**	14	tonnes
Intensity	**0.03**	0.02	tonnes/employee

NON-HAZARDOUS WASTE BY HANDLING METHOD

The Group handles all the waste with great carefulness and strictly complies with relevant provisions, such as the Law of the PRC on Prevention of Environmental Pollution by Solid Waste, Regulations on the Administration of City Appearance and Environmental Sanitation and the Standard for Pollution Control on Hazardous Waste Storage (GB 18597-2001). We put great efforts in monitoring the entire waste handling process, including waste collection, transfer, storage and disposal. All waste is regularly collected and stored in a designated area for further sorting. We have different storage zones for storing general waste and hazardous waste, in which fire service, proper ventilation, leakage prevention and seepage control measures are in place. The Group has signed contracts with qualified waste removal operators to collect waste at regular intervals. Hazardous waste is removed in accordance with requirements such as the Measures on the Management of Hazardous Waste Transfer Manifest and the Measures for the Administration of Permit for Operation of Dangerous Wastes.

During the Year, the Group has organized a spillage drill of hazardous waste aiming to strengthen employees' understanding of the classification and storage of hazardous waste, as well as enhancing emergency response of all employees.

Regarding waste reduction, the Group targets to continuously reduce waste disposal. We uphold the principle of "reduction, harmlessness and recycling" of wastes and place three types of waste bins, namely recyclable, non-recyclable and hazardous waste bins in the production area, office and living area. For recyclable waste, components which can be reused are directly used by relevant departments, while other recyclable waste will be collected by a qualified recycler. For example, some waste molds for making golf clubs are collected by relevant parties for making fire bricks.

NOISE CONTROL

Given the possible noise impacts caused by our operation, the Group is dedicated to strictly controlling the noise level during both daytime and nighttime to minimise the possible noise impacts to the surrounding environment. The boundary noise levels measured by the local environmental monitoring station, with the corresponding standard from Emission Standards for Noise at Factory Boundary of Industrial Enterprise (GB 12348-2008 Functional Zone II), are shown in the table below.

Average noise level	**2022**	2021	**Standard**	**Unit**
At daytime	**58**	57	60	dB(A)
At nighttime	**48**	46	50	dB(A)

USE OF RESOURCES

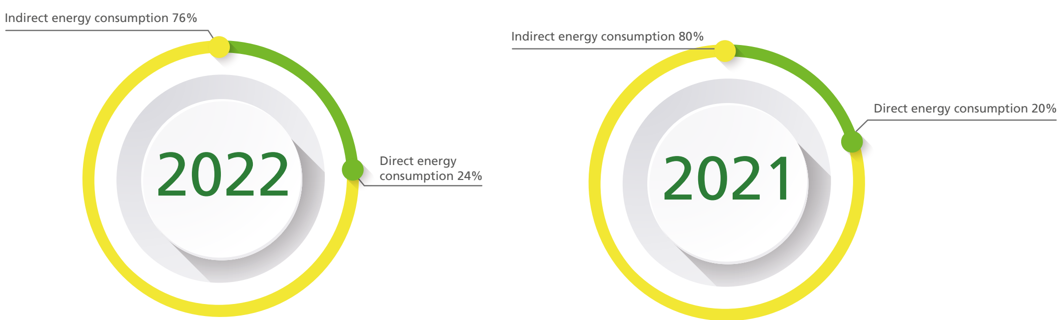
The Group's energy consumption can be classified into direct energy consumption and indirect energy consumption. Direct energy consumption includes combustion of fossil fuels in boilers, gas cooking stoves and vehicles, while indirect energy consumption includes purchased electricity and heating. For water consumption, production and daily consumption in office have accounted for the majority of water usage of the Group. During the Year, the Group has no issue in sourcing water that is fit for purpose. The energy and water consumption and the distribution of energy consumption by type during the Year are shown in the following table and figure respectively.

Resources	**2022**	2021	**Unit**
Energy			
Total energy consumption[Note 1]	**13,920**	13,598	MWh
Direct energy consumption	**3,287**	2,778	MWh
Indirect energy consumption	**10,633**	10,820	MWh
Intensity	**22.27**	19.18	MWh/employee
Water			
Total water consumption	**65,126**	83,509	m^3
Intensity	**104.20**	117.78	m^3/employee

Note:

1 The conversion factors used are from the national standard of the PRC on gasoline for motor vehicles (GB17930-2016) and the guidelines on greenhouse gas emission accounting and reporting provided by the NDRC of the PRC.

ENERGY CONSUMPTION BY TYPE



In addition to implementing the goal of reducing emissions, the Group also targets to continuously reduce energy and water consumption by promoting the concept of resource conservation internally and raises employees' awareness of environmental protection. Energy and water saving does not only reduce operational costs of the Group, but also contributes to the Group's sustainable development. Therefore, we have promulgated the "Provisions on Energy Conservation and Emission Reduction in Office" to enhance electricity management, reduce consumption of water, paper and office supplies and optimise employees' commuting. For example, we encourage our employees to switch off unnecessary lights and electronic equipment while not in use, maximise the use of natural lighting, limit font size to reduce paper use, check for hidden water leakage periodically and fix dripping taps immediately once problems are found, and replace business trips with conference calls if possible. We have adopted measures such as recycling cooling water to reduce resource consumption in the production process and have searched for new technologies and processes to increase production efficiency and reduce energy and material consumption.

Electricity conservation

- Replacing ordinary lamps with LED lamps, using natural light as much as possible during daytime, and turning off "long light";
- Setting computers, copiers, printers and other office equipment to automatically enter the low-energy sleep state when idle and to shut down in time when not in use for a long time so as to reduce standby energy consumption;
- Adjusting the brightness of computer monitors to a suitable value;
- Turning off power supply of computers, water dispensers, lamps and other indoor facilities before getting off work.

Water conservation

- Strengthening the maintenance and management of water equipment and drainage systems and water-saving renovation to eliminate the running, spraying, leakage, dripping and long-flowing of water;
- Lowering the water level of toilet tanks, and reducing the water pressure taps as well as the water flow of urinals;
- Establishing and improving the rules and regulations on water conservation, and actively promoting the use of water-saving equipment;
- Posting water-saving slogans in toilets, and employing special personnel to inspect taps, toilet tanks and water dispensers irregularly to avoid water leakage.

Paper and office supplies

- Standardising the provision, procurement and receiving of office supplies, and giving priority to office equipment with low energy consumption and environmental impact;
- Making full use of office automation platform, and sending general notices, documents and data through the network to reduce the use of printers and faxes;
- Approving the number of documents to be issued accurately, avoiding copying documents that can be circulated and implementing double-sided printing;
- Simplifying meetings, and coordinating the arrangements for reception work efficiently and economically;
- Conducting regular statistics of resource consumption, and strengthening quantitative management.

Commuting

- Using internet, telephone, video conferencing and other electronic means of communication to reduce unnecessary travel;
- Riding bicycles or walking in the factory in non-emergency situations;
- Encouraging carpooling in public activities to reduce air pollution;
- Improving driving skills of drivers for scientific and standardised driving, strengthening maintenance of vehicles, and reducing abnormal loss of vehicle components.

The Group's main packaging materials are paper and plastic. Unless specified by customers, the Group prefers using recyclable and environmentally-friendly materials for packaging. The amount of packaging materials consumed during the Year is shown in the following table.

Packaging materials	**2022**	2021	**Unit**
Plastic materials consumption	**1,601,394**	1,691,369	piece
Intensity	**0.48**	0.36	piece/piece of product
Paper materials consumption	**201,385**	183,306	piece
Intensity	**0.12**	0.10	piece/piece of product

ENVIRONMENT AND NATURAL RESOURCES PROTECTION

With sustainable development being the consistent goal, we attach great importance to improve the environmental quality of regions where the Group operates. We plant trees in and around the factory for greening and reducing carbon emissions. To avoid suspended particles that may affect the health of people and the environment, we install sprinklers throughout the factory.

In order to reduce environmental risk posed by potential accidents, we have compiled the Emergency Plan for Environmental Incidents, Risk Assessment Report for Sudden Environmental Incidents and Investigation Report for Environmental Emergency Resources according to the requirements of local environmental protection departments. Emergency drills on accidents such as chemical leakage are organised regularly and the implementation of contingency plans and other related measures are also continuously reviewed and strengthened.

CLIMATE CHANGE

In recent years, climate change has attracted attention internationally and the associated risks could have negative impacts on the Group's business. The Group has identified that the increase in extreme weather events could pose threats to business operation and hence financial performance. We therefore keep track on the latest development of local climate-related policies and regulations to identify and enhance our policies accordingly. During extreme weather conditions or events, safety warnings will be issued and special working arrangement will be put in place to ensure the safety of employees and workplaces. Besides, we regularly evaluate the climate-related risks of our supply chain and identify alternative supply sources to prevent supply chain interruption.

EMPLOYMENT AND LABOUR PRACTICES

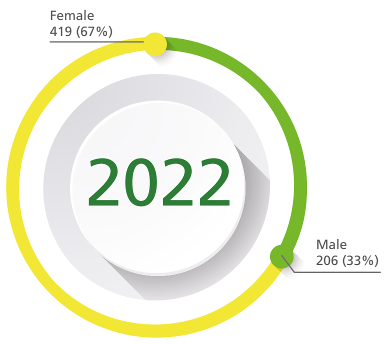
EMPLOYMENT POLICIES

Employees are the most valuable assets of the Group. We have formulated our employment policies in accordance with the Labour Law of the PRC, the Employment Ordinance of Hong Kong and other applicable laws and regulations. Equal opportunities are offered to our employees in aspects including recruitment, promotion, remuneration and training. Discrimination on grounds of ethnicity, age, gender, religion, disability and other factors is not tolerated under any circumstances.

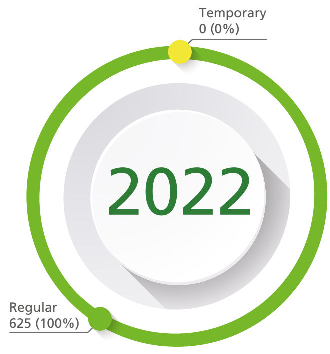
We welcome applicants of all ages, professions and cultures to join us in an effort to diversify the workforce and maximise the advantages of every staff member. In line with the principle of "Open Recruitment, Comprehensive Assessment and Merit-based Admission", recruitment is carried out based on job requirements and applicant's qualification, ability and experience. Job seekers and employees will not be discriminated against based on gender, religion, race, color, place, age, physique or hobby.

With regard to child labour and forced labour, we strictly abide by the relevant laws and regulations, including but not limited to the Provisions on the Prevention of Using Child Labour of the PRC and the Labour Contract Law of the PRC. The human resources department will strictly verify the identity of job applicants to ensure they have reached the legal working age. Also, we list the job duties and working hour clearly on the employment contract to prevent forced labour. In case child labour or forced labour is found, the employment will be terminated immediately. Subsequent investigations will be conducted to identify the culprits along with the implementation of remedial actions to prevent future recurrence. As at 31 December 2022, the total workforce by gender, employment type, age and geographical region of Linyi Sino Golf Company is shown in the following figures.

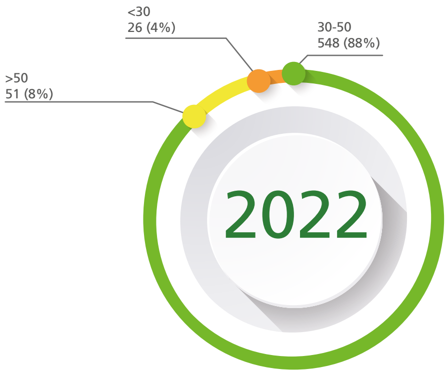
TOTAL WORKFORCE BY GENDER



TOTAL WORKFORCE BY EMPLOYMENT TYPE



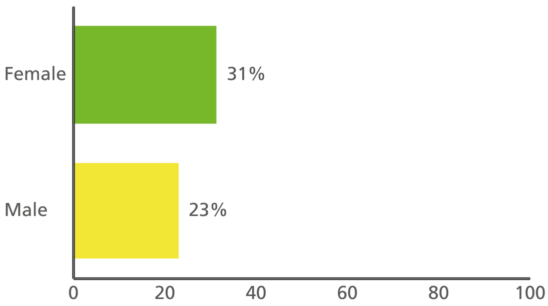
TOTAL WORKFORCE BY AGE



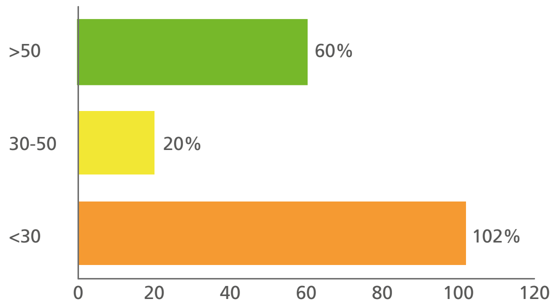
TOTAL WORKFORCE BY REGION

Whenever an employee requests to resign or being laid off, an exit interview will be arranged by department heads to find out the reasons for resignation to further improve the Group's operation. During the Year, the turnover rate by gender, age and geographical region of Linyi Sino Golf Company is shown below.

