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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 2021

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 2021, together with the comparative figures for the year ended 31 December 2020.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	<i>NOTES</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue	4	418,484	221,060
Cost of sales		(358,448)	(185,276)
Gross profit		60,036	35,784
Other operating income	4	2,559	5,688
Selling and distribution expenses		(3,392)	(2,170)
Administrative expenses		(55,815)	(45,636)
Loss on revaluation of ownership interest in leasehold land and buildings		(6,138)	–
Impairment loss on right-of-use assets		(8,194)	–
Finance costs	5	(12,622)	(13,032)
Loss before tax		(23,566)	(19,366)
Income tax expense	6	(105)	(176)
Loss for the year	7	(23,671)	(19,542)

* *for identification purpose only*

	NOTE	2021 HK\$'000	2020 HK\$'000
Other comprehensive income (expense)			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of financial statements of foreign operations		<u>1,598</u>	<u>8,331</u>
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
(Loss) gain on revaluation of ownership interest in leasehold land and buildings under revaluation model		(1,411)	783
Deferred tax relating to the revaluation of ownership interest in leasehold land and buildings under revaluation model		<u>—</u>	<u>(196)</u>
		<u>(1,411)</u>	<u>587</u>
Other comprehensive income for the year, net of income tax		<u>187</u>	<u>8,918</u>
Total comprehensive expense for the year		<u><u>(23,484)</u></u>	<u><u>(10,624)</u></u>
Loss for the year attributable to:			
Owners of the Company		(23,671)	(19,542)
Non-controlling interests		<u>—</u>	<u>—</u>
		<u><u>(23,671)</u></u>	<u><u>(19,542)</u></u>
Total comprehensive expense for the year attributable to:			
Owners of the Company		(23,484)	(10,624)
Non-controlling interests		<u>—</u>	<u>—</u>
		<u><u>(23,484)</u></u>	<u><u>(10,624)</u></u>
		<i>HK cent</i>	<i>HK cent</i>
LOSS PER SHARE	8		
Basic and diluted		<u><u>(0.46)</u></u>	<u><u>(0.38)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	<i>NOTES</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		91,784	101,225
Right-of-use assets		204,919	210,008
Goodwill		–	–
Club debentures		1,322	2,397
Prepayments for the acquisition of property, plant and equipment		<u>1,157</u>	<u>218</u>
		<u>299,182</u>	<u>313,848</u>
Current assets			
Inventories		55,905	57,112
Trade and other receivables	10	79,695	72,753
Amount due from a related company		–	1,017
Bank balances and cash		<u>122,730</u>	<u>113,786</u>
		<u>258,330</u>	<u>244,668</u>
Current liabilities			
Trade and other payables	11	100,262	74,372
Amount due to a director		63,463	83,238
Lease liabilities		2,124	1,012
Income tax payable		149	–
Bank borrowings		<u>65,432</u>	<u>63,095</u>
		<u>231,430</u>	<u>221,717</u>
Net current assets		<u>26,900</u>	<u>22,951</u>
Total assets less current liabilities		<u>326,082</u>	<u>336,799</u>
Non-current liabilities			
Convertible bond		49,189	45,200
Lease liabilities		8,822	–
Deferred tax liabilities		<u>354</u>	<u>398</u>
		<u>58,365</u>	<u>45,598</u>
Net assets		<u>267,717</u>	<u>291,201</u>
Capital and reserves			
Share capital	12	52,013	52,013
Reserves		<u>212,974</u>	<u>236,458</u>
Equity attributable to owners of the Company		<u>264,987</u>	<u>288,471</u>
Non-controlling interests		<u>2,730</u>	<u>2,730</u>
Total equity		<u>267,717</u>	<u>291,201</u>

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 at the measurement date 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 amendments to HKFRSs, which include HKFRSs, Hong Kong Accounting Standards (“**HKAS(s)**”), issued by the HKICPA which are effective for the Group’s financial year beginning 1 January 2021:

Amendments to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

The application of 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 ³
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
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 ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ³
Amendments to HKAS 8	Definition of Accounting Estimates ³
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ³
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts: Cost of Fulfilling a Contract ²
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 Cycle ²

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

² Effective for annual periods beginning on or after 1 January 2022.

