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SINO GOLF HOLDINGS LIMITED
順龍控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00361)

ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2018

The board (the "**Board**") of directors (the "**Directors**") of Sino Golf Holdings Limited (the "**Company**") hereby announces the consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2018, together with the comparative figures for the year ended 31 December 2017.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	NOTES	**2018** *HK$'000*	2017 *HK$'000*
Revenue	*4*	**285,952**	206,627
Cost of sales		**(260,192)**	(180,813)
Gross profit		**25,760**	25,814
Other operating income	*4*	**2,888**	1,470
Write-off of inventories		**(316)**	(16)
Selling and distribution expenses		**(4,452)**	(3,409)
Administrative expenses		**(55,506)**	(48,000)
Finance costs	*5*	**(8,159)**	(8,067)
Loss before tax		**(39,785)**	(32,208)
Income tax (expense) credit	*6*	**(717)**	236
Loss for the year	*7*	**(40,502)**	(31,972)

* *for identification purpose only*

	NOTE	**2018** **HK$'000**	2017 HK$'000
Other comprehensive income (expense)			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(4,486)**	5,249
Items that will not be reclassified subsequently to profit or loss:			
Gain (loss) on revaluation of leasehold land and buildings under revaluation model		**732**	(363)
Deferred tax relating to leasehold land and buildings under revaluation model		**(183)**	91
		549	(272)
Other comprehensive (expense) income for the year		**(3,937)**	4,977
Total comprehensive expense for the year		**(44,439)**	(26,995)
Loss for the year attributable to:			
Owners of the Company		**(40,502)**	(31,972)
Non-controlling interests		**–**	–
		(40,502)	(31,972)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(44,439)**	(26,995)
Non-controlling interests		**–**	–
		(44,439)	(26,995)
		HK cent	*HK cent*
LOSS PER SHARE			
Basic and diluted	*8*	**(0.78)**	(0.61)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2018

	NOTES	**2018** **HK$'000**	2017 HK$'000
Non-current assets			
Property, plant and equipment		**108,722**	114,100
Prepaid lease payments		**215,468**	222,769
Goodwill		**–**	–
Club debentures		**2,897**	2,897
Pledged bank deposit		**602**	631
Deposits and other receivables		**–**	135
Prepayments for the acquisition of property, plant and equipment		**370**	1,227
		328,059	341,759
Current assets			
Inventories		**64,072**	89,754
Trade and other receivables	*10*	**37,748**	132,313
Prepaid lease payments		**6,936**	6,955
Bank balances and cash		**126,249**	49,383
		235,005	278,405
Current liabilities			
Trade and other payables	*11*	**46,805**	57,300
Amount due to a related company		**1,316**	1,316
Amounts due to directors		**94,192**	98,777
Income tax payable		**129**	–
Bank borrowings		**60,227**	63,095
		202,669	220,488
Net current assets		**32,336**	57,917
Total assets less current liabilities		**360,395**	399,676
Non-current liabilities			
Convertible bond		**56,353**	51,370
Deferred tax liabilities		**251**	76
		56,604	51,446
Net assets		**303,791**	348,230
Capital and reserves			
Share capital	*12*	**52,013**	52,013
Reserves		**249,048**	293,487
Equity attributable to owners of the Company		**301,061**	345,500
Non-controlling interests		**2,730**	2,730
Total equity		**303,791**	348,230

Notes:

1. BASIS OF PREPARATION

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

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

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

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

2. APPLICATION OF NEW AND REVISED HKFRSs

In the current year, the Group has applied, for its first time, the following new and revised HKFRSs, which include HKFRSs, Hong Kong Accounting Standards ("**HKAS(s)**"), Amendments and Interpretations ("**Int(s)**"), issued by the HKICPA.

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and related Amendments
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property
HK (IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration

The impact of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers have been summarised below. The application of other new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 superseded HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard established a five-step model for determining whether, how much and when revenue is recognised. The Group has elected to adopt the modified retrospective approach for contracts with customers that are not completed as at the date of initial application (i.e. 1 January 2018) with the cumulative effect of initially applying HKFRS 15 as an adjustment to the opening balance of retained earnings and comparative information is not restated. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 Revenue.

