# 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 2016

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 2016, together with the comparative figures for the year ended 31 December 2015.

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

*For the year ended 31 December 2016*

| | | **2016** | 2015 |
|---|---|---|---|
| | *NOTES* | ***HK$'000*** | *HK$'000* |
| Revenue | *4* | **202,530** | 261,766 |
| Cost of sales | | **(198,106)** | (240,102) |
| Gross profit | | **4,424** | 21,664 |
| Other operating income | *4* | **1,440** | 1,857 |
| Gain on disposal of a subsidiary | | **–** | 93 |
| Write-off of inventories | | **(47,791)** | (31,671) |
| Selling and distribution expenses | | **(2,742)** | (3,736) |
| Administrative expenses | | **(57,788)** | (59,053) |
| Impairment loss on goodwill | | **–** | (14,820) |
| Impairment loss on property, plant and equipment | | **(10,147)** | – |
| Loss on early redemption of liability component of promissory note | | **(9,266)** | – |
| Loss on derecognition of derivatives component of promissory note | | **(2,041)** | – |
| Finance costs | *5* | **(19,856)** | (5,402) |
| Loss before tax | | **(143,767)** | (91,068) |
| Income tax expense | *6* | **(251)** | – |
| Loss for the year | *7* | **(144,018)** | (91,068) |

* *for identification purpose only*

| | NOTE | 2016 HK$'000 | 2015 HK$'000 |
|---|---|---|---|
| Other comprehensive expense | | | |
| *Items that may be reclassified subsequently to profit or loss:* | | | |
| Exchange differences arising on translation of foreign operations | | **(6,114)** | (16,200) |
| Exchange fluctuation reserve released on the deregistration of subsidiaries | | **–** | (96) |
| Exchange fluctuation reserve released on the disposal of a subsidiary | | **–** | (14,983) |
| | | **(6,114)** | (31,279) |
| *Items that will not be reclassified subsequently to profit or loss:* | | | |
| Gain on revaluation of leasehold land and buildings under revaluation model | | **239** | 489 |
| Deferred tax relating to leasehold land and buildings under revaluation model | | **(60)** | (122) |
| | | **179** | 367 |
| Other comprehensive expense for the year | | **(5,935)** | (30,912) |
| Total comprehensive expense for the year | | **(149,953)** | (121,980) |
| Loss for the year attributable to: | | | |
| Owners of the Company | | **(144,018)** | (91,068) |
| Non-controlling interests | | **–** | – |
| | | **(144,018)** | (91,068) |
| Total comprehensive expense for the year attributable to: | | | |
| Owners of the Company | | **(149,953)** | (121,980) |
| Non-controlling interests | | **–** | – |
| | | **(149,953)** | (121,980) |
| | | ***HK cents*** | *HK cents* |
| LOSS PER SHARE | | | |
| Basic and diluted | *8* | **(5.20)** | (3.91) |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*AT 31 DECEMBER 2016*

| | *NOTES* | **2016** **_HK$'000_** | 2015 *HK$'000* |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **111,956** | 135,518 |
| Prepaid lease payments | | **220,009** | 9,032 |
| Goodwill | | **–** | – |
| Club debentures | | **2,897** | 2,897 |
| Pledged bank deposit | | **596** | 639 |
| Deposits and other receivables | | **583** | 625 |
| Prepayments for the acquisition of property, plant and equipment | | **567** | 740 |
| | | **336,608** | 149,451 |
| **Current assets** | | | |
| Inventories | | **65,645** | 119,841 |
| Trade and other receivables | *10* | **169,494** | 56,414 |
| Prepaid lease payments | | **8,776** | 336 |
| Short-term bank deposit | | **–** | 602 |
| Bank balances and cash | | **24,424** | 17,063 |
| | | **268,339** | 194,256 |
| **Current liabilities** | | | |
| Trade and other payables | *11* | **33,989** | 29,670 |
| Amounts due to related companies | | **53,373** | 59,684 |
| Amounts due to directors | | **17,135** | – |
| Tax payable | | **–** | 160 |
| Bank and other borrowings | | **77,994** | 78,494 |
| | | **182,491** | 168,008 |
| **Net current assets** | | **85,848** | 26,248 |
| **Total assets less current liabilities** | | **422,456** | 175,699 |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | | **403** | 343 |
| Convertible bond | | **46,828** | – |
| | | **47,231** | 343 |
| **Net assets** | | **375,225** | 175,356 |
| **Capital and reserves** | | | |
| Share capital | *12* | **52,013** | 46,805 |
| Reserves | | **320,482** | 125,821 |
| Equity attributable to owners of the Company | | **372,495** | 172,626 |
| Non-controlling interests | | **2,730** | 2,730 |
| **Total equity** | | **375,225** | 175,356 |

*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 leasehold land and buildings that are measured at revalued amounts.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date under current market condition (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

## 2. APPLICATION OF NEW AND REVISED HKFRSs

In the current year, the Group has applied the following new and revised HKFRSs, which include HKFRSs, Hong Kong Accounting Standards ("**HKAS(s)**"), amendments and interpretations ("**Int(s)**"), issued by the HKICPA.

| | |
|---|---|
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2012 – 2014 Cycle |
| Amendments to HKAS 1 | Disclosure Initiative |
| Amendments to HKAS 16 and HKAS 38 | Clarification of Acceptable Methods of Depreciation |
| Amendments to HKAS 16 and HKAS 41 | Agriculture: Bearer Plants |
| Amendments to HKAS 27 | Equity Method in Separate Financial Statements |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 28 | Investment Entities: Applying the Consolidation Exception |
| Amendments to HKFRS 11 | Accounting for Acquisitions of Interests in Joint Operations |

