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 2022 AND RESUMPTION OF TRADING

References are made to (i) the announcement of Sino Golf Holdings Limited (the "**Company**") dated 2 April 2023 in relation to, among others, the delay in publishing the audited annual results for the year ended 31 December 2022 (the "**2022 Audited Annual Results**") and postponement of the board meeting; (ii) the announcement of the Company dated 27 April 2023 (the "**April 27 Announcement**") in relation to, among others, the resignation of auditor of the Company, the further delay in publishing the 2022 Audited Annual Results and the delay in publishing the annual report for the year ended 31 December 2022 (the "**2022 Annual Report**"); (iii) the announcement of the Company dated 4 May 2023 in relation to, among others, the proposed appointment of auditor of the Company; and (iv) the announcement of the Company dated 30 May 2023 in relation to, among others, the further delay in publishing the 2022 Audited Annual Results and the 2022 Annual Report.

The board (the "**Board**") of directors (the "**Directors**") of 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 2022, together with the comparative figures for the year ended 31 December 2021.

* *for identification purpose only*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	NOTES	2022 HK$'000	2021 HK$'000
Revenue	4	**479,424**	418,484
Cost of sales		**(394,016)**	(358,448)
Gross profit		**85,408**	60,036
Other operating income	4	**4,222**	2,559
Selling and distribution expenses		**(2,941)**	(3,392)
Administrative expenses		**(60,064)**	(55,815)
Loss on revaluation of ownership interest in leasehold land and buildings		**(5,468)**	(6,138)
Impairment loss on right-of-use assets		**(13,057)**	(8,194)
Finance costs	5	**(13,689)**	(12,622)
Loss before tax		**(5,589)**	(23,566)
Income tax expenses	6	**(10,360)**	(105)
Loss for the year	7	**(15,949)**	(23,671)
Other comprehensive (expense)/income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operations		**(2,401)**	1,598
Item that will not be reclassified subsequently to profit or loss:			
Loss on revaluation of ownership interest in leasehold land and buildings under revaluation model		**–**	(1,411)
Other comprehensive (expense)/income for the year, net of income tax		**(2,401)**	187
Total comprehensive expense for the year		**(18,350)**	(23,484)

	NOTE	**2022**	2021
		HK$'000	*HK$'000*
Loss for the year attributable to:			
Owners of the Company		**(15,949)**	(23,671)
Non-controlling interests		**–**	–
		(15,949)	(23,671)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(18,350)**	(23,484)
Non-controlling interests		**–**	–
		(18,350)	(23,484)
		HK cent	*HK cent*
LOSS PER SHARE	*8*		
Basic and diluted		**(0.31)**	(0.46)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	NOTES	**2022** *HK$'000*	2021 *HK$'000*
Non-current assets			
Property, plant and equipment		**75,048**	91,784
Right-of-use assets		**181,427**	204,919
Goodwill		**–**	–
Club debentures		**1,322**	1,322
Prepayments for the acquisition of property, plant and equipment		**259**	1,157
		258,056	299,182
Current assets			
Inventories		**22,744**	55,905
Trade and other receivables	*10*	**66,647**	79,695
Bank balances and cash		**141,165**	122,730
		230,556	258,330
Current liabilities			
Trade and other payables	*11*	**50,752**	100,262
Amount due to a director		**64,822**	63,463
Lease liabilities		**2,040**	2,124
Income tax payable		**2,575**	149
Bank borrowings		**59,551**	65,432
		179,740	231,430
Net current assets		**50,816**	26,900
Total assets less current liabilities		**308,872**	326,082
Non-current liabilities			
Convertible bond		**53,517**	49,189
Lease liabilities		**5,988**	8,822
Deferred tax liabilities		**–**	354
		59,505	58,365
Net assets		**249,367**	267,717
Capital and reserves			
Share capital	*12*	**52,013**	52,013
Reserves		**194,624**	212,974
Equity attributable to owners of the Company		**246,637**	264,987
Non-controlling interests		**2,730**	2,730
Total equity		**249,367**	267,717

