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 2008

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 2008 with the comparative figures for the year ended 31 December 2007. The consolidated financial statements have been reviewed by audit committee of the Company.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

	Notes	**2008** *HK$'000*	2007 *HK$'000*
Turnover	*3*	**446,659**	567,668
Cost of sales		**(344,229)**	(423,478)
Gross profit		**102,430**	144,190
Other operating income	*4*	**6,265**	7,661
Selling and distribution costs		**(12,654)**	(21,590)
Administrative expenses		**(55,584)**	(57,982)
Other expenses		**(10,541)**	(6,714)
Finance costs	*5*	**(15,875)**	(22,576)
Profit before tax	*6*	**14,041**	42,989
Income tax expenses	*7*	**(748)**	(1,179)
Profit for the year		**13,293**	41,810
Attributable to:			
Equity holders of the Company		**13,312**	41,810
Minority interests		**(19)**	–
		13,293	41,810
Dividends	*8*	**4,533**	13,599
Earnings per share attributable to equity holders of the Company	*9*		
– Basic		**HK4.41 cents**	HK13.84 cents
– Diluted		**N/A**	HK13.80 cents

CONSOLIDATED BALANCE SHEET

31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
Non-current assets			
Property, plant and equipment		**258,786**	196,169
Prepaid land lease payments		**21,094**	21,725
Goodwill		**22,180**	25,723
Club debentures		**2,135**	2,135
Deposits and other receivables		**2,166**	3,539
Prepayments for acquisition of property, plant and equipment		**3,044**	22,359
		309,405	271,650
Current assets			
Inventories		**168,359**	161,557
Trade and other receivables	*10*	**77,003**	73,745
Prepaid land lease payments		**551**	528
Derivative financial instrument		**97**	–
Cash and cash equivalents		**30,079**	80,069
		276,089	315,899
Current liabilities			
Trade and other payables	*11*	**89,178**	126,364
Amounts due to minority shareholders of a subsidiary		**462**	462
Tax payable		**1,120**	1,715
Bank borrowings		**165,774**	105,039
Obligations under finance leases		**1,382**	1,344
		257,916	234,924
Net current assets		**18,173**	80,975
Total assets less current liabilities		**327,578**	352,625
Non-current liabilities			
Bank borrowings		**68,408**	106,567
Obligations under finance leases		**730**	2,126
Deferred tax liabilities		**2,010**	2,333
		71,148	111,026
Net assets		**256,430**	241,599
Capital and reserves			
Share capital		**30,220**	30,220
Reserves		**223,708**	208,808
		253,928	239,028
Minority interests		**2,502**	2,571
Total equity		**256,430**	241,599

Notes:

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared on the historical cost basis, except for certain leasehold land and buildings and financial instruments, which are measured at revalued amounts or fair value.

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 ("Listing Rules") and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the consolidation. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

2. APPLICATION OF NEW AND REVISED HKFRSs

In the current year, the Group has applied the following amendments and interpretations ("HK (IFRIC)-INTs") (herein collectively referred to as "New HKFRSs") issued by the HKICPA, which are or have become effective.

Hong Kong Accounting Standard ("HKAS") 39 and HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC)-INT 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC)-INT 12	Service Concession Arrangements
HK(IFRIC)-INT 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the New HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new and revised standards, amendments or INTs that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKAS 1 & 32 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 39 (Amendment)	Eligible hedged items[3]
HKFRS 1 (Revised)	First-time Adoption of HKFRSs[3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 7 (Amendment)	Financial Instruments Disclosures – Improving Disclosures about Financial Instruments[2]
HKFRS 8	Operating Segments[2]
HK(IFRIC)-Int 9 & HKAS 39 (Amendments)	Embedded Derivatives[6]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[4]
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate[2]
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation[5]
HK(IFRIC)-Int 17	Distributions of non-cash Assets to Owners[3]
HK(IFRIC)-Int 18	Transfers of Assets from Customers[7]

1 *Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009*

2 *Effective for annual periods beginning on or after 1 January 2009*

3 *Effective for annual periods beginning on or after 1 July 2009*

4 *Effective for annual periods beginning on or after 1 July 2008*

5 *Effective for annual periods beginning on or after 1 October 2008*

6 *Effective for annual periods ending or after 30 June 2009*

7 *Effective for transfer of assets from customers received on or after 1 July 2009*

3. TURNOVER AND SEGMENT INFORMATION

Turnover, represents the net invoiced value of goods sold after allowances for goods returns and trade discounts received and receivable during the year.

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 respective operations and the products they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

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

(b) the golf bag segment comprises of manufacture 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 and certain asset, liability and expenditure information for the Group's business segments for the two years ended 31 December 2008 and 2007.

For the year ended 31 December

	Golf equipment		**Golf bag**		**Eliminations**		**Consolidated**	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Sales to external customers	**351,162**	407,966	**95,497**	159,702	**–**	–	**446,659**	567,668
Intersegment revenue	**–**	–	**2,953**	4,634	**(2,953)**	(4,634)	**–**	–
Other revenue	**2,633**	2,368	**5,062**	4,431	**(2,100)**	–	**5,595**	6,799
Total	**353,795**	410,334	**103,512**	168,767	**(5,053)**	(4,634)	**452,254**	574,467
Segment results	**24,456**	56,223	**4,790**	8,480	**–**	–	**29,246**	64,703
Interest income							**670**	862
Finance costs							**(15,875)**	(22,576)
Profit before tax							**14,041**	42,989
Income tax expenses							**(748)**	(1,179)
Profit for the year							**13,293**	41,810