**New and revised HKFRSs issued but not yet effective**

The Group has not early applied the following new or revised HKFRSs that have been issued but are not yet effective.

| | |
|---|---|
| HKFRS 9 (2014) | Financial Instruments[2] |
| HKFRS 15 | Revenue from Contracts with Customers[2] |
| HKFRS 16 | Lease[3] |
| Amendments to HKAS 7 | Disclosure Initiative[1] |
| Amendments to HKAS 12 | Recognition of Deferred Tax Assets for Unrealised Losses[1] |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2014-2016 Cycles[5] |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4] |
| Amendments to HKFRS 2 | Classification and Measurement of Share-based Payment Transactions[2] |
| Amendments to HKFRS 4 | Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[2] |
| Amendments to HKFRS 15 | Clarification to HKFRS 15[2] |

1 Effective for annual periods beginning on or after 1 January 2017.

2 Effective for annual periods beginning on or after 1 January 2018.

3 Effective for annual periods beginning on or after 1 January 2019.

4 Effective date not yet been determined.

5 Amendments to HKFRS 12 are effective for annual periods beginning on or after 1 January 2017, and Amendments to HKFRS 1 and Amendments to HKAS 28 are effective for annual periods beginning on or after 1 January 2018.

### 3. SEGMENT INFORMATION

Information reported to the Board, being the chief operating decision maker ("**CODM**"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered. The Directors have chosen to organise the Group around differences in products and services. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable segments under HKFRS 8 are as follows:

Golf equipment – The manufacture and trading of golf equipment and related components and parts.

Golf bags – The manufacture and trading of golf bags, other accessories, and related components and parts.

Hospitality – The development of integrated resort in Saipan.

During the year ended 31 December 2016, the Group commenced a new reporting and operating segment, namely, hospitality segment as a result of the acquisition of Lucky Fountain Holdings Limited ("**Lucky Fountain**") and its subsidiaries (collectively referred to as the "**Lucky Fountain Group**").

#### (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 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 | **2016** | 2015 | **2016** | 2015 | **2016** | 2015 |
| | ***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 | **187,426** | 218,574 | **15,104** | 43,192 | **–** | – | **–** | – | **202,530** | 261,766 |
| Inter-segment sales | **–** | – | **7,747** | 3,799 | **–** | – | **(7,747)** | (3,799) | **–** | – |
| Other operating income | **1,145** | 1,179 | **214** | 380 | **–** | – | **–** | – | **1,359** | 1,559 |
| Total | **188,571** | 219,753 | **23,065** | 47,371 | **–** | – | **(7,747)** | (3,799) | **203,889** | 263,325 |
| Segment results | **(95,237)** | (69,492) | **(2,566)** | (9,608) | **(4,281)** | – | **–** | **–** | **(102,084)** | (79,100) |
| Interest income | | | | | | | | | **33** | 23 |
| Gain on deregistration of subsidiaries | | | | | | | | | **48** | 275 |
| Loss on early redemption of liability component of promissiory note | | | | | | | | | **(9,266)** | – |
| Loss on derecognition of derivatives component of promissory note | | | | | | | | | **(2,041)** | – |
| Gain on disposal of a subsidiary | | | | | | | | | **–** | 93 |
| Unallocated corporate expenses | | | | | | | | | **(10,601)** | (6,957) |
| Finance costs | | | | | | | | | **(19,856)** | (5,402) |
| Loss before tax | | | | | | | | | **(143,767)** | (91,068) |

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represents the loss incurred by each segment without allocation of interest income, gain on deregistration of subsidiaries, loss on early redemption of liability component of promissory note, loss on derecognition of derivatives component of promissory note gain on disposal of a subsidiary, 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 | |
|---|---|---|---|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 | **2016** | 2015 | **2016** | 2015 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | HK$'000 |
| Assets and liabilities | | | | | | | | |
| Segment assets | **210,175** | 309,046 | **10,225** | 13,193 | **355,891** | – | **576,291** | 322,239 |
| Unallocated corporate assets | | | | | | | | |
| – Club debentures | | | | | | | **2,897** | 2,897 |
| – Bank balances and cash | | | | | | | **24,424** | 17,063 |
| – Others | | | | | | | **1,335** | 1,508 |
| Total assets | | | | | | | **604,947** | 343,707 |
| Segment liabilities | **25,676** | 20,490 | **5,858** | 5,366 | **–** | – | **31,534** | 25,856 |
| Unallocated corporate liabilities | | | | | | | | |
| – Amounts due to related companies | | | | | | | **53,373** | 59,684 |
| – Amounts due to directors | | | | | | | **17,135** | – |
| – Tax payable | | | | | | | **–** | 160 |
| – Bank and other borrowings | | | | | | | **77,994** | 78,494 |
| – Convertible bond | | | | | | | **46,828** | – |
| – Deferred tax liabilities | | | | | | | **403** | 343 |
| – Others | | | | | | | **2,455** | 3,814 |
| Total liabilities | | | | | | | **229,722** | 168,351 |

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 and plant and equipment for central administrative purpose. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and

- all liabilities are allocated to operating segments other than amounts due to related companies, amounts due to directors, tax payable, bank and other borrowings, convertible bond, deferred tax liabilities and certain other payables. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

**(c) Geographical information**

The Group's customers are located in Japan, North America, Europe, Asia (excluding Japan) and others.

