SINO GOLF HOLDINGS LIMITED
順龍控股有限公司

(Incorporated in Bermuda with limited liability)
(Stock Code: 361)

ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2006

ANNUAL RESULTS

The Board of Directors (the "Board") of Sino Golf Holdings Limited (the "Company") hereby announces the consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2006 with the comparative figures for the year ended 31 December 2005. The consolidated financial statements have been reviewed by audit committee of the Company.

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2006

	Notes	**2006** **HK$'000**	2005 HK$'000
REVENUE	*3*	**497,502**	371,989
Cost of sales		**(359,597)**	(264,935)
Gross profit		**137,905**	107,054
Other income and gain	*3*	**1,655**	7,010
Selling and distribution costs		**(23,850)**	(12,273)
Administrative expenses		**(53,549)**	(50,243)
Other expenses		**(6,844)**	(7,511)
Finance costs	*5*	**(20,603)**	(12,058)
PROFIT BEFORE TAX	*4*	**34,714**	31,979
Tax	*6*	**(1,580)**	(1,130)
PROFIT FOR THE YEAR		**33,134**	30,849
Attributable to:			
Equity holders of the parent		**33,315**	31,560
Minority interests		**(181)**	(711)
		33,134	30,849
DIVIDENDS	*8*		
Interim		**9,973**	9,066
Proposed final		**6,648**	12,088
		16,621	21,154
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*7*		
Basic		**11.0 cents**	10.4 cents
Diluted		**11.0 cents**	N/A

CONSOLIDATED BALANCE SHEET

31 December 2006

	Notes	**2006**	2005
		HK$'000	*HK$'000*
			(Restated)
NON-CURRENT ASSETS			
Property, plant and equipment		**156,674**	140,379
Prepaid land lease payments		**20,765**	20,736
Goodwill		**25,723**	25,723
Prepayments for acquisition of items of property, plant and equipment		**29,517**	7,984
Total non-current assets		**232,679**	194,822
CURRENT ASSETS			
Inventories		**151,062**	123,970
Prepaid land lease payments		**459**	459
Trade receivables	*9*	**16,295**	27,099
Prepayments, deposits and other receivables		**15,702**	27,068
Derivative financial instruments		**–**	172
Tax recoverable		**–**	559
Cash and bank balances		**73,105**	79,141
Total current assets		**256,623**	258,468
CURRENT LIABILITIES			
Trade and bills payables	*10*	**53,967**	45,644
Other payables and accruals		**37,811**	42,387
Due to related parties		**454**	–
Tax payable		**2,090**	–
Interest-bearing bank and other borrowings		**149,059**	138,860

	Notes	2006 HK$'000	2005 HK$'000
Total current liabilities		**243,381**	226,891
NET CURRENT ASSETS		**13,242**	31,577
TOTAL ASSETS LESS CURRENT LIABILITIES		**245,921**	226,399
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**42,842**	36,950
Deferred tax liabilities		**2,718**	3,459
Total non-current liabilities		**45,560**	40,409
Net assets		**200,361**	185,990
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital		**30,220**	30,220
Reserves		**160,926**	141,010
Proposed final dividend		**6,648**	12,088
		197,794	183,318
Minority interests		**2,567**	2,672
Total equity		**200,361**	185,990

Notes:

1.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of certain buildings and derivative financial instruments which have been measured at fair value. These financial statements are presented in Hong Kong dollars (HK$) and all values are rounded to the nearest thousand except when otherwise indicated.

1.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretation has had no material effect on these financial statements.

HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease

The principal changes in accounting policies are as follows:

(a) HKAS 21 The Effects of Changes in Foreign Exchange Rates

Upon the adoption of the HKAS 21 Amendment regarding a net investment in a foreign operation, all exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised in a separate component of equity in the consolidated financial statements irrespective of the currency in which the monetary item is denominated. This change has had no material impact on these financial statements as at 31 December 2006 or 31 December 2005.

(b) HKAS 39 Financial Instruments: Recognition and Measurement

(i) Amendment for financial guarantee contracts

This amendment has revised the scope of HKAS 39 to require financial guarantee contracts issued that are not considered insurance contracts, to be recognised initially at fair value and to be remeasured at the higher of the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 Revenue. The adoption of this amendment has had no material impact on these financial statements.

(ii) Amendment for the fair value option

This amendment has changed the definition of a financial instrument classified as fair value through profit or loss and has restricted the use of the option to designate any financial asset or any financial liability to be measured at fair value through the income statement. The Group had not previously used this option, and hence the amendment has had no effect on the financial statements.

(iii) Amendment for cash flow hedge accounting of forecast intragroup transactions

This amendment has revised HKAS 39 to permit the foreign currency risk of a highly probable intragroup forecast transaction to qualify as a hedged item in a cash flow hedge, provided that the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction and that the foreign currency risk will affect the consolidated income statement. As the Group currently has no such transactions, the amendment has had no effect on these financial statements.

(c) HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease

The Group has adopted this interpretation as of 1 January 2006, which provides guidance in determining whether arrangements contain a lease to which lease accounting must be applied. This interpretation has had no material impact on these financial statements.