As at 31 December

	Golf equipment		Golf bag		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Assets and liabilities						
Segment assets	**491,227**	418,849	**62,476**	86,926	**553,703**	505,775
Corporate and other unallocated assets					**31,791**	81,774
Total assets					**585,494**	587,549
Segment liabilities	**69,460**	77,051	**19,674**	33,063	**89,134**	110,114
Corporate and other unallocated liabilities					**239,930**	235,836
Total liabilities					**329,064**	345,950
For the year ended 31 December						
Other segment information:						
Depreciation of property, plant and equipment	**15,643**	13,894	**3,640**	2,741	**19,283**	16,635
Amortisation of prepaid land lease payments	**551**	528	**–**	–	**551**	528
Loss on disposal of property, plant and equipment	**–**	75	**–**	–	**–**	75
Write-off of property, plant and equipment	**1,043**	463	**–**	–	**1,043**	463
Impairment of trade receivables	**1,576**	–	**–**	–	**1,576**	–
Write-off of trade receivables	**35**	80	**–**	–	**35**	80
Write-off of other receivables	**–**	350	**–**	–	**–**	350
Capital expenditure	**63,862**	43,185	**3,346**	4,550	**67,208**	47,735

(b) Geographical segments

The following table provides an analysis of the Group's revenue for the two years ended 31 December 2008 and 2007 by geographical market, irrespective of the origin of the goods/services:

	North America		Europe		Asia (excluding Japan)		Japan		Others		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	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	**302,307**	354,263	**11,660**	19,325	**71,094**	91,190	**55,850**	93,528	**5,748**	9,362	**446,659**	567,668

The following table provides an analysis of the carrying amounts of segments assets and capital expenditure information of the Group, analysed by the geographical area in which the assets are located:

	Hong Kong and Macau		the PRC		Others		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Other segment information:								
Segment assets	**96,039**	104,382	**487,352**	459,608	**2,103**	23,559	**585,494**	587,549
Capital expenditure	**364**	2	**66,844**	47,733	**–**	–	**67,208**	47,735

4. OTHER OPERATING INCOME

	2008	2007
	HK$'000	*HK$'000*
Bank interest income	**670**	862
Rental income	**1,974**	1,974
Sample income	**214**	2,104
Tooling income	**1,216**	1,765
Sale of scrap materials	**134**	–
Gain on changes in fair value of a derivative financial instrument	**97**	–
Income from derivative financial instruments	**311**	–
Gain on disposal of property, plant and equipment	**88**	–
Others	**1,561**	956
	6,265	7,661

5. FINANCE COSTS

	2008 HK$'000	2007 HK$'000
Bank overdraft interest	**41**	–
Factoring and bank charges	**8,891**	11,712
Interest on bank loans wholly repayable within five years	**6,756**	10,636
Interest on obligations under finance leases	**187**	228
	15,875	22,576

6. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	2008 HK$'000	2007 HK$'000
Wages, salaries, bonuses and allowances	**85,081**	88,506
Retirement benefits scheme contributions	**4,893**	5,041
Total staff costs (including directors' remuneration)	**89,974**	93,547
Auditors' remuneration	**750**	1,500
Cost of inventories sold	**216,435**	266,263
Depreciation of property, plant and equipment	**19,283**	16,635
Amortisation of prepaid land lease payments	**551**	528
Minimum lease payments under operating leases in respect of land and buildings	**9,392**	8,400
Research and development costs	**5,475**	4,834
Loss on disposal of property, plant and equipment	**–**	75
Write-off of property, plant and equipment *	**1,043**	463
Write-off of trade receivables *	**35**	80
Impairment of trade receivables *	**1,576**	–
Write-off of other receivables *	**–**	350
Loss on deregistration of a subsidiary *	**52**	–

* *The write-off of property, plant and equipment, write-off and impairment of trade receivables, write-off of other receivables and loss on deregistration of a subsidiary for the year are included in "other expenses" on the face of the consolidated income statement.*

7. INCOME TAX EXPENSES

The amount of taxation charged to the consolidated income statement represents:

	2008	2007
	HK$'000	*HK$'000*
Current tax		
– Hong Kong		
Charge for the year	**132**	1,200
Under(over)-provision in prior years	**300**	(203)
	432	997
– Outside Hong Kong		
Charge for the year	**219**	567
Under-provision in prior years	**420**	–
	639	567
	1,071	1,564
Deferred tax		
– Credited for the year	**(194)**	(385)
– Effect of change in tax rate	**(129)**	–
	(323)	(385)
Income tax expenses for the year	**748**	1,179

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 and reduced the corporate profits tax rate from 17.5% to 16.5% which is effective from the year of assessment 2008/09. Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profit for the year.

8. DIVIDENDS

	2008	2007
	HK$'000	*HK$'000*
Interim – HK1.5 cents (2007: HK2.0 cents) per ordinary share	**4,533**	6,044
Proposed final – nil (2007: HK2.5 cents) per ordinary share	**–**	7,555
	4,533	13,599

9. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share is based on the profit for the year attributable to equity holders of the Company of approximately HK$13,312,000 (2007: HK$41,810,000) and the weighted average number of 302,200,000 (2007: 302,200,000) ordinary shares in issue during the year.

No diluted earnings per share has been presented for the year ended 31 December 2008 as no diluting events existed during the year.

The calculation of diluted earnings per share for the year ended 31 December 2007 is based on the profit for that year attributable to equity holders of the Company. The weighted average number of 302,883,000 ordinary shares used in the calculation is the number of ordinary shares in issue during that year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares that would be issued at nil consideration assuming all outstanding share options of the Company were exercised to subscribe for ordinary shares of the Company at the beginning of that year.

