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 2009

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 2009 with the comparative figures for the year ended 31 December 2008. The consolidated financial statements have been reviewed by audit committee of the Company.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	Notes	**2009** *HK$'000*	2008 *HK$'000*
Turnover	4	**290,329**	446,659
Cost of sales		**(230,644)**	(344,229)
Gross profit		**59,685**	102,430
Other operating income	4	**4,819**	6,265
Selling and distribution costs		**(7,016)**	(12,654)
Administrative expenses		**(57,803)**	(66,125)
Finance costs	5	**(11,173)**	(15,875)
(Loss) profit before taxation		**(11,488)**	14,041
Income tax expense	6	**(1,047)**	(748)
(Loss) profit for the year	7	**(12,535)**	13,293
Other comprehensive income			
Exchange difference arising on translation		**116**	13,676
Gain on revaluation of leasehold land and buildings		**2,524**	–
Income tax relating to components of other comprehensive income		**(631)**	–
Total other comprehensive income, net of tax		**2,009**	13,676
Total comprehensive (expenses) income for the year		**(10,526)**	26,969

	Notes	**2009** *HK$'000*	2008 *HK$'000*
(Loss) profit for the year attributable to:			
Owners of the parent		**(12,535)**	13,312
Minority interests		**–**	(19)
		(12,535)	13,293
Total comprehensive (expenses) income for the year attributable to:			
Owners of the parent		**(10,526)**	26,988
Minority interests		**–**	(19)
		(10,526)	26,969
(Loss) earnings per share	*8*		
Basic and diluted		**HK(4.15) cents**	HK4.41 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Non-current assets			
Property, plant and equipment		**254,600**	258,786
Prepaid lease payments		**20,451**	21,094
Goodwill		**20,385**	22,180
Club debentures		**2,135**	2,135
Deposits and other receivables		**957**	2,166
Prepayments for the acquisition of property, plant and equipment		**807**	3,044
		299,335	309,405
Current assets			
Inventories		**162,127**	168,359
Trade and other receivables	*10*	**72,850**	77,003
Prepaid lease payments		**597**	551
Derivative financial instruments		**–**	97
Bank balances and cash		**39,522**	30,079
		275,096	276,089
Current liabilities			
Trade and other payables	*11*	**65,675**	89,178
Amounts due to minority shareholders of a subsidiary		**462**	462
Income tax payable		**1,248**	1,120
Bank borrowings – due within one year		**194,794**	165,774
Obligations under finance leases – due within one year		**730**	1,382
		262,909	257,916
Net current assets		**12,187**	18,173
		311,522	327,578
Non-current liabilities			
Bank borrowings – due after one year		**37,184**	68,408
Obligations under finance leases – due after one year		**–**	730
Loan from immediate holding company		**23,678**	–
Deferred taxation		**2,641**	2,010
		63,503	71,148
		248,019	256,430
Capital and reserves			
Share capital		**30,220**	30,220
Reserves		**215,297**	223,708
Equity attributable to owners of the parent		**245,517**	253,928
Minority interests		**2,502**	2,502
Total equity		**248,019**	256,430

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.

2. APPLICATION OF NEW AND REVISED HKFRSs

In the current year, the Group has applied the following new and revised standards, amendments to standards and interpretations ("new and revised HKFRSs") issued by the HKICPA.

Hong Kong Accounting Standard ("HKAS") 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC)-Interpretation ("Int") 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC)-Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

Except as described below, the adoption of the above new and revised HKFRSs had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

New and revised HKFRSs affecting presentation and disclosure only

HKAS 1 (Revised 2007) "Presentation of Financial Statements"

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the consolidated financial statements) and changes in the format and content of the consolidated financial statements.

HKFRS 8 "Operating Segments"

HKFRS 8 is a disclosure standard. The adoption of HKFRS 8 has not resulted in a re-designation of the Group's reportable segments nor changes in basis of measurement of segment profit or loss, segment assets and segment liabilities.

Improving Disclosures about Financial Instruments
(Amendments to HKFRS 7 "Financial Instruments: Disclosures")

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The amendments also expand and amend the disclosures required in relation to liquidity risk. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments. At 31 December 2009, there were no such financial instruments. As the amendments do not require retrospective disclosure, thus no disclosure was made for the related financial instruments at 31 December 2008.