1.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HKFRS 8	Operating Segments
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS2 – Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements

The HKAS 1 Amendment shall be applied for annual periods beginning on or after 1 January 2007. The revised standard will affect the disclosures about qualitative information about the Group's objective, policies and processes for managing capital; quantitative data about what the Company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

HKFRS 7 shall be applied for annual periods beginning on or after 1 January 2007. The standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments.

HKFRS 8 shall be applied for annual periods beginning on or after 1 January 2009. The standard requires the disclosure of information about the operating segments of the Group, the products and services provided by the segments, the geographical areas in which the Group operates, and revenues from the Group's major customers. This standard will supersede HKAS 14 *Segment Reporting*.

HK(IFRIC)-Int 7, HK(IFRIC)-Int 8, HK(IFRIC)-Int 9, HK(IFRIC)-Int 10, HK(IFRIC)-Int 11 and HK(IFRIC)-Int 12 shall be applied for annual periods beginning on or after 1 March 2006, 1 May 2006, 1 June 2006, 1 November 2006, 1 March 2007 and 1 January 2008, respectively.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of the HKAS 1 Amendment and HKFRS 7 and HKFRS 8 may result in new or amended disclosures, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses can be divided into golf equipment segment and golf bag segment which are structured and managed separately according to the nature of their operations and the products they provide. Each of the Group's business segments represents a strategic business unit that offers products which are subject to risks and returns that are different from those of the other business segment. Summary details of the two business segments are as follows:

(a) the golf equipment segment comprises the manufacturing and trading of golf equipment, and related components and parts; and

(b) the golf bag segment comprises the manufacturing and trading of golf bags, other accessories, and related components and parts.

In determining the Group's geographical segments, revenues are attributed to the segments based on the shipment destination, and assets are attributed to the segments based on the location of the assets.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

(a) Business segments

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 December 2006 and 2005.

	Golf equipment		Golf bag		Eliminations		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Sales to external customers	**402,188**	301,046	**91,188**	66,211	**–**	–	**493,376**	367,257
Intersegment revenue	**4,475**	4,217	**11,079**	6,242	**(15,554)**	(10,459)	**–**	–
Other revenue	**3,093**	9,124	**1,867**	1,870	**–**	–	**4,960**	10,994
Total	**409,756**	314,387	**104,134**	74,323	**(15,554)**	(10,459)	**498,336**	378,251
Segment results	**48,949**	41,514	**5,547**	1,775			**54,496**	43,289
Interest income							**821**	748
Finance costs							**(20,603)**	(12,058)
Profit before tax							**34,714**	31,979
Tax							**(1,580)**	(1,130)
Profit for the year							**33,134**	30,849
Assets and liabilities:								
Segment assets	**373,977**	339,533	**55,504**	53,558	**(13,284)**	(19,501)	**416,197**	373,590
Unallocated assets							**73,105**	79,700
Total assets							**489,302**	453,290
Segment liabilities	**56,078**	80,360	**51,528**	27,172	**(13,284)**	(19,501)	**94,322**	88,031
Unallocated liabilities							**194,619**	179,269
Total liabilities							**288,941**	267,300
Other segment information:								
Depreciation	**11,640**	13,617	**1,917**	1,478	**–**	–	**13,557**	15,095
Provision for bad and doubtful debts	**822**	352	**–**	–	**–**	–	**822**	352
Capital expenditure	**43,270**	41,500	**6,744**	2,969	**–**	–	**50,014**	44,469

(b) Geographical segments

The following table presents revenue and certain asset and expenditure information for the Group's geographical segments for the years ended 31 December 2006 and 2005.

	North America		Europe		Asia (excluding Japan)		Japan		Others		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	***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	**338,244**	248,108	**21,265**	25,018	**57,157**	43,344	**75,616**	41,215	**1,094**	9,572	**493,376**	367,257

	Hong Kong		PRC		Unallocated		Eliminations		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Other segment information:										
Segment assets	**427,845**	354,753	**363,821**	258,425	**13,710**	18,846	**(389,179)**	(258,434)	**416,197**	373,590
Unallocated assets									**73,105**	79,700
Total assets									**489,302**	453,290
Capital expenditure	**322**	3,501	**49,692**	49,692	–	–	–	–	**50,014**	44,469

3. REVENUE, OTHER INCOME AND GAIN

Revenue represents the invoiced value of goods sold net of trade discounts and goods returns (which is also the Group's turnover), gross rental income, testing income and tooling charges received and receivable during the year.

