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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 2023

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 2023, together with the comparative figures for the year ended 31 December 2022.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	NOTES	2023 HK\$'000	2022 HK\$'000
Revenue	4	216,555	479,424
Cost of sales		<u>(168,375)</u>	<u>(394,016)</u>
Gross profit		48,180	85,408
Other operating income	4	4,677	4,222
Selling and distribution expenses		(1,874)	(2,941)
Administrative expenses		(57,838)	(60,064)
Loss on revaluation of ownership interest in leasehold land and buildings		(52)	(5,468)
Impairment loss on right-of-use assets		–	(13,057)
Finance costs	5	<u>(10,508)</u>	<u>(13,689)</u>
Loss before tax		(17,415)	(5,589)
Income tax expenses	6	<u>(1,122)</u>	<u>(10,360)</u>
Loss for the year	7	<u>(18,537)</u>	<u>(15,949)</u>

* for identification purpose only

	<i>NOTE</i>	2023 HK\$'000	2022 <i>HK\$'000</i>
Other comprehensive expense			
<i>Item that may be reclassified subsequently</i>			
<i>to profit or loss:</i>			
Exchange differences arising on translation of financial statements of foreign operations		<u>(558)</u>	<u>(2,401)</u>
Other comprehensive expense for the year, net of income tax		<u>(558)</u>	<u>(2,401)</u>
Total comprehensive expense for the year		<u>(19,095)</u>	<u>(18,350)</u>
Loss for the year attributable to:			
Owners of the Company		(18,537)	(15,949)
Non-controlling interests		<u>—</u>	<u>—</u>
		<u>(18,537)</u>	<u>(15,949)</u>
Total comprehensive expense for the year attributable to:			
Owners of the Company		(19,095)	(18,350)
Non-controlling interests		<u>—</u>	<u>—</u>
		<u>(19,095)</u>	<u>(18,350)</u>
		<i>HK cent</i>	<i>HK cent</i>
LOSS PER SHARE	8		
Basic and diluted		<u>(0.36)</u>	<u>(0.31)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

	<i>NOTES</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		69,022	75,048
Right-of-use assets		168,179	181,427
Goodwill		–	–
Club debentures		1,322	1,322
Prepayments for the acquisition of property, plant and equipment		132	259
		<u>238,655</u>	<u>258,056</u>
Current assets			
Inventories		17,814	22,744
Trade and other receivables	10	19,899	66,647
Bank balances and cash		111,965	141,165
		<u>149,678</u>	<u>230,556</u>
Current liabilities			
Trade and other payables	11	40,673	50,752
Amount due to a director		–	64,822
Lease liabilities		103	2,040
Income tax payable		180	2,575
Bank borrowings		58,242	59,551
		<u>99,198</u>	<u>179,740</u>
Net current assets		<u>50,480</u>	<u>50,816</u>
Total assets less current liabilities		<u>289,135</u>	<u>308,872</u>
Non-current liabilities			
Convertible bond		58,227	53,517
Lease liabilities		636	5,988
		<u>58,863</u>	<u>59,505</u>
Net assets		<u>230,272</u>	<u>249,367</u>
Capital and reserves			
Share capital	12	52,013	52,013
Reserves		175,529	194,624
Equity attributable to owners of the Company		227,542	246,637
Non-controlling interests		2,730	2,730
Total equity		<u>230,272</u>	<u>249,367</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 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

New and amended HKFRSs that are effective for annual periods beginning on 1 January 2023

In the current year, the Group has applied, for the first time, the following new and amended HKFRSs, which include HKFRSs, Hong Kong Accounting Standards (“**HKAS(s)**”), issued by the HKICPA, which are relevant to the Group’s operations and effective for the Group’s consolidated financial statements for the annual period beginning on 1 January 2023:

HKFRS 17	Insurance Contracts and related amendments
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules
New HKICPA guidance	New HKICPA guidance on the accounting implications of the abolition of the MPF-LSP offsetting mechanism

The adoption of the new and amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

New and amendments to HKFRSs issued but not yet effective

At the date of authorisation of these consolidated financial statements, certain amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

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 ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5 ¹
Amendments to HKAS 1	Non-current Liabilities with Covenants ¹
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements ¹
Amendments to HKAS 21	Lack of exchangeability ²

¹ Effective for annual periods beginning on or after 1 January 2024.

² Effective for annual periods beginning on or after 1 January 2025.