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

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related Party Disclosures[6]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[4]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[5]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[7]
HK(IFRIC)-INT 14 (Amendment)	Payments of a Minimum Funding Requirement[6]
HK(IFRIC)-INT 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC)-INT 19	Extinguishing Financial Liabilities with Equity Instruments[5]

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

2 *Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.*

3 *Effective for annual periods beginning on or after 1 January 2010.*

4 *Effective for annual periods beginning on or after 1 February 2010.*

5 *Effective for annual periods beginning on or after 1 July 2010.*

6 *Effective for annual periods beginning on or after 1 January 2011.*

7 *Effective for annual periods beginning on or after 1 January 2013.*

3. SEGMENT INFORMATION

The Group has adopted HKFRS 8 "Operating Segments" with effect from 1 January 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor standard (HKAS 14 "Segment Reporting") required an entity to identify two sets of segments (business and geographical), using a risks and returns approach.

In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a re-designation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

For management purposes, the Group is currently organised into two operating divisions – golf equipment and golf bags.

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

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

(a) Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segment.

For the year ended 31 December

	Golf equipment		**Golf bags**		**Eliminations**		**Consolidated**	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Sales to external customers	**251,196**	351,162	**39,133**	95,497	**–**	–	**290,329**	446,659
Inter-segment revenue	**–**	–	**12,800**	2,953	**(12,800)**	(2,953)	**–**	–
Other operating income	**3,024**	2,225	**1,123**	5,062	**–**	(2,100)	**4,147**	5,187
Total	**254,220**	353,387	**53,056**	103,512	**(12,800)**	(5,053)	**294,476**	451,846
Segment results	**9,466**	32,397	**212**	4,790	**–**	–	**9,678**	37,187
Interest income							**113**	670
Unallocated corporate income							**559**	408
Unallocated corporate expenses							**(10,665)**	(8,349)
Finance costs							**(11,173)**	(15,875)
(Loss) profit before taxation							**(11,488)**	14,041
Income tax expense							**(1,047)**	(748)
(Loss) profit for the year							**(12,535)**	13,293

Segment results represents the results of each segment without allocation of interest income, central administration costs and directors' remuneration, finance costs and income tax expense. This is the measure reported to the chief operating decision maker of the Group for the purposes of resource allocation and assessment of segment performance.

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

(b) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment.

At 31 December

	Golf equipment		**Golf bags**		**Consolidated**	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Assets and liabilities						
Segment assets	**486,774**	487,698	**43,290**	62,476	**530,064**	550,174
Unallocated corporate assets						
– Club debentures					**2,135**	2,135
– Derivative financial instruments					**–**	97
– Bank balances and cash					**39,522**	30,079
– Others					**2,710**	3,009
Total assets					**574,431**	585,494
Segment liabilities	**53,355**	67,400	**11,988**	19,674	**65,343**	87,074
Unallocated corporate liabilities						
– Amounts due to minority shareholders of a subsidiary					**462**	462
– Income tax payable					**1,248**	1,120
– Bank borrowings					**231,978**	234,182
– Obligations under finance leases					**730**	2,112
– Loan from immediate holding company					**23,678**	–
– Deferred taxation					**2,641**	2,010
– Others					**332**	2,104
Total liabilities					**326,412**	329,064

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

- all assets are allocated to reportable segments other than club debentures, derivative financial instruments and bank balances and cash. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and

- all liabilities are allocated to reportable segments other than amounts due to minority shareholders of a subsidiary, income tax payable, bank borrowings, obligations under finance leases, loan from immediate holding company and deferred taxation. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

(c) Geographical information

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

The Group's revenue from external customers by geographical location of revenue from external customers is detailed below:

	Revenue from External customers	
	2009	2008
	HK$'000	*HK$'000*
North America	**195,348**	302,307
Europe	**9,596**	11,660
Asia (excluding Japan)	**26,530**	71,094
Japan	**51,727**	55,850
Others	**7,128**	5,748
	290,329	446,659

Less than 1% of the Group's revenue from external customers is derived from the People's Republic of China (the "PRC") including Hong Kong (country of domicile) for both years.