³ Effective for annual periods beginning on or after 1 January 2023.

⁴ Effective for annual periods beginning on or after a date to be determined.

The directors of the Company anticipate that the application of new and amendments to HKFRSs will have no material impact on the 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. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

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

- Golf equipment – Manufacture and sales of golf equipment and related components and parts.
- Golf bags – Manufacture and sales of golf bags, other accessories, and related components and parts.
- Hospitality – Development of integrated resort in 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	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	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	373,350	188,705	45,134	32,355	-	-	-	-	418,484	221,060
Inter-segment sales	-	-	16,592	5,577	-	-	(16,592)	(5,577)	-	-
Other operating income	2,167	3,917	338	376	-	-	-	-	2,505	4,293
Total	<u>375,517</u>	<u>192,622</u>	<u>62,064</u>	<u>38,308</u>	<u>-</u>	<u>-</u>	<u>(16,592)</u>	<u>(5,577)</u>	<u>420,989</u>	<u>225,353</u>
Segment results	<u>10,112</u>	<u>4,005</u>	<u>5,450</u>	<u>4,655</u>	<u>(14,900)</u>	<u>(6,723)</u>	<u>-</u>	<u>-</u>	<u>662</u>	<u>1,937</u>
Interest income									55	1,395
Impairment loss on club debentures									(1,075)	(500)
Unallocated corporate expenses									(10,586)	(9,166)
Finance costs									<u>(12,622)</u>	<u>(13,032)</u>
Loss before tax									<u>(23,566)</u>	<u>(19,366)</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	
	2021	2020	2021	2020	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	<u>218,080</u>	<u>224,694</u>	<u>25,523</u>	<u>12,353</u>	<u>186,322</u>	<u>201,198</u>	<u>429,925</u>	<u>438,245</u>
Unallocated corporate assets								
– Club debentures							1,322	2,397
– Bank balances and cash							122,730	113,786
– Others							<u>3,535</u>	<u>4,088</u>
Total assets							<u>557,512</u>	<u>558,516</u>
Segment liabilities	<u>79,019</u>	<u>53,597</u>	<u>22,087</u>	<u>11,682</u>	<u>7,500</u>	<u>7,492</u>	<u>108,606</u>	<u>72,771</u>
Unallocated corporate liabilities								
– Amount due to a director							63,463	83,238
– Income tax payable							149	–
– Bank borrowings							65,432	63,095
– Convertible bond							49,189	45,200
– Deferred tax liabilities							354	398
– Others							<u>2,602</u>	<u>2,613</u>
Total liabilities							<u>289,795</u>	<u>267,315</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 director, income tax payable, 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.

	Revenue from external customers	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
North America	109,790	75,180
Japan	176,482	70,315
Europe	81,328	37,725
Asia (excluding Japan)	26,752	18,500
Others	24,132	19,340
	<u>418,484</u>	<u>221,060</u>

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

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
The CNMI	186,264	201,109
The People's Republic of China (the "PRC")	111,083	109,594
Hong Kong (country of domicile)	1,835	3,145
	<u>299,182</u>	<u>313,848</u>

(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	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	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>)	1,609	412	11,499	108	-	-	29	-	13,137	520
Depreciation of property, plant and equipment	6,069	7,841	155	132	-	-	5	7	6,229	7,980
Depreciation of right-of-use assets	293	273	1,854	1,364	6,650	6,650	20	234	8,817	8,521
Impairment loss on club debentures	-	-	-	-	-	-	1,075	500	1,075	500
Loss on revaluation of ownership interest in leasehold land and buildings	6,138	-	-	-	-	-	-	-	6,138	-
Impairment loss on right-of-use assets	-	-	-	-	8,194	-	-	-	8,194	-
(Gain) loss on disposal of property, plant and equipment	-	591	(61)	-	-	-	-	-	(61)	591
	<u>-</u>	<u>591</u>	<u>(61)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(61)</u>	<u>591</u>

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	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest income	-	-	-	-	-	-	(55)	(1,395)	(55)	(1,395)
Finance costs	-	-	-	-	-	-	12,622	13,032	12,622	13,032
Income tax expense	-	-	-	-	-	-	105	176	105	176
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>105</u>	<u>176</u>	<u>105</u>	<u>176</u>