The impact of transition to HKFRS 15 was insignificant on the retained earnings at 1 January 2018.

The adoption of HKFRS 15 did not have material impact on the Group's consolidated statement of financial position at 1 January 2018 except that "receipt in advance" of approximately HK$1,292,000 is reclassified to "contract liabilities" using terminology under HKFRS 15 and continues to be reported under "trade and other payables" line item.

At 31 December 2018, "receipt in advance" of approximately of HK$2,169,000 is presented as contract liabilities under HKFRS 15.

HKFRS 9 Financial instruments

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The Group has applied HKFRS 9 retrospectively to financial instruments that have not been derecognised at the date of initial application (i.e. 1 January 2018) in accordance with the transition provisions under HKFRS 9, and chosen not to restate comparative information. Differences in the carrying amounts of financial assets and financial liabilities on initial application are recognised in retained earnings as at 1 January 2018.

(i) Classification and measurement of financial instruments

The directors of the Company reviewed and assessed the Group's existing financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date and concluded that all recognised financial assets and financial liabilities that are within the scope of HKFRS 9 continued to measure at amortised cost as were previously measured under HKAS 39.

(ii) Loss allowance for expected credit losses ("ECL")

The adoption of HKFRS 9 has changed the Group's accounting for impairment losses for financial assets by replacing HKAS 39's incurred loss model with a forward-looking ECL approach. As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirement of HKFRS 9.

It is concluded that, as at 1 January 2018, no additional credit loss allowance has been recognised against retained earnings as the estimated allowance under the ECL model were not significantly different to the impairment losses previously recognised under HKAS 39.

3. SEGMENT INFORMATION

Information reported to the Board, 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 Directors have chosen to organise the Group around differences in products and services. 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 under HKFRS 8 are as follows:

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

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

Hospitality – The development of integrated resort in Saipan.

(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	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	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	**240,633**	177,659	**45,319**	28,968	**–**	–	**–**	–	**285,952**	206,627
Inter-segment sales	**–**	–	**14,995**	10,595	**–**	–	**(14,995)**	(10,595)	**–**	–
Other operating income	**1,147**	1,112	**638**	223	**–**	–	**–**	–	**1,785**	1,335
Total	**241,780**	178,771	**60,952**	39,786	**–**	–	**(14,995)**	(10,595)	**287,737**	207,962
Segment results	**(20,274)**	(10,371)	**4,366**	3,626	**(7,196)**	(6,606)	**–**	–	**(23,104)**	(13,351)
Interest income									**1,103**	135
Unallocated corporate expenses									**(9,625)**	(10,925)
Finance costs									**(8,159)**	(8,067)
Loss before tax									**(39,785)**	(32,208)

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represent the profit/loss incurred by each segment without allocation of interest income, 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.

(b) Segment assets and liabilities

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

At 31 December

	Golf equipment		Golf bags		Hospitality		Consolidated	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Assets and liabilities								
Segment assets	**207,349**	239,825	**11,448**	14,624	**214,423**	311,546	**433,220**	565,995
Unallocated corporate assets								
– Club debentures							**2,897**	2,897
– Bank balances and cash							**126,249**	49,383
– Others							**698**	1,889
Total assets							**563,064**	620,164
Segment liabilities	**30,544**	36,572	**7,486**	11,518	**7,470**	7,421	**45,500**	55,511
Unallocated corporate liabilities								
– Amount due to a related company							**1,316**	1,316
– Amounts due to directors							**94,192**	98,777
– Income tax payable							**129**	–
– Bank borrowings							**60,227**	63,095
– Convertible bond							**56,353**	51,370
– Deferred tax liabilities							**251**	76
– Others							**1,305**	1,789
Total liabilities							**259,273**	271,934

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

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

- all liabilities are allocated to operating segments other than amount due to a related company, amounts due to directors, income tax payable, bank borrowings, convertible bond, deferred tax liabilities and certain other payables. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