The Group's non-current assets, other than financial instruments, by geographical location is detailed below:

	2009 *HK$'000*	2008 *HK$'000*
Hong Kong (country of domicile)	**24,726**	26,935
The PRC	**273,641**	280,291
Others	**11**	13
	298,378	307,239

(d) Other segment information

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

For the year ended 31 December

	Golf equipment		Golf bags		Consolidated	
	2009 *HK$'000*	2008 *HK$'000*	**2009** *HK$'000*	2008 *HK$'000*	**2009** *HK$'000*	2008 *HK$'000*
Other segment information:						
Addition to non-current assets (Note)	**13,223**	63,862	**4,204**	3,346	**17,427**	67,208
Amortisation of prepaid lease payments	**496**	454	**101**	97	**597**	551
Bad debts directly written off	**1,143**	35	**–**	–	**1,143**	35
Depreciation of property, plant and equipment	**17,419**	15,643	**3,528**	3,640	**20,947**	19,283
Impairment loss recognised in respect of goodwill	–	–	**1,795**	–	**1,795**	–
Impairment loss recognised in respect of trade receivables	**2,128**	1,576	**–**	–	**2,128**	1,576
Loss on deregistation of a subsidiary	**30**	52	**–**	–	**30**	52
Loss (gain) on disposal of property, plant and equipment	**827**	(88)	**1,291**	–	**2,118**	(88)
Waiver of other payables	**(1,009)**	–	**–**	–	**(1,009)**	–
Write-off of property, plant and equipment	**–**	1,043	**–**	–	**–**	1,043
Write-off of inventories (included in cost of sales)	**2,447**	–	**–**	–	**2,447**	–

Note: Non-current assets excluded financial instruments.

(e) Information about major customers

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

	Revenue generated from	2009 HK$'000	2008 HK$'000
Customer A	Golf equipment	**121,709**	180,792
Customer B	Golf equipment	**39,726**	N/A*
Customer C	Golf equipment	**41,439**	N/A*
Customer D	Golf bags	**N/A***	48,129

* *The corresponding revenue does not contribute over 10% of the total revenue of the Group in the respective year.*

4. TURNOVER AND OTHER OPERATING INCOME

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

Analysis of the Group's turnover for the year is as follows:

	2009 HK$'000	2008 HK$'000
Turnover		
Sales of golf equipment and related components and parts	**251,196**	351,162
Sales of golf bags, other accessories and related components and parts	**39,133**	95,497
	290,329	446,659
Other operating income		
Change in fair value of derivative financial instruments	**–**	97
Gain on disposal of property, plant and equipment	**–**	88
Income from derivative financial instruments	**559**	311
Interest income	**113**	670
Rental income (Note)	**285**	1,974
Sale of scrap materials	**432**	134
Sample income	**89**	214
Sundry income	**1,398**	1,561
Tooling income	**934**	1,216
Waiver of other payables	**1,009**	–
	4,819	6,265
Total revenues	**295,148**	452,924

Note: There was no outgoings for rental income in both years.

5. FINANCE COSTS

	2009	2008
	HK$'000	*HK$'000*
Factoring and bank charges	**3,178**	8,891
Interest expenses on:		
– bank overdraft	**55**	41
– bank borrowings wholly repayable within five years	**7,773**	6,756
– imputed interest on non-interest bearing loan from immediate holding company	**145**	–
– obligations under finance leases	**22**	187
	11,173	15,875

6. INCOME TAX EXPENSE

	2009	2008
	HK$'000	*HK$'000*
Hong Kong Profits Tax		
– Current	**–**	132
– Underprovision in prior years	**–**	300
	–	432
PRC Enterprise Income Tax Income ("EIT")		
– Current	**934**	219
– Underprovision in prior years	**113**	420
	1,047	639
Deferred taxation		
– Current period	**–**	(194)
– Attributable to a change in tax rate	**–**	(129)
	–	(323)
	1,047	748

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced the corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009.

Hong Kong Profits Tax has not been provided for in the consolidated financial statements as there is no estimated assessable profit derived from Hong Kong for the year ended 31 December 2009.

Hong Kong Profits Tax was calculated at 16.5% of the estimated profit for the year ended 31 December 2008.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of certain subsidiaries of the Company is 25% for both years.

In accordance with approval documents issued by various PRC tax bureaus, certain indirectly wholly-foreign owned PRC subsidiaries of the Company, including, Guangzhou Sino Concept Golf Manufacturing Co., Ltd.* ("Sino Concept") (廣州順興高爾夫球製品有限公司), Linyi Sino Golf Co., Ltd. ("Linyi Sino Golf"), Dongguan Qi Heng CTB Co., Ltd.* ("Dongguan Qi Heng") 東莞騏衡運動用品製造有限公司 and, Xiamen Sino Talent Golf Manufacturing Co., Ltd* ("Xiamen Sino") are entitled to exemption from PRC EIT in the first two years starting from the first profit-making year, followed by a 50% reduction in the next three years.