(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	2021	2020
		HK\$'000	HK\$'000
Customer A	Golf equipment and Golf bags	219,543	122,435
Customer B	Golf equipment	74,592	28,489
Customer C	Golf equipment	63,688	38,384
		<u>219,543</u>	<u>122,435</u>

4. REVENUE AND OTHER OPERATING INCOME

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue from contracts with customers within the scope of HKFRS 15:		
Sales of golf equipment and related components and parts	373,350	188,705
Sales of golf bags, other accessories and related components and parts	<u>45,134</u>	<u>32,355</u>
	<u><u>418,484</u></u>	<u><u>221,060</u></u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Timing of revenue recognition at a point in time	<u><u>418,484</u></u>	<u><u>221,060</u></u>

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
The Group's other operating income is presented as follows:		
– Government grants	519	2,718
– Interest income	55	1,395
– Tooling income	430	505
– Sample income	358	240
– Gain on disposal of property, plant and equipment	61	–
– Sundry income	<u>1,136</u>	<u>830</u>
	<u><u>2,559</u></u>	<u><u>5,688</u></u>

5. FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest expenses on:		
– bank borrowings	3,369	3,291
– convertible bond	3,989	5,996
– amount due to a director	5,030	3,640
– leases liabilities	<u>234</u>	<u>105</u>
Total borrowing costs	<u><u>12,622</u></u>	<u><u>13,032</u></u>

6. INCOME TAX EXPENSE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Hong Kong Profits Tax		
– Current year	<u>105</u>	<u>–</u>
PRC Enterprise Income Tax (“EIT”)		
– Current year	44	7
– Under-provision in prior years	<u>–</u>	<u>194</u>
	<u>44</u>	<u>201</u>
Deferred tax	<u>(44)</u>	<u>(25)</u>
	<u><u>105</u></u>	<u><u>176</u></u>

- (i) Hong Kong Profits Tax has been provided for in the financial statements at the rate of 16.5% on the estimated assessable profits for the year ended 31 December 2021. No provision for Hong Kong Profits Tax had been made for the year ended 31 December 2020 as there was no assessable profit generated or the estimated assessable profit had been offset by tax losses brought forward from previous years.
- (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 2021 and 2020. 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 2021 and 2020.
- (iv) The Group is not subject to taxation in other jurisdictions.

7. LOSS FOR THE YEAR

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loss for the year has been arrived at after charging:		
Staff cost (including directors' and chief executives' emoluments):		
Salaries, wages and other benefits in kind	78,129	51,135
Contributions to retirement benefit schemes	<u>6,019</u>	<u>615</u>
Total staff cost	<u>84,148</u>	<u>51,750</u>
Auditor's remuneration	1,060	1,060
Amount of inventories recognised as an expense	358,448	185,276
Depreciation of property, plant and equipment	6,229	7,980
Depreciation of right-of-use assets	8,817	8,521
Impairment loss on club debentures	1,075	500
Exchange loss, net	1,508	3,790
Loss on disposal of property, plant and equipment	<u>–</u>	<u>591</u>

8. LOSS PER SHARE

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

	2021 <i>HK\$'000</i>	2020 <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>(23,671)</u>	<u>(19,542)</u>
	2021 <i>'000</i>	2020 <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 2021, nor has any dividend been proposed since the end of the reporting period (2020: nil).

10. TRADE AND OTHER RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables, at amortised cost	66,989	64,958
Deposits and other receivables	8,315	4,522
Prepayments	4,081	3,098
Prepayments to suppliers	<u>310</u>	<u>175</u>
	<u>79,695</u>	<u>72,753</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 (2020: 30 and 60 days). The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management.

As at 31 December 2021, the gross amount of trade receivables arising from contracts with customers amounted to approximately HK\$66,989,000 (2020: HK\$64,958,000).