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

| | Revenue from external customers | |
|---|---|---|
| | **2016** | 2015 |
| | ***HK$'000*** | *HK$'000* |
| Japan | **84,584** | 93,803 |
| North America | **73,017** | 102,534 |
| Europe | **19,140** | 27,816 |
| Asia (excluding Japan) | **17,915** | 26,002 |
| Others | **7,874** | 11,611 |
| | **202,530** | 261,766 |

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

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Saipan | **211,855** | – |
| The People's Republic of China (the "**PRC**") | **119,465** | 143,809 |
| Hong Kong (country of domicile) | **4,109** | 4,378 |
| | **335,429** | 148,187 |

**(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 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 | **2016** | 2015 | **2016** | 2015 | **2016** | 2015 |
| | ***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)* | **5,251** | 4,574 | **487** | 663 | **224,604** | – | **–** | 435 | **230,342** | 5,672 |
| Amortisation of prepaid lease payments | **298** | 336 | **–** | – | **4,269** | – | **–** | – | **4,567** | 336 |
| Impairment loss recognised in respect of trade receivables | **–** | – | **–** | 1 | **–** | – | **–** | – | **–** | 1 |
| Impairment loss on property, plant and equipment | **10,147** | – | **–** | – | **–** | – | **–** | – | **10,147** | – |
| Write-off of inventories | **47,595** | 28,671 | **196** | 3,000 | **–** | – | **–** | – | **47,791** | 31,671 |
| Depreciation of property, plant and equipment | **7,902** | 11,069 | **645** | 1,187 | **–** | – | **87** | 22 | **8,634** | 12,278 |
| Impairment loss on goodwill | **–** | 6,824 | **–** | 7,996 | **–** | – | **–** | – | **–** | 14,820 |
| Loss on disposal of property, plant and equipment | **1,582** | 3,196 | **–** | 640 | **–** | – | **–** | – | **1,582** | 3,836 |

*Note:* Non-current assets included property, plant and equipment, prepaid lease payments 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 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 | **2016** | 2015 | **2016** | 2015 | **2016** | 2015 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Interest income | **(15)** | (18) | **(18)** | (5) | **–** | – | **–** | – | **(33)** | (23) |
| Gain on deregistration of subsidiaries | **(48)** | – | **–** | – | **–** | – | **–** | (275) | **(48)** | (275) |
| Gain on disposal of a subsidiary | **–** | (93) | **–** | – | **–** | – | **–** | – | **–** | (93) |
| Finance costs | **3,034** | 5,130 | **–** | 196 | **–** | – | **16,822** | 76 | **19,856** | 5,402 |
| Loss on early redemption of liability component of promissory note | **–** | – | **–** | – | **–** | – | **9,266** | – | **9,266** | – |
| Loss on derecognition of derivative component of promissory note | **–** | – | **–** | – | **–** | – | **2,041** | – | **2,041** | – |
| Income tax expense | **–** | – | **–** | – | **–** | – | **251** | – | **251** | – |

(e) **Information about major customers**

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

| | Revenue generated from | 2016 *HK$'000* | 2015 *HK$'000* |
|---|---|---|---|
| Customer A | Golf equipment | **87,753** | 103,748 |
| Customer B | Golf equipment | **50,040** | 63,974 |

## 4. REVENUE AND OTHER OPERATING INCOME

Revenue represents the net amounts received and receivable for goods sold by the Group to outside customers, net of discounts, returns and sales related taxes.

Analysis of the Group's revenue and other operating income for the year is as follows:

| | **2016** ***HK$'000*** | 2015 *HK$'000* |
|---|---|---|
| Revenue: | | |
| Sales of golf equipment and related components and parts | **187,426** | 218,574 |
| Sales of golf bags, other accessories and related components and parts | **15,104** | 43,192 |
| | **202,530** | 261,766 |
| Other operating income: | | |
| Tooling income | **431** | 322 |
| Sample income | **164** | 519 |
| Gain on deregistration of subsidiaries | **48** | 275 |
| Interest income | **33** | 23 |
| Sales of scrap materials | **29** | 237 |
| Sundry income | **735** | 481 |
| | **1,440** | 1,857 |

## 5. FINANCE COSTS

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Factoring charges | **–** | 788 |
| Interest expenses on: | | |
| – bank overdrafts | **–** | 26 |
| – bank and other borrowings | **4,735** | 5,502 |
| – advances from a director | **–** | 196 |
| – obligations under finance leases | **–** | 4 |
| – convertible bond | **679** | – |
| – promissory note | **15,182** | – |
| Total borrowing costs | **20,596** | 6,516 |
| Less: amounts capitalised *(note)* | **(740)** | (1,114) |
| | **19,856** | 5,402 |

*Note:* Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 5.00% (2015: 6.00%) per annum to expenditure on qualifying assets.

## 6. INCOME TAX EXPENSE

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Hong Kong Profits Tax | | |
| – Overprovision in prior years | **(160)** | – |
| PRC Enterprise Income Tax Income ("**EIT**") | | |
| – Underprovision in prior years | **411** | – |
| | **251** | – |

(i) No provision for Hong Kong Profits Tax has been made for current year as there are no assessable profits generated or the estimated assessable profit has been net of tax losses brought forward from previous years for the years ended 31 December 2016 and 2015.

(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.

No provision for EIT for certain PRC subsidiaries as they did not have any assessable profits subject to EIT or the assessable profit is wholly absorbed by tax losses brought forward.

(iii) Under Decree-Law no. 58/99/M, Sino Golf Comercial Offshore De Macau Limitada, a Macau subsidiary incorporated under that Law is exempted from Macau Complementary tax as it satisfies the relevant conditions as specified in the Law.

(iv) The corporate income tax in Saipan is calculated at 35% of the estimated profit for the year ended 31 December 2016. No provision for corporate income tax rate for the subsidiary incorporated in Saipan as no income has been derived from Saipan during the year ended 31 December 2016.