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 are not expected to have a 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	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	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	194,369	430,829	22,186	48,595	-	-	-	-	216,555	479,424
Inter-segment sales	-	-	16,251	6,101	-	-	(16,251)	(6,101)	-	-
Other operating income	2,270	2,257	883	1,680	-	-	-	-	3,153	3,937
Total	<u>196,639</u>	<u>433,086</u>	<u>39,320</u>	<u>56,376</u>	<u>-</u>	<u>-</u>	<u>(16,251)</u>	<u>(6,101)</u>	<u>219,708</u>	<u>483,361</u>
Segment results	<u>11,288</u>	<u>33,459</u>	<u>1,066</u>	<u>6,930</u>	<u>(5,818)</u>	<u>(19,463)</u>	<u>-</u>	<u>-</u>	<u>6,536</u>	<u>20,926</u>
Interest income									1,524	285
Unallocated corporate expenses									(14,967)	(13,111)
Finance costs									(10,508)	(13,689)
Loss before tax									<u>(17,415)</u>	<u>(5,589)</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, 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 segments:

At 31 December

	Golf equipment		Golf bags		Hospitality		Consolidated	
	2023	2022	2023	2022	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	<u>96,900</u>	<u>140,448</u>	<u>13,404</u>	<u>34,609</u>	<u>161,091</u>	<u>166,883</u>	<u>271,395</u>	<u>341,940</u>
Unallocated corporate assets								
– Club debentures							<u>1,322</u>	<u>1,322</u>
– Bank balances and cash							<u>111,965</u>	<u>141,165</u>
– Others							<u>3,651</u>	<u>4,185</u>
Total assets							<u><u>388,333</u></u>	<u><u>488,612</u></u>
Segment liabilities	<u>29,309</u>	<u>34,716</u>	<u>1,579</u>	<u>13,925</u>	<u>7,515</u>	<u>7,507</u>	<u>38,403</u>	<u>56,148</u>
Unallocated corporate liabilities								
– Amount due to a director								<u>64,822</u>
– Income tax payable							<u>180</u>	<u>2,575</u>
– Bank borrowings							<u>58,242</u>	<u>59,551</u>
– Convertible bond							<u>58,227</u>	<u>53,517</u>
– Others							<u>3,009</u>	<u>2,632</u>
Total liabilities							<u><u>158,061</u></u>	<u><u>239,245</u></u>

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 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	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Japan	123,587	168,289
North America	54,608	167,869
Europe	18,514	67,790
Asia (excluding Japan)	10,526	49,156
Others	9,320	26,320
	<u>216,555</u>	<u>479,424</u>

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

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
The CNMI	161,056	166,842
The People's Republic of China (the "PRC"), excluding Hong Kong	75,354	89,634
Hong Kong of the PRC (country of domicile)	2,245	1,580
	<u>238,655</u>	<u>258,056</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	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	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>)	1,244	1,550	6,563	162	-	-	-	-	7,807	1,712
Depreciation of property, plant and equipment	5,355	5,867	167	178	-	-	9	9	5,531	6,054
Depreciation of right-of-use assets	270	283	1,466	2,194	5,786	6,365	-	-	7,522	8,842
Loss on revaluation of ownership interest in leasehold land and buildings	52	5,468	-	-	-	-	-	-	52	5,468
Impairment loss on right-of-use assets	-	-	-	-	-	13,057	-	-	-	13,057
Write-off of inventories	-	-	289	-	-	-	-	-	289	-
Government grants	(207)	(787)	-	-	-	-	-	-	(207)	(787)
Gain on disposal of property, plant and equipment	(218)	(63)	(243)	(82)	-	-	-	-	(461)	(145)

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	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest income	-	-	-	-	-	-	(1,524)	(285)	(1,524)	(285)
Finance costs	-	-	-	-	-	-	10,508	13,689	10,508	13,689
Income tax expenses	-	-	-	-	-	-	1,122	10,360	1,122	10,360

(e) **Information about major customers**

Revenue from customers of the corresponding years contributing over 10% (2022: 10%) of the total revenue of the Group is as follows:

Revenue generated from		2023	2022
		HK\$'000	HK\$'000
Customer A	Golf equipment and Golf bags	95,983	250,640
Customer B	Golf equipment	N/A *	75,575
Customer C	Golf equipment	71,625	74,425

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

4. REVENUE AND OTHER OPERATING INCOME

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue from contracts with customers within the scope of HKFRS 15:		
Sales of golf equipment and related components and parts	194,369	430,829
Sales of golf bags, other accessories and related components and parts	<u>22,186</u>	<u>48,595</u>
	<u>216,555</u>	<u>479,424</u>