10. TRADE AND OTHER RECEIVABLES

	2008	2007
	HK$'000	*HK$'000*
Trade receivables		
Trade receivables	**49,909**	57,285
Less: impairment losses recognised	**(11,416)**	(9,840)
	38,493	47,445
Other receivables		
Prepayments	**1,178**	6,351
Deposits and other receivables	**37,308**	19,913
Amount due from a director	**24**	36
	38,510	26,300
	77,003	73,745

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

The movements in provision for impairment of trade receivables of the Group are as follows:

	2008	2007
	HK$'000	*HK$'000*
At 1 January	**9,840**	10,771
Impairment losses recognised	**1,576**	–
Amount written off as uncollectible	**–**	(931)
At 31 December	**11,416**	9,840

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$11,416,000 (2007: HK$9,840,000). The individually impaired trade receivables relate to customers that were in financial difficulties or with whom the Group had dispute relating to warranties and only a portion of the receivables is expected to be recovered. The Group does not hold any collateral over these balances.

The ageing analysis of the trade receivables (net of impairment) of the Group was as follows:

	2008	2007
	HK$'000	*HK$'000*
Neither past due nor impaired	**9,205**	24,242
1 to 3 months past due	**12,894**	18,484
4 to 6 months past due	**10,206**	964
7 to 12 months past due	**1,624**	2,030
Over 1 year past due	**4,564**	1,725
	38,493	47,445

Receivables that were neither past due nor impaired relate to customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

11. TRADE AND OTHER PAYABLES

	2008	2007
	HK$'000	*HK$'000*
Trade and bills payables	**58,314**	84,099
Customers' deposits received	**6,620**	5,980
Accrual and other payables	**24,244**	36,285
	89,178	126,364

The ageing analysis of trade and bill payables of the Group was as follows:

	2008	2007
	HK$'000	*HK$'000*
Within 3 months	**38,616**	69,821
4 to 6 months	**13,528**	10,855
7 to 12 months	**4,861**	3,039
Over 1 year	**1,309**	384
	58,314	84,099

FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The directors do not recommend the payment of a final dividend for the year ended 31 December 2008.

The register of members of the Company will be closed from Tuesday, 2 June 2009 to Wednesday, 3 June 2009, both days inclusive, for the purpose of establishing entitlement of shareholders to vote at the forthcoming annual general meeting. During the period, no transfer of shares will be effected. All share transfer, accompanied by the relevant share certificates, shall be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:00 p.m. on Monday, 1 June 2009.

BUSINESS REVIEW

Overview

The outbreak of the financial tsunami in 2008 has caused a remarkable downturn in the world's major economies, making the year an "Annus Horribilis" for the manufacturing and export industry. Our Group's business had been adversely affected when customers' orders shrank abruptly during the later part of 2008. The impact on the golf industry was obvious though it used to have been quite insensitive to economic fluctuations historically. The financial crisis has widespread to hard hit the global economies and, contrary to most people's hopes, the economic recession is more likely to last for a considerable period. Suffering from huge economic turbulence, both golf equipment and golf bag sales have dropped by differing extent during the year. The Group's turnover declined, as a consequence, by 21.3% from approximately HK$568 million in 2007 to approximately HK$447 million in 2008. The situation is however alleviated as business has somewhat stabilized in the first quarter of 2009.

With the sales downturn, gross profit decreased from about HK$144.2 million in 2007 to approximately HK$102.4 million this year. The average gross profit margin fell from 25.4% in 2007 to 22.9% in 2008 due mainly to additional cost pressure. Profit attributable to equity holders of the Company amounted to approximately HK$13,312,000 for the year, as compared to approximately HK$41,810,000 in the comparative preceding year.

Despite a depression in the financial performance, our Group has pursued its strategy of focusing on product innovation and customer service as a crucial means to sustain long-term development and growth. This facilitated the strengthening of the Group's competitive advantage in its effort to procure first tier new customers at a time of deteriorating economic conditions with falling demand. Pursuant to the corporate mission, the Group committed itself to continually providing customers with high quality one-stop premium services and we are progressing in this direction consistently.

During the year, operating costs escalated as energy, labor and social insurance expenditures stayed high. In addition, the appreciation of the Renminbi currency has intensified the cost burden of manufacturers operating in the Mainland. Despite an unfavorable economic environment, our Group continued to implement and run its reengineering programs to optimize costs and enhance productivity so as to uphold our position as one of the leading manufacturers in the golf industry. Augmented by effective marketing strategies, the Group has managed to recover to the extent feasible the cost increase from the pricing of new product models. Notwithstanding this, the impact of the economic downturn has resulted in depressed sales with reduced profitability for the year.

In 2008, golf equipment sales aggregated to approximately HK$351,162,000 that accounted for about 78.6% of the Group's turnover. Sales in the golf bag segment contributed the remaining 21.4% or approximately HK$95,497,000 of the annual turnover. Impacted by the economic crisis, the golf equipment and golf bag segments achieved segmental profits of approximately HK$24,456,000 and approximately HK$4,790,000 for the year respectively. Both business segments have suffered a curtailment in profitability in the face of a down-market cycle.

Golf Equipment Business

The golf equipment business continued to generate the majority of the Group's revenue, accounting for approximately 78.6% of the Group's turnover for the year. Disappointedly, the growing trend of the golf equipment segment was rebutted when the global financial crisis disruptively curtailed business during the later part of 2008. Golf equipment sales dropped, period on period, by over 30% in the second half of 2008 to approximately HK$157,143,000. Year over year, golf equipment sales fell nearly 13.9% in 2008 to approximately HK$351,162,000 against a 9.9% growth recorded, period on period, for the first half of the year.

