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 2019

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 2019, together with the comparative figures for the year ended 31 December 2018.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	NOTES	**2019** *HK$'000*	2018 *HK$'000*
Revenue	*4*	**272,454**	285,952
Cost of sales		**(234,721)**	(260,192)
Gross profit		**37,733**	25,760
Other operating income	*4*	**4,732**	2,888
Write-off of inventories		**–**	(316)
Selling and distribution expenses		**(3,135)**	(4,452)
Administrative expenses		**(50,460)**	(55,506)
Finance costs	*5*	**(10,840)**	(8,159)
Loss before tax		**(21,970)**	(39,785)
Income tax expense	*6*	**(1,149)**	(717)
Loss for the year	*7*	**(23,119)**	(40,502)

* *for identification purpose only*

	NOTE	2019 HK$'000	2018 HK$'000
Other comprehensive (expense) income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(1,464)**	(4,486)
Items that will not be reclassified subsequently to profit or loss:			
Gain on revaluation of ownership interest in leasehold land and buildings under revaluation model		**3**	732
Deferred tax relating to ownership interest in leasehold land and buildings under revaluation model		**(1)**	(183)
		2	549
Other comprehensive expense for the year		**(1,462)**	(3,937)
Total comprehensive expense for the year		**(24,581)**	(44,439)
Loss for the year attributable to:			
Owners of the Company		**(23,119)**	(40,502)
Non-controlling interests		**–**	–
		(23,119)	(40,502)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(24,581)**	(44,439)
Non-controlling interests		**–**	–
		(24,581)	(44,439)
		HK cent	*HK cent*
LOSS PER SHARE			
Basic and diluted	*8*	**(0.44)**	(0.78)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2019

	NOTES	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment		**102,465**	108,722
Right-of-use assets		**217,920**	–
Prepaid lease payments		**–**	215,468
Goodwill		**–**	–
Club debentures		**2,897**	2,897
Pledged bank deposit		**–**	602
Deposits and other receivables	*10*	**41**	–
Prepayments for the acquisition of property, plant and equipment		**330**	370
		323,653	328,059
Current assets			
Inventories		**40,285**	64,072
Trade and other receivables	*10*	**56,322**	37,748
Prepaid lease payments		**–**	6,936
Pledged bank deposit		**589**	–
Bank balances and cash		**118,995**	126,249
		216,191	235,005
Current liabilities			
Trade and other payables	*11*	**61,693**	46,805
Amount due to a related company		**1,316**	1,316
Amount due to a director		**73,780**	94,192
Lease liabilities		**1,625**	–
Income tax payable		**354**	129
Bank borrowings		**58,889**	60,227
		197,657	202,669
Net current assets		**18,534**	32,336
Total assets less current liabilities		**342,187**	360,395
Non-current liabilities			
Convertible bond		**61,819**	56,353
Lease liabilities		**931**	–
Deferred tax liabilities		**227**	251
		62,977	56,604
Net assets		**279,210**	303,791
Capital and reserves			
Share capital	*12*	**52,013**	52,013
Reserves		**224,467**	249,048
Equity attributable to owners of the Company		**276,480**	301,061
Non-controlling interests		**2,730**	2,730
Total equity		**279,210**	303,791

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 ownership interest in 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 AMENDMENTS TO HKFRSs

In the current year, the Group has applied, for its first time, the following new and amendments to HKFRSs, which include HKFRSs, Hong Kong Accounting Standards ("**HKAS(s)**"), Amendments and Interpretations ("**Int(s)**"), issued by the HKICPA which are effective for the year beginning on or after 1, January 2019, for the preparation of the Group's consolidated financial statements.

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

The adoption of HKFRS 16 Leases resulted in changes in the Group's accounting policies and adjustments to the amounts recognised in the consolidated financial statement as 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.

2.1 Impacts on adoption of HKFRS 16 Leases

HKFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating lease and finance lease and requiring the recognition of right-of-use assets and a lease liability for all leases, except for short-term leases. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The Group has applied HKFRS 16 retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of equity, where appropriate, at 1 January 2019, and has not restated comparatives for the 2018 reporting period as permitted under the specific transitional provisions in the standard. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 17 Leases.