An analysis of revenue, other income and gain is as follows:

	2006	2005
	HK$'000	*HK$'000*
Revenue		
Turnover:		
Sales of goods	**493,376**	367,257
Gross rental income	**1,974**	2,030
Testing income	**9**	1,771
Tooling charges	**2,143**	931
	497,502	371,989
Other income		
Compensation income	**–**	1,170
Commission income	**–**	112
Bank interest income	**821**	736
Interest income for loans receivable	**–**	12
Patent income	**–**	859
Gain on disposal of items of property, plant and equipment	**150**	–
Others	**684**	1,540
	1,655	4,429
Gain		
Gain on disposal of a subsidiary	**–**	2,581
	1,655	7,010

4. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2006	2005
	HK$'000	*HK$'000*
Cost of inventories sold	**243,293**	191,735
Depreciation	**13,557**	15,095
Recognition of prepaid land lease payments	**493**	161
Gain on disposal of a subsidiary	**–**	(2,581)
Gain on disposal of items of property, plant and equipment	**(150)**	–

5. FINANCE COSTS

	2006	2005
	HK$'000	*HK$'000*
		(Restated)
Factoring charges	**8,236**	3,461
Fair value gains on interest rate swaps	**–**	(2,060)
Loss on derecognition of interest rate swaps	**172**	–
Interest on bank loans	**9,248**	8,498
Interest on finance leases	**106**	5
Bank charges	**2,841**	2,154
Total finance costs	**20,603**	12,058

6. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2006	2005
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	**1,761**	1,814
Current – Elsewhere	**560**	481
Deferred	**(741)**	(1,165)
Tax charge for the year	**1,580**	1,130

7. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent of HK$33,315,000 (2005: HK$31,560,000) and the weighted average number of 302,200,000 (2005: 302,200,000) ordinary shares in issue during the year.

The calculation of diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issued during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued for nil consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

A diluted earnings per share amount for the year ended 31 December 2005 has not been disclosed as no diluting events in the prior years.

8. DIVIDENDS

	2006 *HK$'000*	2005 *HK$'000*
Interim – HK3.3 cents (2005: HK3 cents) per ordinary share	**9,973**	9,066
Proposed final – HK2.2 cents (2005: HK4 cents) per ordinary share	**6,648**	12,088
	16,621	21,154

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

9. TRADE RECEIVABLES

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 from 30 to 120 days from the date of recognition of sale. In view of the fact that the Group's trade receivables relate to a number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the balance sheet date, based on the date of recognition of sale and net of provisions, is as follows:

	2006 *HK$'000*	2005 *HK$'000*
Within 3 months	**10,862**	18,407
4 to 6 months	**480**	2,169
7 to 12 months	**2,050**	3,187
Over 1 year	**2,903**	3,336
	16,295	27,099

10. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the balance sheet date, based on goods received date, is as follows:

	2006 *HK$'000*	2005 *HK$'000*
Within 3 months	**46,310**	40,419
4 to 6 months	**6,933**	3,379
7 to 12 months	**428**	1,307
Over 1 year	**296**	539
	53,967	45,644

The trade payables are non-interest-bearing and are normally settled on 30 to 60 days.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 23 May 2007 to Monday, 28 May 2007 both days inclusive, during which period no transfer of shares will be effected. All share transfer, accompanied by the relevant share certificates, must be lodged with the Company's share registrar in Hong Kong, Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:00 p.m. on Tuesday, 22 May 2007 in order to qualify for the final dividend proposed which will be payable on or about 28 June 2007.

BUSINESS REVIEW AND PROSPECTS

Overview

The business re-engineering process initiated by the Group since 2005 has been successful in enhancing the customer portfolio to encompass a greater number of high-end clients. We resigned from some low-end and less performing customers and at the same time succeeded in soliciting a number of prominent name-brands to strengthen our customers base. Turnover and gross profit of the Group for 2006 soared significantly by about 34.3% and 28.8% to HK$493,376,000 and HK$137,905,000 respectively. Profit attributable to equity holders of the Company increased to HK$33,315,000 from HK$31,560,000 of the preceding year.

Sales to key customers increased significantly during the year mainly due to strong market demands for our customers' products renowned for their innovative edge and great value. Our Group's focus on product innovation and research and development has proven to be a vital strategy to sustain long-term growth. Throughout the years, this has helped enhance our Group's competitive advantage and reinforce our growth potential. We are progressing along this direction to better serve our customers and further equip ourselves to cultivate business opportunities with other top tier golf companies.

Materials price fluctuations though somewhat stabilized during the latter part of the year, have continued to pose threats on the profit margin achievable by the Group. During the year, we have managed to adjust the pricing of new products to reflect the effect of cost increase to the extent allowable. However, the shift by customers to rely more on direct components purchase, due to shortage in raw materials for production of components like graphite shafts, has reduced the room to improve margins. In addition, the variation to product specifications of some new models initiated by changes in industry standards have resulted in a more complicated production process and thus a drop in the output efficiency. Average gross profit margin for the year declined to approximately 27.7% from 28.8% of the prior year while the gross profit amount increased by about 28.8% to approximately HK$137,905,000 against the increased sales revenue of the year.

For the year of 2006, golf equipment sales climbed to HK$402,188,000 representing 81.5% of the Group's annual turnover, while golf bags and accessories sales accounted for the remaining 18.5% or HK$91,188,000. The golf equipment and golf bags segments achieved segmental profits of approximately HK$48,949,000 and HK$5,547,000 respectively. Both business segments have shown satisfactory improvement over the preceding year.