(c) Geographical information

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

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

	Revenue from external customers	
	2018	2017
	HK$'000	*HK$'000*
North America	**114,889**	77,087
Japan	**112,105**	91,795
Europe	**32,052**	16,467
Asia (excluding Japan)	**13,495**	9,850
Others	**13,411**	11,428
	285,952	206,627

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

	2018	2017
	HK$'000	*HK$'000*
Saipan	**207,759**	214,410
The People's Republic of China (the "**PRC**")	**116,257**	123,521
Hong Kong (country of domicile)	**3,441**	3,062
	327,457	340,993

(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	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Additions to non–current assets *(note)*	**3,308**	3,194	**374**	188	**–**	7,301	**–**	31	**3,682**	10,714
Amortisation of prepaid lease payments	**286**	279	**–**	–	**6,650**	6,576	**–**	–	**6,936**	6,855
Impairment loss recognised in respect of trade receivables	**–**	–	**–**	63	**–**	–	**–**	–	**–**	63
Write-off of inventories	**–**	16	**316**	–	**–**	–	**–**	–	**316**	16
Depreciation of property, plant and equipment	**5,257**	5,785	**198**	478	**–**	–	**60**	93	**5,515**	6,356
(Gain) loss on disposal of property, plant and equipment	**(170)**	53	**–**	–	**–**	–	**188**	–	**18**	53

Note: Non-current assets included property, plant and equipment, prepaid lease payments 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	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Interest income	**–**	–	**–**	–	**–**	–	**(1,103)**	(135)	**(1,103)**	(135)
Finance costs	**–**	–	**–**	–	**–**	–	**8,159**	8,067	**8,159**	8,067
Income tax expense (credit)	**565**	(236)	**152**	–	**–**	–	**–**	–	**717**	(236)

(e) Information about major customers

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

	Revenue generated from	2018 *HK$'000*	2017 *HK$'000*
Customer A	Golf equipment and Golf bags	**146,168**	83,524
Customer B	Golf equipment	**78,165**	65,072

4. REVENUE AND OTHER OPERATING INCOME

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

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

	2018	2017
	HK$'000	*HK$'000*
Revenue from contracts with customers:		
Sales of golf equipment and related components and parts	**240,633**	177,659
Sales of golf bags, other accessories and related components and parts	**45,319**	28,968
	285,952	206,627

Note: The amounts for the year ended 31 December 2018 and 31 December 2017 were recognised under HKFRS 15 and HKAS 18 respectively.

Disaggregation of revenue by timing of recognition

	2018
	HK$'000
Timing of revenue recognition	
At a point in time	285,952

The manufacturing contracts are with an original expected duration of less than one year. Accordingly, the Group has elected the practical expedient method and has not disclosed the amount of transaction price for the performance obligation that are unsatisfied as of the end of the reporting period.

	2018	2017
	HK$'000	*HK$'000*
Other operating income:		
– Interest income	**1,103**	135
– Sample income	**349**	218
– Tooling income	**772**	667
– Sales of scrap materials	**25**	–
– Sundry income	**639**	450
	2,888	1,470

5. FINANCE COSTS

	2018	2017
	HK$'000	*HK$'000*
Interest expenses on:		
– bank borrowings	**3,483**	4,295
– convertible bond	**4,983**	4,542
Total borrowing costs	**8,466**	8,837
Less: amounts capitalised *(note)*	**(307)**	(770)
	8,159	8,067

Note: Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 5.61% (2017: 5.00%) per annum to expenditure on qualifying assets.

6. INCOME TAX (EXPENSE) CREDIT

	2018	2017
	HK$'000	*HK$'000*
PRC Enterprise Income Tax ("**EIT**")		
– Current year	**(550)**	–
– Underprovision in prior years	**(175)**	–
	(725)	–
Deferred tax	**8**	236
	(717)	236

(i) No provision for Hong Kong Profits Tax has been made for current year as there are no assessable profits generated or the estimated assessable profit has been net of tax losses brought forward from previous years for the years ended 31 December 2018 and 2017.

(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 Saipan is calculated at 35% of the estimated profit for the years ended 31 December 2018 and 31 December 2017. No provision for corporate income tax for the subsidiary incorporated in Saipan as no income has been derived from Saipan during the years ended 31 December 2018 and 31 December 2017.