On transition to HKFRS 16, the Group elected to apply HKFRS 16 using the modified retrospective approach and applied the practical expedient to grandfather the assessment of which arrangements are, or contain, leases. It applied HKFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

The Group as lessee

The major impacts of the adoption of HKFRS 16 on the Group's consolidated financial statements are described below:

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases (except for lease of low value assets and lease with remaining lease term of twelve months or less). These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5.71%.

The Group recognises right-of-use assets and measures them at an amount equal to the lease liability, adjusted by the amount of any prepaid lease payments.

The following tables summarise the impact of transition to HKFRS 16 at 1 January 2019. Line items that were not affected by the adjustments have not been included.

	Notes	Carrying amount previously reported at 31 December 2018 *HK$'000*	Impact on adoption of HKFRS 16 *HK$'000*	**Carrying amount as restated at 1 January 2019** ***HK$'000***
Prepaid lease payments	*(a)*	222,404	(222,404)	**–**
Right-of-use assets	*(a)&(b)*	–	226,000	**226,000**
Lease liabilities	*(b)*	–	3,596	**3,596**

(a) Prepaid lease payments of HK$222,404,000 which represent the upfront payments for leasehold lands in the PRC and Saipan were reclassified to right-of-use assets.

(b) As at 1 January 2019, right-of-use assets were measured at an amount equal to the lease liability of approximately HK$3,596,000.

In the consolidated statement of cash flow, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. The total cash flows are unaffected. The adoption of HKFRS 16 has resulted in a significant change in presentation of cash flows within the cash flow statement.

Differences between operating lease commitments as at 31 December 2018, the date immediately preceding the date of initial application, discounted using the incremental borrowing rate, and the lease liabilities recognised as at 1 January 2019 are as follow:

	HK$'000
Operating lease commitment disclosed as at 31 December 2018	1,359
Less: Short-term leases and other leases with remaining lease term ended on or before 31 December 2019	(983)
Add: Termination options reasonably certain to be not exercised	3,507
	3,883
Discounting effect using the incremental borrowing rate at 1 January 2019	(287)
Lease liabilities recognised as at 1 January 2019	3,596
Analysed as:	
Current portion	1,295
Non-current portion	2,301
	3,596

Practical expedients applied

On the date of initial application of HKFRS 16, the Group has also used the following practical expedients permitted by the standard:

- not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK(IFRIC) 4 – Determining whether an Arrangement contains a lease;

- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January as short-term leases;

- reliance on assessments on whether leases are onerous by applying HKAS 37 Provision, Contingent Liabilities and Contingent Assets immediately before the date of initial application as an alternative to performing an impairment review.

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[1]
Amendments to HKFRS 3	Definition of a Business[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting[4]

1 Effective for annual periods beginning on or after 1 January 2021.

2 Effective for annual periods beginning on or after a date to be determined.

3 Effective for business combinations and assets acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

4 Effective for annual periods beginning on or after 1 January 2020.

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

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	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	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	**224,147**	240,633	**48,307**	45,319	**–**	–	**–**	–	**272,454**	285,952
Inter-segment sales	**–**	–	**10,870**	14,995	**–**	–	**(10,870)**	(14,995)	**–**	–
Other operating income	**2,059**	1,147	**425**	638	**–**	–	**–**	–	**2,484**	1,785
Total	**226,206**	241,780	**59,602**	60,952	**–**	–	**(10,870)**	(14,995)	**274,938**	287,737
Segment results	**(6,412)**	(20,274)	**7,777**	4,366	**(6,677)**	(7,196)	**–**	–	**(5,312)**	(23,104)
Interest income									**2,248**	1,103
Unallocated corporate expenses									**(8,243)**	(9,625)
Finance costs									**(10,663)**	(8,159)
Loss before tax									**(21,970)**	(39,785)