Golf Equipment Business

Being traditionally the largest business segment, the golf equipment sales continued to dominate and accounted for approximately 81.5% of the Group's annual turnover. During the year, sales of golf equipment increased by about 33.6% to approximately HK$402,188,000 of which about 58% were realized during the first half of 2006 taking into account the seasonal effect and some order rescheduling by customers during the latter part of the year.

Of the total segment turnover, golf clubs sales accounted for about 72.8% or HK$292,733,000, while components sales including club heads, shafts and accessories took up the remaining 27.2% or HK$109,455,000. Among the golf clubs sales, the split between sales of clubs sets and individual clubs were approximately 51.2% and 48.8% respectively. There has not been any material fluctuations in the product mix percentages in the past few years.

Driven by the successful launch of the hybrid iron set program in the United States by the Group's largest customer, sales to this customer surged by about 67.1% to approximately HK$214,911,000 during the year, representing approximately 53.4% of the segment sales or 43.6% of the Group's turnover for the year. Significant growth was also recorded on sales to a number of other customers, thanks to the realization of product innovations through effective marketing programs. Sales of golf equipment to the top five golf club customers aggregated to approximately HK$323,594,000, representing about 80.5% of the segment sales or 65.6% of the Group's annual turnover. While experiencing remarkable growth with the major customers, our Group continues to devote efforts to explore business opportunities with targeted golf companies. Supported by our enhanced reputation, the Group is well positioned to bring in high profile new customers following the completion of the new production facility in Shandong Province, the P.R.C. during the latter part of 2007. The Group's continuing investments in research and development have successfully enhanced our industry profile and recognition over the years. Our competitive advantage built on the capability to produce sophisticated high-end golf club and the ability to react swiftly to the rapid market changes also reaffirms the Group's presence in the golf industry.

As not uncommon in the golf industry, the Group conducts its business through a relatively small number of active key customers and adopts tight credit controls in setting terms on sales to individual customers. We safeguard recoverability of trade debts by procuring non-recourse factoring or insurance on shipments to major customers. To minimize bad debt risks, any material delay in payments or non-payments by customers beyond the approved credit terms are immediately reported to management for further action. Appropriate steps including the withholding of shipments will be taken to ensure prompt collection of outstanding debts. We also regularly review the credit policies in accordance to the performance of the customers. As noted in the 2005 annual report, Huffy Corporation, one of the Group's customers, had successfully implemented its restructuring plan which was approved at the creditors' meeting and confirmed by the U.S. bankruptcy court in late 2005. Against the debts that Huffy Corporation owes to our Group, we are entitled to receive a proportionate share of (i) a US$9 million promissory note which will be paid by four annual installments commencing on 30 June 2007 and carries interest at 10% per annum; and (ii) the class B common stock of US$14 million of Huffy Corporation. Sales by the Group to Huffy Corporation during the year amounted to approximately HK$11 million which was timely settled and covered by insurance. Taking into account the current conditions of Huffy Corporation and the amount of bad debt provision already made by the Group for debts outstanding prior to the filing of bankruptcy protection by Huffy Corporation, it is considered that no material impairment in value of the remaining debts has happened and no further provision is required.

During the first half of 2006, raw material prices further went up especially that for graphite sheets, the supply of which has become more volatile and scarce. To secure uninterrupted production amidst insufficient supply of graphite sheets for shaft production, the Group has opted for more direct purchase of graphite shafts from the component makers. In some cases, the Group had to purchase certain materials from suppliers specified by the customers. Such changes in the purchasing pattern have reduced the flexibility and choices the Group has in the selection of suppliers and determination of purchase terms. The situation has somewhat improved as the material prices and supply began to stabilize during the latter part of the year. On the other hand, there were variations to the product specifications of some new models as initiated by changes in industry standards. The increased complexity in the production processes of those models had led to a drop in the output efficiency. To optimize material cost and supply, the Group strategically stocked up selected key materials to help preserve product margins and to ensure materials availability for orders fulfillment. The overall inventory level thus increased as a result of the procedures taken to combat the impact of material price hikes.

Supported by a strong revenue stream, the golf equipment segment achieved a segmental profit of approximately HK$48,949,000 for the year, representing an improvement of about 18% over that of the preceding year. In consideration of the current order book status and a competitive market environment, the management maintains a cautious but confident view for a further strengthened golf equipment business going forward.

Golf Bags Business

Sales of the golf bag segment increased by about 37.7% during the year to approximately HK$91,188,000, representing approximately 18.5% of the Group's turnover compared to 18.0% in 2005. Of the total segment sales, golf bags sales amounted to approximately HK$72,662,000 or 79.7%, while sales of accessories including shoe bags accounted for the remaining 20.3% or HK$18,526,000. There has not been any material change in the product mix percentage in the past few years. The significant surge in turnover came as a result of the stepping up of production capability and the gaining back of orders lost in the preceding year due to delivery problems. During the year, sales to the largest customer increased by over 1.2 times to approximately HK$49,466,000, representing about 54.2% of the segment turnover or 9.9% of the Group's turnover. Sales to the top five golf bag customers during the year aggregated to approximately HK$64,551,000, accounting for about 70.8% of the segment turnover or 13.0% of the Group's turnover.