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

## 7. LOSS FOR THE YEAR

| | 2016 | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Loss for the year has been arrived at after charging: | | |
| Staff cost (including directors' and chief executives' emoluments): | | |
| Salaries, wages and other benefits in kind | **66,182** | 84,467 |
| Retirement benefits schemes contributions | **6,638** | 7,812 |
| Compensation for lay-down of employees | **934** | 6,646 |
| Total staff cost | **73,754** | 98,925 |
| Amortisation of prepaid lease payments | **4,567** | 336 |
| Auditors' remuneration | **1,099** | 1,094 |
| Impairment loss recognised in respect of trade receivables | **–** | 1 |
| Cost of inventories sold, excluding provision of inventories | **198,106** | 240,102 |
| Depreciation of property, plant and equipment | **8,634** | 12,278 |
| Exchange loss (net) | **2,820** | 755 |
| Loss on disposal of property, plant and equipment | **1,582** | 3,836 |
| Impairment loss on goodwill | **–** | 14,820 |
| Impairment loss on property, plant and equipment | **10,147** | – |
| Operating leases rentals in respect of land and buildings | **3,946** | 4,158 |
| Research and development costs recognised as an expense | **623** | 1,055 |

## 8. LOSS PER SHARE

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

| | 2016 | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Loss | | |
| Loss for the purpose of basic and diluted loss per share | **(144,018)** | (91,068) |

| | 2016 | 2015 |
|---|---|---|
| | ***'000*** | *'000* |
| Number of shares | | |
| Weighted average number of ordinary shares for the purpose of basic and diluted loss per share | **2,770,182** | 2,328,634 |

The computation of diluted loss per share does not assume the conversion of the Company's outstanding convertible bond since its exercise would result in a decrease in loss per share from the operation.

*Note:* The number of shares for the purpose of calculating basic loss per share for the year ended 31 December 2015 was based on the bonus issue passed by the special resolution on 6 January 2016, in which every one share held by the shareholder is entitled to four bonus shares. The bonus shares were allotted and issued on 22 January 2016.

## 9. DIVIDENDS

No dividends were paid, declared or proposed during the year ended 31 December 2016, nor has any dividend been proposed since the end of the reporting period (2015: Nil).

## 10. TRADE AND OTHER RECEIVABLES

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade receivables | **20,612** | 29,802 |
| Less: allowance for impairment of trade receivables | **–** | (1) |
| | **20,612** | 29,801 |
| Deposit paid for the construction of property, plant and equipment | **135,556** | – |
| Other receivables | **8,459** | 17,325 |
| Prepayments | **1,069** | 5,043 |
| Prepayments to suppliers | **3,798** | 4,245 |
| | **169,494** | 56,414 |

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. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management.

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

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 0 to 30 days | **15,094** | 24,516 |
| 31 to 90 days | **5,455** | 5,023 |
| 91 to 180 days | **63** | 262 |
| | **20,612** | 29,801 |

## 11. TRADE AND OTHER PAYABLES

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade and bills payables | **29,272** | 25,637 |
| Customers' deposits received | **521** | 473 |
| Accruals and other payables | **4,196** | 3,560 |
| | **33,989** | 29,670 |

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

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 0 to 90 days | **22,988** | 19,365 |
| 91 to 180 days | **5,308** | 5,279 |
| 181 to 365 days | **424** | 266 |
| Over 365 days | **552** | 727 |
| | **29,272** | 25,637 |

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

(ii) Included in trade and other payables are the following amounts denominated in the currency other than the functional currency of the entity to which they relate:

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Renminbi (the "**RMB**") | **567** | 1,360 |

## 12. SHARE CAPITAL

| | Number of shares '000 | Share capital HK$'000 |
|---|---|---|
| Ordinary shares of HK$0.01 (2015: HK$0.10) each | | |
| **Authorised** | | |
| At 1 January 2015, 31 December 2015 and 1 January 2016 | 1,000,000 | 100,000 |
| Sub-division *(note (i))* | 9,000,000 | – |
| At 31 December 2016 | 10,000,000 | 100,000 |
| **Issued and fully paid** | | |
| At 1 January 2015 | 460,050 | 46,005 |
| Exercise of share options *(note (ii))* | 8,000 | 800 |
| At 31 December 2015 and 1 January 2016 | 468,050 | 46,805 |
| Capital reduction *(note (i))* | – | (42,124) |
| Issue of bonus issue *(note (i))* | 1,872,200 | 18,722 |
| Issue of shares upon share subscription *(note (iii))* | 2,861,000 | 28,610 |
| At 31 December 2016 | 5,201,250 | 52,013 |

*Notes:*

(i) On 30 November 2015, the Company announced (i) the capital reduction to reduce the nominal value of each issued share of the Company from HK$0.10 to HK$0.01 by cancelling the paid-up capital to the extent of HK$0.09 on each of its issued shares (the "**Capital Reduction**"); and (ii) to sub-divide the authorised shares of HK$0.10 each into ten new shares of HK$0.01 each (the "**Sub-Division**") (collectively referred to as the "**Capital Reorganisation**").

The Capital Reorganisation became effective on 6 January 2016 and the credit arising from the Capital Reduction of approximately HK$42,124,000 were applied for the bonus issue (the "**Bonus Issue**"), which issuing new shares on the basis of four bonus shares for every one share held by qualified shareholders, while the remaining credit of approximately HK$18,722,000 has been transferred to contributed surplus.

On 22 January 2016, a total of 1,872,200,000 shares of the Bonus Issue of HK$0.01 each was issued.

The new shares rank pari passu with the existing shares in all aspects.

(ii) On 17 April 2015, 8,000,000 share options with exercise price of HK$0.37 per ordinary share were exercised to subscribe 8,000,000 ordinary shares of the Company at a consideration of HK$2,960,000. HK$800,000 were credited to share capital, while remaining consideration of HK$2,160,000 and the reversal of share options reserve of HK$731,000 upon exercise of share options, were credited to share premium.