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 certain 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	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Assets and liabilities								
Segment assets	**192,855**	207,349	**15,269**	11,448	**207,768**	214,423	**415,892**	433,220
Unallocated corporate assets								
– Club debentures							**2,897**	2,897
– Bank balances and cash							**118,995**	126,249
– Others							**2,060**	698
Total assets							**539,844**	563,064
Segment liabilities	**45,275**	30,544	**10,026**	7,486	**7,471**	7,470	**62,772**	45,500
Unallocated corporate liabilities								
– Amount due to a related company							**1,316**	1,316
– Amount due to a director							**73,780**	94,192
– Income tax payable							**354**	129
– Bank borrowings							**58,889**	60,227
– Convertible bond							**61,819**	56,353
– Deferred tax liabilities							**227**	251
– Others							**1,477**	1,305
Total liabilities							**260,634**	259,273

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

- all assets are allocated to operating segments other than certain right-of-use assets, 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, amount due to a director, income tax payable, certain lease liabilities, 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.

- Upon application of HKFRS 16, the Group's right-of-use assets and lease liabilities are now included in the measure of segment assets and segment liabilities respectively at 1 January 2019. Comparative information is not restated.

(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	
	2019	2018
	HK$'000	*HK$'000*
North America	**126,159**	114,889
Japan	**75,665**	112,105
Europe	**26,161**	32,052
Asia (excluding Japan)	**14,864**	13,495
Others	**29,605**	13,411
	272,454	285,952

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.

	2019	2018
	HK$'000	*HK$'000*
Saipan	**207,759**	207,759
The People's Republic of China (the "**PRC**")	**111,720**	116,257
Hong Kong (country of domicile)	**4,133**	3,441
	323,612	327,457

(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	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	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)*	**1,421**	3,308	**230**	374	**–**	–	**468**	–	**2,119**	3,682
Write-off of inventories	**–**	–	**–**	316	**–**	–	**–**	–	**–**	316
Depreciation of property, plant and equipment	**4,799**	5,257	**232**	198	**–**	–	**9**	60	**5,040**	5,515
Depreciation of right-of-use assets/ amortisation of prepaid lease payments	**277**	286	**1,264**	–	**6,650**	6,650	**214**	–	**8,405**	6,936
(Gain) loss on disposal of property, plant and equipment	**(40)**	(170)	**–**	–	**–**	–	**–**	188	**(40)**	18

Note: 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	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Interest income	**–**	–	**–**	–	**–**	–	**(2,248)**	(1,103)	**(2,248)**	(1,103)
Finance costs	**–**	–	**177**	–	**–**	–	**10,663**	8,159	**10,840**	8,159
Income tax expense	**1,012**	565	**137**	152	**–**	–	**–**	–	**1,149**	717

(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	**2019** ***HK$'000***	2018 *HK$'000*
Customer A	Golf equipment and Golf bags	**136,286**	146,168
Customer B	Golf equipment	**55,372**	78,165

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:

	2019	2018
	HK$'000	*HK$'000*
Revenue from contracts with customers:		
Sales of golf equipment and related components and parts	**224,147**	240,633
Sales of golf bags, other accessories and related components and parts	**48,307**	45,319
	272,454	285,952

Disaggregation of revenue by timing of recognition

	2019	2018
	HK$'000	*HK$'000*
Timing of revenue recognition		
At a point in time	**272,454**	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.

	2019	2018
	HK$'000	*HK$'000*
Other operating income:		
– Interest income	**2,248**	1,103
– Sample income	**145**	349
– Tooling income	**640**	772
– Sales of scrap materials	**50**	25
– Sundry income	**972**	639
– Gain on disposal of property, plant and equipment	**40**	–
– Exchange gain, net	**637**	–
	4,732	2,888

5. FINANCE COSTS

	2019	2018
	HK$'000	*HK$'000*
Interest expenses on:		
– bank borrowings	**3,442**	3,483
– convertible bond	**5,466**	4,983
– amount due to a director	**2,024**	–
– leases liabilities	**195**	–
Total borrowing costs	**11,127**	8,466
Less: amounts capitalised *(note)*	**(287)**	(307)
	10,840	8,159

Note: Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 5.71% (2018: 5.61%) per annum to expenditure on qualifying assets.