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

7. LOSS FOR THE YEAR

	2018 *HK$'000*	2017 *HK$'000*
Loss for the year has been arrived at after charging:		
Staff cost (including directors' and chief executives' emoluments):		
Salaries, wages and other benefits in kind	**72,596**	61,203
Retirement benefits schemes contributions	**6,068**	5,089
Compensation for retirement of an employee	**1,000**	–
Total staff cost	**79,664**	66,292
Amortisation of prepaid lease payments	**6,936**	6,855
Auditors' remuneration	**1,107**	1,133
Cost of inventories sold	**260,192**	180,813
Depreciation of property, plant and equipment	**5,515**	6,356
Exchange loss, net	**2,004**	721
Loss on disposal of property, plant and equipment	**18**	53
Impairment loss recognised in respect of trade receivables	**–**	63
Operating leases rentals in respect of land and buildings	**3,742**	3,223
Research and development costs recognised as an expense	**1,184**	1,442

8. LOSS PER SHARE

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

	2018 *HK$'000*	2017 *HK$'000*
Loss		
Loss for the purpose of basic and diluted loss per share	**(40,502)**	(31,972)

	2018 *'000*	2017 *'000*
Number of shares		
Number of ordinary shares for the purpose of basic and diluted loss per share	**5,201,250**	5,201,250

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 from the operation.

9. DIVIDENDS

No dividends were paid, declared or proposed during the year ended 31 December 2018, nor has any dividend been proposed since the end of the reporting period (2017: nil).

10. TRADE AND OTHER RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivables	**32,304**	33,481
Less: allowance for impairment of trade receivables	**(63)**	(63)
	32,241	33,418
Refundable deposit for the construction of property, plant and equipment	**–**	90,486
Deposits and other receivables	**2,988**	4,368
Prepayments	**2,289**	2,926
Prepayments to suppliers	**230**	1,115
	37,748	132,313

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 (2017: 30 and 60 days). The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management.

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

	2018	2017
	HK$'000	*HK$'000*
0 to 30 days	**23,788**	24,920
31 to 90 days	**8,453**	8,496
91 to 180 days	**–**	2
	32,241	33,418

11. TRADE AND OTHER PAYABLES

	2018	2017
	HK$'000	*HK$'000*
Trade and bills payables	**34,816**	45,063
Contract liabilities	**2,169**	–
Receipt in advance	**–**	1,292
Accruals and other payables *(note (ii))*	**9,820**	10,945
	46,805	57,300

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

	2018	2017
	HK$'000	*HK$'000*
0 to 90 days	**25,346**	34,923
91 to 180 days	**8,000**	8,504
181 to 365 days	**389**	1,030
Over 365 days	**1,081**	606
	34,816	45,063

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

(ii) Included in accruals and other payables are the short-term advance of approximately US$950,000 (2017: US$950,000), equivalent to approximately HK$7,410,000 (2017: HK$7,410,000), from the director of a subsidiary of the Company.

12. SHARE CAPITAL

	Number of shares	**Share capital**
	'000	*HK$'000*
Ordinary shares of HK$0.01 (2017: HK$0.01) each		
Authorised		
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	10,000,000	100,000
Issued and fully paid		
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	5,201,250	52,013

13. CAPITAL COMMITMENTS

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

	2018	2017
	HK$'000	*HK$'000*
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of plant and machinery	**319**	1,120

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS AND BUSINESS REVIEW

The golf business of the Group rebounded persistently in 2018 to drive up revenues of both the golf equipment and the golf bags segments. During the year, sales to the largest customer increased by approximately 75% over that of the preceding year while the business with other key customers grew remarkably under the Group's marketing initiatives. There was no revenue generated by the hospitality segment in 2018. Impacted by the cost hikes and the increase in purchase of out-sourced components which reduced the consumption of self-produced components in the manufacturing process, the gross profit margin of the Group diminished for the current year. In addition, the operating expenses escalated substantially during the year to further erode contributions generated from the sales and the Group had incurred a loss for the year under huge cost burden. Strategically, the Board will be exploring more and different potential development opportunities to expand and diversify the business of the Group. In light of the current trade conflicts between China and the United States, it is anticipated that the Group will be operating in a highly volatile economic environment facing intense competition with depressed market demand in the ensuing year.