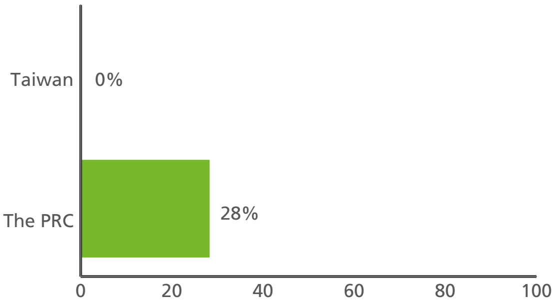
TURNOVER RATE BY GENDER



TURNOVER RATE BY AGE



TURNOVER RATE BY REGION



In terms of working hours, we have adopted a standard working hour system for our employees according to the Group's Employee Manual, under which employees are stipulated to work no more than 8 hours per day and 40 hours per week. Shift work is applied for special positions that working hours are subject to the job nature and production requirement. We are committed to safeguarding employees' right to rest and prohibit any form of forced labour. If overtime work is required during the rest period, overtime pay and holiday shift will be arranged for employees according to relevant laws and regulations.

REMUNERATION AND WELFARE

Advocating the balance of life and work and providing attractive benefits represent our respect for talents. The Group adopted a comprehensive remuneration policy that employees are rewarded based on their position levels, job duty, working conditions, technical strength and work performance. All the basic salary, overtime pay, allowance, bonus, leaves and penalties are considered when calculating the monthly wages of employees. To enhance our employees' sense of belonging, we provide them with various benefits and grants such as medical subsidies, social insurance, high-temperature subsidies, holiday bonus and welfare products. In addition to statutory holidays, they are also entitled to marriage leave, maternity leave, paternity leave, funeral leave and other holidays. Besides, we commend and reward outstanding employees from all departments quarterly to stimulate employees' working initiatives and establish advanced models.

DEVELOPMENT AND TRAINING

The Group is committed to nurturing talents as they are the core driving force for the Group's long-term growth and sustainability. Thus, we provide clear development and promotion paths for our employees so that they can grow together with the Group. To make employees qualified for higher positions, we do not only formulate training plans on a regular basis, but also closely supervise the implementation of the training plans so that employees are able to acquire suitable knowledge and skills. Training organised by the Group can be divided into two types, namely induction training and on-the-job training.

Induction training, which covers company profile, corporate culture, internal rules and regulations, and codes of conduct, is provided to newly recruited employees to acquaint them with the Group and help them adapt to their working environment. Training specific to each type of workers are also provided to ensure they are well equipped with the skills necessary to perform their routine work at their respective positions. Based on the number of new employees, the induction training is generally conducted from time to time through internal training by the human resources department.

We also provide various on-the-job training both internally and externally, such as those on professional skills, general management skills, career development and psychological development. Internal training is carried out by our part-time lecturers, external trainers or professional institutions, while external training is offered through arranging employees to participate in training activities organised by professional institutes. The Group puts particular focus on the safety awareness of employees, and thus has organized a series of health and safety training for employees during the Year.

The following table shows the percentage of employees trained and the average training hours completed per employee by gender and employee category of Linyi Sino Golf Company in the Year.

Average training hours and percentage (%) of employees trained	2022	2021
By gender		
Male	**8(100)**	20(100)
Female	**8(100)**	20(100)
By employee category		
Senior staff	**8(100)**	20(100)
Junior staff	**8(100)**	20(100)

OCCUPATIONAL SAFETY AND HEALTH

It is our eternal responsibility to protect the health and safety of employees. Eliminating safety accidents and ensuring safe production are the primary tasks of our production and operation. In accordance with relevant laws and regulations such as Work Safety Law of the People's Republic of China, Law of the People's Republic of China on the Prevention and Control of Occupational Diseases and Occupational Safety and Health Ordinance of Hong Kong, we have formulated a series of policies to continuously enhance the management of occupational health and safety, such as the Occupational Health Management System, Detection System of Occupational Disease Hazards, Policy on Personal Protective Supplies Management and Safety Operation Procedures for Production Processes. The relevant measures implemented in our operation include:

- Signing the "Notification of Occupational Hazards", which lists all kinds of hazardous protective measures, with new employees;
- Providing occupational health examinations and establishing occupational health records for employees;
- Arranging proper positions for employees with contraindications;
- Providing protective clothing, safety shoes, dust masks, earmuffs and other personal protective equipment in light of job requirements and conducting regular assessment of the effectiveness of the equipment;
- Posting warning signs for positions with serious occupational hazards;
- Arranging qualified units to detect the level of occupational hazards on the production site regularly and putting forward handling suggestions for unqualified workshops;
- Organizing safety production meetings on how to mitigate the identified safety risks;
- Adopting new technologies, processes and materials that are conducive to the prevention and control of occupational diseases; and
- Providing safety training for employees.

Our health and safety training is structured as a three-level programme, from company, factory to team level. During the Year, we have provided a series of comprehensive health and safety training to employees, covering a wide range of topics such as production safety laws and regulations, safety risk management and inspection, special working procedures when handling fire and electricity, fire control and occupational disease precaution. For the prevention and handling of accidents, we have formulated a set of regulations, including the Emergency Response Plan for Production Safety Incidents and Medical Emergency System for Employees. To ensure prompt, correct and effective emergency response and reduce casualties and economic losses in the face of accidents, we provide medical emergency training for first aiders in various departments and workshops and organise drills regularly. The number of work-related fatalities and lost days due to work-related injuries of Linyi Sino Golf Company is presented in the table below.

Safety indicators	**2022**	2021	2020	**Unit**
Number of work-related fatalities	**0**	0	0	person
Number of work-related injuries	**2**	2	1	person
Lost days due to work injuries	**15**	42	67	day

The outbreak of COVID-19 lasted most of the time of 2022 until December, the Group cares about the health of our employees so we continued to implement a series of preventive measures and control policies such as monitoring body temperature of staff, providing adequate anti-pandemic materials, arranging disinfectant spraying and ensuring proper ventilation.

OPERATING PRACTICES

SUPPLY CHAIN MANAGEMENT

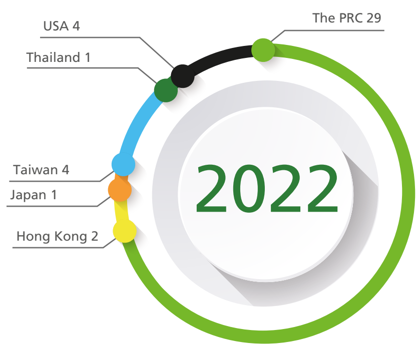
The Group relies on a range of suppliers to provide raw materials for its production, thus, proper management of the supply chain is of high importance. We pay high attention to the selection of suppliers that suppliers are preliminarily evaluated based on categories, specifications, quality and prices of their products together with their business strength, production scale and capability, technical level, corporate creditability, management level and geographical location.

Besides that, we also take into account their performance in the management of environmental impacts and protection of employees' rights. For instance, we examine whether our suppliers or outsourcers have implemented labour protection system, chemical control measures and environmental impact assessment on designated projects. Priority is also given to suppliers with environmental and social certification or international recognition regarding aspects such as environmental management, energy conservation, human rights, occupational safety and anti-corruption. Environmental and social risk along the supply chain is a key concern of the Group, we will continue to review the updates of supply chain-related local policies to identify and understand the associated environmental and social risks.

Suppliers are regarded as qualified only if their products meet our production requirements and our pilot productions are of satisfactory quality. To better manage existing suppliers, we conduct regular assessments of major suppliers in terms of delivery quality, schedule, safety and timeliness to monitor the performance of suppliers and ensure a stable supply of materials. Suppliers who failed in the assessment three times in succession will be disqualified from further cooperation. A mechanism for tracking the source of each batch of materials has also been established so that defective materials found during inspection upon arrival or during production can be returned to the supplier for processing.

As a responsible enterprise, the Group also integrates the idea of environmental protection in its supply chain management and procurement. With the aim of reducing carbon emissions and transportation cost, we give priority to purchasing general supplies within the province. For particular production materials, we select suppliers whose production sites are close to our factory on the premise of meeting customers' requirements and production needs. The Group also procures environmentally-friendly materials such as paints that meet EU requirements. There were a total of 41 cooperating suppliers who supplied goods worth HK$1,000,000 or above to the Group ("**key suppliers**") during the Year and the geographical distribution of the key suppliers is shown in the figure below.

KEY SUPPLIER NUMBER BY REGION



QUALITY CONTROL

In an effort to provide our customers with products of high quality, the Group has been striving for excellence in the quality of its products since its establishment. In terms of compliance, we strictly comply with relevant laws and regulations, including but not limited to the Product Quality Law of the PRC. We also follow all relevant industrial standards on product quality and ensure that all the products meet our customers' requirements on quality and product health and safety.

From the management perspective, the Group has compiled the Quality Manual detailing the Quality Management System of the Group which meets the international standard of ISO9001:2000. The manual, which sets out a clear quality management approach and objectives of the Group, acts as a guide for all relevant departments and personnel when performing quality management work. With the Quality Management System, the Group can achieve a high standard of monitoring on all quality control and inspection procedures such as incoming inspection, storage control, production facility control, final product inspection, packaging, labeling and documentation. It even guides the planning and implementation of employee training programmes designed for quality management and control.

In regard to inspection, the Group has set the Procedures for Product Inspection and Monitoring specifically for guiding the practical operation of inspection and quality control of purchased materials, intermediate goods and final products. Routine inspection of every checkpoint along the production process is performed to examine the appearance and functionality of materials and goods. We also employ professional organisations to calibrate our inspection equipment every year to guarantee its accuracy hence product quality.

CUSTOMER SERVICE

The Group is devoted to providing excellent services for and maintaining a good relationship with customers. A range of channels for gathering customers' opinions has been developed, such as direct conversation with customers, customer complaint channels, surveys and questionnaires, industrial reports as well as reports from consumer bodies.

In respect of complaint handling, we require relevant departments to initiate a preliminary investigation within 2 hours upon receiving customer complaints and reply to customers after analyzing the problems and determining improvement measures. Meanwhile, the employee in charge of complaint handling shall take follow-up actions on the improvement and complete the complaint record sheet so as to optimize product quality and avoid the recurrence of similar problems. Recall procedure will be initiated when significant quality problems of delivered products are reported. During the Year, no large-scale complaints or product recall was reported.

ADVERTISEMENT

We usually carry out our marketing activities by periodically visiting clients and attending trade exhibitions. All sales and marketing information is carefully verified before publication to ensure its validity and compliance with relevant laws and regulations, including but not limited to the Advertising Law of the PRC.

PRIVACY PROTECTION AND INTELLECTUAL PROPERTY RIGHT

To protect the privacy and intellectual property of both the Group and customers, we strictly abide by the relevant laws and regulations, including but not limit to the Law of the PRC on the Protection of Consumer Rights and Interests and the Personal Data (Privacy) Ordinance of Hong Kong, and have stipulated in the Employee Handbook that employees must not reveal any confidential information, including the technical information, during or after their employment. For management cadres, department heads and other personnel who have access to confidential information, a non-disclosure agreement has to be signed which specifies their duties of confidentiality and violation responsibility. In addition, we have also improved the backup, hierarchical storage and management of data by strengthening the establishment of the management information system so as to ensure that important information is properly kept.

ANTI-CORRUPTION

The Group understands the importance of corruption-free business operation therefore has compiled a set of regulations regarding employees' self-discipline and integrity. Staff at the management level are required to sign the undertaking of integrity, ensuring that they follow all the rules as set out in the regulations. To reinforce employees' anti-corruption awareness and stress the importance of anti-corruption, we have conveyed the message and knowledge of anti-corruption to employees by sending emails and holding meetings. During the Year, we have provided an 1-hour training regarding business conduct, bribery and acceptance of gifts and entertainment to our staff and the Board, including 2 board members and 16 senior managers. We rigorously abided by relevant laws and regulations, such as the Criminal Law of the PRC, Anti-Money Laundering Law of the PRC and Prevention of Bribery Ordinance of Hong Kong. No legal cases regarding corrupt practices were reported during the Year.

To further strengthen the anti-corruption system of the Group, employees are encouraged to report potential cases regarding violation of internal regulations and infringement upon the interests of the Group or other employees through the reporting system to preclude the possibilities of malpractices in our daily operation. After receiving the reports, the relevant department will conduct an investigation within one month and refer the cases to the management for follow-up actions.

COMMUNITY INVESTMENT

At the same time of pursuing business development, the Group pursues the fulfillment of corporate responsibility, especially the social commitments to philanthropy. During the Year, the Group has committed to reducing its environmental footprint by switching off all non-essential lights for Earth Hour. We always encourage our employees to participate in public welfare activities. In the long term, we will continue to strive to establish friendly relationships with the community and society.

Grant Thornton
致同

To the members of Sino Golf Holdings Limited
(incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Sino Golf Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 67 to 138, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2021 were audited by another auditor who expressed an unmodified opinion on those statements on 24 March 2022.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS (Continued)

Impairment assessment on property, plant and equipment and right-of-use assets

Refer to notes 2, 4, 18 and 19 to the consolidated financial statements.