6. INCOME TAX EXPENSE

	2019	2018
	HK$'000	*HK$'000*
PRC Enterprise Income Tax ("**EIT**")		
– Current year	**992**	550
– Underprovision in prior years	**182**	175
	1,174	725
Deferred tax	**(25)**	(8)
	1,149	717

(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 offset by tax losses brought forward from previous years for the years ended 31 December 2019 and 2018.

(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 2019 and 31 December 2018. 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 2019 and 31 December 2018.

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

7. LOSS FOR THE YEAR

	2019	2018
	HK$'000	HK$'000
Loss for the year has been arrived at after charging (crediting):		
Staff cost (including directors' and chief executives' emoluments):		
Salaries, wages and other benefits in kind	**60,048**	72,596
Retirement benefits schemes contributions	**4,900**	6,068
Compensation for retirement of an employee	**–**	1,000
Total staff cost	**64,948**	79,664
Auditors' remuneration	**1,086**	1,107
Cost of inventories sold	**234,721**	260,192
Depreciation of property, plant and equipment	**5,040**	5,515
Depreciation of right-of-use assets/amortisation of prepaid lease payments	**8,405**	6,936
Exchange (gain) loss, net	**(637)**	2,004
(Gain) loss on disposal of property, plant and equipment	**(40)**	18
Operating leases rentals in respect of land and buildings	**–**	3,742
Research and development costs recognised as an expense	**1,289**	1,184

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:

	2019	2018
	HK$'000	HK$'000
Loss		
Loss for the purpose of basic and diluted loss per share	**(23,119)**	(40,502)

	2019	2018
	'000	'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 2019, nor has any dividend been proposed since the end of the reporting period (2018: nil).

10. TRADE AND OTHER RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade receivables	**48,094**	32,304
Less: allowance for impairment of trade receivables	**–**	(63)
	48,094	32,241
Deposits and other receivables	**3,817**	2,988
Prepayments	**3,973**	2,289
Prepayments to suppliers	**479**	230
	56,363	37,748

	2019	2018
	HK$'000	*HK$'000*
Non-current	**41**	–
Current	**56,322**	37,748
	56,363	37,748

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 (2018: 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:

	2019	2018
	HK$'000	*HK$'000*
0 to 30 days	**31,436**	23,788
31 to 90 days	**13,883**	8,453
91 to 180 days	**2,775**	–
	48,094	32,241

11. TRADE AND OTHER PAYABLES

	2019	2018
	HK$'000	*HK$'000*
Trade payables *(note (i))*	**46,802**	34,816
Contract liabilities	**3,317**	2,169
Accruals and other payables *(note (ii))*	**11,574**	9,820
	61,693	46,805

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

	2019	2018
	HK$'000	*HK$'000*
0 to 90 days	**38,401**	25,346
91 to 180 days	**5,328**	8,000
181 to 365 days	**1,788**	389
Over 365 days	**1,285**	1,081
	46,802	34,816

The average credit period on purchases of goods is from 30 days to 90 days (2018: 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 (2018: approximately US$950,000), equivalent to approximately HK$7,410,000 (2018: approximately HK$7,410,000), from the director of a subsidiary of the Company which is unsecured and interest free.

12. SHARE CAPITAL

	Number of shares	Share capital
	'000	*HK$'000*
Ordinary shares of HK$0.01 (2018: HK$0.01) each		
Authorised		
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	10,000,000	100,000
Issued and fully paid		
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	5,201,250	52,013

13. CAPITAL COMMITMENTS

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

	2019	2018
	HK$'000	*HK$'000*
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of plant and machinery	**232**	319