The Group's revenue for the year ended 31 December 2018 rose about 38.4% to approximately HK$285,952,000 (2017: approximately HK$206,627,000). Loss for the year attributable to owners of the Company was approximately HK$40,502,000 compared to the loss of approximately HK$31,972,000 incurred in 2017. The loss for the year went up mainly due to the cost hikes and the increased operating expenses as evidenced by the surge in payroll costs, social insurance, retirement expenses and various government taxes and levies incurred in China. Basic and diluted loss per share were both approximately HK0.78 cent for the year ended 31 December 2018 (2017: basic and diluted loss per share were both approximately HK0.61 cent).

GOLF EQUIPMENT BUSINESS

The golf equipment segment has dominated as the main operating segment to account for approximately 84.2% of the Group's revenue for the year (2017: approximately 86.0%). Golf equipment sales for the year increased by approximately 35.4% to approximately HK$240,633,000 from approximately HK$177,659,000 in 2017.

During the year, sales to the largest segmental customer, before taking into account the golf bags sales to this customer, amounted to approximately HK$115,899,000 (2017: approximately HK$70,291,000), representing approximately 48.2% (2017: approximately 39.6%) of the segment revenue or approximately 40.5% (2017: approximately 34.0%) of the Group's revenue for the year, respectively. Through taking up new programs and additional orders, the segmental revenue generated from this customer surged approximately 64.9% during the year. With the Group's diverse marketing efforts, the revenue of golf equipment from other key segmental customers grew remarkably by over 20% compared to that of the preceding year. Revenue generated from the top five segmental customers increased by about 38.7% to approximately HK$233,707,000 (2017: approximately HK$168,529,000), representing approximately 97.1% (2017: approximately 94.9%) of the segment revenue or approximately 81.7% (2017: approximately 81.6%) of the Group's revenue for the year, respectively. The Group is devoted to working closely with the existing customers for long-term development and mutual interest as well as exploring business opportunities with other reputable golf name brands for growth and expansion.

To combat cost hikes, the Group has transformed the Guangdong manufacturing operations from self-run production into subcontracting arrangements with independent subcontractors possessing expertise in golf equipment manufacturing to carry out the production function effectively under the Group's supervision. This helped rationalize the manufacturing cost with assured quality for the product output from the Guangdong operations. Throughout the years, the Shandong manufacturing facility has been operating in a relatively cost effective environment in Shandong Province, China and is responsible for producing the majority of the Group's products. To further monitor costs and streamline the Shandong manufacturing operations, the Group has implemented programs to allow production personnel to participate in sharing cost savings achieved against the cost targets established for the relevant production divisions. Besides, the Shandong manufacturing facility continued to optimize its work force to commensurate with the business volume and market conditions. The Group had carried out an assessment of the property, plant and equipment (the "**PPE**") of the golf equipment segment as at 31 December 2018 to ascertain the existence of any impairment. Same as the preceding year, no impairment loss was recognized in respect of the PPE of the golf equipment segment for the current year.

Impacted by the cost burden, the golf equipment segment recorded a segment loss of approximately HK$20,274,000 for the year compared to the segment loss of HK$10,371,000 incurred in 2017. Taking into consideration the prevailing market conditions and the order book status, it is anticipated that the golf equipment business will operate in a highly volatile economic environment with great challenge in light of the current trade conflicts between China and the United States. To substantiate the long-term development, the Group is committed to strengthening the customer relationship augmented by diverse marketing initiatives as well as exploring new business opportunities. The management has maintained a cautious view with prudence on the prospect of the golf equipment business for the ensuing year.