Key audit matter	How the matter was addressed in our audit
As at 31 December 2022, the carrying amounts of property, plant and equipment and right-of-use assets were HK$75,048,000 and HK$181,427,000 respectively. The property, plant and equipment and right-of-use assets are mainly arising from golf equipment and hospitality segments, which are regarded as separate cash-generating units ("CGUs"). In view of uncertainties over the pace of business recovery in golf equipment segment and loss generating status of hospitality segment for the year ended 31 December 2022, the management of the Group has performed impairment testing on the above-mentioned assets included in these two segments. As at 31 December 2022, the Group's ownership interest in leasehold land and buildings is measured at revalued amount with loss on revaluation of HK$5,468,000 recognised during the year ended 31 December 2022. In addition, based on the estimation of the recoverable amount of each CGU with reference to the value-in-use calculation and fair value less costs of disposal, and where appropriate, valuation prepared by the management of the Group and the independent valuers, the management of the Group determined that impairment loss of HK$13,057,000 on the land included in right-of-use assets of hospitality segment was recognised for the year ended 31 December 2022.	Our audit procedures in relation to the impairment assessment on property, plant and equipment and right-of-use assets included: – discussing the indication of possible impairment with the management of the Group and, where such indicators were identified by the management of the Group, assessed the impairment testing performed by the management of the Group; – reviewing the cash flows projections used in the value-in-use calculation by agreeing to the financial budgets approved by the directors of the Company and comparing to the actual results available up to the date of the report; – challenging the appropriateness of the management's judgements and estimates used in the cash flows projections, including the sales growth rates and gross profit margins, against latest market expectations; – challenging the discount rates adopted in the value-in-use calculations by reviewing their basis of calculations and comparing the input data to available market sources; and

KEY AUDIT MATTERS (Continued)

Impairment assessment on property, plant and equipment and right-of-use assets (Continued)

Refer to notes 2, 4, 18 and 19 to the consolidated financial statements.

Key audit matter	How the matter was addressed in our audit
We have identified the impairment assessment of the property, plant and equipment and right-of-use assets as a key audit matter because of their significance to the consolidated financial statements and the involvement of a significant degree of judgements and estimates made by the management of the Group and independent valuers in determining the cash flows projections, key inputs and assumptions used in the value-in-use calculation and valuation of the leasehold land and buildings included in the property, plant and equipment and the land included in right-of-use assets.	– challenging, with the assistance from the valuation expert, the valuation methodology, underlying data and inputs used by the management of the Group and independent valuers in respect of the fair value calculations of the leasehold land and buildings included in the property, plant and equipment and the land included in the right-of-use assets.

Net realisable value of inventories

Refer to notes 2, 4 and 22 to the consolidated financial statements.

Key audit matter	How the matter was addressed in our audit
As at 31 December 2022, the carrying amount of the inventories was HK$22,744,000. The carrying amount of the inventories, which are measured at the lower of cost and net realisable value, are reviewed by the management of the Group periodically, which involves significant degree of judgements and estimates on the net realisable value. We have identified the net realisable value of the inventories as a key audit matter because of the carrying amount of the inventories was significant to the consolidated financial statements and the assessment on the net realisable value of the inventories involves significant judgements and estimates used by the management of the Group.	Our audit procedures in relation to net realisable value of inventories included: – discussing with the management of the Group for the obsolete inventories identified as at 31 December 2022 and challenging their judgements and estimates on the allowance for such inventories; – reviewing the utilisation of inventories subsequent to the reporting date; and – reviewing the subsequent selling price of the inventories as at 31 December 2022 and compared with their carrying amounts to consider whether the inventories were measured at lower of their costs or net realisable values.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information in the 2022 annual report of the Company, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and in compliance with the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors assisted by the Audit Committee are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981 and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Grant Thornton Hong Kong Limited
Certified Public Accountants
11th Floor
Lee Garden Two
28 Yun Ping Road
Causeway Bay
Hong Kong SAR

30 June 2023

Lam Kam Fung
Practising Certificate No.: P07822

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	NOTES	2022 HK$'000	2021 HK$'000
Revenue	9	**479,424**	418,484
Cost of sales		**(394,016)**	(358,448)
Gross profit		**85,408**	60,036
Other operating income	9	**4,222**	2,559
Selling and distribution expenses		**(2,941)**	(3,392)
Administrative expenses		**(60,064)**	(55,815)
Loss on revaluation of ownership interest in leasehold land and buildings	18	**(5,468)**	(6,138)
Impairment loss on right-of-use assets	19	**(13,057)**	(8,194)
Finance costs	11	**(13,689)**	(12,622)
Loss before tax		**(5,589)**	(23,566)
Income tax expenses	12	**(10,360)**	(105)
Loss for the year	13	**(15,949)**	(23,671)
Other comprehensive (expense)/income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operations		**(2,401)**	1,598
Item that will not be reclassified subsequently to profit or loss:			
Loss on revaluation of ownership interest in leasehold land and buildings under revaluation model	18	**–**	(1,411)
Other comprehensive (expense)/income for the year, net of income tax		**(2,401)**	187
Total comprehensive expense for the year		**(18,350)**	(23,484)
Loss for the year attributable to:			
– Owners of the Company		**(15,949)**	(23,671)
– Non-controlling interests		**–**	–
		(15,949)	(23,671)
Total comprehensive expense for the year attributable to:			
– Owners of the Company		**(18,350)**	(23,484)
– Non-controlling interests		**–**	–
		(18,350)	(23,484)
		HK cent	HK cent
LOSS PER SHARE	14		
Basic and diluted		**(0.31)**	(0.46)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	NOTES	2022 HK$'000	2021 HK$'000
Non-current assets			
Property, plant and equipment	18	75,048	91,784
Right-of-use assets	19	181,427	204,919
Goodwill	20	–	–
Club debentures	21	1,322	1,322
Prepayments for the acquisition of property, plant and equipment		259	1,157
		258,056	299,182
Current assets			
Inventories	22	22,744	55,905
Trade and other receivables	23	66,647	79,695
Bank balances and cash	24	141,165	122,730
		230,556	258,330
Current liabilities			
Trade and other payables	25	50,752	100,262
Amount due to a director	26	64,822	63,463
Lease liabilities	19	2,040	2,124
Income tax payable		2,575	149
Bank borrowings	27	59,551	65,432
		179,740	231,430
Net current assets		50,816	26,900
Total assets less current liabilities		308,872	326,082
Non-current liabilities			
Convertible bond	28	53,517	49,189
Lease liabilities	19	5,988	8,822
Deferred tax liabilities	29	–	354
		59,505	58,365
Net assets		249,367	267,717

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	NOTE	2022 HK$'000	2021 HK$'000
Capital and reserves			
Share capital	30	**52,013**	52,013
Reserves		**194,624**	212,974
Equity attributable to owners of the Company		**246,637**	264,987
Non-controlling interests		**2,730**	2,730
Total equity		**249,367**	267,717

The consolidated financial statements on pages 67 to 138 were approved and authorised for issue by the board of directors on 30 June 2023 and were signed on its behalf by:

Huang Bangyin
Director

Chu Chun Man, Augustine
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Attributable to owners of the Company											
	Share capital HK$'000 (Note 30)	Share premium HK$'000	Convertible bond equity reserve HK$'000 (Note 28)	Contributed surplus HK$'000 (Note (i))	Assets revaluation reserve HK$'000	Statutory surplus reserve HK$'000 (Note (ii))	Exchange fluctuation reserve HK$'000	Other reserve HK$'000 (Note (iii))	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
As at 1 January 2021	52,013	399,369	8,333	33,966	1,411	17	7,322	22,615	(236,575)	288,471	2,730	291,201
Loss for the year	–	–	–	–	–	–	–	–	(23,671)	(23,671)	–	(23,671)
Other comprehensive (expense)/income for the year:												
Exchange differences arising on translation of financial statements of foreign operations	–	–	–	–	–	–	1,598	–	–	1,598	–	1,598
Loss on revaluation of ownership interest in leasehold land and buildings under revaluation model (Note 18(b))	–	–	–	–	(1,411)	–	–	–	–	(1,411)	–	(1,411)
Other comprehensive (expense)/income for the year	–	–	–	–	(1,411)	–	1,598	–	–	187	–	187
Total comprehensive (expense)/income for the year	–	–	–	–	(1,411)	–	1,598	–	(23,671)	(23,484)	–	(23,484)
As at 31 December 2021	52,013	399,369	8,333	33,966	–	17	8,920	22,615	(260,246)	264,987	2,730	267,717

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Attributable to owners of the Company											
	Share capital HK$'000 (Note 30)	Share premium HK$'000	Convertible bond equity reserve HK$'000 (Note 28)	Contributed surplus HK$'000 (Note (i))	Assets revaluation reserve HK$'000	Statutory surplus reserve HK$'000 (Note (ii))	Exchange fluctuation reserve HK$'000	Other reserve HK$'000 (Note (iii))	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
As at 1 January 2022	52,013	399,369	8,333	33,966	–	17	8,920	22,615	(260,246)	264,987	2,730	267,717
Loss for the year	–	–	–	–	–	–	–	–	(15,949)	(15,949)	–	(15,949)
Other comprehensive expense for the year:												
Exchange differences arising on translation of financial statements of foreign operations	–	–	–	–	–	–	(2,401)	–	–	(2,401)	–	(2,401)
Other comprehensive expense for the year	–	–	–	–	–	–	(2,401)	–	–	(2,401)	–	(2,401)
Total comprehensive expense for the year	–	–	–	–	–	–	(2,401)	–	(15,949)	(18,350)	–	(18,350)
As at 31 December 2022	52,013	399,369	8,333	33,966	–	17	6,519	22,615	(276,195)	246,637	2,730	249,367

Notes:

(i) The contributed surplus of the Company and its subsidiaries (collectively referred to as the "Group") represents (i) the difference between the nominal value of the shares and the share premium account of the subsidiaries acquired over the nominal value of the Company's shares issued in exchange therefor; and (ii) the credit arising from the capital reorganisation of the Company, partially offset by the bonus issue, as set out in the circular of the Company dated 14 December 2015.

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

(iii) The amount represented the difference between the carrying amount of the liability component of (a) the original convertible bond; and (b) the new convertible bond at the date of significant modification as owners' transaction on 30 December 2020. Details are set out in note 28.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	2022 HK$'000	2021 HK$'000
OPERATING ACTIVITIES		
Loss before tax	**(5,589)**	(23,566)
Adjustments for:		
Interest income	**(285)**	(55)
Finance costs	**13,689**	12,622
Depreciation of property, plant and equipment	**6,054**	6,229
Depreciation of right-of-use assets	**8,842**	8,817
Gain on disposal of property, plant and equipment	**(145)**	(61)
Government grants	**(787)**	(519)
Impairment loss on club debentures	**–**	1,075
Loss on revaluation of ownership interest in leasehold land and buildings	**5,468**	6,138
Impairment loss on right-of-use assets	**13,057**	8,194
Operating cash flows before movements in working capital	**40,304**	18,874
Decrease in inventories	**29,410**	1,207
Decrease/(Increase) in trade and other receivables	**12,032**	(6,942)
Decrease in amount due from a related company	**–**	1,017
(Decrease)/Increase in trade and other payables	**(43,845)**	25,482
Cash generated from operating activities	**37,901**	39,638
The PRC Enterprise Income Tax paid	**(8,201)**	–
NET CASH GENERATED FROM OPERATING ACTIVITIES	**29,700**	39,638

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	2022 HK$'000	2021 HK$'000
INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	**176**	61
Interest received	**285**	55
Purchase of property, plant and equipment	**(1,443)**	(583)
Prepayments for the acquisition of property, plant and equipment	**(269)**	(1,157)
NET CASH USED IN INVESTING ACTIVITIES	**(1,251)**	(1,624)
FINANCING ACTIVITIES		
New bank borrowings raised	**60,752**	91,485
Advance from/(Repayment to) a director	**1,359**	(19,775)
Advance from a director of a subsidiary of the Company	**11**	8
Repayments of bank borrowings	**(60,874)**	(91,354)
Receipts of government grants	**787**	519
Interest paid	**(9,312)**	(8,873)
Payment of lease liabilities	**(2,001)**	(1,432)
NET CASH USED IN FINANCING ACTIVITIES	**(9,278)**	(29,422)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**19,171**	8,592
CASH AND CASH EQUIVALENTS AS AT 1 JANUARY	**122,730**	113,786
Effect of foreign exchange rate changes	**(736)**	352
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER, represented the bank balances and cash	**141,165**	122,730

1. GENERAL

Sino Golf Holdings Limited (the "Company") was incorporated as an exempted company with limited liability in Bermuda under the Bermuda Companies Act. The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). In the opinion of the directors of the Company, the immediate holding company and ultimate controlling party are Wealth Sailor Limited (incorporated in the British Virgin Islands (the "BVI")) ("Wealth Sailor") and Mr. Huang Youlong respectively.

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

The principal activity of the Company is investment holding. The principal activities of the Group are (i) manufacturing and trading of golf equipment, golf bags, other accessories, related components and parts; and (ii) the development of integrated resort in the Commonwealth of the Northern Mariana Islands (the "CNMI"). The principal activities of the subsidiaries of the Company are set out in note 36.

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

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

Amended HKFRSs that are effective for annual periods beginning on 1 January 2022

In the current year, the Group has applied, for the first time, the following amendments to HKFRSs, which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKAS(s)") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are effective for the Group's financial year beginning on 1 January 2022:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts: Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020 Cycle
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combination

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and amendments to HKFRSs issued but not yet effective

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

HKFRS 17	Insurance Contracts and related amendments[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after 1 January 2024.
3 Effective for annual periods beginning on or after a date to be determined.