(iii) On 7 November 2016, 2,861,000,000 ordinary shares of HK$0.01 each were issued and allotted at a price of HK$0.114 per share, raising a total proceeds of HK$322,703,000, net of direct expense of HK$3,451,000.

## 13. CAPITAL COMMITMENTS

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

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Capital expenditure contracted for but not provided in the consolidated financial statements in respect of: | | |
| Leasehold land and buildings | **–** | 84 |
| Plant and machinery | **664** | 1,468 |
| | **664** | 1,552 |

## MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL RESULTS AND BUSINESS REVIEW

During the year, the Group continued to operate under a depressed golf market resulting in further downturn in business revenue. The golf equipment sales notably decreased as the third largest segmental customer of the preceding year had no more business with the Group in the current year and shipments to the top two segmental customers dropped remarkably during the year in a volatile market with fierce competition. On the other hand, the golf bags sales plummeted more than half during the year as the largest segmental customer of the preceding year had ceased business with the Group. Sales to certain key segmental customers declined by various extent which was partially compensated by the sales increase in some other customers.

The Group's revenue for the year ended 31 December 2016 decreased by approximately 22.6% to approximately HK$202,530,000 (2015: approximately HK$261,766,000). Loss for the year attributable to owners of the Company was approximately HK$144,018,000 compared to a loss of approximately HK$91,068,000 in 2015. The deteriorated performance was mainly due to the depressed sales and the incurrence of exceptional expenditures. Basic and diluted loss per share were both approximately HK5.20 cents for the year (2015: basic and diluted loss per share were both approximately HK3.91 cents).

## GOLF EQUIPMENT BUSINESS

The golf equipment segment continued to dominate as the main operating segment and accounted for approximately 92.5% of the Group's revenue for the year (2015: approximately 83.5%). Impacted by a reduction of shipments to major customers, the golf equipment sales decreased by approximately 14.3% to approximately HK$187,426,000 from approximately HK$218,574,000 in 2015.

During the year, sales to the largest segmental customer amounted to approximately HK$87,753,000 (2015: approximately HK$103,748,000), representing approximately 46.8% (2015: approximately 47.5%) of the segment revenue or approximately 43.3% (2015: approximately 39.6%) of the Group's revenue for the year, respectively. There were no shipment in 2016 to the third largest segmental customer of the preceding year (2015: approximately HK$16,824,000) following its reorganization to change procurement practice to place orders with the suppliers of its parent company. Moreover, shipments to the top two segmental customers dropped about 15.4% and 21.7% in 2016, respectively. Revenue generated from the top five segmental customers diminished by approximately 16.8% to approximately HK$172,349,000 (2015: approximately HK$207,216,000), representing approximately 92.0% (2015: approximately 94.8%) of the segment revenue or approximately 85.1% (2015: approximately 79.2%) of the Group's revenue for the year, respectively. In addition, one of the key segmental customers had announced in the second half of 2016 to terminate its golf segment so as to focus on its existing non-golf business going forward. The Group had completed all outstanding orders of this customer in the fourth quarter of 2016 and this incident was likely to adversely affect the golf equipment business of the Group in the ensuing year. Notwithstanding the unfavorable business conditions, the Group is devoted to continually developing the golf equipment business through long-term cooperation with the existing customers as well as exploring business opportunities with other reputable golf name brands with growth potential.

Subsequent to scaling down the Guangdong manufacturing facility (i.e. Yong He facility) to a workforce of about 20 employees in 2015, the Shandong manufacturing facility had reduced its workforce from about 1,000 employees to less than 700 employees during the year in response to a continued stagnant golf market with depressed demand. The Group had made severance payments equivalent to approximately HK$934,000 upon laying off the redundant workers. In light of the business downturn, the Group continued to closely monitor and review the profile of property, plant and equipment ("**PPE**") and inventories for identifying and disposal of retired items of PPE and off-season and impaired inventories. As a result, a loss of approximately HK$1,582,000 (2015: approximately HK$3,196,000) was incurred on disposal of property, plant and equipment and a loss of approximately HK$47,595,000 (2015: approximately HK$28,671,000) was recognized in respect of off-season and impaired inventories of the golf equipment segment. In addition, the Group had carried out an assessment of the PPE of the golf equipment segment as at 31 December 2016 to ascertain the existence any impairment. As a result, an impairment loss of approximately HK$10,147,000 was recognized in respect of the PPE of the golf equipment segment for the current year (2015: Nil).

Hampered by the depressed market and the incurrence of exceptional expenditures, the golf equipment business recorded a segment loss of approximately HK$95,237,000 for the year ended 31 December 2016 (2015: approximately HK$69,492,000). Taking into account the prevailing market conditions and the sales orders received, it is anticipated that the golf equipment business will remain relatively stable in the ensuing year amid various challenges in a volatile and highly competitive market. To substantiate the long-term development, the Group is devoted to strengthening the customer relationship with diverse marketing initiatives for exploring new business opportunities. The management has maintained a positive view with prudence on the prospect of the golf equipment business.

## GOLF BAGS BUSINESS

The golf bags business encountered great challenge in 2016 as the largest segmental customer of the preceding year had ceased business with the Group and sales to certain key segmental customers declined by various extent though partially compensated by the sales increase in some other customers. The Group's revenue attributable to the golf bags segment, defined as comprising the sales of golf bags and accessories to external customers, decreased by approximately 65.0% to approximately HK$15,104,000 (2015: approximately HK$43,192,000), representing approximately 7.5% of the Group's revenue for the year (2015: approximately 16.5%). Total sales of the golf bags segment, before elimination of the inter-segmental sales of approximately HK$7,747,000 (2015: approximately HK$3,799,000), dropped by approximately 51.4% in 2016 to approximately HK$22,851,000 (2015: approximately HK$46,991,000). The inter-segmental sales represented the golf bags produced as components for fulfilling the orders of golf club sets placed by customers with the golf equipment segment. The sales of the golf club sets had been classified as the revenue of the golf equipment segment in accordance with the Group's accounting practice.