GOLF BAGS BUSINESS

The golf bags business continued to rebound in the current year mainly attributable to the bulk orders placed by the Group's largest customer. In addition to customarily purchasing golf clubs from the Group, this customer started to separately purchase golf bags from the Group since last year making itself the largest golf bags customer as well. The Group's revenue attributable to the golf bags segment, defined as comprising the sales of golf bags and accessories to external customers, increased substantially by approximately 56.4% to approximately HK$45,319,000 (2017: approximately HK$28,968,000), representing approximately 15.8% of the Group's revenue for the year (2017: approximately 14.0%). Total sales of the golf bags segment, before elimination of the inter-segmental sales of approximately HK$14,995,000 (2017: approximately HK$10,595,000), rose approximately 52.5% in 2018 to approximately HK$60,314,000 (2017: approximately HK$39,563,000). The inter-segmental sales represented the 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 had been 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$37,573,000 (2017: approximately HK$24,362,000) and accessories sales mainly sports bags of approximately HK7,746,000 (2017: approximately HK$4,606,000), representing approximately 82.9% (2017: approximately 84.1%) and approximately 17.1% (2017: approximately 15.9%) of the segment revenue, respectively. The golf bags sales surged approximately 54.2% over that of the preceding year mainly due to the bulk orders of golf bags separately placed by the Group's largest customer. During the year, sales to the largest segmental customer increased by nearly 1.3 times to approximately HK$30,269,000 (2017: approximately HK$13,233,000), representing approximately 66.8% (2017: approximately 45.7%) of the segment revenue or approximately 10.6% (2017: approximately 6.4%) of the Group's revenue for the year. Sales to other key segmental customers grew remarkably to bring additional contribution for the segment. The aggregate sales generated from the top five segmental customers increased by about 82.0% to approximately HK$40,155,000 (2017: approximately HK$22,063,000), representing approximately 88.6% (2017: approximately 76.2%) of the segment revenue or approximately 14.0% (2017: approximately 10.7%) of the Group's revenue for the year. To facilitate the continued development of the golf bags business, the Group has pursued effective measures to streamline the operations and persistently rationalize costs of the golf bags segment with an aim to uphold our competitiveness amidst a highly volatile market.

Benefiting from the growth of sales, the golf bags segment achieved better result and recorded a segment profit of approximately HK$4,366,000 for the year, up approximately 20.4% compared to the segment profit of approximately HK$3,626,000 in 2017. Taking into account the current market conditions and the order book status, the management has expected a stable performance for the golf bags segment and maintained 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/or investments to expand the revenue sources and enhance the long-term growth potential of the Group. With the optimistic view of the tourism and golf related industries in Saipan, the Group acquired Lucky Fountain Holdings Limited and its subsidiaries (the "**Lucky Fountain Group**") in 2016. The principal assets of the Lucky Fountain Group are the twelve land parcels located in Saipan with a total site area of approximately 79,529 square metres. The acquisition of the Lucky Fountain Group provides the Group with opportunities to dip into the hospitality segment of Saipan and savor in the development of the tourism and golf related industries in Saipan.

Subsequent to the acquisition of the Lucky Fountain Group, due to the shortage of local construction workers and uncertainty of overseas working visa quota in Saipan since 2017, the development of hospitality business has been postponed. The development will be postponed until all external factors have been solved.

During the year ended 31 December 2018, no revenue (2017: nil) was generated from the hospitality business.

PROSPECTS

The golf business rebounded strongly in 2018 to boost sales of both the golf equipment and the golf bags segment. Through diverse marketing initiatives, the Group's revenue increased significantly by more than one third during the year. Notwithstanding that, the Group had been operating under huge cost burden which undermined contributions from sales and hampered the pace to rebut loss. The Group had incurred a loss for the year against the increased revenue, of which the golf equipment segment recorded a segment loss substantially in excess of the segment profit contributed by the golf bags segment. In light of the threats and potential impact attributable to the current trade conflicts between China and the United States, the Company adopts a cautious view on the prospect of the golf business for the foreseeable future. It is anticipated that the golf business of the Group will remain relatively stable in the ensuing year and operate in a highly dynamic market with great challenge and intense competition. The management nevertheless considers that the Group's financial position stays solid with adequate funds available to finance its operations.