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 included in property, plant and equipment that are measured at revalued amounts at the end of each reporting period.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date regardless of whether that price is directly observable or estimated using another valuation technique.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

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

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

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

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

New and amendments to HKFRSs issued but not yet effective

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

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

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

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

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

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

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

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

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

- all assets are allocated to operating segments other than club debentures, bank balances and cash, certain other receivables, certain inventories and plant and equipment for central administrative purpose; and

- all liabilities are allocated to operating segments other than amount due to a director, income tax payable, bank borrowings, convertible bond, deferred tax liabilities and certain other payables.

(c) Geographical information

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

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

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

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

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

(d) Other segment information

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

For the year ended 31 December

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

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

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

For the year ended 31 December

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

(e) Information about major customers

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

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

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:

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

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

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

	2022	2021
	HK$'000	*HK$'000*
The Group's other operating income is presented as follows:		
– Sample income	**889**	358
– Government grants	**787**	519
– Tooling income	**343**	430
– Interest income	**285**	55
– Gain on disposal of property, plant and equipment	**145**	61
– Sundry income	**1,773**	1,136
	4,222	2,559

5. FINANCE COSTS

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

6. INCOME TAX EXPENSES

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

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

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

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

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

7. LOSS FOR THE YEAR

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

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

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:

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

	2022	2021
	'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.

9. DIVIDENDS

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

10. TRADE AND OTHER RECEIVABLES

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

The Group does not hold any collateral over these balances.

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

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

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

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

11. TRADE AND OTHER PAYABLES

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

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

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

The average credit period on purchases of goods is from 30 days to 90 days (2021: 30 days to 90 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

12. SHARE CAPITAL

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

13. CAPITAL COMMITMENTS

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

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

OUTSTANDING ISSUES IDENTIFIED BY FORMER AUDITOR

Reference is made to the April 27 Announcement. Capitalised terms used herein shall have the same meanings as those defined in the April 27 Announcement unless otherwise stated herein.

BACKGROUND OF MANAGEMENT AGREEMENTS

As mentioned in the April 27 Announcement, during the 2022 Audit, SHINEWING (HK) CPA Limited ("**SHINEWING**", the former auditor of the Company) requested the Company to provide further information and explanation in connection with the commercial reasons for two management agreements dated 28 January 2022 and 1 November 2022 (the "**Agreements**") entered into by Sino Golf Manufacturing Company Limited ("**Sino Golf Manufacturing**", an indirect wholly-owned subsidiary of the Company) and a management service provider (the "**Service Provider**"), as well as the payments pursuant thereto.

According to the Agreements, Sino Golf Manufacturing engages the management services of the Service Provider and authorizes the Service Provider to make relevant arrangements to manage the operations of the Group's factory located in Shandong, the PRC (the "**Factory**") for production of golf products and such other products as may be agreed by the parties from time to time. The scope of management services provided by the Service Provider includes (i) reducing raw material cost (including in cost of sales) of the Factory; (ii) enhancing production capacity and efficiency to reduce manufacturing cost (including in cost of sales) of the Factory; and (iii) implementing new management policy of responsibility contract system to reduce manufacturing cost (including in cost of sales) of the Factory. The term of the Agreements is ten years from 1 February 2022, which is renewable for an additional ten years subject to mutual written consent of the parties. Either party shall be entitled to terminate the Agreements by giving not less than 60 business days' notice in writing to the other and at any time if any early termination event set out in the Agreements occurs.

Sino Golf Manufacturing shall pay the Service Provider a management fee equivalent to 50% of the sum of (1) the consolidated revenue of Sino Golf Manufacturing deducting (2) the consolidated costs of sales (which shall not include operating expenses including financing and interest expenses, selling and distribution expenses and administration expenses), provided that the resulting half-year and annual surplus of Sino Golf Manufacturing after payment of the management fee shall not be less than the respective half-year and annual operating expenses of Sino Golf Manufacturing. The management fee payable by Sino Golf Manufacturing to the Service Provider for the year of 2022 shall be capped at HK$25,000,000. The management fee shall be calculated and payable by Sino Golf Manufacturing to the Service Provider on a quarterly basis no later than 45 days after the end of each quarter, or at such other time as the parties may agree.