The Japan line of products continued to dominate and took up over 60% of the segment sales against the non-Japan line of products of American and European style. In general, the more sophisticated Japan line commands a higher gross margin and is expected to grow with strong momentum through businesses secured by our Japanese partner. The SOE compliant status of our golf bag facility has successfully generated new business for the Group and helped enhance our competitive advantage. Our Group possesses strong reputation in the golf bag industry and is now serving substantially all the major brand names in the golf bag sector. To cope with the increasing demands for our products, we have rented additional factory space of approximately 12,000 square meters near the existing golf bag facility to provide extra production capacity and to reduce subcontracting requirements. Additional workers were employed and trained to work at the new factory facility during the second half of 2006. The expenses comprising rental, wages and overheads incurred for the newly rented factory space amounted to over HK$2.5 million.

Supported by the remarkable growth in turnover, the golf bag segment achieved a segmental profit of approximately HK$5,547,000 for the year in contrast to that of approximately HK$1,775,000 in 2005. During the year, major material prices for golf bags production like PVC, PU and nylon continued to escalate while the energy and overhead costs remained high. To combat the impact of price hikes, the Group will continue to expand the Japan line of products that offer higher average margins and implement measures to uplift productivity and reduce wastages. Taking into account the current order book status and the competitive advantage of the Group, the management is confident that the golf bag segment will grow continually at an uninterrupted pace.

Geographical Segments

The Group's geographical spread has not changed materially throughout the years. North America continues to represent the largest geographical segment contributing approximately 68.6% of the Group's annual turnover. Other geographical regions comprising Japan, Europe and other countries contributed 15.3%, 4.3% and 11.8% of the Group's annual turnover respectively.

North America remained the principal market for the Group's export business. As a percentage to the Group's turnover, sales to the North American market increased from 67.6% in 2005 to 68.6% this year. In contrast and driven by the business development efforts devoted, sales to Japan increased considerably from 11.2% to 15.3% of the Group's turnover. During the year, sales to other geographical regions covering Europe and other countries declined from 21.2% to 16.1% of the Group's turnover but the sales amount increased by about HK$1.6 million in monetary term. It is obvious that the Japanese market has become relatively more important in recent years as a result of the resources directed to expand business in this market. Being the largest golf market in Asia, there is huge potential for our Japan business to grow given the relatively small scale of the existing sales volume.

In monetary terms, sales to the North American market increased by about 36.3% during the year to approximately HK$338,244,000 comprising mostly golf clubs sales with about 4% of golf bags sales only. On the other hand, sales to Japan increased by about 83.5% to HK$75,616,000, of which approximately HK$55,547,000 or 73.5% were golf bags sales. Sales to other geographical regions covering Europe and other countries increased slightly by about 2% to approximately HK$79,516,000. It is encouraging to see satisfactory growth in both the North American and Japanese markets, with a mild increase in sales to Europe and other countries.

It is the Group's strategy to strengthen and further develop its business in North America so as to uphold our competitive advantage in the world's largest golf market. On the other hand, continued efforts will be expended to tap the huge opportunities existing in the Japanese market, particularly the golf equipment business for which the outsourcing portion still lags behind the pace of the western world. There have not been active marketing rollouts in the markets of Europe and other countries, but the Group was still able to achieve mild business growth in this geographical region.

Prospects

Although the golf industry has become more competitive in the face of the challenges caused by material price hikes, it remained a relatively stable industry in 2006 underpinned by a robust global economy. There has been strong market demands for high quality innovative products that helped drive the golf sector to grow and to sustain long-term developments. Supported by a high-end customer portfolio, the Group pursues its mission of providing one-stop premium services to the customers with value added options. It is also our objective to continually expand our participation to play a leading role in the golf sector and to strengthen our competitive advantages. The remarkable sales growth and the enhanced industry recognition of the Group are achievements validating our success and supporting our further progress towards such goals.

The management remains cautiously confident about the outlook of the Group's business for 2007. Supported by the SOE compliant golf bag facility, the golf bag business has been growing at uninterrupted pace with a double-digit percentage annual increment. The Japan line of golf bags will continue to expand with momentum under the support of the Japanese partner while the non-Japan line comprising mainly golf bags of American style is anticipated to grow remarkably in 2007 with the contribution from bulk volume customers. The Group has been successful in strengthening its competitive advantage and leading role in the golf bag industry. As regards the golf equipment business, it is envisaged that some consolidations will be experienced during the first half of 2007 due to the product cycle effect. The Group's policy is to focus on higher end products while dropping unwarranted low end models. Nevertheless, the golf equipment business for the second half of 2007 is expected to grow beyond that of the corresponding period in 2006 upon the launch of new models for the coming season. It is anticipated that overall business volume of the golf equipment segment for 2007 would not fluctuate materially compared to that of 2006. Shipments of the Group during the first quarter of 2007 amounted to approximately HK$112 million comprising golf equipment sales of HK$73 million and golf bag sales of HK$39 million, which is close to the sales of HK$113 million for the corresponding period in 2006.