The directors of the Company anticipate that the application of new and amendments to HKFRSs will have no material impact on the consolidated results and the consolidated financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis, except for certain ownership interest in leasehold land and buildings included in property, plant and equipment that are measured at revalued amounts at the end of each reporting period.

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 at the measurement date 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.

The significant accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation

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

Control is achieved when the Group has: (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group's return.

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

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Income and expenses of subsidiaries are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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

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

Non-controlling interest, unless as required by another standards, are measured at acquisition-date fair value except for non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are initially measured either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets on a transaction-by-transaction basis. Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the owners of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill

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

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

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

Revenue from contracts with customers

Revenue is recognised to depict the transfer of promised goods and services to customers at an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. Specifically, the Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligations is transferred to customers.

A performance obligation represents a good (or a bundle of goods) that is distinct or a series of distinct goods that are substantially the same.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (Continued)

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Revenue is measured based on the consideration specified in a contract with a customer, excludes discounts and sales related taxes.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the customer.

The Group recognised revenue from manufacture and sales of (i) golf equipment and related components and parts; and (ii) golf bags, other accessories and related components and parts.

Sales of goods

The Group produces and sells golf equipment, golf bags, other accessories and related components and parts. Revenue from the sales of goods is generally recognised when control of the products has been transferred to the customer. Control of the product is considered transferred to the customer, being at the point the products are delivered to the customer's specific location and the customer has accepted the products. Certain of the Group's golf products are made-to-order with no alternative use for others, but the Group has no enforceable right to the customer's payment for the performance completed to date. Therefore, the directors of the Company consider that the control over such goods is transferred at a point in time, instead of over time.

A receivable is recognised when the products are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. Payment of the transaction price is usually due within 30-60 days of the date when control of the products is transferred to the customer.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (Continued)

Sales of scrap materials, sample and tooling income

Other income from the sales of scrap materials, sample and tooling income is recognised when control of the products has been transferred to the customer, being at the point the products are delivered to the customer's specific location and the customer has accepted the products.

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract or modification date or acquisition date, as appropriate. The Group recognises right-of-use assets and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less from the commencement date and do not contain a purchase option). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liabilities

At the commencement date, the Group measures lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

The Group as lessee (Continued)

Lease liabilities (Continued)

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Lease liability is remeasured (and with a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); or
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liabilities, lease payments made at or before the commencement date and any initial direct costs, less lease incentives received. Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. The costs are included in the related right-of-use assets.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. They are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group presents right-of-use assets as a separate line in the consolidated statement of financial position. The Group applies HKAS 36 *Impairment of Assets* to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss (see the accounting policy in respect of impairment loss on property, plant and equipment, right-of-use assets and club debentures below).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

The Group as lessee (Continued)

Lease modification

The Group accounts for a lease modification as a separate lease if:

- the modification increase the scope of the lease by adding the right to use one or more underlying assets, and
- the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing costs

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

Government grants

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

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

Short-term employee benefits

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

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

Taxation

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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

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

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

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

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

Current tax assets and current tax liabilities are presented in net if, and only if,

(a) the Group has the legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

    (i) the same taxable entity; or

    (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost or revaluated amount less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Ownership interest in leasehold land and buildings

When the Group makes payments for ownership interest of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Ownership interest in leasehold land and buildings held for use in the production or supply of goods are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Revaluations in respect of the ownership interest in leasehold land and buildings are made annually at the end of each reporting period. Any increase in carrying amount of an asset as a result of a revaluation is recognised in other comprehensive income and accumulated in equity under the heading of assets revaluation reserve while downward revaluations are recognised upon appraisal or impairment testing, with the decrease being charged to other comprehensive income to the extent of any revaluation surplus in equity relating to this asset and any remaining decrease is recognised in profit or loss. However, an increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss while a decrease is recognised in other comprehensive income when it reduces the related amount accumulated in assets revaluation reserve.

The assets revaluation reserve in respect of the ownership interest in leasehold land and buildings held for use in the production or supply of goods stated at revaluated amount is transferred directly to accumulated losses when it is realised on retirement or disposal.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Club debentures

Club debentures with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on property, plant and equipment and right-of-use assets and club debentures below).

Inventories

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

Cash and cash equivalents

In the consolidated statement of financial position, cash and bank balances comprise cash (i.e. cash on hand and demand deposits) and cash equivalents. Cash equivalents are short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather for investment or other purposes.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents, as defined above, net of outstanding bank overdrafts, if any, which are repayable on demand and form an integral part of the Group's cash management. Such overdrafts, if any, are presented as short-term borrowings in the consolidated statement of financial position.

Investments in subsidiaries

Investments in subsidiaries are stated on the statement of financial position of the Company at cost less accumulated impairment loss, if any.

The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the end of the reporting period. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables that do not contain a significant financing component arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets or financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at amortised cost.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

Financial assets at amortised cost (debt instruments)

The Group measures financial assets subsequently at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses (the "ECL"), through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at amortised cost (debt instruments) (Continued)

Amortised cost and effective interest method (Continued)

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Interest income is recognised in profit or loss and is included in the "other operating income" (note 9).

Impairment of financial assets

The Group recognises a loss allowance for the ECL on investments in debt instruments that are measured at amortised cost. The amount of the ECL is updated at the end of each reporting period to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group applies a simplified approach in calculating ECL and recognises lifetime ECL for trade receivables. The ECL on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the end of the reporting period, including time value of money where appropriate.

For all other financial instruments, the Group measures the loss allowance equal to 12-month ECL, unless when there has a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of a default occurring since initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at amortised cost (debt instruments) (Continued)

Impairment of financial assets (Continued)

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the end of the reporting period with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition.

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular debtor, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- significant increases in credit risk on other financial instruments of the same debtor; or
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at amortised cost (debt instruments) (Continued)

Impairment of financial assets (Continued)

Significant increase in credit risk (Continued)

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the end of the reporting period. A financial instrument is determined to have low credit risk if (i) the financial instrument has a low risk of default; (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when the asset has external credit rating of "investment grade" in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of "performing". Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 60 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at amortised cost (debt instruments) (Continued)

Impairment of financial assets (Continued)

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over one year past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at amortised cost (debt instruments) (Continued)

Impairment of financial assets (Continued)

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the end of the reporting period.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities subsequently measured at amortised cost

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

Derecognition of financial liabilities

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Convertible bond

Convertible bond issued by the Group that contain both the liability and conversion option components are classified separately into respective items on initial recognition in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible bond and the fair value assigned to the liability component, representing the conversion option for the holder to convert the bond into equity, is included in equity under the heading of convertible bond equity reserve.

In subsequent periods, the liability component of the convertible bond is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible bond equity reserve until the conversion option is exercised (in which case the balance stated in convertible bond equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible bond equity reserve will be released to the accumulated losses. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible bond are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bond using the effective interest method.

Impairment loss on property, plant and equipment, right-of-use assets and club debentures (other than impairment of goodwill set out in the accounting policy of goodwill above)

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment loss on property, plant and equipment, right-of-use assets and club debentures (other than impairment of goodwill set out in the accounting policy of goodwill above) (Continued)

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value-in-use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

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

Fair value measurement

When measuring fair value except for the Group's leasing transactions, net realisable value of inventories for the purpose of impairment assessment, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement (Continued)

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

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

Level 2 – Valuation technique for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable, and not using significant unobservable inputs.

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

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

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgement in applying accounting policies

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

Liquidity

The Group relies on bank borrowings, amount due to a director and the convertible bond as a significant source of liquidity. As at 31 December 2022, the Group had unused banking facilities of approximately HK$21,348,000 (2021: HK$23,457,000). The directors of the Company consider that the Group will be able to renew the banking facilities upon maturity.

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty

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

Net realisable value of inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs to make the sale. The cost of inventories is written down to the net realisable value when there is objective evidence that the cost of inventories is higher than its net realisable value. The amount written down to the consolidated statement of profit or loss and other comprehensive income is the difference between the carrying value and net realisable value of inventories. In determining whether the net realisable value of the inventories, significant judgement is required. In making this judgement, the directors of the Company evaluate, amongst other factors, the duration, extent and means by which the amount will be recovered. These estimates are based on the current market and past experience in sales of similar products. It could change significantly as a result of changes in customers' preferences and competitor actions in response to changes in market condition.

As at 31 December 2022, the carrying amount of inventories was HK$22,744,000 (2021: HK$55,905,000). No inventory was written off or written down for the years ended 31 December 2022 and 2021.

Impairment assessment of right-of-use assets from hospitality segment

At the end of the reporting period, the directors of the Company review the carrying amounts of its right-of-use assets from hospitality segment, which is regarded as a separate cash-generating unit, of HK$166,842,000 (2021: HK$186,264,000) and identified if there is indication that those assets may suffer an impairment loss. Accordingly, the recoverable amount of the relevant cash-generating unit to which the right-of-use assets are allocated and estimated in order to determine the extent of the impairment loss. The recoverable amount is determined by the fair value less costs of disposal, in which the calculation is based on available data from sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. In addition, the Group engaged an independent valuer to perform the valuation on the right-of-use assets from hospitality segment. The directors of the Company work closely with the independent valuer to establish the appropriate valuation techniques and inputs to the model to estimate the valuation of the right-of-use assets from hospitality segment. Where the fair value less costs of disposals are less than the carrying amount, an impairment loss may arise.

Based on the estimated recoverable amount, an impairment loss of HK$13,057,000 (2021: HK$8,194,000) was recognised on right-of-use assets from hospitality segment for the year ended 31 December 2022. Details of impairment assessment are set out in note 19.

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Loss allowance for impairment of trade and other receivables

The loss allowance for impairment of trade and other receivables are measured using ECL model which requires the Group to use judgement and estimates in making assumptions and selecting the inputs to the ECL model, based on the number of days that an individual receivable is outstanding as well as the Group's historical experience and forward-looking information at the end of the reporting period. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional loss allowance for impairment of trade and other receivables.

As at 31 December 2022, the carrying amount of the trade receivables and other receivables were HK$44,212,000 (2021: HK$66,989,000) and HK$17,823,000 (2021: HK$8,315,000) respectively. No loss allowance for impairment of trade and other receivables has been recognised during the years ended 31 December 2022 and 2021.

Revaluation of ownership interest in leasehold land and buildings

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

As at 31 December 2022, the revalued amount of ownership interest in leasehold land and buildings was HK$71,910,000 (2021: HK$88,148,000). Loss on revaluation of ownership interest in leasehold land and buildings of HK$5,468,000 has been recognised during the year ended 31 December 2022 (2021: loss on revaluation of ownership interest in leasehold land and buildings of HK$6,138,000 was recognised in profit or loss while loss on revaluation of ownership interest in leasehold land and buildings under valuation model of HK$1,411,000 was recognised in other comprehensive income). Details are set out in note 18.

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Depreciation and useful lives of property, plant and equipment and right-of-use assets

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

As at 31 December 2022, the carrying amount of the property, plant and equipment and right-of-use assets was HK$75,048,000 (2021: HK$91,784,000) and HK$181,427,000 (2021: HK$204,919,000) respectively. There were no changes on the useful lives and residual value of property, plant and equipment and right-of-use assets during the years ended 31 December 2022 and 2021.

Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the provision for Hong Kong Profits Tax and PRC Enterprise Income Tax ("EIT"). There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax assets and liabilities in the period in which such determination is made. Detail are set out in note 12(v).

As at 31 December 2022, no deferred tax asset has been recognised on (i) deductible temporary difference arising from the loss on revaluation of ownership interest in leasehold land and buildings of HK$5,468,000 (2021: HK$6,138,000); and (ii) estimated unused tax losses amounted to HK$37,938,000 (2021: HK$76,604,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal takes place.

5. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes amount due to a director disclosed in note 26, bank borrowings disclosed in note 27, convertible bond disclosed in note 28, net of bank balances and cash disclosed in note 24 and equity attributable to owners of the Company, comprising issued share capital and reserves.

The Group monitors its capital by using a gearing ratio, which consists of net debt divided by the total equity. The Group's policy is to maintain the gearing ratio at not more than 100% (2021: 100%), which is determined and reviewed with reference to the funding needs of the Group periodically. Total equity includes equity attributable to the owners of the Company and non-controlling interests. The gearing ratios as at the end of the reporting period were as follows:

	2022 **HK$'000**	2021 HK$'000
Amount due to a director	**64,822**	63,463
Bank borrowings	**59,551**	65,432
Convertible bond	**53,517**	49,189
Less: bank balances and cash	**(141,165)**	(122,730)
Net debts	**36,725**	55,354
Equity attributable to owners of the Company	**246,637**	264,987
Non-controlling interests	**2,730**	2,730
Total equity	**249,367**	267,717
Gearing ratio	**15%**	21%

6. FINANCIAL INSTRUMENTS

Categories of financial instruments are as follows:

	2022 **HK$'000**	2021 HK$'000
Financial assets		
Financial assets at amortised cost	**203,200**	198,034
Financial liabilities		
Financial liabilities at amortised cost	**235,791**	285,307

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include trade receivables, deposits and other receivables, bank balances and cash, trade payables, accruals and other payables, amount due to a director, bank borrowings, convertible bond and lease liabilities which are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

Several subsidiaries of the Company have purchases and bank balances denominated in foreign currency, which expose the Group to foreign currency risk. Approximately 3% (2021: 3%) of the Group's purchase are denominated in currencies other than the functional currency of the group entities making the purchase.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Assets		**Liabilities**		**Net exposure**	
	2022 HK$'000	2021 HK$'000	**2022 HK$'000**	2021 HK$'000	**2022 HK$'000**	2021 HK$'000
RMB	**13,485**	14,818	**(401)**	(1,358)	**13,084**	13,460

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

Sensitivity analysis

As at 31 December 2022, the directors of the Company estimated that the effect on the Company's loss after tax and reserve would be HK$491,000 (2021: HK$505,000) lower or higher for a general depreciation or appreciation of 5% on HK$ against RMB with all other variables held constant.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Company which expose the Company to foreign currency risk at the end of the reporting period. The analysis is performed on the same basis as for 2021.