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS AND BUSINESS REVIEW

The economic environment deteriorated notably in 2019 mainly due to the unsettled trade conflicts between China and the United States. During the year, tariffs were progressively levied by the United States on goods shipped from China which impacted most of the mainland manufacturers. The golf business of the Group was adversely affected as nearly half of the products were exported to the United States. Notwithstanding the volatile economy, the Group managed to broaden its customer portfolio through diverse marketing initiatives to partly compensate for the revenue curtailment attributable to the reduced orders from existing customers. During the year, the golf equipment sales dropped moderately whilst the golf bags sales retarded in the first six months followed by a rebound in the second half year. Sales to the Group's largest customer decreased 6.8% in 2019 whereas the business with other key customers shrunk generally by various extent. There was no revenue generated by the hospitality segment during the year as the development of the hospitality business had been postponed due to external restricting factors prevailing in Saipan. To combat with the economic downturn, the Group continued to strengthen its rationalization programs to optimise costs and enhance efficiency. Strategically, the Board is devoted to exploring more and different potential development opportunities to expand and diversify the business of the Group. In light of the economic uncertainties, it is anticipated that the Group will be operating in a highly volatile market with great challenges in the ensuing year.

The Group's revenue for the year ended 31 December 2019 decreased 4.7% to approximately HK$272,454,000 (2018: approximately HK$285,952,000). Loss for the year attributable to owners of the Company was reduced to approximately HK$23,119,000 (2018: approximately HK$40,502,000). Basic and diluted loss per share were both approximately HK0.44 cent for the year ended 31 December 2019 (2018: basic and diluted loss per share were both approximately HK0.78 cent).

GOLF EQUIPMENT BUSINESS

The golf equipment business has constituted the main operating segment of the Group throughout the years. It generated about 82.3% of the Group's revenue for the year ended 31 December 2019 (2018: 84.2%). Impacted by the depressed market, the golf equipment sales decreased 6.9% to approximately HK$224,147,000 in 2019 (2018: approximately HK$240,633,000).

During the year, sales to the largest segmental customer, before taking into account the golf bags sales to this customer, dropped 6.8% to approximately HK$107,987,000 (2018: approximately HK$115,899,000), accounting for approximately 48.2% (2018: approximately 48.2%) of the segment revenue or approximately 39.6% (2018: approximately 40.5%) of the Group's revenue for the year, respectively. Sales to other key segmental customers declined generally under the aggravated economic environment. Through diverse marketing efforts, the Group had successfully established business with new customers to partly compensate for the revenue curtailment caused by the reduced orders from existing customers. Sales generated from the top five segmental customers decreased 9.2% to approximately HK$212,159,000 (2018: approximately HK$233,707,000), representing approximately 94.7% (2018: approximately 97.1%) of the segment revenue or approximately 77.9% (2018: approximately 81.7%) of the Group's revenue for the year, respectively. The Group has put great emphasise on the long-term development of the golf equipment business and is committed to persistently working with and best serving the customers for mutual interests as well as exploring business opportunities with other credible golf market participants.

To rationalise costs and enhance productivity, the Group has engaged independent subcontractors with relevant manufacturing expertise to substitute for the self-run manufacturing operations in Guangdong province, China. The competent subcontractors assumed the manufacturing role to effectively perform the production function under the Group's supervision and instructions. This arrangement allows the Group to continually rationalise the manufacturing cost while assuring high product quality. On the other hand, the Shandong manufacturing facility was responsible for producing the majority of the Group's products throughout these years. It has been operating in a comparatively lower cost environment in Shandong Province, China to help optimise the costing structure and improve contribution margins. To persistently streamline the Shandong manufacturing operations for higher productivity, the Group has implemented incentive programs to enable its production personnel to participate in sharing cost savings achieved against preset cost targets. Besides, the Shandong manufacturing facility kept watching out feasible ways to optimise its work force commensurate with the business volume and market conditions. In compliance with applicable regulatory requirements, the Group conducted an assessment of the non-current assets comprising machinery, plant and equipment of the golf equipment segment to ascertain the existence of any impairment as at the year end. It was concluded that no impairment had been revealed and hence no impairment loss was recognised for the current year.