- (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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0 to 30 days	50,897	26,997
31 to 90 days	15,838	36,697
91 to 180 days	<u>254</u>	<u>1,264</u>
	<u>66,989</u>	<u>64,958</u>

11. TRADE AND OTHER PAYABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables	73,631	54,964
Contract liabilities	3,985	294
Accruals and other payables	<u>22,646</u>	<u>19,114</u>
	<u>100,262</u>	<u>74,372</u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0 to 90 days	60,047	41,465
91 to 180 days	9,736	10,596
181 to 365 days	611	382
Over 365 days	<u>3,237</u>	<u>2,521</u>
	<u>73,631</u>	<u>54,964</u>

The average credit period on purchases of goods is from 30 days to 90 days (2020: 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

	Number of shares '000	Share capital HK\$'000
Ordinary shares of HK\$0.01 (2020: HK\$0.01) each		
Authorised		
At 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	<u>10,000,000</u>	
Issued and fully paid		
At 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	<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:

	2021 HK\$'000	2020 HK\$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of property, plant and equipment	<u>384</u>	<u>187</u>

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS AND BUSINESS REVIEW

The outbreak of novel coronavirus (“**COVID-19**”) in early 2020 has caused heavy casualties worldwide and significantly curtailed economic activities. The pandemic lasted through 2021 showing no sign of vanishing away or a possibility for the world to revert to normal shortly. Given the critical situation, most of the travel restrictions, social distancing and quarantine measures continued in and between most countries to prevent the global spread of COVID-19. Notwithstanding the economic slow-down, the Group continued to strengthen its golf business through diverse marketing initiatives and close collaboration with customers to best accommodate their needs. Driven by a rebound of the golf market, the golf revenue of the Group surged and nearly doubled during the year ended 31 December 2021. There was no revenue generated by the hospitality segment during the year due to postponement of the development of hospitality business until the external restricting factors prevailing in the Commonwealth of the Northern Mariana Islands (the “**CNMI**”) are resolved. To uphold our competitive edge for long term development, the Group has pursued business rationalisation measures with an objective to enhance operating efficiency and optimise costs. The Board is determined to constantly exploring more and different potential development opportunities to expand and diversify the business of the Group. In light of the on-going challenges of COVID-19, the Group is expected to operate in a volatile market with economic uncertainties in the coming year.

The Group’s revenue for the year ended 31 December 2021 amounted to approximately HK\$418,484,000 (2020: HK\$221,060,000). Loss for the year attributable to owners of the Company was approximately HK\$23,671,000 (2020: HK\$19,542,000). Basic and diluted loss per share were both approximately HK0.46 cent for the year ended 31 December 2021 (2020: HK0.38 cent).

GOLF EQUIPMENT BUSINESS

The golf equipment business has been the main operating segment of the Group throughout the years. It generated approximately 89.2% of the Group’s revenue for the year ended 31 December 2021 (2020: 85.4%). Benefiting from a rebound of the golf market, the golf equipment revenue soared by 97.8% to approximately HK\$373,350,000 in 2021 (2020: HK\$188,705,000).

Sales to the largest segmental customer increased by 86.7% during the year to approximately HK\$196,092,000 (2020: HK\$105,037,000), accounting for approximately 52.5% (2020: 55.7%) of the segment revenue or approximately 46.9% (2020: 47.5%) of the Group's revenue for the year, respectively. Through diverse marketing efforts, sales to other key segmental customers also grew substantially during the year to generate extra revenue. Revenue generated from the top five segmental customers jumped by 98.7% to approximately HK\$367,051,000 (2020: HK\$184,706,000), representing approximately 98.3% (2020: 97.9%) of the segment revenue or approximately 87.7% (2020: 83.6%) of the Group's revenue for the year, respectively. To substantiate the long term development, the golf equipment segment is devoted to providing value-added services to customers as well as exploring new business opportunities with credible golf name brands.