On the other hand, the acquisition of the Lucky Fountain Group in 2016 provides the Group with the opportunity to diversify its business and the potential to enhance its revenue sources. Although the development plan in Saipan has been postponed at the current stage, the Group will continue to observe the hospitality industry trend in Saipan from time to time and start the development plan in best entry time.

Looking ahead, the Group will continue to pursue a cautious business approach to closely monitor the golf equipment and golf bags business and seize other growth opportunities to enhance competitiveness to strive for the best return to the shareholders.

DIVIDEND

The Board resolved not to recommend the payment of any dividend for the year ended 31 December 2018 (2017: nil).

FINANCIAL RESOURCES, LIQUIDITY AND GEARING

As at 31 December 2018, bank balances and cash, which were mostly denominated in United States dollars, Hong Kong dollars and Renminbi, amounted to approximately HK$126,249,000 (2017: approximately HK$49,383,000). As at 31 December 2018, interest-bearing borrowings of the Group comprising bank borrowings aggregated to approximately HK$60,227,000 (2017: approximately HK$63,095,000), of which all were repayable within one year and carried interest at approximately 5.87% (2017: 5.22%) per annum. Bank borrowings were fixed rate borrowings denominated in Renminbi as at 31 December 2018 and 2017. Amount due to a related company of approximately HK$1,316,000 as at 31 December 2018 (2017: approximately HK$1,316,000) and amounts due to directors of approximately HK$94,192,000 as at 31 December 2018 (2017: approximately HK$98,777,000) were both unsecured, non-interest bearing and repayable on demand.

As at 31 December 2018, the gearing ratio, defined as bank and other borrowings, amounts due to directors, amount due to a related company and convertible bond less bank balances and cash and pledged bank deposit of approximately HK$85,237,000 (2017: approximately HK$164,544,000) divided by the total equity of approximately HK$303,791,000 (2017: approximately HK$348,230,000) was approximately 28.1% (2017: approximately 47.3%).

As at 31 December 2018, the total assets and the net asset value of the Group amounted to approximately HK$563,064,000 (2017: approximately HK$620,164,000) and approximately HK$303,791,000 (2017: approximately HK$348,230,000), respectively. Current and quick ratios as at 31 December 2018 were approximately 1.16 (2017: approximately 1.26) and approximately 0.81 (2017: approximately 0.82), respectively. Both the current ratio and quick ratio remained stable and the Group is devoted to exploring possible means to further rationalize and improve its financial position from time to time.

PLEDGE OF ASSETS

As at 31 December 2018, bank borrowings from certain PRC banks of RMB53,000,000 which was equivalent to approximately HK$60,227,000 (2017: RMB53,000,000 which was equivalent to approximately HK$63,095,000) were secured by property, plant and equipment and the prepaid lease payments of the Group with a carrying value of approximately HK$104,585,000 (2017: approximately HK$98,664,000). As at 31 December 2018, the Group had pledged bank deposit of RMB530,000 which was equivalent to approximately HK$602,000 (31 December 2017: RMB530,000 which was equivalent to approximately HK$631,000) for a bank guarantee of RMB500,000 (31 December 2017: RMB500,000) issued to the landlord of the Group's golf bags facilities.

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 RMB. The Group is exposed to foreign currency risk due to the exchange rate fluctuation of RMB against Hong Kong dollars. The Group had not entered into any derivative contracts to hedge against the risk in the year of 2018. The Group will review and monitor its currency exposure from time to time and when appropriate hedge its currency risk.

CONTINGENT LIABILITIES

At 31 December 2018, an indirect wholly-owned subsidiary of the Company had been named as defendant in a Hong Kong High Court action as a writ of summons was issued against it in April 2011 claiming for an amount of approximately HK$1,546,000 together with interest thereon and costs. The subsidiary has filed a full defense to this writ. In the opinion of the Directors, no provision for any potential liability has been made in the consolidated financial statements as the Group has pleaded reasonable chance of success in the defense.

