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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 2020**

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 2020, together with the comparative figures for the year ended 31 December 2019.

### **CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*For the year ended 31 December 2020*

	<i>NOTES</i>	<b>2020</b> <i>HK\$'000</i>	<b>2019</b> <i>HK\$'000</i>
Revenue	4	<b>221,060</b>	272,454
Cost of sales		<u><b>(185,276)</b></u>	<u>(234,721)</u>
Gross profit		<b>35,784</b>	37,733
Other operating income	4	<b>5,688</b>	4,732
Selling and distribution expenses		<b>(2,170)</b>	(3,135)
Administrative expenses		<b>(45,636)</b>	(50,460)
Finance costs	5	<u><b>(13,032)</b></u>	<u>(10,840)</u>
Loss before tax		<b>(19,366)</b>	(21,970)
Income tax expense	6	<u><b>(176)</b></u>	<u>(1,149)</u>
Loss for the year	7	<u><b>(19,542)</b></u>	<u>(23,119)</u>

\* *for identification purpose only*

	<i>NOTE</i>	<b>2020</b> <b>HK\$'000</b>	2019 HK\$'000
Other comprehensive income (expense)			
<i>Item that may be reclassified subsequently</i>			
<i>to profit or loss:</i>			
Exchange differences arising on translation			
of foreign operations		<u>8,331</u>	<u>(1,464)</u>
<i>Items that will not be reclassified subsequently</i>			
<i>to profit or loss:</i>			
Gain on revaluation of ownership interest in leasehold			
land and buildings under revaluation model		783	3
Deferred tax relating to the revaluation of ownership			
interest in leasehold land and buildings under			
revaluation model		<u>(196)</u>	<u>(1)</u>
		<u>587</u>	<u>2</u>
Other comprehensive income (expense) for the year		<u>8,918</u>	<u>(1,462)</u>
Total comprehensive expense for the year		<u><b>(10,624)</b></u>	<u><b>(24,581)</b></u>
Loss for the year attributable to:			
Owners of the Company		(19,542)	(23,119)
Non-controlling interests		<u>—</u>	<u>—</u>
		<u><b>(19,542)</b></u>	<u><b>(23,119)</b></u>
Total comprehensive expense for the year attributable to:			
Owners of the Company		(10,624)	(24,581)
Non-controlling interests		<u>—</u>	<u>—</u>
		<u><b>(10,624)</b></u>	<u><b>(24,581)</b></u>
		<b>HK cent</b>	<b>HK cent</b>
<b>LOSS PER SHARE</b>	8		
Basic and diluted		<u><b>(0.38)</b></u>	<u><b>(0.44)</b></u>

# **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*AS AT 31 DECEMBER 2020*

	<i>NOTES</i>	<b>2020</b> <i>HK\$'000</i>	<b>2019</b> <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>101,225</b>	102,465
Right-of-use assets		<b>210,008</b>	217,920
Goodwill		–	–
Club debentures		<b>2,397</b>	2,897
Deposits and other receivables	<i>10</i>	–	41
Prepayments for the acquisition of property, plant and equipment		<b>218</b>	330
		<b>313,848</b>	323,653
<b>Current assets</b>			
Inventories		<b>57,112</b>	40,285
Trade and other receivables	<i>10</i>	<b>72,753</b>	56,322
Amount due from a related company		<b>1,017</b>	–
Pledged bank deposit		–	589
Bank balances and cash		<b>113,786</b>	118,995
		<b>244,668</b>	216,191
<b>Current liabilities</b>			
Trade and other payables	<i>11</i>	<b>74,372</b>	61,693
Amount due to a related company		–	1,316
Amount due to a director		<b>83,238</b>	73,780
Lease liabilities		<b>1,012</b>	1,625
Income tax payable		–	354
Bank borrowings		<b>63,095</b>	58,889
		<b>221,717</b>	197,657
<b>Net current assets</b>		<b>22,951</b>	18,534
<b>Total assets less current liabilities</b>		<b>336,799</b>	342,187
<b>Non-current liabilities</b>			
Convertible bond		<b>45,200</b>	61,819
Lease liabilities		–	931
Deferred tax liabilities		<b>398</b>	227
		<b>45,598</b>	62,977
<b>Net assets</b>		<b>291,201</b>	279,210
<b>Capital and reserves</b>			
Share capital	<i>12</i>	<b>52,013</b>	52,013
Reserves		<b>236,458</b>	224,467
Equity attributable to owners of the Company		<b>288,471</b>	276,480
Non-controlling interests		<b>2,730</b>	2,730
<b>Total equity</b>		<b>291,201</b>	279,210