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Timing of revenue recognition at a point in time	<u>216,555</u>	<u>479,424</u>

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
The Group's other operating income is presented as follows:		
– Interest income	1,524	285
– Exchange gain, net	1,443	–
– Gain on disposal of property, plant and equipment	461	145
– Sample income	207	889
– Government grants	207	787
– Tooling income	142	343
– Sundry income	<u>693</u>	<u>1,773</u>
	<u>4,677</u>	<u>4,222</u>

5. FINANCE COSTS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interest expenses on:		
– amount due to a director	3,110	6,167
– convertible bond	4,710	4,328
– bank borrowings	2,415	2,682
– lease liabilities	<u>273</u>	<u>512</u>
Total finance costs	<u>10,508</u>	<u>13,689</u>

6. INCOME TAX EXPENSES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Hong Kong Profits Tax		
– Current year	36	89
– Over-provision in prior years	<u>–</u>	<u>(61)</u>
	<u>36</u>	<u>28</u>
PRC Enterprise Income Tax (“EIT”)		
– Current year	1,368	2,317
– (Over)/Under-provision in prior years	<u>(282)</u>	<u>8,369</u>
	<u>1,086</u>	<u>10,686</u>
	1,122	10,714
Deferred tax	<u>–</u>	<u>(354)</u>
	<u>1,122</u>	<u>10,360</u>

- (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 2023 and 2022.
- (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 2023 and 2022. 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 2023 and 2022.
- (iv) The Group is not subject to taxation in other jurisdictions.

7. LOSS FOR THE YEAR

	2023 HK\$'000	2022 HK\$'000
Loss for the year has been arrived at after charging/(crediting):		
Staff cost (including directors' and chief executives' emoluments):		
Salaries, allowances and other benefits in kind	57,507	89,390
Contributions to retirement benefit schemes	6,210	6,987
Termination benefit expense	4,607	–
Total staff cost	<u>68,324</u>	<u>96,377</u>
Auditor's remuneration		
- current year	1,290	1,090
- under-provision in prior year	2,000	–
Amount of inventories recognised as an expense (<i>note (i)</i>)	168,802	394,016
Depreciation of property, plant and equipment	5,531	6,054
Depreciation of right-of-use assets	7,522	8,842
Write-off of inventories	289	–
Gain on early termination of lease contracts (<i>note (ii)</i>)	(427)	–
Exchange loss, net	–	1,393

Notes:

- (i) Included in the amount of inventories recognised as an expense is the management fee of HK\$1,227,000 (2022: HK\$25,000,000).
- (ii) The amount of gain on early termination of lease contracts included in cost of sales during the year ended 31 December 2023.

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:

	2023 HK\$'000	2022 HK\$'000
<u>Loss</u>		
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per share	<u>(18,537)</u>	<u>(15,949)</u>
	2023 '000	2022 '000
<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 2023, nor has any dividend been proposed since the end of the reporting period (2022: nil).

10. TRADE AND OTHER RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables, at amortised cost	13,502	44,212
Deposits and other receivables	2,657	17,823
Prepayments	1,497	2,639
Prepayments to suppliers	<u>2,243</u>	<u>1,973</u>
	<u><u>19,899</u></u>	<u><u>66,647</u></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 (2022: 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 2023, the gross amount of trade receivables arising from contracts with customers amounted to approximately HK\$13,502,000 (2022: HK\$44,212,000).

- (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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0 to 30 days	11,881	27,606
31 to 90 days	1,621	13,162
91 to 180 days	<u>–</u>	<u>3,444</u>
	<u><u>13,502</u></u>	<u><u>44,212</u></u>

11. TRADE AND OTHER PAYABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade payables	21,660	29,500
Contract liabilities	317	879
Accruals and other payables	<u>18,696</u>	<u>20,373</u>
	<u><u>40,673</u></u>	<u><u>50,752</u></u>

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0 to 90 days	18,350	22,040
91 to 180 days	1,671	4,540
181 to 365 days	217	1,061
Over 365 days	<u>1,422</u>	<u>1,859</u>
	<u><u>21,660</u></u>	<u><u>29,500</u></u>

The average credit period on purchases of goods is from 30 days to 90 days (2022: 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 <i>HK\$'000</i>
Ordinary shares of HK\$0.01 (2022: HK\$0.01) each		
Authorised		
As at 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	<u>10,000,000</u>	
Issued and fully paid		
As at 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	<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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of property, plant and equipment	<u>75</u>	<u>279</u>