Constituting the segment revenues were golf clubs sales of approximately HK$247,214,000 and components sales comprising club heads, shafts and accessories of approximately HK$103,948,000, which represent 70.4% and 29.6% respectively of the segment sales. As regards the golf clubs sales, the split between club sets and individual clubs were approximately 52.3% and 47.7% respectively. Sales of individual clubs demonstrated an apparent pick up and narrowed the dominance of sales of club sets to a bare majority. For the components sales, club heads accounted for over 70% with shafts and accessories taking up the balance.

Despite unfavorable market conditions, sales comprising mainly hybrid irons to the Group's largest customer maintained its momentum and aggregated to approximately HK$180,792,000 for the year, representing about 51.5% of the segment sales or 40.5% of the Group's turnover. The successful launch of the hybrid irons programs by the Group's largest customer has made it the top selling brand of irons and the number one hybrid in play on the PGA, Champions and Nationwide Tours in recent years. During the year, business with other major customers remained reasonable and there were contributions from new customers having growth potential. Sales of golf equipment to the top five customers in 2008 aggregated to approximately HK$266,837,000, representing about 76.0% of the segment sales or 59.7% of the Group's annual turnover. The economic turmoil instigated by the financial tsunami has led to an abrupt shrinkage and postponement in customers' orders in late 2008. Despite that, the Group has been working closely with certain top tier name brands for developing samples with an aim to commence business in due course. There was satisfactory progress through factory visits and working groups sent from those entities and orders are anticipated upon passing the qualifying production run scheduled to take place in the first half of 2009.

During the year, the new golf club manufacturing facility in Shandong Province, the P.R.C. has commenced operations to initially produce club heads that is to be followed by shaft production and clubs assembly as well in 2009. Due to the time and resources taken for training and trial production, the Shandong manufacturing facility did not contribute positively for the year as operating expenditures of approximately HK$5.7 million had been incurred against a lower than norm production level during this set up period. Contributions from the new manufacturing facility are expected upon a full range of production varieties at elevated volume next year. With the state-of-art manufacturing platform, the Group has possessed an advanced facility that meets the sophisticated criteria required of doing business with most top tier golf name brands. It is our medium-term plan to shift by stages the bulk production of golf equipment to the Shandong manufacturing facility with the goal to take full advantage of the lower labor and operating costs in the northern part of China. The Group's on-going focus on research and development has helped enhance our industry recognition in face of the intense competition. Our competitive advantage built on the capability to produce a variety of high-end products and the ability to react swiftly to market demand strengthens the Group's position as one of the leading players in the golf industry.

Pursuant to sound corporate practice, the Group has adopted a policy to hedge to the extent possible the recoverability of its receivables by procuring non-recourse factoring and insurance on shipments to key customers. Through effective credit controls and periodic review of payment status, the Group closely monitored individual customers' performance for compliance of terms. Any material exceptions or non-compliance of terms are reported to management for rectification including a decision to engage collection agents or withhold shipments where necessary. During the year, the Group made provisions of approximately HK$1,576,000 for impairment of receivables, of which approximately HK$1,301,000 related to warranty disputes with a customer. On the other hand, the Group has received further distribution of approximately HK$399,000 from the trustee of the Huffy Unsecured Claims Trust in accordance with the reorganization plan of Huffy Corporation, a former customer, effected in 2005. The recovered amount had been applied as appropriate to reduce the remaining debt owed by Huffy Corporation that was brought forward prior to the execution of its reorganization plan in 2005. During the year, the Group made no sales to Huffy Corporation as the latter had then disposed of its golf business in 2007. Having considered all the relevant factors including periodic distributions from the Huffy Unsecured Claims Trust, the management concurred that no additional provision for impairment in value of the remaining balance owed by Huffy Corporation is required in the current year.

During the year, raw materials and components cost showed various extent of escalation except in the last quarter during which materials price started to fall from their peak when the economic conditions deteriorated under the impact of financial tsunami. This however had little effect to help reduce cost for the year but slow down the pace of material price hikes. For a significant part of the year, operating costs such as labor, social insurance and energy expenses stayed high due to the inflationary pressure and high fuel prices. The appreciation of the Renminbi currency by about 7% during the year further increased the Group's cost burden as extra foreign currency revenues had to be exchanged to discharge the Renminbi expenditures. Irrespective that price revisions were made to the extent allowable to recoup the cost increase when negotiating for new product models, the weakened economy with depressed demand had remarkably restricted the extent to which sales prices could be adjusted to preserve profit margins. To mitigate the impact of raw materials price hikes and to secure uninterrupted production for timely delivery and orders fulfillment, the Group strategically compiled inventories of selected materials that are susceptible to price fluctuations and supply shortages. The delay and postponement of customers' orders following the outbreak of the financial crisis in late 2008 has caused a short-term accumulation of inventory at the yearend, which were generally consumed in subsequent production and deliveries.

Impacted by the economic recession and associated cost rise factors, the golf equipment segment sustained a decline in segmental profit to approximately HK$24,456,000 in 2008, representing a decrease of about 56.5% year over year. In anticipation of a prolonged economic down-cycle and taking into account the prevailing market conditions and the current order book status, the management has adopted a cautious view that the business of the golf equipment segment will remain stagnant and continue to face various challenges during the first half of 2009 but the circumstances shall improve when business with certain first tier new customers starts to contribute revenues during the second half of the ensuing year.