The segment revenue for the year comprised golf bags sales of approximately HK$8,088,000 (2015: approximately HK$30,465,000) and accessories sales mainly boston bags of approximately HK$7,016,000 (2015: approximately HK$12,727,000), representing approximately 53.5% (2015: approximately 70.5%) and approximately 46.5% (2015: approximately 29.5%) of the segment revenue, respectively. The golf bags sales dropped drastically by approximately 73.5% during the year mainly due to loss of business from the largest segmental customer whereas the boston bags sales decreased by a lesser extent of approximately 44.9% during the year. To mitigate the impact of business downturn, the Group had moved in the preceding year the golf bags operations to a smaller leased factory premises and successfully reduced the rental expenditures for the current year by about 53.0% to approximately HK$1,395,000 (2015: approximately HK$2,964,000). The Group had pursued effective cost control measures to rationalize costs and expenditures to the extent feasible.

Affected by the reduced sales, the golf bags segment recorded a segment loss of approximately HK$2,566,000 for the year (2015: approximately HK$9,608,000). Notwithstanding the depressed market conditions, the Group will continue to streamline the golf bags operations to enhance efficiency and embark on active marketing initiatives to promote sales in the ensuing year. Taking into consideration the sales orders received and the prevailing market conditions, the management has adopted a positive view with prudence on the outlook of the golf bags business amongst the challenges to be overcome.

## HOSPITALITY BUSINESS

On 16 May 2016, the Group completed its acquisition of Lucky Fountain Holdings Limited ("**Lucky Fountain**") and its subsidiaries (collectively, the "**Lucky Fountain Group**") (the "**Acquisition**"). The principal assets of the Lucky Fountain Group are the twelve land parcels located in Saipan with a total site area of approximately 79,529 square metres (the "**Properties**"). The Acquisition provides the Group with opportunities to dip into the hospitality segment of Saipan and savor in the development of the tourism and golf related industries in Saipan.

In 2016, no revenue (2015: Nil) was generated from the hospitality business whilst expenses were incurred only for the rezoning of lands in Saipan. Rezoning of lands in Saipan has been progressing smoothly and is expected to be completed in early April 2017. In addition, during the year, the Group has signed a contract agreement (the "**Contract Agreement**") with an independent contractor in Saipan (the "**Contractor**") for the design and construction work to be performed on the Properties. A refundable deposit (the "**Refundable Deposit**") amounting to approximately US$17,379,000 (equivalent to approximately HK$135,556,000) had been paid to the Contractor upon the signing of the Contract Agreement. However, due to the unfulfillment of certain conditions, the Group and the Contractor have mutually agreed to terminate the Contract Agreement subsequent to the current year ended. The whole amount of the Refundable Deposit was refunded to the Company in March 2017.

## PROSPECTS

Impacted by the continued depression in the golf market, the Group's revenue for the year 2016 further shrank. During the current year, golf bags sales plummeted by approximately 65.0% whilst golf equipment sales also decreased by approximately 14.3%. The Company nevertheless holds the view that the Group's financial position remains solid with adequate funds available to finance its operations. Taking into account the existing market conditions and the sales orders received, the management maintains a prudent view with caution that the golf equipment and golf bags business will continue to operate under great challenges amidst intense competition in the coming year.

On the other hand, the Board has been exploring appropriate diversification business opportunities and/or investment to expand the revenue sources and enhance the long-term growth potential of the Group. As mentioned above, on 16 May 2016, Future Success Group Limited, a wholly-owned subsidiary of the Company, completed the acquisition of entire equity interest in Lucky Fountain. Lucky Fountain is a company established in the British Virgin Islands with limited liability, with its principal activity being investment holdings. The principal assets of the Lucky Fountain Group are the Properties, which are located in Saipan. Saipan is an attractive market for golf related tourism and is home to a host of golf courses. The Properties are located in close proximity to those golf courses in Saipan and the management is in the preliminary view to proceed the development of hotel resorts and/or timeshare condominiums on the Properties in several phases and corresponding rezoning work has already been started by the Group. Rezoning work is expected to be completed in early April 2017. In the current stage, the Group is focusing on the hunting of suitable vendors for the design and construction work of hotel resorts on the Properties in Saipan. It is believed by the Board that the acquisition provides a unique opportunity to the Group to be positioned in the Saipan resort industry.

Looking ahead, the Group will continue to caution in its business approach, closely monitor the golf equipment and golf bags business and seize other growth opportunities to enhance competitiveness to strive for the best return to the shareholders.

## DIVIDEND

The Board resolved not to recommend the payment of any dividend for the year ended 31 December 2016 (2015: Nil).

## FINANCIAL RESOURCES, LIQUIDITY AND GEARING

As at 31 December 2016, bank balances and cash, which were mostly denominated in United States dollars, Hong Kong dollars and Renminbi, amounted to approximately HK$24,424,000 (2015: approximately HK$17,063,000). As at 31 December 2016, interest-bearing borrowings of the Group comprising bank borrowings aggregated to approximately HK$68,494,000 (2015: approximately HK$73,494,000), of which all were repayable within one year. For expansion of business activities, the Group drew down loans from a third party amounting to HK$9,500,000 (2015: HK$5,000,000) with interest bearing of 12% per annum (2015: 12.0% per annum) and repayable within one year. Amounts due to related companies of approximately HK$53,373,000 as at 31 December 2016 (2015: HK$59,684,000) and amounts due to directors of approximately HK$17,135,000 as at 31 December 2016 (2015: Nil) were both unsecured, non-interest bearing and repayable on demand.