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS AND BUSINESS REVIEW

The novel coronavirus (“COVID-19”) was much relieved in 2023 causing substantially fewer casualties. Most anti-pandemic measures such as travel restrictions, social distancing and quarantine requirements had ceased in early 2023 to enable life pattern and business sector reverting to their pre-pandemic modes. To cope with the lasting economic uncertainties, the Group pursued diverse marketing strategies to strengthen the customer relationship and collaborations. The golf industry had experienced a shrinkage of demand during 2023 as major golf name brands slowed down the procurement to consume the high level of inventories compiled during the pandemic period in getting around the logistic and transportation issues. Impacted by the curtailed orders, the golf revenue of the Group decreased drastically during the year ended 31 December 2023. No revenue was generated by the hospitality segment during the year due to postponement of the development of the hospitality business until the external restricting factors in the Commonwealth of the Northern Mariana Islands (the “CNMI”) are resolved. The Group has reinforced the rationalisation measures to further streamline the operations and optimise costs. The Board is committed to exploring more and different potential development opportunities to expand and diversify the business of the Group.

The Group’s revenue for the year ended 31 December 2023 amounted to approximately HK\$216,555,000 (2022: HK\$479,424,000). Loss for the year attributable to owners of the Company was approximately HK\$18,537,000 (2022: HK\$15,949,000). Basic and diluted loss per share were both approximately HK0.36 cent for the year ended 31 December 2023 (2022: HK0.31 cent).

GOLF EQUIPMENT BUSINESS

The golf equipment business has been the main operating segment of the Group throughout the years. It generated approximately 89.8% of the Group’s revenue for the year ended 31 December 2023 (2022: 89.9%). The prudent procurement strategy of the customers after the pandemic has led to substantial reduction of orders and rescheduling of delivery time. Besides, major customers, particularly those in North America, have pursued a policy to divert golf equipment purchases from main suppliers in China to other supply sources, which brought more uncertainties for the Group. Hard hit by the depressed demand, the golf equipment revenue plummeted by 54.9% to approximately HK\$194,369,000 in 2023 (2022: HK\$430,829,000).

During the year, sales to the largest segmental customer dropped by 61.8% to approximately HK\$87,119,000 (2022: HK\$228,269,000), representing approximately 44.8% (2022: 53.0%) of the segment revenue or approximately 40.2% (2022: 47.6%) of the Group’s revenue for the year, respectively. Sales to other key segmental customers decreased concurrently by remarkable extent due to reduced shipments and delivery rescheduling. Revenue generated from the top five segmental customers decreased by 54.6% to approximately HK\$191,039,000 (2022: HK\$421,232,000), representing approximately 98.3% (2022: 97.8%) of the segment revenue or approximately 88.2% (2022: 87.9%) of the Group’s revenue for the year, respectively. To uphold the competitive edge, the Group endeavored to pursue diverse marketing initiatives with value-added services to best accommodate customer needs as well as to explore new customers from time to time.

To enhance production efficiency and combat cost hikes, the Group had engaged external management team with golf expertise in 2022 to provide management service for the operations of the Shandong manufacturing facility to effectively control and optimise the manufacturing costs. In the past two years, the management team reviewed the manufacturing process and implemented necessary measures, including the adoption of advanced equipment to reduce re-work and wastage rates, which had remarkably enhanced the production output and lowered the manufacturing costs for the Group. It also analysed the Group's supply chain and introduced alternative supply sources to offer more competitive price and reliable product quality. In addition, the Group provided performance incentives to motivate the workforce for achieving production output above the preset targets. In light of the reduced production volume, the Shandong manufacturing facility had carried out a pertinent review to lower the workforce headcount from over 700 employees to about 500 employees during the year. Through proactive management, the Group managed to run the golf equipment business to maintain a stable contribution notwithstanding the stagnant market sentiment. Given the persistent low production volume and by mutual consent with the management team, the management service for the operations of the Shandong manufacturing facility was terminated at end of the year from a cost-benefit perspective. It is the Group's policy to engage professional valuer to conduct an independent valuation of the property for the Shandong manufacturing facility at each fiscal year end. As a result, a revaluation loss on the property of approximately HK\$52,000 was recognised for the Shandong manufacturing facility for the year (2022: HK\$5,468,000).