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 ownership interest in leasehold land and buildings that are measured at revalued amounts at the end of each reporting period.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants 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 Amendments to References to the Conceptual Framework in HKFRSs and the following amendments to HKFRSs, which include HKFRSs, Hong Kong Accounting Standards (“**HKAS(s)**”), amendments and interpretations, issued by the HKICPA which are effective for the Group’s financial year beginning 1 January 2020.

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

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

## **New and amendments to HKFRSs issued but not yet effective**

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

HKFRS 17	Insurance Contracts and related Amendments <sup>5</sup>
Amendments to HKFRS 3	Reference to Conceptual Framework <sup>3</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>2</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause <sup>5</sup>
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use <sup>3</sup>
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract <sup>3</sup>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 <sup>1</sup>
Amendments to HKFRS 16	COVID-19 – Related Rent Concessions <sup>4</sup>
Amendment to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020 cycle <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2021.

<sup>2</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2022.

<sup>4</sup> Effective for annual periods beginning on or after 1 June 2020.

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2023.

The directors of the Company anticipate that the application of the new and amendments to 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 CODM 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 – Manufacture and sales of golf equipment and related components and parts.
- Golf bags – Manufacture and sales of golf bags, other accessories, and related components and parts.
- Hospitality – Development of integrated resort in the Commonwealth of the Northern Mariana Islands (the “CNMI”).

#### (a) Segment revenue and results

The following is an analysis of the Group’s revenue and results by reportable segment:

#### For the year ended 31 December

	Golf equipment		Golf bags		Hospitality		Eliminations		Consolidated	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	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	188,705	224,147	32,355	48,307	-	-	-	-	221,060	272,454
Inter-segment sales	-	-	5,577	10,870	-	-	(5,577)	(10,870)	-	-
Other operating income	3,917	2,059	376	425	-	-	-	-	4,293	2,484
Total	<u>192,622</u>	<u>226,206</u>	<u>38,308</u>	<u>59,602</u>	<u>-</u>	<u>-</u>	<u>(5,577)</u>	<u>(10,870)</u>	<u>225,353</u>	<u>274,938</u>
Segment results	<u>4,005</u>	<u>(6,412)</u>	<u>4,655</u>	<u>7,777</u>	<u>(6,723)</u>	<u>(6,677)</u>	<u>-</u>	<u>-</u>	1,937	(5,312)
Interest income									1,395	2,248
Impairment loss on club debentures									(500)	-
Unallocated corporate expenses									(9,166)	(8,243)
Finance costs									(13,032)	(10,663)
Loss before tax									<u>(19,366)</u>	<u>(21,970)</u>

The accounting policies of the operating segments are the same as the Group’s accounting policies. Segment results represent the profit (loss) from each segment without allocation of interest income, impairment loss on club debentures, central administration costs, directors’ emoluments and 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	
	2020	2019	2020	2019	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	<u>224,694</u>	<u>192,855</u>	<u>12,353</u>	<u>15,269</u>	<u>201,198</u>	<u>207,768</u>	<u>438,245</u>	415,892
Unallocated corporate assets								
– Club debentures							<u>2,397</u>	2,897
– Bank balances and cash							<u>113,786</u>	118,995
– Others							<u>4,088</u>	<u>2,060</u>
Total assets							<u><u>558,516</u></u>	<u><u>539,844</u></u>
Segment liabilities	<u>53,597</u>	<u>45,275</u>	<u>11,682</u>	<u>10,026</u>	<u>7,492</u>	<u>7,471</u>	<u>72,771</u>	62,772
Unallocated corporate liabilities								
– Amount due to a related company							–	1,316
– Amount due to a director							<u>83,238</u>	73,780
– Income tax payable							–	354
– Bank borrowings							<u>63,095</u>	58,889
– Convertible bond							<u>45,200</u>	61,819
– Deferred tax liabilities							<u>398</u>	227
– Others							<u>2,613</u>	<u>1,477</u>
Total liabilities							<u><u>267,315</u></u>	<u><u>260,634</u></u>