Golf Bag Business

The global recession and the credit crunch of the financial markets catalyzed to trigger a consolidation of the golf bag business after experiencing a period of rapid growth in the past couple of years. Turnover of the golf bag segment declined by about 40.2% year over year to approximately HK$95,497,000 in 2008. Due to a more vulnerable nature, the golf bag business has sustained a greater extent of sales retardation than the golf equipment business under the impact of the economic crisis. During the year, turnover of the golf bag segment fell from its historic high to represent only 21.4% of the Group's turnover in contrast to 28.1% in the comparative preceding year. Of the total segment sales, golf bag sales accounted for about 84.2% and amounted to approximately HK$80,450,000, while sales of accessories comprising mainly shoe bags aggregated to approximately HK$15,047,000 or 15.8% of the segment sales for the year. There has not been material fluctuation in the product mix percentage throughout these years. In 2008, sales to the largest golf bag customer decreased by 43.2% to approximately HK$48,192,000, representing about 50.5% of the segment sales or 10.8% of the Group's turnover. Sales to the top five golf bag customers during the year aggregated to approximately HK$89,365,000 and accounted for about 93.6% of the segment sales or 20.0% of the Group's turnover.

The Japan line of products has incurred a greater drop in sales than the non-Japan line mainly because some lower end items in the Japan line of golf bags with unsatisfactory contribution were abandoned upon our decision to make price revisions to rationalize margins. During the year, sales of the Japan line of products decreased by about 45.6% while that of the non-Japan line, comprising mainly golf bags of American style, fell by a lesser extent of 32.3% year over year. Despite that, the Japan line of products continued to dominate the golf bag segment by generating over 53% of the segment revenues. It has been the Group's strategy to continue to actively develop both the Japan line and non-Japan line of golf bags with an aim to increase revenues and regain market share. We are committed to allocate sufficient resources to develop the Japan line of products that generally commands better prices and margins, while embarking on programs to further expand the non-Japan line of products particularly in the North American market that offers bulk sales opportunities with stable contributions.

The SOE compliant status of our Group's golf bag operations has been an important factor that differentiates us from other non-qualified competitors in dealing with the first tier name brands, which usually make SOE compliant a prerequisite condition for purchase of goods from any suppliers. The SOE compliance gives the customers a greater assurance on product quality and orders fulfillment, which helps introduce new business for the Group at a time of fierce competition under the economic recession. Our Group has assumed a leading position in the golf bag industry and now manufactures for substantially all the major brand names in the golf bag sector. We are devoted to further developing the golf bag business to strengthen our competitive advantage and enhance our market share through persistent focus on product innovation and provision of value added one-stop premium services.

For a significant part of the year, price of key materials for golf bag production such as PVC, PU and nylon fluctuated moderately under the influence of high crude oil prices, which somewhat stabilized in the last quarter when the economic conditions deteriorated with the outbreak of the financial crisis. On the other hand, price of accessories like metal parts and plastic components showed greater increment during the year to squeeze available margins. Our Group effectively monitored the materials cost through a diversified purchasing policy which gives more favor on those suppliers who could offer greater discounts with value added options. In addition, labor cost including welfare and social insurance expenses stayed high upon the enforcement of new labor regulations in China that created further cost pressure for the Mainland manufacturers. To mitigate the impact of the cost rise, our Group implemented stringent cost control measures and concurrently proceeded with its reengineering projects to rationalize and enhance output efficiency. It is the Group's priority to further promote and expand the high-end golf bags with an aim to strengthen our competitive advantage and the leading position in the golf bag sector.

Hard hit by the global recession, the golf bag segment sustained a 43.5% drop in segmental profit to approximately HK$4,790,000 in 2008. In light of the economic difficulties and having considered the current order book status and the prevailing market conditions, the management has maintained a cautious view that the golf bag segment will continue to face numerous challenges in the ensuing year but the Group is confident and determined to persistently develop our golf bag business going forward to sustain long term growth.

Geographical Segments

There has not been significant fluctuation in the geographical distribution of the Group's business. Throughout these years, the Group shipped the majority of its golf equipment products to customers in the United States; and a substantial portion of the golf bags to clients in Japan and the United States respectively. During the year, the rising trend of the Japanese market was reversed as sales of the Japan line of golf bags fell remarkably from its historic peak in light of a weakened global economy. Same as in prior years, the North American market remained the largest geographical segment contributing approximately 67.7% of the Group's turnover in 2008. Other geographical regions including Japan, Europe, Asia (excluding Japan) and others generated revenues to account for 12.5%, 2.6% and 17.2% of the Group's turnover for the year respectively.

With a strong customer base, sales to the North American market, as a percentage of the Group's turnover, increased from 62.4% in 2007 to 67.7% in 2008. Affected by a significant drop in sales of the Japan line of golf bags, sales to the Japanese market declined from 16.5% in 2007 to 12.5% of the Group's turnover in the current year. During the year, sales to other geographical regions covering Europe, Asia (excluding Japan) and others decreased mildly, as a percentage of the Group's turnover, from 21.1% in 2007 to 19.8% this year.

In monetary terms, all the geographical segments have recorded sales retardation during the year. Sales to the North American market dropped nearly 14.7% in 2008 to approximately HK$302,307,000, comprising golf equipment and golf bag sales in approximate proportions of 90% and 10% respectively. Triggered by the economic crisis, sales of golf bags to the United States came down by more than one third while golf equipment sales to the United States dropped a lesser extent by about 11.3% year over year. Following a boom in sales of the Japan line of golf bags during the past couple of years, sales to the Japanese market comprising mostly golf bags underwent a consolidation and plummeted by about 40.3% to HK$55,850,000 in 2008. On the other hand, sales to other geographical regions covering Europe, Asia (excluding Japan) and others decreased by about 26.2% to approximately HK$88,502,000 in 2008.