Before the Agreements were entered into, Mr. Chu Chun Man, Augustine ("**Mr. Chu**", an executive Director) was previously the beneficial owner and the director of the Service Provider from 2015 to 2021; subsequently in November 2021, the entire share capital of the Service Provider was acquired by a former employee of the Group at a consideration of HK$100, representing the issued share capital of the Service Provider which was a company without any business operations at the time. A former company secretary of the Service Provider, who had not been involved in daily operations or business decisions making of the Service Provider, is Mr. Chu's daughter ("**Ms. Chu**"). The existing sole shareholder and two directors of the Service Provider were former employees of the Group, who were mainly responsible for liaising and communicating with external parties for the Group in the past. The Company confirms that there is no side arrangement, arrangement, understanding or undertaking (whether formal or informal and whether express or implied) between the management service team of the Service Provider (the "**Management Team**"), Ms. Chu, the Company and/or its connected persons in respect of the Agreements.

ADDITIONAL AUDIT PROCEDURES

Following the appointment of Grant Thornton Hong Kong Limited ("**Grant Thornton**") as new auditor of the Company for the year ended 31 December 2022 and after its discussion with the audit committee of the Company (the "**Audit Committee**"), Grant Thornton has performed certain additional audit procedures to address the Outstanding Issues. The additional audit procedures and their findings are set out below:

1) conducted interviews with the responsible personnel of the parties to the Agreements to understand (i) the commercial reasons for entering into the Agreements, (ii) the background, experience and expertise of the Management Team, (iii) the scope of services under the Agreements, (iv) the measures implemented to improve the operating results of the Factory, (v) the results review procedures of both parties, and (vi) the basis of determining the management fee under the Agreements and its cap, with satisfactory explanations;

2) conducted interviews with the personnel of the Factory regarding the new measures implemented during the year ended 31 December 2022 and the resulting changes and improvement in the production with satisfactory explanations;

3) reviewed the cost analysis performed by the management, with reference to the expert report prepared by a consulting firm engaged by the Company, and noted that the cost analysis demonstrated improvement on the production costs with supportable evidence;

4) obtained and reviewed the correspondences and other documents between the Company's management (including the Factory's personnel) and the Management Team in respect of the provision of management services, supporting documents of which demonstrated that regular communication was conducted between the Factory and the Management Team;

5) obtained understanding of measures and improvement implemented on the Factory and performing physical visit to the Factory, results of which were consistent with the management's explanations;

6) understood the control of entering into the Agreements, recognition of the management fee and fee settlement, and no significant control deficiency was noted;

7) arranged audit confirmations to confirm the amount of management fee with satisfactory results; and

8) performed company searches on the parties involved to identify any existence of related party relationship between the Group and the Service Provider, and no related party relationship was identified.

During the 2022 Audit, the Audit Committee has held meetings with Grant Thornton to discuss their findings and the results of additional audit procedures they performed. The Audit Committee considers that the findings of Grant Thornton are consistent with the explanations from the management of the Company regarding (i) business reasons for entering into the Agreements (i.e. to improve the financial performance of the Factory under the novel coronavirus ("**COVID-19**") situation in order to benefit the shareholders of the Company); (ii) new measures on the Factory as implemented by the Service Provider during the year ended 31 December 2022; (iii) reasons for setting the management fee cap of HK$25,000,000 and its reference benchmark for setting such cap; (iv) the non-identification of any related party or connected party relationship between the Service Provider or the Management Team and the Company or its connected persons; and (v) the control of entering into the Agreements, recognition of the management fee and fee settlement.