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, certain inventories and plant and equipment for central administrative purpose; 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.

**(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.

	<b>Revenue from external customers</b>	
	<b>2020</b>	<b>2019</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
North America	<b>75,180</b>	126,159
Japan	<b>70,315</b>	75,665
Europe	<b>37,725</b>	26,161
Asia (excluding Japan)	<b>18,500</b>	14,864
Others	<b>19,340</b>	29,605
	<b>221,060</b>	272,454

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

	<b>2020</b>	<b>2019</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
The CNMI	<b>201,109</b>	207,759
The People's Republic of China (the "PRC")	<b>109,594</b>	111,720
Hong Kong (country of domicile)	<b>3,145</b>	4,133
	<b>313,848</b>	323,612



(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	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	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 ( <i>note</i> )	412	1,421	108	230	-	-	-	468	520	2,119
Depreciation of property, plant and equipment	7,841	4,799	132	232	-	-	7	9	7,980	5,040
Depreciation of right-of-use assets	273	277	1,364	1,264	6,650	6,650	234	214	8,521	8,405
Impairment loss on club debentures	-	-	-	-	-	-	500	-	500	-
Loss (gain) on disposal of property, plant and equipment	591	(40)	-	-	-	-	-	-	591	(40)

*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	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest income	-	-	-	-	-	-	(1,395)	(2,248)	(1,395)	(2,248)
Finance costs	-	-	-	177	-	-	13,032	10,663	13,032	10,840
Income tax expense	-	-	-	-	-	-	176	1,149	176	1,149

(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:

		2020 HK\$'000	2019 HK\$'000
	<b>Revenue generated from</b>		
Customer A	Golf equipment and Golf bags	122,435	136,286
Customer B	Golf equipment	38,384	N/A*
Customer C	Golf equipment	28,489	55,372

\* The corresponding revenue did not contribute over 10% of the total revenue of the Group.

#### 4. REVENUE AND OTHER OPERATING INCOME

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue from contracts with customers within the scope of HKFRS 15:		
Sales of golf equipment and related components and parts	188,705	224,147
Sales of golf bags, other accessories and related components and parts	<u>32,355</u>	<u>48,307</u>
	<u><b>221,060</b></u>	<u><b>272,454</b></u>

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Timing of revenue recognition at a point in time	<u><b>221,060</b></u>	<u><b>272,454</b></u>

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
The Group's other operating income is presented as follows:		
– Government grants	2,718	–
– Interest income	1,395	2,248
– Tooling income	505	640
– Sample income	240	145
– Exchange gain, net	–	637
– Gain on disposal of property, plant and equipment	–	40
– Gain on disposal of a subsidiary	–	12
– Sundry income	<u>830</u>	<u>1,010</u>
	<u><b>5,688</b></u>	<u><b>4,732</b></u>

## 5. FINANCE COSTS

	2020 HK\$'000	2019 HK\$'000
Interest expenses on:		
– bank borrowings	3,291	3,442
– convertible bond	5,996	5,466
– amount due to a director	3,640	2,024
– leases liabilities	105	195
	<hr/>	<hr/>
Total borrowing costs	13,032	11,127
Less: amounts capitalised	–	(287)
	<hr/>	<hr/>
	<b>13,032</b>	<b>10,840</b>
	<hr/>	<hr/>