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Market risk (Continued)

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to amount due to a director, bank borrowings, lease liabilities and convertible bond with fixed interest rate. The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

The Group is also exposed to cash flows interest rate risk in relation to the bank balances. Since the Group's bank balances are short-term in nature, the exposure of the interest rate risk is minimal and no sensitivity to interest rate risk is presented.

Credit risk

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. As at 31 December 2022 and 2021, the Group's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group applies simplified approach on trade receivables to provide for ECL prescribed by HKFRS 9. To measure the ECL, the trade receivables have been grouped based on shared credit risk characteristics and past due status.

For other non-traded related receivables, the Group has assessed whether there has been a significant increase in credit risk since initial recognition. The Group considers that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided loss allowance based on 12-month ECL.

The Group's exposure and the credit ratings of its counterparties are continuously monitored and controlled by credit limits. The Group's current credit practices include assessment and valuation of customer's credit reliability and periodic review of their financial status to determine credit limits to be granted.

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

The Group's concentrations of credit risk are 42% and 92% (2021: 43% and 96%) of the total trade receivables which are due from the Group's largest customer and the five largest customers, respectively. However, management of the Group considers the credit risk is under control since the management of the Group exercises due care in granting credit and reviews the recoverable amount at the end of each reporting period to ensure adequate loss allowance has been made for irrecoverable amounts.

The credit risk on liquid fund is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. Hence, no loss allowance has been made in these consolidated financial statements.

The Group's concentration of credit risk by geographical locations is mainly in North America, which accounted for 75% (2021: 80%) of the total trade receivables as at 31 December 2022.

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising ECL
Performing	For financial assets where there has low risk of default or has not been a significant increase in credit risk since initial recognition and that are not credit-impaired (refer to as Stage 1)	12-month ECL
Doubtful	For financial assets where there has been a significant increase in credit risk since initial recognition but that are not credit-impaired (refer to as Stage 2)	Lifetime ECL – not credit-impaired
Default	Financial assets are assessed as credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred (refer to as Stage 3)	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

The tables below detail the credit quality of the Group's financial assets, as well as the Group's maximum exposure to credit risk by credit risk rating grades.

As at 31 December 2022	Internal credit rating	12-month or lifetime ECL	Gross carrying amount HK$'000	Loss allowance HK$'000	Net carrying amount HK$'000
Trade receivables	(Note (i))	Lifetime ECL (not credit-impaired)	44,212	–	44,212
Deposits and other receivables	Performing	12-month ECL (note (ii))	17,823	–	17,823
Bank balances and cash	Performing	12-month ECL	141,165	–	141,165

As at 31 December 2021	Internal credit rating	12-month or lifetime ECL	Gross carrying amount HK$'000	Loss allowance HK$'000	Net carrying amount HK$'000
Trade receivables	(Note (i))	Lifetime ECL (not credit-impaired)	66,989	–	66,989
Deposits and other receivables	Performing	12-month ECL (note (ii))	8,315	–	8,315
Bank balances and cash	Performing	12-month ECL	122,730	–	122,730

Notes:

(i) The Group applied simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL and determined the ECL by using a provision matrix, details of which are set out in note 23.

(ii) The management of the Group considered that there has been no significant increase in credit risk in these receivables, therefore no loss allowance was recognised.

Liquidity risk

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

The Group relies on bank borrowings, amount due to a director and convertible bond as a significant source of liquidity. As at 31 December 2022, the Group had unused banking facilities of approximately HK$21,348,000 (2021: HK$23,457,000).

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

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

The table includes both interest and principal cash flows.

	As at 31 December 2022				
	Within one year or on demand HK$'000	Within one to two years HK$'000	Within two to five years HK$'000	Total contractual undiscounted cash flows HK$'000	Carrying amount HK$'000
Non-derivative financial liabilities					
Trade and other payables	49,873	–	–	49,873	49,873
Amount due to a director	64,822	–	–	64,822	64,822
Bank borrowings	61,207	–	–	61,207	59,551
Convertible bond	–	–	74,100	74,100	53,517
Lease liabilities	2,427	2,427	4,017	8,871	8,028
	178,329	2,427	78,117	258,873	235,791

	As at 31 December 2021				
	Within one year or on demand HK$'000	Within one to two years HK$'000	Within two to five years HK$'000	Total contractual undiscounted cash flows HK$'000	Carrying amount HK$'000
Non-derivative financial liabilities					
Trade and other payables	96,277	–	–	96,277	96,277
Amount due to a director	63,463	–	–	63,463	63,463
Bank borrowings	67,512	–	–	67,512	65,432
Convertible bond	–	–	74,100	74,100	49,189
Lease liabilities	2,667	2,667	7,080	12,414	10,946
	229,919	2,667	81,180	313,766	285,307

8. FAIR VALUE MEASUREMENTS

The directors of the Company consider that the fair value of the debt component of the convertible bond approximates to its carrying amount.

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

9. REVENUE AND OTHER OPERATING INCOME

Revenue represents revenue arising on sales of goods for the year. An analysis of the Group's revenue for the year is as follows:

	2022 HK$'000	2021 HK$'000
Revenue from contracts with customers within the scope of HKFRS 15:		
– Sales of golf equipment and related components and parts	430,829	373,350
– Sales of golf bags, other accessories and related components and parts	48,595	45,134
	479,424	418,484

Disaggregation of revenue from contracts with customers by timing of recognition:

	2022 HK$'000	2021 HK$'000
Timing of revenue recognition at a point in time	479,424	418,484

The Group's other operating income is presented as follows:

	2022 HK$'000	2021 HK$'000
Sample income	889	358
Government grants (note)	787	519
Tooling income	343	430
Interest income	285	55
Gain on disposal of property, plant and equipment	145	61
Sundry income	1,773	1,136
	4,222	2,559

Note: The amount represents government grants received from the Hong Kong Special Administrative Region and the PRC local government authorities (2021: the PRC local government authority) as employment protection incentives subsidy to the Group, which were immediately recognised as other operating income for the year as the Group fulfilled all the relevant granting criteria. There are no unfulfilled conditions and other contingencies attached to the receipts of those grants.

10. SEGMENT INFORMATION

Information reported to the board of directors of the Company, being the chief operating decision maker (the "CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered. The CODM have chosen to organise the Group around differences in products. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable segments are as follows:

Golf equipment – Manufacture and sales of golf equipment and related components and parts.

Golf bags – Manufacture and sales of golf bags, other accessories, and related components and parts.

Hospitality – Development of integrated resort in CNMI.

(a) Segment revenue and results

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

For the year ended 31 December

	Golf equipment		Golf bags		Hospitality		Eliminations		Consolidated	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:										
Sales to external customers	**430,829**	373,350	**48,595**	45,134	**–**	–	**–**	–	**479,424**	418,484
Inter-segment sales	**–**	–	**6,101**	16,592	**–**	–	**(6,101)**	(16,592)	**–**	–
Other operating income	**2,257**	2,167	**1,680**	338	**–**	–	**–**	–	**3,937**	2,505
Total	**433,086**	375,517	**56,376**	62,064	**–**	–	**(6,101)**	(16,592)	**483,361**	420,989
Segment results	**33,459**	10,112	**6,930**	5,450	**(19,463)**	(14,900)	**–**	–	**20,926**	662
Interest income									**285**	55
Impairment loss on club debentures									**–**	(1,075)
Unallocated corporate expenses									**(13,111)**	(10,586)
Finance costs									**(13,689)**	(12,622)
Loss before tax									**(5,589)**	(23,566)

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment results represent the profit/(loss) from each segment without allocation of interest income, impairment loss on club debentures, central administration costs, directors' emoluments and finance costs. This is the measure reported to the CODM of the Group for the purposes of resource allocation and performance assessment.

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

10. SEGMENT INFORMATION (Continued)

(b) Segment assets and liabilities

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

As at 31 December

	Golf equipment		Golf bags		Hospitality		Consolidated	
	2022 HK$'000	2021 HK$'000	2022 HK$'000	2021 HK$'000	2022 HK$'000	2021 HK$'000	2022 HK$'000	2021 HK$'000
Segment assets	140,448	218,080	34,609	25,523	166,883	186,322	341,940	429,925
Unallocated corporate assets								
– Club debentures							1,322	1,322
– Bank balances and cash							141,165	122,730
– Others							4,185	3,535
Total assets							488,612	557,512
Segment liabilities	34,716	79,019	13,925	22,087	7,507	7,500	56,148	108,606
Unallocated corporate liabilities								
– Amount due to a director							64,822	63,463
– Income tax payable							2,575	149
– Bank borrowings							59,551	65,432
– Convertible bond							53,517	49,189
– Deferred tax liabilities							–	354
– Others							2,632	2,602
Total liabilities							239,245	289,795

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

- all assets are allocated to operating segments other than club debentures, bank balances and cash, certain other receivables, certain inventories and plant and equipment for central administrative purpose; and
- all liabilities are allocated to operating segments other than amount due to a director, income tax payable, bank borrowings, convertible bond, deferred tax liabilities and certain other payables.

10. SEGMENT INFORMATION (Continued)

(c) Geographical information

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

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

	Revenue from external customers	
	2022	2021
	HK$'000	HK$'000
Japan	**168,289**	176,482
North America	**167,869**	109,790
Europe	**67,790**	81,328
Asia (excluding Japan)	**49,156**	26,752
Others	**26,320**	24,132
	479,424	418,484

Information about the Group's non-current assets is presented based on the geographical location of the assets:

	2022	2021
	HK$'000	HK$'000
The CNMI	**166,842**	186,264
The PRC, excluding Hong Kong	**89,634**	111,083
Hong Kong of the PRC (country of domicile)	**1,580**	1,835
	258,056	299,182

10. SEGMENT INFORMATION (Continued)

(d) Other segment information

Amounts included in the measure of segment profit or loss or segment assets:

For the year ended 31 December

	Golf equipment		Golf bags		Hospitality		Unallocated		Consolidated	
	2022 HK$'000	2021 HK$'000	2022 HK$'000	2021 HK$'000	2022 HK$'000	2021 HK$'000	2022 HK$'000	2021 HK$'000	2022 HK$'000	2021 HK$'000
Additions to non-current assets (note)	1,550	1,609	162	11,499	–	–	–	29	1,712	13,137
Depreciation of property, plant and equipment	5,867	6,069	178	155	–	–	9	5	6,054	6,229
Depreciation of right-of-use assets	283	293	2,194	1,854	6,365	6,650	–	20	8,842	8,817
Impairment loss on club debentures	–	–	–	–	–	–	–	1,075	–	1,075
Loss on revaluation of ownership interest in leasehold land and buildings	5,468	6,138	–	–	–	–	–	–	5,468	6,138
Impairment loss on right-of-use assets	–	–	–	–	13,057	8,194	–	–	13,057	8,194
Government grants	(787)	(519)	–	–	–	–	–	–	(787)	(519)
Gain on disposal of property, plant and equipment	(63)	–	(82)	(61)	–	–	–	–	(145)	(61)

Note: Additions to non-current assets included property, plant and equipment, right-of-use assets and prepayments for the acquisition of property, plant and equipment.

Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets:

For the year ended 31 December

	Golf equipment		Golf bags		Hospitality		Unallocated		Total	
	2022 HK$'000	2021 HK$'000	2022 HK$'000	2021 HK$'000	2022 HK$'000	2021 HK$'000	2022 HK$'000	2021 HK$'000	2022 HK$'000	2021 HK$'000
Interest income	–	–	–	–	–	–	(285)	(55)	(285)	(55)
Finance costs	–	–	–	–	–	–	13,689	12,622	13,689	12,622
Income tax expenses	–	–	–	–	–	–	10,360	105	10,360	105

10. SEGMENT INFORMATION (Continued)

(e) Information about major customers

Revenue from customers of the corresponding years contributing over 10% (2021: 10%) of the total revenue of the Group is as follows:

	Revenue generated from	2022 HK$'000	2021 HK$'000
Customer A	Golf equipment and Golf bags	250,640	219,543
Customer B	Golf equipment	75,575	63,688
Customer C	Golf equipment	74,425	74,592

11. FINANCE COSTS

	2022 HK$'000	2021 HK$'000
Interest expenses on:		
– amount due to a director	6,167	5,030
– convertible bond (note 28)	4,328	3,989
– bank borrowings	2,682	3,369
– lease liabilities (note 19)	512	234
Total finance costs	13,689	12,622

12. INCOME TAX EXPENSES

	2022 HK$'000	2021 HK$'000
Hong Kong Profits Tax		
– Current year	89	105
– Over-provision in prior years	(61)	–
	28	105
PRC EIT		
– Current year	2,317	44
– Under-provision in prior years	8,369	–
	10,686	44
	10,714	149
Deferred tax (note 29)	(354)	(44)
	10,360	105

12. INCOME TAX EXPENSES (Continued)

(i) Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profits for the years ended 31 December 2022 and 2021.