With a strong reputation, the Group has been approached by some leading golf companies for business opportunities. There has been satisfactory progress in such negotiations and factory visits have been arranged for the evaluation of the Group's capabilities. Given the competitive advantages of the Group and following the completion of the new golf club facility, the management feels confident of bringing in new first tier clients to contribute to the Group's future revenue and profitability.

To sustain long-term development, our Group will continually focus on research and development, product innovation and customer services. With enhanced competences, we are now better positioned to establish closer links with other leading golf companies to explore business opportunities. The Group is devoted to further develop the North American and the Japanese markets from which over 80% of the revenue is generated. Being the world's major golf markets, both regions present huge opportunities for which the Group has been devoting major resources throughout the years. The Group will effectively leverage its extensive golf equipment network in North America to achieve synergies in the future rollout of its golf bag business in this market. With contributions from some new customers, the golf bag segment is expected to grow remarkably in 2007. On the other hand, the Group will also continue to make inroads in the golf equipment segment of the Japanese market by taking advantage of its dominant position in the Japan's golf bag sector. These business rollouts will enable further diversification of the product range and allow the Group to exploit synergies across business streams by deploying its competencies Group-wide.

The performance of the Group is ultimately dependent on the extent to which it can realize its business plans and targets under prevailing market conditions and subject to changes that arise from time to time, but our growth aspirations will continue to lead our way forward.

MANAGEMENT DISCUSSION AND ANALYSIS

Results of Operations

Consolidated turnover of the Group for the year ended 31 December 2006 increased significantly by about 34.3% to approximately HK$493,376,000 (2005: HK$367,257,000). Net profit attributable to equity holders of the Company improved by about 5.6% to approximately HK$33,315,000 (2005: HK$31,560,000). The remarkable growth in turnover was a result of the Group's successful enhancement of its customer portfolio with the addition of high-end clients, as well as the satisfactory performance achieved from the existing customers.

With the surge in business volume, gross profit for the year increased by about 28.8% to approximately HK$137,905,000 from HK$107,054,000 of the preceding year. Average gross profit margin however slipped from about 28.8% in 2005 to approximately 27.7% this year mainly attributable to the impact of the increase in material cost and the adoption of more direct components purchase in reaction to shortages in the supply of raw materials for components production. The impact of such cost increase has been mitigated to some extent by sales price adjustments on new models and other cost control measures. However, the general increase in production overheads and the learning curve effect brought about by the production of certain advanced new models further restricted the room to improve margins.

Other income and gains for the year dropped significantly from about HK$7,010,000 in 2005 to approximately HK$1,655,000 this year mainly due to the reduction in handling charge and compensation income and the recording of a non-recurring gain on disposal of a subsidiary of approximately HK$2,581,000 in 2005.

Selling and distribution costs nearly doubled from HK$12,273,000 in 2005 to approximately HK$23,850,000 for 2006 primarily due to additional commissions, duties and freight charges incurred against the increased sales volume. In particular, commissions increased from approximately HK$4,886,000 in 2005 to approximately HK$11,391,000 this year mainly due to the surge in sales volume as well as the increase in commission rates for some products. Administrative expenses for the year amounted to approximately HK$53,549,000 and did not fluctuate materially compared to the preceding year. Other operating expenses for the year decreased from HK$7,511,000 in 2005 to approximately HK$6,844,000 mainly as a result of the decrease in loss on fixed assets written off.

Finance costs increased to approximately HK$20,603,000 for the year from HK$12,058,000 in 2005 principally due to the increase in both the interest rates and the utilization of factoring facilities as well as trade finance during the year.

Liquidity and Financial Resources

Guided by prudent principles, the Group formulates and implements effective policies to manage its funds. Our Group generally relies on internally generated funds and banking facilities to finance its operations. To limit the exposure to various financial risks, the Group has established appropriate policies and guidelines to ensure that such risks are properly monitored and confined within acceptable ranges.

Cash and cash equivalents at 31 December 2006 amounted to approximately HK$73.1 million (31 December 2005: HK$79.1 million) and were denominated mostly in United States dollars and Hong Kong dollars. The decrease in the level of cash and cash equivalents was primarily the result of appropriating funds as scheduled for the construction of the new golf club facility. Besides, in anticipation of the increased business volume of the golf bag segment, the Group has stocked up bags related inventories to meet the production requirement. At the balance sheet date, the bags related inventory has increased by approximately HK$9.2 million compared to that of the preceding year end date. To help stabilize the impact of rising materials cost and to safeguard production against shortages in raw materials, the Group also selectively stocked up some key inventory items to secure uninterrupted product deliveries. Overall inventory level thus elevated and stood at approximately HK$151 million at the balance sheet date (31 December 2005: HK$124 million).

Without major changes, borrowings of the Group are mostly denominated in the currencies of Hong Kong dollars and United States dollars and carry interest on HIBOR or LIBOR plus basis. At 31 December 2006, borrowings (including finance lease payable) aggregated to approximately HK$191.9 million (31 December 2005: HK$175.8 million), of which approximately HK$149.1 million (31 December 2005: HK$138.9 million) is repayable or deemed repayable within one year. The level of bank borrowings increased mainly due to higher utilization of banking facilities to finance the increased business volume. Gearing ratio, defined as total bank borrowings and finance lease payable less cash and cash equivalents of approximately HK$118.8 million divided by the shareholders' equity of approximately HK$200.4 million, was 59.3% as at 31 December 2006 (31 December 2005: 51.9%). The gearing ratio went up as a result of the increase in net bank borrowings.