As at 31 December 2016, the gearing ratio, defined as bank borrowings, loan from a third party less bank balances and cash of approximately HK$53,570,000 (2015: approximately HK$61,431,000) divided by the shareholders' equity of approximately HK$375,225,000 (2015: approximately HK$175,356,000) was lowered to approximately 14.3% (2015: approximately 35.0%).

As at 31 December 2016, the total assets and the net asset value of the Group amounted to approximately HK$604,947,000 (2015: approximately HK$343,707,000) and approximately HK$375,225,000 (2015: approximately HK$175,356,000), respectively. Current and quick ratios as at 31 December 2016 were approximately 1.47 (2015: approximately 1.16) and approximately 1.11 (2015: approximately 0.44), respectively. Both the current ratio and quick ratio improved remarkably and the Group is devoted to continuing exploring possible means to further rationalize the financial position from time to time.

## PLEDGE OF ASSETS

As at 31 December 2016, bank borrowings from certain PRC banks of approximately HK$68,494,000 (2015: approximately HK$73,494,000) were secured by property, plant and equipment and the prepaid lease payments of the Group with a carrying value of approximately HK$100,371,000 (2015: approximately HK$119,635,000). As at 31 December 2016, the Group had pledged bank deposit of RMB530,000 (equivalent to approximately HK$596,000) for a bank guarantee of RMB500,000 issued to the landlord of the Group's golf bags facilities (2015: RMB500,000).

## CAPITAL STRUCTURE

On 8 July 2016, the Company, Wealth Sailor Limited (the "**Subscriber**") and Surplus Excel Limited and Mr. Jiang Jianhui (collectively as warrantors) entered into a subscription agreement (the "**Subscription Agreement**") pursuant to which, the Company has conditionally agreed to allot and issue to the Subscriber and the Subscriber has conditionally agreed to subscribe for: (i) an aggregate of 2,861,000,000 subscription shares (the "**Subscription Shares**") at the Subscription price of HK$0.114 per Subscription Share and (ii) the convertible bond (the "**Convertible Bond**") in the aggregate principal amount of HK$74,100,000, which entitle the Subscriber to subscribe for 650,000,000 conversion shares at the initial conversion price of HK$0.114 per conversion share (collectively, the "**Subscriptions**"). The resolutions approving, among other things, the Subscription Agreement and the transactions contemplated thereunder, as well as the whitewash waiver, were passed by shareholders of the Company on 20 October 2016, and the Subscription Shares and the Convertible Bond were issued and allotted to the Subscriber in accordance with the terms and conditions of the Subscription Agreement on 7 November 2016. Immediately after completion of the Subscriptions and assuming no conversion of the Convertible Bond, there were 5,201,250,000 shares of the Company in issue, and as at 31 December 2016, the number of issued shares of the Company remained the same. For details, please refer to the announcements dated 13 July 2016, 19 July 2016, 1 August 2016, 5 September 2016, 29 September 2016, 20 October 2016 and 7 November 2016, and the circular dated 30 September 2016.

## USE OF PROCEEDS

The gross proceeds from the Subscriptions amounted to approximately HK$400,254,000. The net proceeds, after taking into account the expenses in relation to the Subscriptions, were approximately HK$396,019,000, and the Company applied the net proceeds of (i) approximately HK$249,338,000 for the settlement of the 12% interest bearing promissory notes issued by the Group in May 2016 with the principal amount of HK$235,700,000 for the Acquisition; (ii) approximately HK$135,556,000 for the development costs of the 1st phase of the development of the hotel resorts and/or timeshare condominiums on the Properties; and (iii) the remaining net proceeds of approximately HK$11,125,000 as the general working capital of the Group.

## CHANGE OF CONTROLLING SHAREHOLDER

Following completion of the Subscriptions and assuming no conversion of the Convertible Bond, the Subscriber held 2,861,000,000 ordinary shares, representing approximately 55.01% of the entire issued share capital of the Company as at 31 December 2016. For details, please refer to the announcements dated 13 July 2016, 19 July 2016, 1 August 2016, 5 September 2016, 29 September 2016, 20 October 2016 and 7 November 2016, and the circular dated 30 September 2016.

## INVESTMENT POSITION AND PLANNING

On 16 May 2016, the Group has completed its acquisition in the entire interest of Lucky Fountain Group in an aggregate consideration of HK$235,700,000.

The principal assets of the Lucky Fountain Group are the properties comprising twelve land parcels with a total site area of approximately 79,529 square metres located in Saipan, which is an attractive market for golf related tourism and is home to a host of golf courses. The Board is of the view that the acquisition is in line with the Group's intention to expand its existing business for better growth potential and presents good investment opportunities for the Group with a potential of capital appreciation in the long run.

Lucky Fountain Group have become subsidiaries of the Company and their results, assets and liabilities have been consolidated into the consolidated financial statements of the Group.

## EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The Group is exposed to foreign currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of operations to which they relate. The currency giving rise to this risk is primarily RMB. The Group is exposed to foreign currency risk due to the exchange rate fluctuation of RMB against Hong Kong dollars. The Group had not entered into any derivative contracts to hedge against the risk in the year of 2016. The Group will review and monitor its currency exposure from time to time and when appropriate hedge its currency risk.

## CONTINGENT LIABILITIES

At 31 December 2016, a subsidiary had been named as defendant in a High Court action as a writ of summon was issued against it in April 2011 claiming for an amount of approximately HK$1,546,000 together with interest thereon and costs. The subsidiary has filed a full defense to this writ. In the opinion of the Directors, no provision for any potential liability has been made in the consolidated financial statements as the Group has pleaded reasonable chance of success in the defense.