Impacted by the depressed sales, the golf equipment segment recorded a decline of 66.3% in segment profit to approximately HK\$11,288,000 for the year ended 31 December 2023 (2022: HK\$33,459,000). Taking into account the order book status and the prudent procurement strategy of the customers, it is envisaged that the golf equipment business will continue to operate under volatile market conditions with great challenge. The Group has adopted a prudent view with caution on the prospect of the golf equipment business for the ensuing year.

GOLF BAGS BUSINESS

The golf bags business was adversely affected as major customers diverted the golf bags purchases from main suppliers in China to other supply sources during the year. The Group's revenue attributable to the golf bags segment, defined as comprising the sales of golf bags and accessories to external customers, suffered a drop of 54.3% to approximately HK\$22,186,000 (2022: HK\$48,595,000), representing approximately 10.2% of the Group's revenue for the year (2022: 10.1%). The total revenue of the golf bags segment, before elimination of the inter-segmental sales of approximately HK\$16,251,000 (2022: HK\$6,101,000), decreased by 29.7% in 2023 to approximately HK\$38,437,000 (2022: HK\$54,696,000). The inter-segmental sales were 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\$17,842,000 (2022: HK\$40,537,000) and accessories sales mainly sports bags of approximately HK\$4,344,000 (2022: HK\$8,058,000), representing approximately 80.4% (2022: 83.4%) and approximately 19.6% (2022: 16.6%) of the segment revenue, respectively. Both the golf bags and sports bags sales decreased significantly due to the change in procurement strategy of the customers. Sales to the largest segmental customer decreased by 60.4% during the year to approximately HK\$8,864,000 (2022: HK\$22,371,000), representing approximately 40.0% (2022: 46.0%) of the segment revenue or approximately 4.1% (2022: 4.7%) of the Group's revenue for the year. Sales to other segmental customers also declined by a significant extent. The aggregate sales to the top five segmental customers shrank by 59.6% to approximately HK\$18,634,000 (2022: HK\$46,145,000), representing approximately 84.0% (2022: 95.0%) of the segment revenue or approximately 8.6% (2022: 9.6%) of the Group's revenue for the year.

The remarkable decline in order volume has led to the continued under-utilisation of the rented golf bags facility in Dongguan city, China. In reaction, the golf bags segment had pursued and undergone a reorganisation whereby the golf bags operation was relocated to a smaller rented property in Dongguan city during the last quarter of the year, whilst the production workforce was dismissed before the end of the year and only the office and technical staff were retained to handle customer orders, product development and samples etc. The Group incurred lease termination fee and redundancy payments for the reorganisation of the golf bags operations amounting to approximately HK\$400,000 (2022: nil) and HK\$2,792,000 (2022: nil), respectively. Going forward, the golf bags segment will assume a trading role on the golf bags business through subcontracting the golf bags production to external factories and is responsible for providing back-up services to the subcontractors including customers liaison on orders and production-related affairs and delivery arrangements. The golf bags segment has pursued to reinforce the rationalisation measures to continually streamline the operations and optimise costs under the current operations.

Suffering from the diminished orders and incurrance of reorganisation expenses, the golf bags segment recorded a 84.6% drop in segment profit to approximately HK\$1,066,000 for the year ended 31 December 2023 (2022: HK\$6,930,000). Having regard to the order book status and the on-going economic uncertainties, it is anticipated that the golf bags segment will be operating under unfavorable market conditions with huge challenge. The management has adopted a prudent and 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 no impairment loss of the right-of-use assets (2022: HK\$13,057,000) was recognised during the year.

During the year ended 31 December 2023, no revenue (2022: nil) was generated from the hospitality business.