It has been the Group's objective to maintain a financial position being adequate and supportive of its growth and development needs. At 31 December 2006, the net asset value of the Group amounted to approximately HK$200.4 million (31 December 2005: HK$186.0 million). Current and quick ratios as at 31 December 2006 were approximately 1.05 (31 December 2005: 1.14) and 0.43 (31 December 2005: 0.59) respectively. The current ratio decreased mainly because prepayments on the new golf club facility of approximately HK$29.5 million were classified as non-current assets. The current ratio will improve upon the refinancing of bank loans in due course. On the other hand, the quick ratio fell mainly due to the escalation of the inventory in anticipation of business expansion. Both ratios stayed at acceptable levels with rooms for improvement when bank loans to be matured shortly are refinanced with long term arrangements.

SHORTFALL UNDER PROFIT GUARANTEE

Pursuant to an agreement dated 22 December 2003 (the "Agreement") entered into between Sino Golf Manufacturing Company Limited ("SGMCL"), an indirect wholly owned subsidiary of the Company, and Mr. Chen Chien Hsiang ("Mr. Chen"), SGMCL acquired from Mr. Chen an additional 11.5% interest in the ordinary share capital of CTB Golf (HK) Limited ("CTB"), rendering CTB 62.5% then owned by the Group. The consideration of the acquisition is HK$9.8 million which is subject to refund by Mr. Chen if the audited consolidated profit of CTB is less than the guaranteed profit of HK$8,522,000 ("Guaranteed Profit") for each of the five profit guaranteed years commencing on 1 January 2004. As the consolidated profit of CTB for the year ended 31 December 2006 was less than the Guaranteed Profit, SGMCL is entitled to a receivable of approximately HK$737,000 from Mr. Chen calculated in accordance with the terms of the Agreement. The amount receivable from Mr. Chen has been accounted for in the balance sheet under other receivables and other payables.

CONTINUING CONNECTED TRANSACTIONS

On 18 April 2005, Sino Golf Commercial Offshore De Macau Limitada ("Sino Golf Macau"), an indirect wholly owned subsidiary of the Company, entered into a supply agreement (the "Supply Agreement") with Nikko Bussan Co., Ltd.("Nikko Bussan (Japan)") for the supply of golf products to Nikko Bussan (Japan) subject to a cap of HK$30,000,000 per annum. As Mr. Takanori Matsuura (deceased on 13 August 2006), who was a director of the Company, owned 58.75% of Nikko Bussan (Japan), the transactions contemplated under the Supply Agreement constitute continuing connected transactions ("Continuing Connected Transactions") under Chapter 14A of the Listing Rules. The Supply Agreement and the annual cap were approved by the independent shareholders of the Company in a special general meeting held on 27 May 2005.

During the year, sale of golf products to Nikko Bussan (Japan) under the Supply Agreement amounted to approximately HK$5,845,000, of which about HK$3,592,000 represented sales for the period prior to the death of Mr. Takanori Matsuura. The Continuing Connected Transactions have been reviewed by the independent non-executive directors of the Company who confirmed that:

(i) the Continuing Connected Transactions have been entered into in the ordinary and usual course of business of the Group; (ii) the Continuing Connected Transactions have been entered into on an arm's length basis, on normal commercial terms and on terms no less favorable than terms available to independent third parties or on terms that are fair and reasonable so far as the shareholders of the Company taken as a whole are concerned; (iii) the Continuing Connected Transactions have been carried out in accordance with the terms of the Supply Agreement; (iv) the Continuing Connected Transactions have received the approval of the Board; and (v) the Continuing Connected Transactions have not exceeded the annual cap of HK$30,000,000.

The auditors of the Company have reviewed the Continuing Connected Transactions and confirmed in writing to the Board that the Continuing Connected Transactions (i) have received the approval of the Board; (ii) are in accordance with the pricing policies of the Group; (iii) have been entered into in accordance with the relevant agreement governing the transactions; and (iv) have not exceeded the annual cap of HK$30,000,000.

NEW GOLF CLUB FACILITY UNDER CONSTRUCTION

At 31 December 2006, the Group invested in aggregate HK$62.9 million in respect of the new golf club facility project in Shandong Province, the P.R.C., which comprised land premium and related costs of approximately HK$15.7 million and progress payments on construction of approximately HK$47.2 million. It is estimated that further cost relating mainly to electrical and ventilation systems of approximately HK$20 million will be incurred in 2007, which will be financed by internal funding. Pre-operating expenses of approximately HK$1.6 million incurred during the year have been charged to the profit and loss account.