Another subsidiary had been named as defendant as a summon from a local PRC court was served against the subsidiary in April 2015 pursuant to which a PRC company as plaintiff claimed against the subsidiary for a sum of approximately RMB1,366,000, equivalent to approximately HK$1,535,000 with damages of approximately RMB55,000, equivalent to approximately HK$62,000, together with interest thereon and costs. On 25 November 2016, the PRC court gave judgment and ordered that (i) the plaintiff should be responsible for repairing, replacement and/or rework within 30 days of the court order so as to rectify to make those machinery and equipment sold to the defendant to be in compliance with the terms and standards set out in the sales and purchase contract and (ii) upon fulfillment of the court order by the plaintiff, the defendant shall pay within 10 days a sum of approximately RMB1,036,000 to the plaintiff as full and final settlement of its claim for the balance of purchase consideration. As at 31 December 2016, the plaintiff had not fulfilled the court order to complete the repairing, replacement and/or rework in compliance with the terms of the contract. The Directors are of the view that no provision for any potential liability needed to be made in the consolidated financial statements of the Group as it is uncertain whether or not the plaintiff will be able to fulfill the court order to complete the required work.

Other than as disclosed, the Group had no significant contingent liabilities as at 31 December 2016.

## EVENTS AFTER THE REPORTING PERIOD

No significant event has taken place subsequent to 31 December 2016.

## CAPITAL COMMITMENTS

As at 31 December 2016, the Group had capital commitments, which are contracted but not provided for, in respect of purchase of leasehold land and building and plant and machinery amounting to approximately HK$664,000 (2015: approximately HK$1,552,000).

## CHANGE OF DIRECTORS

(i) Mr. Zhang Yi resigned as an executive Director; (ii) Mr. Wong Hin Shek was re-designated as a non-executive Director and ceased to be the Chairman of the Board; (iii) Mr. Huang Youlong was appointed as the Chairman of the Board and an executive Director; and (iv) Mr. Liu Tianmin and Mr. Tung Sung-Yuan were appointed as non-executive Directors, all with effect from 7 November 2016. For details, please refer to the announcement dated 7 November 2016.

## APPOINTMENT OF EXECUTIVE DIRECTOR AND CHIEF INVESTMENT OFFICER

Mr. Zhao Zheng was appointed an executive Director and the Chief Investment Officer of the Company with effect from 11 November 2016. For details, please refer to the announcement dated 11 November 2016.

## EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2016, the Group had approximately 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 of the Board (the "**Audit Committee**") has reviewed the accounting principles and practices adopted by the Group and discussed with the management regarding auditing, internal control and financial reporting matters. The Audit Committee has also reviewed the Group's results for the year ended 31 December 2016. 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 2016.

## 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 2016.

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has complied with all the code provisions of the Corporate Governance Code (the "**CG Code**") set out under Appendix 14 to the Listing Rules throughout the year ended 31 December 2016, except for certain deviations as explained below. The Company has also put in place certain Recommended Best Practices as set out in the CG Code.

a) Code provision A.2.1 of the CG Code requires that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. Mr. Wong Hin Shek ("**Mr. Wong**") acted as the Chairman of the Board and was also responsible for overseeing the general operations of the Group during the year up to 7 November 2016. Mr. Huang Youlong started to act as the Chairman of the Board from 7 November 2016 onwards and took up the responsibility for overseeing the general operations of the Group from Mr. Wong since then. The Company does not have an officer with the title "**Chief Executive Officer**". The overall responsibility of supervising and ensuring that the Group functions in line with the order of the Board in terms of day-to-day operations and execution is vested in the Board itself. The deviation is deemed appropriate and the Board believes that even vesting the roles of both chairman and chief executive officer in the same person could still provide the Company with strong and consistent leadership and allow for effective and efficient planning and implementation of business decisions and strategies. The Board further considers that the current structure does not impair the balance of power and authority between the Board and the management of the Company.

b) Code provision A.4.1 of the CG Code requires that non-executive Directors should be appointed for a specific term, subject to re-election. Although the non-executive Directors and the independent non-executive Directors are not appointed for a specific term, the requirement of the code provision is effectively met as those non-executive Directors and independent non-executive Directors are required to retire by rotation once every three years and subject to re-election at the Company's annual general meeting in accordance with the Company's Bye-laws.

c) Code provision A.6.7 of the CG Code requires that independent non-executive Directors and other non-executive Directors should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Chan Kai Wing, an independent non-executive Director, did not attend the special general meetings of the Company held on 6 January 2016 and 20 October 2016 respectively due to his other business engagement. However, the Board believes that the presence of other independent non-executive Directors at such general meeting still allowed the Board to develop a balanced understanding of the views of shareholders.

## 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 2016.

## SCOPE OF WORK OF SHINEWING (HK) CPA LIMITED ON THIS PRELIMINARY ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2016 as set out in this preliminary announcement have been agreed by the Company's auditor, SHINEWING (HK) CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The procedures performed by SHINEWING (HK) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and, consequently, no assurance has been expressed by SHINEWING (HK) CPA Limited on this preliminary announcement.

## PUBLICATION OF THE 2016 ANNUAL REPORT ON THE WEBSITE OF THE STOCK EXCHANGE

The Company's annual report for the year 2016 will be dispatched to the shareholders of the Company and published on the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk and the Company's website at www.sinogolf.com in due course.

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

Hong Kong, 29 March 2017

*As at the date of this announcement, the Board comprises (i) Mr. Huang Youlong, Mr. Zhao Zheng and Mr. Chu Chun Man, Augustine as executive Directors; (ii) Mr. Liu Tianmin, Mr. Tung Sung-Yuan and Mr. Wong Hin Shek as non-executive Directors; and (iii) Ms. Chu Yin Yin, Georgiana, Mr. Yip Tai Him, and Mr. Chan Kai Wing as independent non-executive Directors.*