PROSPECTS

The COVID-19 pandemic has mitigated since early 2023 with business sector steadily reverting to its pre-pandemic modes of operations. Nevertheless, the golf industry has not demonstrated further rebound or growth as anticipated. This was mainly attributable to the prudent procurement strategy adopted by customers after the pandemic to consume the high level of inventories compiled during the pandemic period in getting around the logistic and transportation issues. Besides, major customers, particularly those in North America, have pursued a policy to divert their purchases from main suppliers in China to other supply sources for political factors. With the manufacturing facilities in China, the Group was adversely affected by the abrupt move of customers culminating in a reorganisation of the golf bags segment to cease the mass production function and assume a trading role in the golf bags business going forward. To combat the adverse market conditions, the Group has pursued and implemented effective measures with the assistance from external management expertise to persistently rationalise the operations and optimise costs. To substantiate the competitive edge for long-term development of the golf business, the Group is committed to strengthening the customer relationship and collaborations through diverse marketing initiatives augmented by value-added services to best accommodate and fulfill customer needs. It is crucial that the Group has possessed solid financial position to provide adequate funds to finance its operations and settle the liabilities when falling 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 2023 (2022: 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 2023, bank balances and cash, which were mostly denominated in United States dollars, Hong Kong dollars and Renminbi, amounted to approximately HK\$111,965,000 (2022: HK\$141,165,000). As at 31 December 2023, interest-bearing borrowings of the Group comprising bank borrowings amounted to RMB53,000,000 which was equivalent to approximately HK\$58,242,000 (2022: RMB53,000,000 equivalent to approximately HK\$59,551,000), of which all were repayable within one year and carried fixed interest rates ranging from approximately 3.55% to 4.15% (2022: 4.15% to 4.20%) per annum. Bank borrowings were fixed-rate borrowings denominated in Renminbi as at 31 December 2023 and 2022. The balance of amount due to a director as at 31 December 2023 was nil (2022: HK\$64,822,000) which was unsecured, carrying interest at 9.75% (2022: 9.75%) per annum and repayable on demand.

As at 31 December 2023, the gearing ratio, defined as bank borrowings, amount due to a director and convertible bond less bank balances and cash of approximately HK\$4,504,000 (2022: HK\$36,725,000) divided by the total equity of approximately HK\$230,272,000 (2022: HK\$249,367,000), was approximately 2.0% (2022: 14.7%).

As at 31 December 2023, the total assets and the net asset value of the Group amounted to approximately HK\$388,333,000 (2022: HK\$488,612,000) and HK\$230,272,000 (2022: HK\$249,367,000), respectively. Current and quick ratios as at 31 December 2023 were approximately 1.51 (2022: 1.28) and approximately 1.33 (2022: 1.16), respectively. Both the current ratio and quick ratio were improved and remained healthy. The Group has pursued the strategy to explore feasible means to persistently 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 2023.

PLEDGE OF ASSETS

As at 31 December 2023, bank borrowings from a PRC bank of RMB53,000,000 which was equivalent to approximately HK\$58,242,000 (2022: RMB53,000,000 equivalent to approximately HK\$59,551,000) were secured by property, plant and equipment and the right-of-use assets of the Group with a carrying value of approximately HK\$73,648,000 (2022: HK\$78,721,000).

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 2023. 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 2023.

EVENTS AFTER THE REPORTING PERIOD

On 22 January 2024, the Board received a letter regarding the appointment of Ms. So Kit Yee Anita and Ms. Lau Wun Man (Maria) of Ernst & Young Transactions Limited as joint and several receivers (the “**Receivers**”) on 22 January 2024 over: (i) 2,861,000,000 shares of the Company (representing approximately 55.01% of the issued share capital of the Company as at the date of this announcement); and (ii) convertible bonds with an aggregate principal amount of HK\$74,100,000 issued by the Company (together, the “**Charged Assets**”). The Receivers were appointed by Wise Choice Ventures Limited (the “**Appointer**”) pursuant to charges created by Wealth Sailor Limited as chargor in favour of Plenty Choice Investments Limited (“**Plenty Choice**”) dated 24 April 2017, in which the full benefit of, and all rights, title and interests of Plenty Choice therein were later transferred to the Appointer pursuant to deeds of assignment dated 16 March 2020. For further information, please refer to the announcements of the Company dated 22 January 2024, 2 February 2024 and 1 March 2024.

Save as disclosed above, no significant event has taken place subsequent to 31 December 2023 and up to the date of this results announcement.

CAPITAL COMMITMENTS

As at 31 December 2023, 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\$75,000 (2022: HK\$279,000).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2023, the Group had approximately 550 employees (2022: 910 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 2023. 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 2023.

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 2023.

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 C1 to the Listing Rules during the year ended 31 December 2023, 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 C3 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 2023.

SCOPE OF WORK OF GRANT THORNTON HONG KONG 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 2023 as set out in this results announcement have been agreed by the Company's auditor, Grant Thornton Hong Kong Limited, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Grant Thornton Hong Kong 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 Grant Thornton Hong Kong Limited on this results announcement.

PUBLICATION OF THE 2023 ANNUAL REPORT

The Company's annual report for year 2023 will be made available and dispatched (where applicable) 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 website of the Company at www.sinogolf.com in due course.

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

Hong Kong, 26 March 2024

As at the date of this announcement, the Board comprises (i) Mr. Huang Bangyin as executive Director; (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.