The completion of the new golf club facility has been rescheduled to around third quarter of 2007 for reasons caused by design modifications and weather conditions. To expedite smooth operations when the new golf club facility is completed, a number of production related positions have been filled up and trainings are currently taking place at the Group's main factory in Guangdong Province, the P.R.C. Trial production at the new golf club facility is anticipated to commence during the fourth quarter of 2007 and mass production is planned to start in early 2008. The new golf club facility is an important milestone for the Group with which we reaffirm our leading status and expect to materialize business dealings with potential top tier customers. The new golf club facility will provide the additional capacity necessary for satisfying the growing needs for golf clubs from both existing and potential new customers. Taking advantage of lower land and labor cost in Shandong Province, it is anticipated that the Group can achieve further cost savings when the new golf club facility commences operations.

INDEPENDENT VALUATION OF PROPERTIES

In accordance with the Group policies, the properties of the Group comprising land and buildings at 31 December 2006 were revalued by an independent professional valuer. A revaluation deficit of approximately HK$483,000 arose which was recorded to the asset revaluation reserve account.

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 currencies giving rise to this risk are primarily United States dollars, Japan Yen and Renminbi.

EMPLOYEE AND REMUNERATION POLICIES

At 31 December 2006, the Group employed a total of over 3,100 employees to work in Hong Kong, Macau, the P.R.C. and the United States. It is the Group's policy to pursue and promote a harmonious relation with its employees by offering competitive remuneration packages and training programs. The employees were remunerated based on their performance, experience and expertise as well as the industry practices. The remuneration packages are reviewed annually to assure fairness and appropriateness and discretionary bonuses may be awarded to employees based on individual performance and contributions.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors of the Company. It has reviewed with management the accounting policies and practice adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the financial statements for the year ended 31 December 2006.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as the Company's code of conduct for dealings in securities of the Company by the directors. Upon specific enquiry, all directors of the Company have confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2006.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions set out in Appendix 14 Code on Corporate Governance Practices (the "CG Code") of the Listing Rules throughout the year ended 31 December 2006, except for certain deviations, which are explained below:

a) The roles of the chairman and chief executive officer have not been separated. The deviation is deemed appropriate as the Board believes that vesting the roles of both chairman and chief executive officer in the same person provides the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies. It also considers that the current structure does not impair the balance of power and authority between the Board and the management of the Company.

b) The independent non-executive directors have not been appointed for any specific terms as they are subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Company's Bye Laws.

c) Every director is subject to rotation at least once every three years with the exception of the chairman of the Board, who is not subject to retirement by rotation in accordance with the Company's Bye Law. According to the current corporate governance practices of the Company, all directors of the Company submit themselves for re-election once every three years. To conform with the CG Code provision A.4.2, a special resolution will be proposed at the 2007 annual general meeting of the Company to amend the Company's Bye Laws so that all directors will be subject to retirement by rotation once every three years and any new director appointed to fill a casual vacancy shall be subject to re-election by shareholders at the first general meeting after appointment.

The Company has also put in place certain Recommended Best Practices as set out in the CG Code

COMPLIANCE WITH CHAPTER 13 OF THE LISTING RULES

As at 31 December 2006, the Company had loan facilities, which were subject to, inter alias, a specific performance obligation on the controlling shareholders of the Company during the tenure of such loan facilities. The specific performance obligations are that the controlling shareholders shall maintain a holding of no less than 51% in one case and 40% in another case of the total issued share capital of the Company throughout the tenure of the loan facilities granted to the Company. A breach of the obligation will constitute an event of default. As a result of such breach, the loan facilities may become due and repayable on demand by the relevant tenders according to the respective terms and conditions thereof. The details of the loan facilities are as follows:

Amounts outstanding as at 31 December 2006	Final maturity of the loan facilities
HK$4 million	February 2007
HK$9.2 million	October 2007

ACKNOWLEDGEMENT AND CONDOLENCES

It is with sadness that we report the passing away of Mr. Takanori Matsuura on 13 August 2006. Mr. Matsuura was a co-founder of the Group and an executive director of the Company. He had made irreplaceable contribution to the growth and development of the Group and his departure is a great loss to all of us. The Company will build on the solid foundations laid down by Mr. Matsuura to the benefit of all shareholders of the Company.

On behalf of the Board, I would like to express my thanks to everyone on the Board, the management and all employees for their commitments, hard work and loyalty. Their continued support is crucial for the Group to further develop and achieve its goals and mission with greater success.

DETAILED RESULTS ANNOUNCEMENT ON THE WEBSITE OF THE STOCK EXCHANGE

This results announcement containing all the information required by paragraphs 45(1) to 45(8) of the Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange in due course.

By order of the Board
Chu Chun Man, Augustine
Chairman

Hong Kong, 20 April 2007

As at the date hereof, the board of directors of the Company comprises 6 directors, of which 3 are Executive Directors, namely Mr. CHU Chun Man, Augustine, Mr. CHU Yuk Man, Simon and Mr. CHANG Hua Jung, and the rest of 3 are Independent Non-Executive Directors, namely Mr. CHOY Tak Ho, Ms. CHIU Lai Kuen, Susanna and Mr. TSE Ying Man.

Please also refer to the published version of this announcement in The Standard.