## 6. INCOME TAX EXPENSE

	2020 HK\$'000	2019 HK\$'000
PRC Enterprise Income Tax (“EIT”)		
– Current year	7	992
– Under-provision in prior years	194	182
	<hr/>	<hr/>
	201	1,174
Deferred tax	(25)	(25)
	<hr/>	<hr/>
	<b>176</b>	<b>1,149</b>
	<hr/>	<hr/>

- (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 2020 and 2019.
- (ii) Under the Law of the PRC on EIT (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.
- (iii) The corporate income tax in the CNMI is calculated at 30% of the estimated profit for the years ended 31 December 2020 and 2019. No provision for corporate income tax for the subsidiary incorporated in the CNMI as no income has been derived from the CNMI during the years ended 31 December 2020 and 2019.
- (iv) The Group is not subject to taxation in other jurisdictions.

## 7. LOSS FOR THE YEAR

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
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	51,135	60,048
Contributions to retirement benefit schemes	<u>615</u>	<u>4,900</u>
Total staff cost	<u>51,750</u>	<u>64,948</u>
Auditor's remuneration	1,060	1,060
Amount of inventories recognised as an expense	185,276	234,721
Depreciation of property, plant and equipment	7,980	5,040
Depreciation of right-of-use assets	8,521	8,405
Impairment loss on club debentures	500	–
Exchange loss (gain), net	3,790	(637)
Loss (gain) on disposal of property, plant and equipment	<u>591</u>	<u>(40)</u>

## 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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<u>Loss</u>		
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per share	<u>(19,542)</u>	<u>(23,119)</u>

	2020 <i>'000</i>	2019 <i>'000</i>
<u>Number of shares</u>		
Number of ordinary shares for the purpose of basic and diluted loss per share	<u>5,201,250</u>	<u>5,201,250</u>

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.

## 9. DIVIDENDS

No dividends were paid, declared or proposed during the year ended 31 December 2020, nor has any dividend been proposed since the end of the reporting period (2019: nil).

## 10. TRADE AND OTHER RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables, at amortised cost	64,958	48,094
Deposits and other receivables	4,522	3,817
Prepayments	3,098	3,973
Prepayments to suppliers	175	479
	<u>72,753</u>	<u>56,363</u>

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Non-current	–	41
Current	<u>72,753</u>	<u>56,322</u>
	<u>72,753</u>	<u>56,363</u>

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 (2019: 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 of the Group presented based on the invoice date, which approximates the respective revenue recognition date, at the end of the reporting period:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0 to 30 days	26,997	31,436
31 to 90 days	36,697	13,883
91 to 180 days	<u>1,264</u>	<u>2,775</u>
	<u>64,958</u>	<u>48,094</u>

## 11. TRADE AND OTHER PAYABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade payables	54,964	46,802
Contract liabilities	294	3,317
Accruals and other payables	<u>19,114</u>	<u>11,574</u>
	<u><b>74,372</b></u>	<u><b>61,693</b></u>

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0 to 90 days	41,465	38,401
91 to 180 days	10,596	5,328
181 to 365 days	382	1,788
Over 365 days	<u>2,521</u>	<u>1,285</u>
	<u><b>54,964</b></u>	<u><b>46,802</b></u>

The average credit period on purchases of goods is from 30 days to 90 days (2019: 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.

## 12. SHARE CAPITAL

	<b>Number of shares '000</b>	<b>Share capital HK\$'000</b>
Ordinary shares of HK\$0.01 (2019: HK\$0.01) each		
<b>Authorised</b>		
At 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	<u>10,000,000</u>	
<b>Issued and fully paid</b>		
At 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	<u>5,201,250</u>	<u>52,013</u>

## 13. CAPITAL COMMITMENTS

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

	<b>2020 HK\$'000</b>	<b>2019 HK\$'000</b>
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of property, plant and equipment	<u>187</u>	<u>232</u>



## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL RESULTS AND BUSINESS REVIEW