For effective operations under the pandemic, the Group has adopted stringent anti-epidemic measures to minimise infection risk and secure workplace safety. These included flexible working hours, quarantine requirements, mask wearing and personal hygiene practices. There had been various financial assistance and relief policies offered by the governments in 2020 to support the operations of business enterprises in the PRC and Hong Kong. Unlike last year, most governmental subsidies and exemptions granted in 2020 ceased in 2021. The Group had to restore making regular retirement benefits contribution payments for the employees of the PRC subsidiaries. As a consequence, the Group incurred a total of approximately HK\$6,019,000 in retirement benefits contribution expense for the year in contrast to approximately HK\$615,000 for the preceding year when there were governmental exemptions. Due to the shortage of supply under the pandemic, the parts and components cost for production went up remarkably during the year to undermine the contribution margin against a boost in sales realised upon the rebound of the golf market. To mitigate the impact of the cost hikes, the Group reinforced the rationalisation measures to further streamline the manufacturing process to enhance the production efficiency and output. Concurrently, the increased utilisation of subcontracting arrangements helped save cost for the Group whilst preserving the prescribed product quality. The Group also offered performance incentives to motivate the production workforce for achieving higher than targeted productivity and output. The Shandong manufacturing facility had conducted periodic review of the workforce and took appropriate actions to optimise the headcount to match the business volume and market conditions. Through proactive management, the Group managed to sensibly regulate the golf equipment business for reasonable performance amidst the pandemic situation. The Group pursued a policy of engaging professional valuer to conduct an independent valuation of the property comprising the Shandong manufacturing facility at each year end date. It was concluded that loss on revaluation of ownership interest in leasehold land and buildings in the amount of approximately RMB4,972,000 (equivalent to approximately HK\$6,138,000) was recognised in profit or loss for the year.

Attributable to a rebound of the golf market, the golf equipment segment has recorded an escalating segment profit of approximately HK\$10,112,000 for the year ended 31 December 2021 (2020: HK\$4,005,000), representing an increase of about 1.5 times over that of the preceding year. Having considered the order book status and the persistent challenge of COVID-19, it is anticipated that the golf equipment segment will be operating in a volatile market with great economic uncertainties. To substantiate the long-term growth, the Group is committed to strengthen the customer relationship through diverse marketing initiatives with value-added services, as well as exploring new business opportunities with credible golf name brands. The management has adopted a prudent view with caution on the prospect of the golf equipment business in the coming year.

GOLF BAGS BUSINESS

The Group's revenue attributable to the golf bags segment, defined as comprising the sales of golf bags and accessories to external customers, increased by 39.5% to approximately HK\$45,134,000 (2020: HK\$32,355,000), representing approximately 10.8% of the Group's revenue for the year (2020: 14.6%). Driven by the strong sales of golf club sets (i.e. a set of golf clubs with golf bag), the total revenue of the golf bags segment, before elimination of the inter-segmental sales of approximately HK\$16,592,000 (2020: HK\$5,577,000), soared by 62.7% in 2021 to approximately HK\$61,726,000 (2020: HK\$37,932,000). The inter-segmental sales, which almost tripled during the year, consisted of 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\$39,298,000 (2020: HK\$27,910,000) and accessories sales mainly sports bags of approximately HK\$5,836,000 (2020: approximately HK\$4,445,000), representing approximately 87.1% (2020: 86.3%) and approximately 12.9% (2020: 13.7%) of the segment revenue, respectively. Sales to the largest segmental customer increased by 34.8% during the year to approximately HK\$23,451,000 (2020: HK\$17,398,000), representing approximately 52.0% (2020: 53.8%) of the segment revenue or approximately 5.6% (2020: 7.9%) of the Group's revenue for the year. The aggregate sales to the top five segmental customers went up 42.7% to approximately HK\$42,329,000 (2020: HK\$29,666,000), representing approximately 93.8% (2020: 91.7%) of the segment revenue or approximately 10.1% (2020: 13.4%) of the Group's revenue for the year. To facilitate the long-term development, the golf bags segment pursued to reinforce the rationalisation measures to streamline the operations and optimise costs.

Stimulated by a boost in sales, the golf bags segment achieved a segment profit of approximately HK\$5,450,000 for the year ended 31 December 2021, representing an increase of 17.1% over the segment profit of approximately HK\$4,655,000 for the preceding year. Taking into account the order book status and the challenges of the pandemic, it is envisaged that the golf bags segment will be operating in a dynamic market facing intense competition. The management has adopted a cautious view on the outlook of the golf bags business in the coming year.

HOSPITALITY BUSINESS

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

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

During the year ended 31 December 2021, no revenue (2020: nil) was generated from the hospitality business.