It is the corporate goal to strengthen and enhance our competitive advantage in the North American market as over two-third in value of the Group's products are shipped to customers in the United States, the world's largest golf market. There are plenty of business opportunities our Group can further explore in the North American market and the anticipated cooperation with certain targeted first tier name brands in the ensuing year are successful outcomes of our effort. Notwithstanding that sales to the Japanese market shrank significantly due to the impact of financial crisis, the Group remains committed to allocating adequate resources to further develop and tap the business opportunities in the Japanese market both for the golf bag and golf equipment segments. To facilitate the long-term goal to increase our market share, the Group is devoted to continually exploring business in the geographical regions covering Europe, Asia (excluding Japan) and others, particularly in the Asian market, where golf activities are deemed to become more popular and affordable by the public in the years ahead.

PROSPECTS AND RISK FACTORS

Prospects

The financial tsunami caused by the subprime mortgage crisis of the United States has led to a worldwide-synchronized recession in 2008 affecting all countries. China has not been immune against the global downturn with its export-oriented economy and this affects many of the Mainland manufacturers. Despite massive intervention by fiscal and monetary authorities of different countries, the global financial system remains fragile with credit tight. It is more likely that the global recession will last for a considerable period until the credit crunch is resolved and consumers' spending resumes to stimulate demand.

The impact on the golf industry was obvious though it used to have been fairly insensitive to economic fluctuations historically. The Group's business had been adversely affected in 2008 when customers' orders shrank in face of the economic upheavals. With a strong customer base, we are able to maintain a reasonable business volume with the existing customers against the economic down cycle. During the year, we had satisfactory progress on our negotiations with the targeted first tier name brands for which we have completed developing samples and related liaisons needed of qualifying our Group as their new golf club vendors. Despite the impact of the financial crisis, the Group pursued its mission to provide one-stop premium services with value added options to its customers and continued to focus on product innovation and customer service to sustain long-term growth. We have passed the qualifying production run with a targeted first tier name brand during the first quarter of 2009 and it is anticipated that bulk orders should be coming by the second quarter to contribute revenues for the Group. There is great potential of growth for business with those first tier new customers, which facilitates to rebuild sales volume and enables us to achieve a more balanced customer portfolio. The Shandong manufacturing facility helps enhance our Group's competitive advantage by lowering the operating costs in the long term. Its state-of-art design and purposely-built layout upgrades our Group's recognition in the golf industry. This is crucial in getting new business from top tire name brands, which count on the standards of manufacturing facilities and related systems. The Shandong manufacturing facility represents a milestone for our Group and it is our medium-term plan to shift by stages the bulk production of golf equipment to the northern part of China to take full advantage of lower operating costs.

Despite a consolidation of the golf bag business triggered by the financial crisis, the SOE compliant status of the golf bag operations endows our Group with a firm foundation to establish and regain business against those non-qualified manufacturers at a time of fierce competition under the global recession. Most top tier name brands have made SOE compliant generally a prerequisite for purchase of golf bags from any suppliers and there is limited choice of SOE compliant manufacturers in the market. The Group has enjoyed a leading position in the golf bag market and we are devoted to strengthening our competitive advantage through stringent cost control measures including a diversified purchasing policy to procure greater price discounts from suppliers in exchange for shorter payment period, and from provision of innovative products with one-stop premium services. It is our strategy to focus on high-end golf bags, which can best demonstrate our superior features and assurance on quality, product innovation and value for service. The Group is committed to putting up extra effort to promote and restore the volume of the Japan line of products that generally carries better prices and margins. Concurrently, we are actively exploring new opportunities in the non-Japan line of products that comprises mainly golf bags of American style, which offer bulk sales quantities with stable margins. The Group will continue to utilize the extensive network of the golf equipment segment to promote golf bag business in regions like the North American market and vice versa in regard to applying the network of the golf bag segment to help further promote golf equipment products in regions such as Japan and Asian countries.

The economic conditions and business are expected to remain stagnant during the first half of 2009 due to a prolonged recession. The Group maintains a satisfactory relationship with its customers and we exchange to share market information for better planning and prompt response to market changes. Our Group is well prepared to deal with and overcome the challenges ahead. With a strengthened customer network and innovative capability, our Group is positioned to capture new opportunities to cooperate with those first tier name brands that are seeking competitive alternative suppliers at a time of economic turbulence. With the acceptance of our qualifying production run by a targeted first tier name brand, it is anticipated that orders may be placed by the second quarter of 2009 to contribute additional revenues for the Group. There should be improvement to the business conditions in the second half of 2009 when mass production for the targeted new customers commences. Given that the global recession has over spilled to 2009 and may continue for some time, the golf equipment and golf bag segment are likely to face additional challenges going forward. Notwithstanding this, the Group remains confident in the long-term development of our business and is determined to overcome hurdles and difficulties that arise from time to time on our way to achieve the corporate goals.

Risk Factors

Given that the Group's historical results are not necessarily indicative of the Group's future performance and/or financial condition, it is therefore desirable to present an outline of those factors that could affect the Group's future performance and/or financial condition. These factors could cause the Group's future performance and/or financial condition to differ materially from those of the prior years or from management's expectations or estimates.

Status of U.S. Economy and Currency Fluctuation

Since the Group exports the majority of its products to the United States, any material fluctuation of the U.S. economy might have a potential impact on the Group's business. The economic recession brought about by the financial tsunami has adversely affected the consumer market demand in the United States, which could lead to a shrinkage of the volume of exports from China to the United States including the golf products. Besides, the continued appreciation of the Renminbi currency may, and indeed is likely to, adversely affect the competitive advantage and hence the volume of goods exported by the manufacturers from China.