The global economy was hampered in 2020 mainly attributable to the outbreak of novel coronavirus (“**COVID-19**”) which jeopardised public health worldwide and retarded business activities for most part of the year following the enforcement of government closure orders, travel restrictions and quarantine measures. In addition, the conclusion of the first phase of the Trade Agreement between China and the United States in early 2020 has added uncertainties and burden on Mainland manufacturers as the Group has been producing goods at the manufacturing facilities in China and exports over one-third of the products to the United States. The golf business of the Group shrank notably during the first half-year of 2020 because customers generally cut down and/or rescheduled the orders when they were compelled to suspend operations or operate on home office with limited scale under the pandemic. The adverse situation was alleviated during the second half year when the golf market rebounded moderately and customers resumed placing orders at catch-up pace. Notwithstanding the slow-down in economy, the Group managed to strengthen its customer portfolio through diverse marketing initiatives to mitigate the impact of COVID-19. During the year, the golf revenue decreased remarkably with sales to the largest customer by 10.2% whereas the business with other key customers dropped generally by differing extent. There was no revenue generated by the hospitality segment during the year as the development of the hospitality business has been postponed until the external restricting factors in the CNMI are resolved. To uphold our competitive edge, the Group has pursued to strengthen the business rationalisation measures to continually optimise costs and enhance efficiency. To facilitate the long-term development, the Board is committed to exploring more and different potential development opportunities to expand and diversify the business of the Group. Given the on-going challenges of the COVID-19 pandemic, it is envisaged that the Group will continue to operate in a volatile and competitive market in the ensuing year.

The Group’s revenue for the year ended 31 December 2020 decreased 18.9% to approximately HK\$221,060,000 (2019: HK\$272,454,000). Loss for the year attributable to owners of the Company was approximately HK\$19,542,000 (2019: HK\$23,119,000). Basic and diluted loss per share were both approximately HK0.38 cent for the year ended 31 December 2020 (2019: HK0.44 cent).

### GOLF EQUIPMENT BUSINESS

The golf equipment business has constituted the main operating segment of the Group throughout the years. It contributed to about 85.4% of the Group’s revenue for the year ended 31 December 2020 (2019: 82.3%). Impacted by the COVID-19 pandemic, the golf equipment sales decreased 15.8% to approximately HK\$188,705,000 in 2020 (2019: HK\$224,147,000).

With the long-established relationship, the golf equipment sales to the largest segmental customer mildly decreased 2.7% during the year to approximately HK\$105,037,000 (2019: HK\$107,987,000), accounting for approximately 55.7% (2019: 48.2%) of the segment revenue or approximately 47.5% (2019: 39.6%) of the Group's revenue for the year, respectively. Sales to other key segmental customers dropped generally during the year except for one which surged 63.8% to become the second largest segmental customer from its third largest ranking in the preceding year. Through diverse marketing efforts, the Group managed to grow business with newly established customers to partly compensate for the reduced revenue from the key customers. Revenue generated from the top five segmental customers decreased 12.9% to approximately HK\$184,706,000 (2019: HK\$212,159,000), representing approximately 97.9% (2019: 94.7%) of the segment revenue or approximately 83.6% (2019: 77.9%) of the Group's revenue for the year, respectively. To achieve long-term growth, the golf equipment segment is committed to providing extensive services to customers through collaborations for mutual interest as well as exploring new business opportunities with other reputable golf name brands.

To combat the pandemic, the Group implemented stringent anti-epidemic measures augmented by flexible working hours to minimise human infection risk and secure workforce safety. The anti-epidemic measures were effective and facilitated the restoration to normal business operations with a safe working environment for the employees. To persistently streamline the operations and enhance productivity, the Group strengthened the rationalisation of the manufacturing process supplemented by performance incentives offered to motivate the production personnel. The Shandong manufacturing facility had conducted regular review of the workforce and took requisite actions to optimise the headcount to be commensurate with the business volume and market conditions. On the other hand, the increased utilisation of subcontracting arrangements has brought additional cost benefit whilst preserving a high standard of product quality. Through proactive management, the Group managed to elevate the contribution margin of the golf equipment sales to help regain segment profitability.