It is also noted by the Audit Committee that:

(a) the financial performance of the Group (taking into account the management fee paid to the Service Provider) for the year ended 31 December 2022 has been significantly improved as compared to that in the previous years, which indicates that the new measures implemented and improvements made by the Service Provider are effective and beneficial to the Group and its shareholders;

(b) the cost analysis prepared by the management has identified that the increase in gross profit for the year ended 31 December 2022 was mainly due to the decrease in raw material costs and manufacturing overhead contributed by the new measures implemented and improvements made by the Service Provider;

(c) the new measures implemented and improvements made by the Service Provider have been evidenced in the documents and correspondence between the Factory and the Service Provider;

(d) the Service Provider and the Management Team are considered to be independent third parties to the Company and its connected persons; and

(e) the calculation of the management fee and its cap have been set with reference to the financial performance of the Group for the year ended 31 December 2022, and it is beneficial to the Group and its shareholders as evidenced by the improved financial performance (taking into account the management fee paid to the Service Provider) for the year ended 31 December 2022.

Having considered the above factors, as well as the work performed by Grant Thornton to address the Outstanding Issues and the outcome of the additional procedures performed by Grant Thornton, the Company is of the view, and the Audit Committee concurs, that all the Outstanding Issues have been duly addressed and resolved.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS AND BUSINESS REVIEW

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

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

GOLF EQUIPMENT BUSINESS

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

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

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

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

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

GOLF BAGS BUSINESS

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

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

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

HOSPITALITY BUSINESS

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

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

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

PROSPECTS

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

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

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

DIVIDEND

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

FINANCIAL RESOURCES, LIQUIDITY AND GEARING

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

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

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

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

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

PLEDGE OF ASSETS

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

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The Group is exposed to foreign currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of operations to which they relate. The currency giving rise to this risk is primarily Renminbi. The Group is exposed to foreign currency risk due to the exchange rate fluctuation of Renminbi against Hong Kong dollars. The Group had not entered into any derivative contracts to hedge against the risk in the year of 2022. The Group will review and monitor its currency exposure from time to time and when appropriate hedge its currency risk.

CONTINGENT LIABILITIES

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

EVENTS AFTER THE REPORTING PERIOD

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

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

CAPITAL COMMITMENTS

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

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2022, the Group had approximately 910 employees (2021: 970 employees) located mainly in Hong Kong and the PRC. It is the Group's strategy to maintain a harmonious relationship with its employees through provision of competitive remuneration packages and career development opportunities. The employees are remunerated based on their duties, experience and performance as well as market practices. The remuneration packages are reviewed annually to assure fairness and appropriateness and discretionary bonuses may be awarded to employees based on individual performance.

AUDIT COMMITTEE

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 2022. Based on this review and discussions with the management, the Audit Committee was satisfied that the Group's audited consolidated financial statements were prepared in accordance with applicable accounting standards and fairly present the Group's financial position and results for the year ended 31 December 2022.

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 2022.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has complied with all the applicable code provisions as set out in Part 2 of the Corporate Governance Code (the "**CG Code**") as contained in Appendix 14 to the Listing Rules during the year ended 31 December 2022, except for certain deviation as explained below. The Company has also put in place certain Recommended Best Practices as set out in Part 2 of the CG Code.

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.

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 2022.

SCOPE OF WORK OF GRANT THORNTON 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 2022 as set out in this results announcement have been agreed by the Company's auditor, Grant Thornton, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Grant Thornton 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 Grant Thornton on this results announcement.

PUBLICATION OF THE 2022 ANNUAL REPORT

The Company's 2022 Annual Report will be dispatched to the shareholders of the Company and published on the website of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") at www.hkexnews.hk and the website of the Company at www.sinogolf.com in due course.

RESUMPTION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on Monday, 3 April 2023. Application has been made by the Company to the Stock Exchange for the resumption of the trading in the shares of the Company on the Stock Exchange with effect from 9:00 a.m. on Monday, 3 July 2023.

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

Hong Kong, 30 June 2023

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.