Interest Rates Movements

The Group generally utilizes banking facilities to finance its operations, which bear interest at floating rates. Movements in applicable interest rates therefore will affect the level of finance cost to be borne by the Group. Though the decreasing trend of interest rates during 2008 has resulted in some interest savings for the Group, any subsequent rise in the interest rates due to the credit crunch of the financial markets will increase the finance burden of the Group. Although the Group could choose to enter into interest rate swap contracts to hedge interest payments, there is no assurance that the interest rate swaps would result in any material savings for the Group.

Concentration of Key Customers

In 2008, sales to the largest customer represents over 51% of the turnover of the golf equipment segment or over 40% of the Group's annual turnover. The five largest customers in aggregate accounted for about 71% of the Group's turnover for the year. Although it is the Group's objective to diversify and develop new first tier customers so as to maintain a more balanced customer portfolio, there is no assurance that the existing major customers would continue to contribute sufficient sales to support the growth expected of the Group before contributions from the new customers could represent a meaningful portion of the Group's turnover. It is inevitable that incidents with material adverse impact on the Group's key customers would also adversely affect the Group's business.

Materials Cost and Sources of Supply

As materials cost represents the major cost component of the Group's products, the material price hikes and supply shortages experienced in recent years has posed threats on the Group's ability to maintain profit margins. Any cost-driven adjustments to sales prices may not necessarily bring extra contribution of significance for the Group as this is a means to recover additional cost but not creating profits. Though materials price has come down by certain extent subsequent to the outbreak of the financial tsunami, there is no apparent contribution to improve margins due to the pressure of price cuts as demanded by customers at a time of economic recession. In addition, the more reliance on component makers and suppliers specified by customers is going to limit the choice and flexibility in selecting suppliers by the Group, this might undermine and squeeze profit margins over the time.

In addition to the risk factors identified above, the Group is also subject to other risks factors and uncertainties that could arise when market conditions change from time to time. The management thus remains cautious to keep alert of other possible risks and will adopt prompt measures to mitigate the Group's exposure as necessary.

MANAGEMENT DISCUSSION AND ANALYSIS

Results of Operations

Adversely affected by the financial tsunami, the Group's turnover for the year ended 31 December 2008 decreased by about 21.3% to approximately HK$446,659,000 (2007: HK$567,668,000). Profit attributable to equity holders of the Company for the year plummeted to approximately HK$13,312,000 (2007: HK$41,810,000) as a result of the sales drop and additional costs incurred. The economic recession brought about by the financial crisis has led to a business consolidation whereby sales of the golf equipment and golf bag segments dropped during the year by about 13.9% and 40.2% respectively. Due to a more vulnerable nature, the golf bag business has sustained a greater extent of consolidation than the golf equipment business after enjoying an unprecedented expansion in the past of couple years. With a strong customer base, the Group has managed to maintain a reasonable business volume with the existing customers despite a difficult economic environment under the financial crisis. Gross profit for the year decreased to approximately HK$102,430,000 from HK$144,190,000 in 2007 in commensurate with the reduced turnover amount. With the impact of a general cost rise, the average gross profit margin fell from 25.4% in 2007 to 22.9% in the current year. The Group managed to mitigate the impact of the cost rise through sales price revisions and stringent cost control measures.

Other operating income for the year decreased to approximately HK$6,265,000 from approximately HK$7,661,000 in 2007, mainly owing to a reduction in the sample and tooling income at a time of curtailed business activities. During the year, the Group earned approximately HK$311,000 from derivative financial instruments which related to forward currency option contracts made up with Hong Kong dollars and United States dollars. At 31 December 2008, a fair value gain of approximately HK$97,000 was recognized on the forward currency option contract outstanding. Both amounts were recorded as other operating income.

Selling and distribution costs decreased from HK$21,590,000 in 2007 to approximately HK$12,654,000 this year, primarily owing to the decrease in sales commissions and freight charges associated with the reduced business volume. Administrative expenses for the year decreased by about 4.1% to approximately HK$55,584,000 from HK$57,982,000 in 2007, mainly attributable to the savings derived from the cost control measures adopted. Other expenses increased from approximately HK$6,714,000 in 2007 to approximately HK$10,541,000 in 2008, mainly due to the increase in the amount of fixed assets write-off and provisions of approximately HK$1,576,000 made for impairment of receivables.

Finance costs for the year decreased to approximately HK$15,875,000 from HK$22,576,000 in 2007, principally owing to the decrease in applicable interest rates on the borrowings and the reduction in export factoring charges during the year.

Impacted by the economic downturn, profit attributable to equity holders of the Company for 2008 amounted to approximately HK$13,312,000, representing a decrease of about 68.2% compared to that of 2007.

Liquidity and Financial Resources

In accordance with sound governance practice, the Group pursues prudent but effective policies to procure and manage its funds. We continue to rely generally on internally generated cash flows and banking facilities to finance our operations and provide working capital. To limit the exposure to financial risks, the Group has adopted effective policies and guidelines to help identify, monitor and confine those risks within acceptable ranges for scrutiny and follow up.

Cash and cash equivalents, which were mostly denominated in United States dollars and Hong Kong dollars, amounted to approximately HK$30.1 million at 31 December 2008 (2007: HK$80.1 million). The substantial drop in cash balance was mainly attributable to the appropriation of funds during the year for the new golf club manufacturing facility in Shandong Province, the P.R.C. and the acquisitions of machinery and equipment. To optimize funds utilization, the Group follows a practice of maintaining sufficient but not excessive cash to run its operations and discharge the liabilities as they fall due.