Irrespective of the decline in sales revenue, the golf equipment segment managed to narrow down and record a segment loss of approximately HK$6,412,000 for the year, which was 68.4% less than the segment loss of approximately HK$20,274,000 sustained in 2018. Taking into consideration the order book status and the anticipated market conditions, it is expected that the golf equipment segment will operate in a highly unstable market facing great challenges in light of the unsettled trade conflicts between China and the United States and the severe impact of the new corona-virus ("**COVID-19**") outbreak in the world since the end of January 2020. To substantiate the long-term development, the Group is committed to strengthening the customer relationship through diverse marketing initiatives and extensive client services as well as exploring business opportunities with other credible golf market participants. The management has maintained a prudent view with caution on the prospect of the golf equipment business for the ensuing year.

GOLF BAGS BUSINESS

The golf bags business retarded during the first half of 2019 but then rebounded in the second half year to achieve an overall increase in the annual segment revenue. The Group's revenue attributable to the golf bags segment, defined as comprising the sales of golf bags and accessories to external customers, rose 6.6% to approximately HK$48,307,000 (2018: approximately HK$45,319,000), representing approximately 17.7% of the Group's revenue for the year (2018: approximately 15.8%). Total sales of the golf bags segment, before elimination of the inter-segmental sales of approximately HK$10,870,000 (2018: approximately HK$14,995,000), remained solid and fell 1.9% in 2019 to approximately HK$59,177,000 (2018: approximately HK$60,314,000). 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 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$42,990,000 (2018: approximately HK$37,573,000) and accessories sales mainly sports bags of approximately HK$5,317,000 (2018: approximately HK$7,746,000), representing approximately 89.0% (2018: approximately 82.9%) and approximately 11.0% (2018: approximately 17.1%) of the segment revenue, respectively. As sound marketing practice, the Group focused more on the golf bags sales of higher price and contribution which rose 14.4% in 2019 whereas the accessories sales mainly sports bags of lower value and contribution diminished as a trade-off. Sales to the largest segmental customer decreased 6.5% during the year to approximately HK$28,299,000 (2018: approximately HK$30,269,000), representing approximately 58.6% (2018: approximately 66.8%) of the segment revenue or approximately 10.4% (2018: approximately 10.6%) of the Group's revenue for the year. Sales to other key segmental customers dropped generally but was more than compensated by the revenue generated from the new customers to achieve an overall increase in the annual segment revenue. The aggregate sales generated from the top five segmental customers increased 11.4% to approximately HK$44,731,000 (2018: approximately HK$40,155,000), representing approximately 92.6% (2018: approximately 88.6%) of the segment revenue or approximately 16.4% (2018: approximately 14.0%) of the Group's revenue for the year. To substantiate the long-term development, the golf bags segment has pursued effective measures to persistently streamline its operations with an aim to continually rationalise costs and improve profitability.

With the increased sales and the effective cost controls, the golf bags segment achieved a better performance to record a segment profit of approximately HK$7,777,000 for the year, demonstrating a surge of 78.1% compared to the segment profit of approximately HK$4,366,000 in 2018. Taking into account the order book status and the prevailing market conditions, it is expected that the golf bags segment will operate under great challenges with intense competition amidst the economic turmoil and the severe impact of the COVID-19 outbreak in the world since the end of January 2020. 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/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 2019, no revenue (2018: nil) was generated from the hospitality business.

PROSPECTS

The unsettled trade conflicts between China and the United States adversely affected the economic environment in 2019. During the year, import tariffs were progressively levied by the United States on goods shipped from China. In addition, the impact of the outbreak of COVID-19 in the world since the end of the January 2020 has intensified the economic and financial threat to the global economy. The PRC government has extended the lunar new-year holiday and rescheduled the date of resumption of corporate operations to 10 February 2020 or after. The Group's factories and its subcontractors in China have resumed operations on about 10 February 2020 in compliance with the relevant government notifications. It is anticipated that the Group will be operating under great challenges with intense competition in 2020. Notwithstanding the hindrance, the Group is committed to strengthening the customer relationship through extensive client services and diverse marketing initiatives for the long-term development of the golf business. The Group's financial position has remained solid with adequate funds to finance its operations and discharge the liabilities when due. The Group adopts a prudent view with caution on the prospect of the golf business for the foreseeable future.