Benefiting from the anti-epidemic relief policies of the governments and the effective cost rationalisation measures of the Group, the golf equipment segment has reverted to profitability and recorded a segment profit of approximately HK\$4,005,000 for the year in contrast to the segment loss of approximately HK\$6,412,000 sustained in 2019. Taking into consideration the order book status and the prevailing market conditions, it is expected that the golf equipment segment will continue to operate in a volatile market given the on-going challenges of the COVID-19 pandemic. To substantiate the long-term development, the Group is determined to strengthen customers relationship through diverse marketing initiatives as well as exploring new business opportunities with other credible golf name brands. The management has adopted a prudent view with caution on the prospect of the golf equipment business for the ensuing year.

## **GOLF BAGS BUSINESS**

Hard hit by the pandemic, the golf bags business has curtailed by about one-third during the year. The Group's revenue attributable to the golf bags segment, defined as comprising the sales of golf bags and accessories to external customers, plummeted 33.0% to approximately HK\$32,355,000 (2019: HK\$48,307,000), representing approximately 14.6% of the Group's revenue for the year (2019: 17.7%). Total sales of the golf bags segment, before elimination of the inter-segmental sales of approximately HK\$5,577,000 (2019: HK\$10,870,000), dropped 35.9% in 2020 to approximately HK\$37,932,000 (2019: HK\$59,177,000). 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\$27,910,000 (2019: HK\$42,990,000) and accessories sales mainly sports bags of approximately HK\$4,445,000 (2019: HK\$5,317,000), representing approximately 86.3% (2019: 89.0%) and 13.7% (2019: 11.0%) of the segment revenue, respectively. Sales to the largest segmental customer decreased 38.5% during the year to approximately HK\$17,398,000 (2019: HK\$28,299,000), representing approximately 53.8% (2019: 58.6%) of the segment revenue or approximately 7.9% (2019: 10.4%) of the Group's revenue for the year. Sales to other key segmental customers dropped remarkably during the year except for one which grew nearly 7 times to rank the second largest segmental customer when it shifted the orders from other supply sources to the Group. The aggregate sales generated from the top five segmental customers fell 33.7% to approximately HK\$29,666,000 (2019: HK\$44,731,000), representing approximately 91.7% (2019: 92.6%) of the segment revenue or approximately 13.4% (2019: 16.4%) of the Group's revenue for the year. To facilitate the long-term development, the golf bags segment continued to strengthen the rationalisation measures to eliminate inefficiencies for optimising costs and maintaining profitability.

Amidst the challenges of the COVID-19 pandemic, the golf bags segment recorded a lesser segment profit of approximately HK\$4,655,000 for the year, down approximately 40.1% compared to the segment profit of approximately HK\$7,777,000 in 2019. Taking into account the order book status and the prevailing market conditions under the pandemic, it is anticipated that the golf bags segment will operate in a volatile and highly competitive market. The management has adopted a prudent 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 the CNMI, 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 the CNMI 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 the CNMI and savor in the development of the tourism and golf related industries in the CNMI.

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 the CNMI 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 2020, no revenue (2019: nil) was generated from the hospitality business.

## **PROSPECTS**

The outbreak of COVID-19 in 2020 has posed severe threat and uncertainties to the global economy and business sector. The pandemic lasted much longer than most people could expect to cause heavy casualties worldwide and bring some commercial activities almost to a standstill. The golf business of the Group was adversely affected under the pandemic as the customers reduced and/or rescheduled the orders in light of the stagnant market. The situation was alleviated in the second half of 2020 when the customers resumed placing orders at catch-up pace upon a rebound of the market demand for golf clubs due to increased golf playing activities. Amidst the great challenges of the pandemic, the Group has pursued effective rationalisation measures to continually streamline business operations and optimise costs. To facilitate the long-term development of the golf business, the Group is determined to strengthen customers relationship through collaborations and diverse marketing initiatives with an aim to best serve their needs. In addition, the Group has maintained a solid financial position with adequate funds to finance its operations and discharge the liabilities when due. The management has held a prudent view with caution on the prospect of the golf business for the coming 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 the CNMI has been postponed at the current stage, the Group will continue to observe the hospitality industry trend in the CNMI from time to time and start the development plan in best entry time.