Attributable to the appreciation of the Renminbi currency and the compilation of specific inventories that are susceptible to price fluctuations and supply shortages, the value of inventory at the balance sheet date went up to approximately HK$168.4 million (2007: HK$161.6 million).

Borrowings of the Group are mostly denominated in Hong Kong dollars and United States dollars and carry interest at a certain spread over HIBOR or LIBOR respectively. At 31 December 2008, borrowings comprising bank loans and finance lease payable aggregated to approximately HK$236.3 million (2007: HK$215.1 million), of which approximately HK$167.2 million (2007: HK$106.4 million) was repayable within one year. The increase in borrowings was mainly the result of a higher utilization of import loan facilities for achieving net savings through the price discounts granted by the suppliers for a shorter payment period. The gearing ratio, defined as bank loans and finance lease payable less cash and cash equivalents of approximately HK$206.2 million divided by the shareholders' equity of approximately HK$256.4 million, was 80.4% as at 31 December 2008 (2006: 55.9%). The gearing ratio went up mainly due to the increase in net borrowings.

It is the Group's objective to maintain a financial position that is supportive of its growth and long-term development needs. At 31 December 2008 the total assets and net asset value of the Group amounted to approximately HK$585.5 million and HK$256.4 million respectively (2007: HK$587.5 million and HK$241.6 million respectively). Current and quick ratios as at 31 December 2008 were 1.07 (2007: 1.34 as restated) and 0.42 (2007: 0.66 as restated) respectively. Both the current ratio and quick ratio decreased as substantial amount of funds had been utilized during the year to finance the new golf club manufacturing facility in Shandong Province, the P.R.C. Pursuant to the corporate goal, the Group is actively considering possible means to strengthen and rationalize its financial position and arrangements could be made in due course as appropriate.

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 ("Acquisition") in the ordinary share capital of CTB Golf (HK) Limited ("CTB"), rendering CTB 62.5% then owned by the Group after the Acquisition. The Group subsequently further increased the shareholding in CTB to 100% in August 2005. 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 audited consolidated profit of CTB for the year ended 31 December 2008 was less than the Guaranteed Profit, SGMCL is entitled to a receivable of approximately HK$633,000 from Mr. Chen calculated in accordance with the terms of the Agreement. The amount receivable from Mr. Chen has been accounted for in the consolidated balance sheet under other receivables. As the profit guaranteed period has ended on 31 December 2008, the accumulated amount received or receivable from Mr. Chen of approximately HK$3,543,000 was transferred from other payables and applied, as appropriate, to reduce the amount of attributable goodwill in the consolidated balance sheet at the yearend.

New Golf Club Facility Project

The new golf club manufacturing facility in Shandong Province, the P.R.C., has commenced operations during the year. At 31 December 2008, the Group invested in aggregate approximately HK$97.8 million in this project, which comprised land premium net of amortization of approximately HK$14.8 million and building costs of approximately HK$83 million.

At the initial phase of the operations, the new golf club manufacturing facility mainly produced golf club heads that is to be expanded to include shaft production and clubs assembly when the work force is further increased and duly trained up within 2009. At the yearend, the production capacity reached a volume of over 85,000 units per month, which will further be enhanced to achieve a targeted monthly output capacity of up to 170,000 units in the ensuing year. The operation of the new golf club manufacturing facility signifies a key milestone for our Group through which we enhance our industry recognition and get qualified to do business with potential top tier name brands. The new facility also provides additional capacity for fulfilling the needs from both the existing and targeted new customers. Taking advantage of the lower operating and labor costs in the northern part of China, it is expected that the Group would benefit from additional cost savings to enhance its competitiveness going forward and to create more value for its shareholders.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND CONTINGENT LIABILITIES

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, and Renminbi.

As at 31 December 2008, the Group had no significant contingent liabilities.

EMPLOYEE AND REMUNERATION POLICIES

At 31 December 2008, the Group employed a total of about 3,000 employees in Hong Kong, Macau, the P.R.C. and the United States. It is the Group's strategy to establish and maintain a harmonious relationship with its employees through provision of competitive remuneration packages and training opportunities. The employees were remunerated based on their performance, experience and expertise as well as industrial 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 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 2008.

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 2008.

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 2008, 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.

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 2008, the Group had loan facilities, which were subject to, inter alias, specific performance obligations on the controlling shareholders of the Company during the tenure of such loan facilities. The specific performance obligations relate to a minimum holding by the controlling shareholders in the issued share capital of the Company throughout the tenure of the loan facilities granted to the Group. A breach of the obligation will constitute an event of default. As a result of such breach, the loan facilities may become due and declared repayable on demand by the relevant lenders according to the respective terms and conditions thereof. The details of the loan facilities are as follows:

Amounts outstanding as at 31 December 2008	**Minimum holding in the issued share capital of the Company**	**Final maturity of the loan facilities**
HK$22.5 million	51%	May 2010
HK$30 million	over 50%	May 2010
HK$18.4 million	40%	October 2010

ACKNOWLEDGEMENT

On behalf of the Board, I hereby express my sincere thanks to the Board members, the management and other employees for their commitment, hard work and loyalty. We treasure their on-going support as a key motivator providing impetus for the Group's long-term development and success.

PUBLICATION OF THE 2008 ANNUAL REPORT ON THE WEBSITE OF THE STOCK EXCHANGE

The Company's annual report for 2008 will be published on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.sinogolf.com in due course.

By order of the Board
Chu Chun Man, Augustine
Chairman

Hong Kong, 25 April 2009

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. HSIEH Ying Min.