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

(iii) The corporate income tax in the CNMI is calculated at 30% of the estimated profit for the years ended 31 December 2022 and 2021. No provision for corporate income tax for the subsidiary incorporated in the CNMI as no income has been derived from the CNMI during the years ended 31 December 2022 and 2021.

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

(v) During the year ended 31 December 2022, a PRC tax authority conducted a transfer pricing audit on a subsidiary of the Company established in the PRC for the period from 1 January 2014 to 31 December 2020. The authority completed the transfer pricing audit and issued an updated adjustment notice with an additional tax payment and interest for PRC EIT of HK$6,862,000 (2021: nil), for which the Group has agreed and settled during the year ended 31 December 2022. The deduction previously claimed from the utilisation of tax losses not recognised during the year ended 31 December 2021, which amounted to around HK$1,087,000, has been reversed in this case.

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

	2022 **HK$'000**	2021 HK$'000
Loss before tax	**(5,589)**	(23,566)
Tax calculated at rates applicable to loss in the respective tax jurisdictions concerned	**(3,502)**	(6,387)
Additional provision from a transfer pricing audit	**6,862**	–
Under-provision in prior years	**1,446**	–
Tax effect of income not taxable for tax purposes	**(637)**	(697)
Tax effect of expense not deductible for tax purposes	**9,838**	7,806
Tax effect of deductible temporary difference not recognised	**1,608**	1,535
Utilisation of deductible temporary difference previously not recognised	**(354)**	(151)
Tax effect of tax losses not recognised	**406**	154
Utilisation of tax losses previously not recognised	**(5,307)**	(2,155)
Income tax expenses	**10,360**	105

Details of the deferred taxation are set out in note 29.

13. LOSS FOR THE YEAR

	2022 HK$'000	2021 HK$'000
Loss for the year has been arrived at after charging:		
Staff cost (including directors' and chief executives' emoluments):		
– Salaries, allowances and other benefits in kind	**89,390**	78,129
– Contributions to retirement benefit schemes	**6,987**	6,019
Total staff cost	**96,377**	84,148
Auditor's remuneration	**1,090**	1,060
Amount of inventories recognised as an expense (note)	**394,016**	358,448
Depreciation of property, plant and equipment	**6,054**	6,229
Depreciation of right-of-use assets	**8,842**	8,817
Impairment loss on club debentures	**–**	1,075
Exchange loss, net	**1,393**	1,508

Note: Included in the amount of inventories recognised as an expense is the management fee paid of HK$25,000,000 (2021: nil).

14. LOSS PER SHARE

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

	2022 HK$'000	2021 HK$'000
Loss		
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per share	**(15,949)**	(23,671)

	2022 '000	2021 '000
Number of shares		
Number of ordinary shares for the purpose of basic and diluted loss per share	**5,201,250**	5,201,250

14. LOSS PER SHARE (Continued)

The computation of diluted loss per share does not assume the conversion of the Company's outstanding convertible bond since its exercise would result in a decrease in loss per share.

15. DIVIDENDS

No dividends were paid, declared or proposed during the year ended 31 December 2022, nor has any dividend been proposed since the end of the reporting period (2021: nil).

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

	2022 **HK$'000**	2021 HK$'000
Salaries, allowances and other benefits in kind	**84,266**	74,771
Contributions to retirement benefit schemes	**6,968**	5,997
	91,234	80,768

(i) Hong Kong

Subsidiaries in Hong Kong operate the MPF Scheme under the Mandatory Provident Fund Schemes Ordinance, for all of its employees in Hong Kong. The Group contributes 5% (2021: 5%) of relevant payroll costs, capped at HK$1,500 (2021: HK$1,500) per month, to the MPF Scheme, in which the contribution is matched by employees. The assets of the MPF Scheme are held separately from those of the subsidiaries in an independent administered fund. The subsidiaries' employer contributions vest fully with the employees when contributed into the MPF Scheme. During the year ended 31 December 2022, a total contribution of approximately HK$223,000 (2021: HK$230,000) was made by the Group in respect of this scheme.

There was no forfeited contribution during the years ended 31 December 2022 and 2021.

(ii) The PRC, other than Hong Kong

The employees of the Group who work in the PRC are required to participate in pension schemes operated by the local governments. The Group is required to contribute certain percentage of their payroll costs to the schemes. The contributions are charged to the consolidated statement of profit or loss and other comprehensive income as they become payable in accordance with the rules of the pension schemes. During the year ended 31 December 2022, a total contribution of approximately HK$6,745,000 (2021: HK$5,767,000) was made by the Group in respect of this scheme.

There was no forfeited contribution during the years ended 31 December 2022 and 2021.

17. DIRECTORS', CHIEF EXECUTIVES' AND EMPLOYEES' EMOLUMENTS

(a) Directors' and chief executives' remuneration

The emoluments paid or payable to each of the six (2021: six) directors, including the chief executive, were as follows:

For the year ended 31 December 2022

	Executive directors		Non-executive director	Independent non-executive directors			
	Huang Bangyin HK$'000	Chu Chun Man, Augustine HK$'000	Wong Hin Shek HK$'000	Sheng Baojun HK$'000	Ho Kwong Yu HK$'000	Lin Lin HK$'000	Total HK$'000
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking:							
Fees	144	600	360	144	144	144	1,536
Salaries	–	88	–	–	–	–	88
Discretionary bonus	–	3,500	–	–	–	–	3,500
Contributions to retirement benefit schemes	–	1	18	–	–	–	19
Total emoluments	144	4,189	378	144	144	144	5,143

For the year ended 31 December 2021

	Executive directors		Non-executive director	Independent non-executive directors			
	Huang Bangyin HK$'000	Chu Chun Man, Augustine HK$'000	Wong Hin Shek HK$'000	Sheng Baojun HK$'000	Ho Kwong Yu HK$'000	Lin Lin HK$'000	Total HK$'000
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking:							
Fees	144	600	360	144	144	144	1,536
Salaries	–	72	–	–	–	–	72
Discretionary bonus	–	1,750	–	–	–	–	1,750
Contributions to retirement benefit schemes	–	4	18	–	–	–	22
Total emoluments	144	2,426	378	144	144	144	3,380

The emoluments of Mr. Huang Bangyin disclosed above included those for services rendered by him as the chief executive of the Company.

17. DIRECTORS', CHIEF EXECUTIVES' AND EMPLOYEES' EMOLUMENTS (Continued)

(a) Directors' and chief executives' remuneration (Continued)

The discretionary bonus of Mr. Chu Chun Man, Augustine is determined by the Remuneration Committee having regard to his performance and the Group's performance and profitability and the prevailing market conditions.

Neither the chief executive nor any of the directors waived or agreed to waive any emoluments during the years ended 31 December 2022 and 2021.

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, one (2021: one) was the director of the Company. The emoluments of the remaining four (2021: four) highest paid individuals were as follows:

	2022 HK$'000	2021 HK$'000
Salaries, allowances and other benefits in kind	4,502	4,114
Contributions to retirement benefit schemes	54	54
	4,556	4,168

Their emoluments were within the following bands:

	Number of individuals	
	2022	2021
Nil to HK$1,000,000	2	2
HK$1,000,001 to HK$1,500,000	2	2
	4	4

(c) No emoluments have been paid by the Group to the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office for the years ended 31 December 2022 and 2021.

18. PROPERTY, PLANT AND EQUIPMENT

	Ownership interest in leasehold land and buildings (at revalued amount) HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST/VALUATION						
As at 1 January 2021	95,595	1,475	50,630	3,752	4,722	156,174
Revaluation	(10,693)	–	–	–	–	(10,693)
Additions	–	–	609	161	62	832
Disposals	–	–	(452)	(130)	–	(582)
Exchange realignment	3,246	22	2,023	130	58	5,479
As at 31 December 2021 and 1 January 2022	88,148	1,497	52,810	3,913	4,842	151,210
Revaluation	(8,315)	–	–	–	–	(8,315)
Additions	–	–	2,031	254	325	2,610
Disposal	–	–	(1,894)	–	–	(1,894)
Exchange realignment	(7,923)	(55)	(5,102)	(338)	(143)	(13,561)
As at 31 December 2022	71,910	1,442	47,845	3,829	5,024	130,050
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
As at 1 January 2021	–	1,180	46,201	3,541	4,027	54,949
Provided for the year	3,069	59	2,740	104	257	6,229
Eliminated on disposals	–	–	(452)	(130)	–	(582)
Eliminated on revaluation	(3,144)	–	–	–	–	(3,144)
Exchange realignment	75	12	1,714	124	49	1,974
As at 31 December 2021 and 1 January 2022	–	1,251	50,203	3,639	4,333	59,426
Provided for the year	2,946	57	2,617	140	294	6,054
Eliminated on disposal	–	–	(1,863)	–	–	(1,863)
Eliminated on revaluation	(2,847)	–	–	–	–	(2,847)
Exchange realignment	(99)	(34)	(5,203)	(315)	(117)	(5,768)
As at 31 December 2022	–	1,274	45,754	3,464	4,510	55,002
CARRYING VALUES						
As at 31 December 2022	71,910	168	2,091	365	514	75,048
As at 31 December 2021	88,148	246	2,607	274	509	91,784

18. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

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

(b) Ownership interest in leasehold land and buildings are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The fair value of the ownership interest in leasehold land and buildings of the Group as at 31 December 2022 and 2021 have been arrived at on the basis of a valuation carried out on that date by LCH (Asia-Pacific) Surveyors Limited ("LCH"), independent qualified professional valuers not connected with the Group. LCH has appropriate qualifications and has recent experience in the valuation of similar properties in the relevant locations. The valuation was arrived at by valuation techniques and assumptions as discussed below.

If the ownership interest in leasehold land and buildings have not been revalued, they would have been included in these consolidated financial statements at historical cost less accumulated depreciation and subsequent accumulated impairment losses of approximately HK$77,378,000 (2021: HK$87,768,000).

The ownership interest in leasehold land and buildings, which was measured subsequent to initial recognition at fair value, grouped into fair value hierarchy Level 3 based on the degree to which the inputs to fair value measurements are observable. There were no transfers between levels of fair value hierarchy during the years ended 31 December 2022 and 2021.

18. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) (Continued)

There has been no change from the valuation technique used in the current and prior years. In estimating the fair value of the ownership interest in leasehold land and buildings, the highest and best use was their current use.

The following table gives information about how the fair values of the ownership interest in leasehold land and buildings as at 31 December 2022 and 2021 were determined (in particular, the valuation techniques and inputs used):

	Fair value hierarchy	Fair value as at 31 December 2022 HK$'000	Valuation techniques and key inputs	Significant unobservable inputs	Range	Relationship of key inputs and significant unobservable inputs to fair value
Ownership interest in leasehold land and buildings	Level 3	HK$71,910 (2021: HK$88,148)	Sales comparison approach	Adjusted transaction price	RMB1,290 – RMB1,470 (2021: RMB1,280 – RMB1,680) per square meter	The higher the adjusted transaction price, the higher the fair value

As at 31 December 2022 and 2021, the fair value of the ownership interest in leasehold land and buildings located in the PRC is determined by using the sales comparison approach. Sales comparison approach is determined with reference to the availability of the sales transactions in the relevant market and comparable properties in close proximity with adjustments to account for the difference in factors such as location, size and condition.

18. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) (Continued)

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

	Ownership interest in leasehold land and buildings HK$'000
As at 1 January 2021	95,595
Depreciation	(3,069)
Loss on revaluation recognised in other comprehensive income	(1,411)
Loss on revaluation recognised in profit or loss	(6,138)
Exchange realignment	3,171
As at 31 December 2021 and 1 January 2022	88,148
Depreciation	(2,946)
Loss on revaluation recognised in profit or loss	(5,468)
Exchange realignment	(7,824)
As at 31 December 2022	71,910

During the year ended 31 December 2022, there was no loss on revaluation was recognised to the extent that the balance included in assets revaluation reserve in equity and thus no decrease in amount was recognised in other comprehensive income (2021: HK$1,411,000). The remaining balance of loss on revaluation of HK$5,468,000 (2021: HK$6,138,000) was recognised in profit or loss during the year ended 31 December 2022.

(c) As at 31 December 2022, the Group's ownership interest in leasehold land and buildings with carrying values of HK$71,910,000 (2021: HK$88,148,000) was pledged as security for the bank borrowings granted to the Group as disclosed in note 27.

19. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

(a) Right-of-use assets

Breakdown of balances as at the end of the reporting period:

	2022 HK$'000	2021 HK$'000
Land	173,653	194,049
Buildings	7,774	10,870
	181,427	204,919

Right-of-use assets of HK$6,811,000 (2021: HK$7,785,000) and HK$166,842,000 (2021: HK$186,264,000) represents land use right in the PRC and the CNMI respectively. As at 31 December 2022, carrying amount of right-of-use assets of HK$6,811,000 (2021: HK$7,785,000) was pledged to secure bank borrowings as disclosed in note 27.

As at 31 December 2022, due to the loss generating status of hospitality segment, the carrying amount, before impairment loss for the year, of right-of-use assets in respect of land located in the CNMI at development stage held for integrated resort purpose amounting to HK$179,899,000 (2021: HK$194,458,000) was subject to impairment test. The carrying amount of the land is written down to its recoverable amount based on the fair value less costs of disposal with reference to a valuation using a direct comparison method based on market comparables of similar assets with adjustments to account for the difference in factors such as location, size and condition. The fair value measurement is categorised into Level 3 fair value hierarchy. As a result, impairment loss of HK$13,057,000 (2021: HK$8,194,000) was recognised on the land use right in the CNMI during the year ended 31 December 2022. As at 31 December 2022, the accumulated impairment losses on right-of-use assets amounted to HK$21,251,000 (2021: HK$8,194,000).

The Group has lease arrangements for buildings and land. The lease terms of buildings and land are generally ranged from 2 to 5 years (2021: 2 to 5 years) and 50 years (2021: 50 years) respectively. During the year ended 31 December 2022, there was no addition to the right-of-use assets as a result of the renewal of the existing lease of buildings (2021: HK$11,366,000).

Restrictions or covenants on leases

As at 31 December 2022, lease liabilities of HK$8,028,000 are recognised with related right-of-use assets of HK$7,774,000 (2021: lease liabilities of HK$10,946,000 and related right-of-use assets of HK$10,870,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

19. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (Continued)

(b) Lease liabilities

	2022 HK$'000	2021 HK$'000
Non-current	**5,988**	8,822
Current	**2,040**	2,124
	8,028	10,946

	2022 HK$'000	2021 HK$'000
Amounts payable under lease liabilities		
Within one year	**2,040**	2,124
After one year but within two years	**2,155**	2,242
After two years but within five years	**3,833**	6,580
	8,028	10,946
Less: Amount due for settlement within 12 months	**(2,040)**	(2,124)
Amount due for settlement after 12 months	**5,988**	8,822

(c) Amounts recognised in profit or loss

	2022 HK$'000	2021 HK$'000
Depreciation on right-of-use assets		
– Land	**6,648**	6,943
– Buildings	**2,194**	1,874
Total depreciation on right-of-use assets	**8,842**	8,817
Impairment loss on right-of-use assets	**13,057**	8,194
Interest expense on lease liabilities	**512**	234
Expenses related to short-term leases	**1,731**	1,809

(d) Others

During the year ended 31 December 2022, total cash outflows for leases including expenses related to short-term leases amounted to HK$4,244,000 (2021: HK$3,475,000). All lease payments of the Group are fixed.

20. GOODWILL

	2022 HK$'000	2021 HK$'000
COST		
As at 1 January and 31 December	**14,820**	14,820
IMPAIRMENT		
As at 1 January and 31 December	**(14,820)**	(14,820)
CARRYING AMOUNT		
As at 31 December	**–**	–

21. CLUB DEBENTURES

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

	2022 HK$'000	2021 HK$'000
COST		
As at 1 January and 31 December	**3,397**	3,397
ACCUMULATED IMPAIRMENT		
As at 1 January	**(2,075)**	(1,000)
Impairment loss	**–**	(1,075)
As at 31 December	**(2,075)**	(2,075)
CARRYING AMOUNT		
As at 31 December	**1,322**	1,322

Note: As at 31 December 2022, the unlisted club debentures of HK$1,322,000 (2021: HK$1,322,000) are stated at cost less impairment at the end of the reporting period. The management of the Group assessed for the impairment of the club debentures based on recent market prices of the identical club debentures. No impairment loss has been recognised for the year ended 31 December 2022 (2021: HK$1,075,000).

22. INVENTORIES

	2022 HK$'000	2021 HK$'000
Raw materials	**5,774**	16,202
Work in progress	**7,528**	16,573
Finished goods	**6,284**	19,970
Goods held for resale	**3,158**	3,160
	22,744	55,905

23. TRADE AND OTHER RECEIVABLES

	2022 HK$'000	2021 HK$'000
Trade receivables, at amortised cost	**44,212**	66,989
Deposits and other receivables (note (iv))	**17,823**	8,315
Prepayments	**2,639**	4,081
Prepayments to suppliers	**1,973**	310
	66,647	79,695

The Group does not hold any collateral over these balances.

(i) The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally between 30 and 60 days (2021: 30 and 60 days). The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management.

As at 31 December 2022, the gross amount of trade receivables arising from contracts with customers amounted to approximately HK$44,212,000 (2021: HK$66,989,000).

23. TRADE AND OTHER RECEIVABLES (Continued)

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

	2022 HK$'000	2021 HK$'000
0 to 30 days	27,606	50,897
31 to 90 days	13,162	15,838
91 to 180 days	3,444	254
	44,212	66,989

No loss allowance for impairment of trade receivables has been identified as at 31 December 2022 and 2021. The Group measures the loss allowance for impairment of trade receivables at an amount equal to lifetime ECL. The loss allowance on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the end of each reporting period.

As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

There has been no change in estimation techniques or significant assumptions made during the years ended 31 December 2022 and 2021.

23. TRADE AND OTHER RECEIVABLES (Continued)

(iii) The Group recognised lifetime ECL for trade receivables based on the ageing of balances:

For the year ended 31 December 2022

	Weighted average expected loss rate %	Gross carrying amount HK$'000	Loss allowance HK$'000
Current (not past due)	*	40,871	–
31 to 90 days past due	*	1,286	–
91 to 180 days past due	*	2,055	–
		44,212	–

For the year ended 31 December 2021

	Weighted average expected loss rate %	Gross carrying amount HK$'000	Loss allowance HK$'000
Current (not past due)	*	60,781	–
31 to 90 days past due	*	6,208	–
		66,989	–

* The weighted average expected loss rate is approximated to zero.

Based on historical experience, majority of trade receivables was settled within credit term and the Group received continuous settlements from these customers, hence the expected loss rate of current trade receivables is assessed to be immaterial. No loss allowance for impairment of trade receivable was recognised for the years ended 31 December 2022 and 2021.

(iv) Deposits and other receivables included (i) a balance of HK$13,295,000 (2021: nil) relating to the management service provided by an independent third party, which was fully settled subsequent to the year ended 31 December 2022; and (ii) other deposits and receivables for normal course of business.

24. BANK BALANCES AND CASH

For the purpose of the consolidated statement of cash flow, cash and cash equivalents include the following:

	2022 **HK$'000**	2021 HK$'000
Bank balances and cash on the consolidated statement of financial position	**141,165**	122,730

(i) Bank balances carry interest at prevailing market interest rate as at 31 December 2022 and 2021.

(ii) As at 31 December 2022, the Group's bank balances and cash denominated in RMB amounted to RMB4,179,000, equivalent to HK$4,696,000 (2021: RMB7,976,000, equivalent to HK$9,847,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations.

25. TRADE AND OTHER PAYABLES

	2022 **HK$'000**	2021 HK$'000
Trade payables (note (i))	**29,500**	73,631
Contract liabilities (note (ii))	**879**	3,985
Accruals and other payables (note (iii))	**20,373**	22,646
	50,752	100,262

25. TRADE AND OTHER PAYABLES (Continued)

Notes:

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

	2022 HK$'000	2021 HK$'000
0 to 90 days	22,040	60,047
91 to 180 days	4,540	9,736
181 to 365 days	1,061	611
Over 365 days	1,859	3,237
	29,500	73,631

The average credit period on purchases of goods is from 30 days to 90 days (2021: 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) Contract liabilities represent advances received from customers prior to delivery of golf equipment and golf bags.

Depending on the relationship with the customers, the Group may not require advances payment unless new specification ordered. The Group typically receives deposit from customers ranging from 3% to 50% of the contract values when it receives the purchase order for sales of golf equipment and golf bags.

Revenue recognised for the year ended 31 December 2022 that was included in the contract liabilities as at 31 December 2021 is HK$3,985,000 (2021: HK$294,000). There was no revenue recognised in the current year that related to performance obligation that was satisfied in prior years.

As at 31 December 2022 and 2021, all of the Group's remaining performance obligations for contracts with customers are for periods of one year or less. Accordingly, the Group has elected the practical expedient and has not disclosed the amount of transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as at the end of both reporting periods.

The decrease in contract liabilities as at 31 December 2022 is mainly due to less advance payments received from the customers.

(iii) Accruals and other payables as at 31 December 2022 and 2021 mainly included accrued staff costs, other tax payables and other payables to independent third parties.

26. AMOUNT DUE TO A DIRECTOR

The details of amount due to a director are as follows:

	2022 HK$'000	2021 HK$'000
Amount due to a director		
Chu Chun Man, Augustine (note)	64,822	63,463

Note: As at 31 December 2022, the amount due to a director carried fixed interest rate of 9.75% (2021: 9.75%) per annum, unsecured and repayable on demand.

27. BANK BORROWINGS

	2022 HK$'000	2021 HK$'000
Secured bank borrowings, repayable within one year and shown under current liabilities	59,551	65,432

(i) As at 31 December 2022, bank borrowings of HK$59,551,000 (2021: HK$65,432,000) are fixed interest rate borrowings and denominated in RMB. The fixed interest rate borrowings carry interest at ranging from 4.15% to 4.20% (2021: 4.35% to 5.44%) per annum.

(ii) For the year ended 31 December 2022, the Group raised new bank borrowings of approximately HK$60,752,000 (2021: HK$91,485,000) to finance its working capital and repaid bank borrowings of approximately HK$60,874,000 (2021: HK$91,354,000).

(iii) As at 31 December 2022, the bank borrowings of the Group were secured by ownership interest in leasehold land and buildings and certain right-of-use assets of approximately HK$71,910,000 (2021: HK$88,148,000) as disclosed in note 18 and HK$6,811,000 (2021: HK$7,785,000) as disclosed in note 19 respectively.

(iv) As at 31 December 2022, the Group had unused banking facilities of approximately HK$21,348,000 (2021: HK$23,457,000).

No foreign currency risk exposure is disclosed as the currency of the bank borrowings are denominated in the functional currency of the respective subsidiaries of the Company.

28. CONVERTIBLE BOND

On 7 November 2016, the Company issued convertible bond with zero coupon rate at aggregate principal amount of HK$74,100,000 to Wealth Sailor, with the maturity date on 7 November 2021. On 30 December 2020, the original convertible bond was renewed and replaced by a new convertible bond (the "CB") with the same terms except for the maturity date and conversion period were extended to 7 November 2026 (the "Maturity Date"). The CB was interest free, unsecured and denominated in HK$. The renewal on 30 December 2020 had been considered as significant modification resulting in the extinguishment of the original convertible bond and the new CB.

The principal terms of the CB are as follows:

Conversion: The holder of the CB is entitled to convert the CB into ordinary shares of the Company at a conversion price of HK$0.114 per ordinary share.

The conversion rights are exercisable at any time during the period commencing from the date of issue of the CB up to the Maturity Date.

Redemption: No early redemption option is granted either to the Company or the holder of the CB except for event of default occurred. The CB will only be redeemed by the Company at the Maturity Date.

28. CONVERTIBLE BOND (Continued)

Subject to the occurrence of an event of default, the CB shall become due and payable on the giving of notice in writing by the bondholder to the Company.

The CB contain two components, which are (i) liability component at amortised cost presented in the consolidated statement of financial position; and (ii) equity component presented in equity with heading of convertible bond equity reserve.

The movements of the liability and equity components of the CB and the reconciliation of Level 3 fair value measurement during the reporting period are set out below:

	Liability component of the CB HK$'000	**Equity component of the CB** HK$'000	**Total** HK$'000
As at 1 January 2021	45,200	8,333	53,533
Effective interest charge for the year (note 11)	3,989	–	3,989
As at 31 December 2021 and 1 January 2022	49,189	8,333	57,522
Effective interest charge for the year (note 11)	4,328	–	4,328
As at 31 December 2022	53,517	8,333	61,850

The effective interest rate of the liability component of the CB is 8.8% per annum.

No CB was converted into ordinary shares of the Company during the year ended 31 December 2022 (2021: nil). No redemption, purchase or cancellation by the Company has been made in respect of the CB during the year ended 31 December 2022 (2021: nil). As at 31 December 2022 and 2021, the principal amount of the CB that remained outstanding amounted to HK$74,100,000 of which a maximum of 650,000,000 shares may fall to be issued upon their conversions, subject to anti-dilution adjustments provided in the terms of the CB. Details of the terms of the CB are set out in the Company's circulars dated 30 September 2016 and 9 December 2020.