Another indirect wholly-owned subsidiary had been named as defendant as a writ of summons from a local PRC court was served against the subsidiary in April 2015 pursuant to which a PRC company as plaintiff claimed against the subsidiary for a sum of approximately RMB1,366,000, equivalent to approximately HK$1,570,000 with damages of approximately RMB55,000, equivalent to approximately HK$63,000, together with interest thereon and costs. On 25 November 2016, the court ordered the plaintiff to repair, replace or rework the equipment. During the year ended 31 December 2017, the court decision has been made in which the Group did not have further obligation to pay since the Plaintiff did not fulfil its obligation for repair, replace or rework. The judgement is final.

Other than as disclosed, the Group had no significant contingent liabilities as at 31 December 2018.

EVENTS AFTER THE REPORTING PERIOD

No significant event has taken place subsequent to 31 December 2018.

CAPITAL COMMITMENTS

As at 31 December 2018, the Group had capital commitments, which are contracted but not provided in the consolidated financial statements in respect of plant and machinery amounting to approximately HK$319,000 (2017: approximately HK$1,120,000).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2018, the Group had approximately 980 employees (2017: 1,060 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.

AUDIT COMMITTEE

The audit committee of the Board (the "**Audit Committee**") has reviewed the accounting principles and practices adopted by the Group and discussed with the management regarding auditing, internal control and financial reporting matters. The Audit Committee has also reviewed the Group's results for the year ended 31 December 2018. 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 present the Group's financial position and results for the year ended 31 December 2018.

CORPORATE GOVERNANCE

PURCHASE, SALE OR REDEMPTION OF THE 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 2018.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has complied with all the code provisions of the Corporate Governance Code (the "**CG Code**") set out under Appendix 14 to the Listing Rules throughout the year ended 31 December 2018, except for certain deviations as explained below. The Company has also put in place certain Recommended Best Practices as set out in the CG Code.

a) Code provision A.2.1 of the CG Code requires that the roles of chairman and chief executive 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 Youlong (from 1 January 2018 to 16 April 2018) and Mr. Huang Bangyin (from 20 April 2018 to 31 December 2018) is respectively the Chairman of the Board and is 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.

b) Code provision A.4.1 of the CG Code requires that non-executive Directors should be appointed for a specific term, subject to re-election. Although the non-executive Directors and the independent non-executive Directors are not appointed for a specific term, the requirement of the code provision is effectively met as those non-executive Directors and independent non-executive Directors are required to retire by rotation once every three years and subject to re-election at the Company's annual general meeting in accordance with the Company's Bye-laws.

c) Code provision A.6.7 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. Mr. Liu Tianmin, a non-executive Director, was unable to attend the Company's annual general meetings held on 15 June 2018 due to a business trip at the relevant time. Nevertheless, the Board believes that the presence of other non-executive Directors at such general meeting still allowed the Board to develop a balanced understanding of the views of shareholders.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as the Company's code of conduct for dealings in securities of the Company by the Directors. Specific enquiry has been made with all the Directors and the Directors have confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2018.

SCOPE OF WORK OF SHINEWING (HK) CPA LIMITED ON THIS PRELIMINARY ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2018 as set out in this preliminary announcement have been agreed by the Company's auditor, SHINEWING (HK) CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The procedures performed by SHINEWING (HK) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and, consequently, no assurance has been expressed by SHINEWING (HK) CPA Limited on this preliminary announcement.

PUBLICATION OF THE 2018 ANNUAL REPORT ON THE WEBSITE OF THE STOCK EXCHANGE

The Company's annual report for the year 2018 will be dispatched to the shareholders of the Company and published on the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk and the Company's website at www.sinogolf.com in due course.

By order of the Board
Sino Golf Holdings Limited
Huang Bangyin
Chairman

Hong Kong, 27 March 2019

As at the date of this announcement, the Board comprises (i) Mr. Huang Bangyin, Mr. Chu Chun Man, Augustine and Mr. Wang Chuang as executive Directors; (ii) Mr. Wong Hin Shek and Mr. Wei Chung-Hsiang as non-executive Directors; and (iii) Ms. Chu Yin Yin, Georgiana, Mr. Sheng Baojun, and Mr. Ho Kwong Yu as independent non-executive Directors.