PROSPECTS

The COVID-19 persisted in 2021 to hinder the recovery of the global economy. It has brought severe threat to the public health worldwide and significantly curtailed business activities. The on-going travel restrictions, social distancing measures and quarantine measures will further restrict the pace of economic recovery in 2022. The Group will do its best to mitigate the impact of the pandemic and the cost hikes brought about by the shortage of supply of parts and components. The Group has pursued effective rationalisation measures to continually streamline business operations to optimise costs. To uphold the long-term development of the golf business, the Group is devoted to strengthening the customer relationship through diverse marketing initiatives and close collaborations with value-added services to the customers. More importantly, the Group has maintained a solid financial position with adequate funds to finance its operations and discharge the liabilities amidst the challenges of the pandemic. The management has held a prudent view with caution on the prospect of the golf business going forward.

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.

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

DIVIDEND

The Board resolved not to recommend the payment of any dividend for the year ended 31 December 2021 (2020: 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 2021, bank balances and cash, which were mostly denominated in United States dollars, Hong Kong dollars and Renminbi, amounted to approximately HK\$122,730,000 (2020: HK\$113,786,000). As at 31 December 2021, interest-bearing borrowings of the Group comprising bank borrowings amounted to RMB53,000,000 which was equivalent to approximately HK\$65,432,000 (2020: RMB53,000,000 equivalent to approximately HK\$63,095,000), of which all were repayable within one year and carried interest ranging from approximately 4.35% to 5.44% (2020: 5.44%) per annum. Bank borrowings were fixed-rate borrowings denominated in Renminbi as at 31 December 2021 and 2020. Amount due to a director of approximately HK\$63,463,000 as at 31 December 2021 (2020: HK\$83,238,000) was unsecured, carrying interest at 9.75% (2020: 5%) per annum and repayable on demand.

As at 31 December 2021, the gearing ratio, defined as bank borrowings, amount due to a director and convertible bond less bank balances and cash of approximately HK\$55,354,000 (2020: HK\$77,747,000) divided by the total equity of approximately HK\$267,717,000 (2020: HK\$291,201,000) was approximately 20.7% (2020: 26.7%).

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 2021, the total assets and the net asset value of the Group amounted to approximately HK\$557,512,000 (2020: HK\$558,516,000) and HK\$267,717,000 (2020: HK\$291,201,000), respectively. Current and quick ratios as at 31 December 2021 were approximately 1.12 (2020: 1.10) and approximately 0.87 (2020: 0.85), respectively. Both the current ratio and quick ratio remained relatively stable and reasonable. The Group has been pursuing feasible ways to rationalise and improve its financial position from time to time continually.

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 2021.

PLEDGE OF ASSETS

As at 31 December 2021, bank borrowings from a PRC bank of RMB53,000,000 which was equivalent to approximately HK\$65,432,000 (2020: RMB53,000,000 which was equivalent to approximately HK\$63,095,000) were secured by property, plant and equipment and the right-of-use assets of the Group with a carrying value of approximately HK\$95,933,000 (2020: HK\$103,391,000).

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The Group is exposed to foreign currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of operations to which they relate. The currency giving rise to this risk is primarily 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 2021. The Group will review and monitor its currency exposure from time to time and when appropriate hedge its currency risk.

CONTINGENT LIABILITIES

By an order of the Hong Kong High Court dated 13 May 2021, the writ of summons issued against an indirect wholly-owned subsidiary of the Company in April 2011 was dismissed with no order as to costs upon the joint application of the solicitors for the plaintiff and the solicitors for the defendant by way of Consent Summons filed on 6 May 2021.

The Group had no significant contingent liabilities as at 31 December 2021.

EVENT AFTER THE REPORTING PERIOD

No significant event has taken place subsequent to 31 December 2021 and up to the date of this results announcement.

CAPITAL COMMITMENTS

As at 31 December 2021, 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\$384,000 (2020: HK\$187,000).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2021, the Group had approximately 970 employees (2020: 780 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 2021. 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 2021.

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 2021.

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 2021, 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 (currently known as code provision C.2.1 in Part 2 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 2021.

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 2021 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 2021 ANNUAL REPORT ON THE WEBSITE OF THE STOCK EXCHANGE

The Company’s annual report for the year 2021 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, 24 March 2022

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.