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.

Going forward, the Group will continue to pursue a cautious business approach to closely monitor the golf business and seise other growth 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 2019 (2018: 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 2019, bank balances and cash, which were mostly denominated in United States dollars, Hong Kong dollars and Renminbi, amounted to approximately HK$118,995,000 (2018: approximately HK$126,249,000). As at 31 December 2019, interest-bearing borrowings of the Group comprising bank borrowings amounted to RMB53,000,000 which was equivalent to approximately HK$58,889,000 (2018: RMB53,000,000 equivalent to approximately HK$60,227,000), of which all were repayable within one year and carried interest at approximately 5.66% to 5.87% (2018: 5.87%) per annum. Bank borrowings were fixed rate borrowings denominated in Renminbi as at 31 December 2019 and 2018. Amount due to a related company of approximately HK$1,316,000 as at 31 December 2019 (2018: approximately HK$1,316,000) was unsecured, non-interest bearing and repayable on demand. Amount due to a director of approximately HK$73,780,000 as at 31 December 2019 was unsecured, carrying interest at 5% per annum and repayable on demand (2018: approximately HK$94,192,000 which was unsecured, non-interest bearing and repayable on demand).

As at 31 December 2019, the gearing ratio, defined as bank borrowings, amount due to a director, amount due to a related company and convertible bond less bank balances and cash and pledged bank deposit of approximately HK$76,220,000 (2018: approximately HK$85,237,000) divided by the total equity of approximately HK$279,210,000 (2018: approximately HK$303,791,000) was approximately 27.3% (2018: approximately 28.1%).

As at 31 December 2019, the total assets and the net asset value of the Group amounted to approximately HK$539,844,000 (2018: approximately HK$563,064,000) and approximately HK$279,210,000 (2018: approximately HK$303,791,000), respectively. Current and quick ratios as at 31 December 2019 were approximately 1.09 (2018: approximately 1.16) and approximately 0.89 (2018: approximately 0.81), respectively. Both the current ratio and quick ratio remained relatively stable and reasonable. The Group has continued to pursue feasible means to further 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 2019.

PLEDGE OF ASSETS

As at 31 December 2019, bank borrowings from a PRC bank of RMB53,000,000 which was equivalent to approximately HK$58,889,000 (2018: RMB53,000,000 which was equivalent to approximately HK$60,227,000) were secured by property, plant and equipment and the right-of-use assets/prepaid lease payments of the Group with a carrying value of approximately HK$99,324,000 (2018: approximately HK$104,585,000). As at 31 December 2019, the Group had pledged bank deposit of RMB530,000 which was equivalent to approximately HK$589,000 (31 December 2018: RMB530,000 which was equivalent to approximately HK$602,000). Such pledged bank deposit serves as the security in respect of the lease of the Group's golf bags factory 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 2019. 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 2019, an indirect wholly-owned subsidiary of the Company had been named as a 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 had filed a full defense to this writ in May 2011 and no further action was initiated by the plaintiff since then. 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.

Other than as disclosed, the Group had no significant contingent liabilities as at 31 December 2019.

EVENTS AFTER THE REPORTING PERIOD

The outbreak of COVID-19 since the end of January 2020 has brought great impact and instability to the global economy and financial markets. The Group has resumed the manufacturing operations in China on about 10 February 2020 after the extended lunar new-year holiday and there is no material interruption to the Group's production. The Group will closely monitor the sales order status in reaction to the market situation.

CAPITAL COMMITMENTS

As at 31 December 2019, 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$232,000 (2018: approximately HK$319,000).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2019, the Group had approximately 860 employees (2018: 980 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 2019. 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 2019.

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 2019.

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 2019, 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 Bangyin is 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.

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 2019.

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 2019 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 2019 ANNUAL REPORT ON THE WEBSITE OF THE STOCK EXCHANGE

The Company's annual report for the year 2019 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, 26 March 2020

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