Going forward, the Group will continue to pursue a cautious business approach to closely monitor the golf business and seize 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 2020 (2019: 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 2020, bank balances and cash, which were mostly denominated in United States dollars, Hong Kong dollars and Renminbi, amounted to approximately HK\$113,786,000 (2019: HK\$118,995,000). As at 31 December 2020, interest-bearing borrowings of the Group comprising bank borrowings amounted to RMB53,000,000 which was equivalent to approximately HK\$63,095,000 (2019: RMB53,000,000 equivalent to approximately HK\$58,889,000), of which all were repayable within one year and carried interest at approximately 5.44% (2019: 5.66% to 5.87%) per annum. Bank borrowings were fixed rate borrowings denominated in Renminbi as at 31 December 2020 and 2019. There was no amount due to a related company as at 31 December 2020 (2019: HK\$1,316,000 which was unsecured, non-interest bearing and repayable on demand). Amount due to a director of approximately HK\$83,238,000 as at 31 December 2020 (2019: HK\$73,780,000) was unsecured, carrying interest at 5% per annum and repayable on demand.

As at 31 December 2020, 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\$77,747,000 (2019: HK\$76,220,000) divided by the total equity of approximately HK\$291,201,000 (2019: HK\$279,210,000) was approximately 26.7% (2019: 27.3%).

On 27 November 2020, the Company entered into an amendment letter (the “**Amendment Letter**”) with Wealth Sailor Limited, the holder of the convertible bond of the Company, to extend the original maturity date (i.e. 7 November 2021) of the convertible bond for five years to the extended maturity date on 7 November 2026 (the “**Extension**”). A special general meeting of the Company was held on 30 December 2020 in which an ordinary resolution was passed by the independent shareholders of the Company to approve, inter alia, the Amendment Letter and the Extension. Given the out-of-money situation of the convertible bond, the Extension has allowed the Group to have more flexibility in the use of its working capital for the business operations and development as it is unlikely that Wealth Sailor Limited will convert all or part of the convertible bond on or before the original maturity date.

As at 31 December 2020, the total assets and the net asset value of the Group amounted to approximately HK\$558,516,000 (2019: HK\$539,844,000) and HK\$291,201,000 (2019: HK\$279,210,000), respectively. Current and quick ratios as at 31 December 2020 were approximately 1.10 (2019: 1.09) and approximately 0.85 (2019: 0.89), 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 2020.

## **PLEDGE OF ASSETS**

As at 31 December 2020, bank borrowings from a PRC bank of RMB53,000,000 which was equivalent to approximately HK\$63,095,000 (2019: RMB53,000,000 which was equivalent to approximately HK\$58,889,000) were secured by property, plant and equipment and the right-of-use assets of the Group with a carrying value of approximately HK\$103,391,000 (2019: HK\$99,325,000). As at 31 December 2020, there was no pledged bank deposit (2019: RMB530,000 equivalent to approximately HK\$589,000 which served 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 2020. 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 2020, 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 2020.

## **EVENT AFTER THE REPORTING PERIOD**

No significant event has taken place subsequent to 31 December 2020 and up to the date of this results announcement.

## **CAPITAL COMMITMENTS**

As at 31 December 2020, the Group had capital commitments, which are contracted but not provided in the consolidated financial statements in respect of property, plant and equipment amounting to approximately HK\$187,000 (2019: HK\$232,000).

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 December 2020, the Group had approximately 780 employees (2019: 860 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 2020. 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 2020.

## 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 2020.

### 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 2020, 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 2020.

## **SCOPE OF WORK OF SHINEWING (HK) CPA LIMITED ON THIS RESULTS 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 2020 as set out in this results 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 work 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 results announcement.

## **PUBLICATION OF THE 2020 ANNUAL REPORT ON THE WEBSITE OF THE STOCK EXCHANGE**

The Company’s annual report for the year 2020 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](http://www.hkexnews.hk) and the Company’s website at [www.sinogolf.com](http://www.sinogolf.com) in due course.

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

Hong Kong, 25 March 2021

*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.*