At the date of issuance of the new CB, the fair values of the liability component and equity component were valued by an independent qualified valuer. The fair values were estimated by using discounted cash flows and the binomial model. The inputs into the model were respectively as follows:

	At 30 December 2020
Share price	HK$0.030
Conversion price	HK$0.114
Expected volatility	79%
Expected life	5.9 years
Risk-free rate	0.422%
Expected dividend yield	Nil

29. DEFERRED TAX LIABILITIES

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

	Revaluation of ownership interest in leasehold land and buildings HK$'000
As at 1 January 2021	398
Credited to profit or loss (note 12)	(44)
As at 31 December 2021 and 1 January 2022	354
Credited to profit or loss (note 12)	(354)
As at 31 December 2022	–

At the end of the reporting period, the Group had estimated unused tax losses of HK$37,938,000 (2021: HK$76,604,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Included in estimated unused tax losses are losses of HK$2,742,000 (2021: HK$9,114,000) that will expire in 5 years from the year of origination in which estimated unused tax losses of HK$8,124,000 (2021: HK$2,787,000) was expired and HK$1,087,000 (2021: nil) was reversed as mentioned in note 12(v) during the year ended 31 December 2022. Other losses may be carried forward indefinitely.

Under the EIT Law of the PRC, withholding tax is imposed on dividends in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards (the "Post-2008 Earnings"). Deferred taxation has not been provided for in the consolidated financial statements in respect of taxable temporary difference attributable to the "Post-2008 Earnings" amounting to HK$1,476,000 (2021: HK$2,840,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

As at 31 December 2022, the Group has deductible temporary difference arising from the loss on revaluation of ownership interest in leasehold land and buildings of HK$11,606,000 (2021: HK$6,138,000). No deferred tax asset has been recognised as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

30. SHARE CAPITAL

	Number of shares '000	Share capital HK$'000
Ordinary shares of HK$0.01 (2021: HK$0.01) each		
Authorised		
As at 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	10,000,000	
Issued and fully paid		
As at 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	5,201,250	52,013

31. SHARE-BASED PAYMENT TRANSACTIONS

On 5 June 2012, the Company terminated the original share option scheme (the "Original Share Option Scheme") and adopted a new share option scheme (the "New Share Option Scheme") for replacement. The purpose of the New Share Option Scheme is to enable the Company to continue to grant options to eligible participants which have been extended to include the employees (including any director, whether executive or non-executive and whether independent or not) in full-time or part-time employment with the Group or any entity in which the Group holds an equity interest (the "Invested Entity"), as well as contracted celebrity, advisor, consultant, service provider, agent, customer, partner or joint-venture partner of the Group or any Invested Entity, or any persons who, in the sole discretion of the board of directors, have contributed or may contribute to the Group or any Invested Entity. The New Share Option Scheme aims to provide incentives and help the Group in retaining its employees and recruiting additional employees and to provide them with a direct economic interest in attaining the long-term business objectives of the Group. The New Share Option Scheme became effective on 5 June 2012 and, unless otherwise cancelled or amended, would remain in force for 10 years from that date and expired on 4 June 2022.

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

31. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

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

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

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

Upon expiry of the New Share Option Scheme on 4 June 2022, no further renewal of the New Share Option Scheme has been made during the year ended 31 December 2022. There was no outstanding share options as at 31 December 2022 and 2021.

32. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the consolidated statement of cash flows as cash flows from financing activities.

			Non-cash transactions			
	1 January 2022 HK$'000	Financing cash flows HK$'000	Lease modification HK$'000	Interest expense accrued HK$'000	Exchange realignment HK$'000	31 December 2022 HK$'000
Advance from a director of a subsidiary (included in trade and other payables – accruals and other payables)	28	11	–	–	–	39
Interest payables (included in trade and other payables – accruals and other payables)	66	(6,118)	–	6,167	–	115
Amount due to a director	63,463	1,359	–	–	–	64,822
Bank borrowings	65,432	(2,804)	–	2,682	(5,759)	59,551
Convertible bond	49,189	–	–	4,328	–	53,517
Lease liabilities	10,946	(2,513)	–	512	(917)	8,028
	189,124	(10,065)	–	13,689	(6,676)	186,072

32. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (Continued)

	1 January 2021 HK$'000	Financing cash flows HK$'000	Non-cash transactions: Lease modification HK$'000	Non-cash transactions: Interest expense accrued HK$'000	Non-cash transactions: Exchange realignment HK$'000	31 December 2021 HK$'000
Advance from a director of a subsidiary (included in trade and other payables – accruals and other payables)	20	8	–	–	–	28
Interest payables (included in trade and other payables – accruals and other payables)	306	(5,270)	–	5,030	–	66
Amount due to a director	83,238	(19,775)	–	–	–	63,463
Bank borrowings	63,095	(3,238)	–	3,369	2,206	65,432
Convertible bond	45,200	–	–	3,989	–	49,189
Lease liabilities	1,012	(1,666)	11,366	234	–	10,946
	192,871	(29,941)	11,366	12,622	2,206	189,124

33. CAPITAL COMMITMENTS

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

	2022 HK$'000	2021 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of property, plant and equipment	**279**	384

34. RELATED PARTY TRANSACTIONS

(i) Transaction with related parties

Save as disclosed elsewhere in the consolidated financial statements, the Group entered into the following significant transactions with related parties during the year:

	NOTES	2022 HK$'000	2021 HK$'000
Short-term lease expense paid to Sino Orange (China) Company Limited	(a)	**1,455**	1,490
Interest expense on convertible bond to the immediate holding company	(b)	**4,328**	3,989
Interest expense on amount due to a director	(c)	**6,167**	5,030

Notes:

(a) The lease payment paid to a related company, which Mr. Chu Chun Man, Augustine, the director of the Company, has beneficial interest in, were determined at rates agreed between the Group and the related company. Such lease is accounted for as a short-term lease.

(b) It represents the imputed interest expense on convertible bond issued by the immediate holding company, Wealth Sailor, in accordance with the terms set out in note 28.

(c) The interest expense is paid to one of the directors of the Company. Details of the amount due to a director were set out in note 26.

(ii) Save as disclosed elsewhere in the consolidated financial statements, the Group has no other material balances with related parties as at 31 December 2022 and 2021.

(iii) Compensation of key management personnel

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

	2022 HK$'000	2021 HK$'000
Short-term benefits	**9,930**	6,398
Post-employment benefits	**73**	58
	10,003	6,456

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

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

	NOTES	2022 HK$'000	2021 HK$'000
Non-current assets			
Plant and equipment		**17**	26
Investments in subsidiaries	(i)	**224,612**	224,612
		224,629	224,638
Current assets			
Amounts due from subsidiaries	(ii)	**3,743**	3,703
Prepayment, deposits and other receivables		**806**	166
Bank balances and cash		**72,992**	86,432
		77,541	90,301
Current liabilities			
Amounts due to subsidiaries	(ii)	**1**	1
Other payables		**2,613**	2,601
		2,614	2,602
Net current assets		**74,927**	87,699
Total assets less current liabilities		**299,556**	312,337
Non-current liability			
Convertible bond		**53,518**	49,189
Net assets		**246,038**	263,148
Capital and reserves			
Share capital	30	**52,013**	52,013
Reserves	(iii)	**194,025**	211,135
Total equity		**246,038**	263,148

35. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Notes:

(i) Investments in subsidiaries

	2022 **HK$'000**	2021 HK$'000
COST		
As at 1 January and 31 December	**240,329**	240,329
IMPAIRMENT		
As at 1 January and 31 December	**(15,717)**	(15,717)
CARRYING AMOUNT		
As at 31 December	**224,612**	224,612

(ii) Amounts due from (to) subsidiaries

As at 31 December 2022 and 2021, the amounts were unsecured, non-interest bearing and repayable on demand.

No impairment loss has been recognised in respect of the amounts due from subsidiaries for the years ended 31 December 2022 and 2021.

(iii) Reserves

	Share premium HK$'000	**Contributed surplus** HK$'000 (note)	**Convertible bond equity reserve** HK$'000	**Other reserve** HK$'000	**Accumulated losses** HK$'000	**Total** HK$'000
As at 1 January 2021	399,369	38,918	8,333	22,615	(243,651)	225,584
Loss and total comprehensive expense for the year	–	–	–	–	(14,449)	(14,449)
As at 31 December 2021 and 1 January 2022	399,369	38,918	8,333	22,615	(258,100)	211,135
Loss and total comprehensive expense for the year	–	–	–	–	(17,110)	(17,110)
As at 31 December 2022	399,369	38,918	8,333	22,615	(275,210)	194,025

Note: The Company's contributed surplus represents (i) the difference between the fair value of the shares of the subsidiaries acquired over the nominal value of the Company's shares issued for the acquisition; and (ii) the credit arising from the capital reduction of the Company, partially offset by the bonus issue, as set out in the circular of the Company dated 14 December 2015. Under the Bermuda Companies Act, the Company may make distributions to its members out of the contributed surplus under certain circumstances.

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Name of subsidiary	Place of incorporation/ establishment and operations	Issued and paid up capital	Percentage of equity interest and voting power attributable to the Company 2022 Directly	2022 Indirectly	2021 Directly	2021 Indirectly	Principal activities
Sino Golf (BVI) Company Limited	BVI/Hong Kong	US$101	100%	–	100%	–	Investment holding
Sino Golf Manufacturing Company Limited ("Sino Golf Manufacturing")	Hong Kong	HK$6,921,132 (ordinary) HK$3,842,700 (non-voting deferred) (note (iii))	–	100%	–	100%	Investment holding and trading of golf equipment and accessories
CTB Golf (HK) Limited	Hong Kong	HK$10,000,000 (ordinary) HK$2,730,000 (preference)	–	100%	–	100%	Trading of golf bags and accessories
Dongguan Qi Heng Manufacturing Company Limited* 東莞騏衡運動用品製造有限公司 (note (ii))	PRC	HK$67,894,000	–	100%	–	100%	Manufacture and trading of golf bags
Linyi Sino Golf Company Limited* 臨沂順億高爾夫球製品有限公司 (note (ii))	PRC	HK$136,630,000	–	100%	–	100%	Manufacture and trading of golf equipment and accessories
Billion Ventures (CNMI) Limited	CNMI	US$500,000	–	100%	–	100%	Properties holding and development of integrated resort in CNMI
SGM Enterprise Limited	Hong Kong	HK$1,000	–	100%	–	100%	Trading of golf equipment and accessories

* The English name is for identification purpose only

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Notes:

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

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

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

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

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

Principal activities	Principal place of business	Number of subsidiaries 2022	2021
Investment holding	BVI	**5**	5
Inactive	Hong Kong	**3**	3
Inactive	PRC	**2**	2
		10	10

37. LITIGATION

An indirect wholly-owned subsidiary of the Company had been named as a defendant in a Hong Kong High Court action since a writ was issued against it in April 2011 and it was claimed for an amount of approximately HK$1,546,000. By an order of the Hong Kong High Court dated 13 May 2021, the writ of summons issued in April 2011 was dismissed with no order as to costs upon the joint application of the solicitors for the plaintiff and the solicitors for the defendant by way of Consent Summons filed on 6 May 2021.

The Group had no significant contingent liabilities and no provision was required to be made as at 31 December 2022 and 2021.

38. MAJOR NON-CASH TRANSACTIONS

Right-of-use assets and lease liabilities

During the year ended 31 December 2021, the Group entered into renewal of existing lease arrangements in respect of lands and buildings. Right-of-use assets of HK$11,366,000 and lease liabilities of HK$11,366,000 were recognised.

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extract from the published audited consolidated financial statements, is set out below.

	Year ended 31 December 2022 HK$'000	Year ended 31 December 2021 HK$'000	Year ended 31 December 2020 HK$'000	Year ended 31 December 2019 HK$'000	Year ended 31 December 2018 HK$'000
RESULTS					
Revenue	**479,424**	418,484	221,060	272,454	285,952
Cost of sales	**(394,016)**	(358,448)	(185,276)	(234,721)	(260,192)
Gross profit	**85,408**	60,036	35,784	37,733	25,760
Other operating income	**4,222**	2,559	5,688	4,732	2,888
Write-off of inventories	**–**	–	–	–	(316)
Selling and distribution expenses	**(2,941)**	(3,392)	(2,170)	(3,135)	(4,452)
Administrative expenses	**(60,064)**	(55,815)	(45,636)	(50,460)	(55,506)
Loss on revaluation of ownership interest in leasehold land and buildings	**(5,468)**	(6,138)	–	–	–
Impairment loss on right-of-use assets	**(13,057)**	(8,194)	–	–	–
Finance costs	**(13,689)**	(12,622)	(13,032)	(10,840)	(8,159)
LOSS BEFORE TAX	**(5,589)**	(23,566)	(19,366)	(21,970)	(39,785)
Income tax expenses	**(10,360)**	(105)	(176)	(1,149)	(717)
LOSS FOR THE YEAR	**(15,949)**	(23,671)	(19,542)	(23,119)	(40,502)
Loss for the year attributable to:					
Owners of the Company	**(15,949)**	(23,671)	(19,542)	(23,119)	(40,502)
Non-controlling interests	**–**	–	–	–	–
	(15,949)	(23,671)	(19,542)	(23,119)	(40,502)

FINANCIAL SUMMARY

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2022	2021	2020	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**488,612**	557,512	558,516	539,844	563,064
TOTAL LIABILITIES	**(239,245)**	(289,795)	(267,315)	(260,634)	(259,273)
NON-CONTROLLING INTERESTS	**(2,730)**	(2,730)	(2,730)	(2,730)	(2,730)
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	**246,637**	264,987	288,471	276,480	301,061