Certain PRC subsidiaries were either in loss-making position for the current and the previous years or had sufficient tax losses brought forward from previous year to offset the estimated assessable income for the year and accordingly did not have any assessable income.

* *The English names are for identification only.*

7. (LOSS) PROFIT FOR THE YEAR

	2009	2008
	HK$'000	*HK$'000*
(Loss) profit for the year has been arrived at after charging:		
Staff cost (including directors' emoluments):		
Salaries, wages and other benefits in kind	**70,173**	85,081
Equity-settled share-based payment	**154**	–
Retirement benefit scheme contributions	**5,403**	4,893
Total staff cost	**75,730**	89,974
Amortisation of prepaid lease payments	**597**	551
Auditor's remuneration	**819**	805
Bad debts directly written off **	**1,143**	35
Cost of inventories sold	**228,197**	344,229
Depreciation of property, plant and equipment	**20,947**	19,283
Exchange loss (net)**	**1,408**	1,847
Equity-settled share based payment (business associates) (Note)	**309**	–
Impairment loss recognised in respect of goodwill**	**1,795**	–
Impairment loss recognised in respect of trade receivables**	**2,128**	1,576
Loss on deregistration of a subsidiary **	**30**	52
Loss on disposal of property, plant and equipment	**2,118**	–
Operating leases rentals in respect of land and buildings	**5,880**	9,392
Research and development costs**	**3,457**	5,475
Write-off of property, plant and equipment**	**–**	1,043
Write-off of inventories (included in cost of sales)	**2,447**	–

** *These amounts are included in administrative expenses.*

Note: The amount represents the fair value of consultancy services provided to the Group in the current period in relation to the financial affairs of the Group. The consultancy service fees are settled through the issue of 3,000,000 share options in the current year.

8. (LOSS) EARNINGS PER SHARE

The calculation of basic (loss) earnings per share is based on the loss for the year attributable to owners of the parent of HK$12,535,000 (2008: profit for the year of HK$13,312,000) and the weighted average number of 302,200,000 (2008: 302,200,000) ordinary shares in issue during the year.

The computation of diluted loss per share for the year ended 31 December 2009 does not assume the conversion of the Company's outstanding share options since their exercise would result in a decrease in the loss per share.

The computation of diluted earnings per share for the year ended 31 December 2008 does not assume the conversion of the Company's outstanding share options because the exercise price of those share options was higher than the average market price for the shares.

9. DIVIDENDS

	2009	2008
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year:		
2008 interim dividend of HK1.5 cents per ordinary share	**–**	4,533
2007 final dividend paid of HK2.5 cents per ordinary share	**–**	7,555
	–	12,088

No dividends was paid or proposed during the year ended 31 December 2009, nor has any dividend been proposed since the end of the reporting period.

10. TRADE AND OTHER RECEIVABLES

	2009	2008
	HK$'000	*HK$'000*
Trade receivables	**42,002**	49,909
Less: impairment loss recognised	**(13,544)**	(11,416)
	28,458	38,493
Prepayments	**1,625**	1,178
Deposits and other receivables	**42,767**	37,308
Amount due from a director	**–**	24
	44,392	38,510
	72,850	77,003

(i) The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally between 30 and 90 days. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management.

(ii) The movements in impairment loss of trade receivables of the Group are as follows:

	2009	2008
	HK$'000	*HK$'000*
At the beginning of the year	**11,416**	9,840
Impairment loss recognised	**2,128**	1,576
At the end of the year	**13,544**	11,416

(iii) At 31 December 2009, included in the impairment loss of trade receivables are individually impaired trade receivables with an aggregate balances of approximately HK$13,544,000 (2008: HK$11,416,000) which due to long outstanding. The Group does not hold any collateral over these balances.

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

	2009	2008
	HK$'000	*HK$'000*
Neither past due nor impaired	**16,396**	9,205
1 to 3 months past due	**10,120**	12,894
4 to 6 months past due	**48**	10,206
7 to 12 months past due	**1,894**	1,624
Over 1 year past due	**–**	4,564
	28,458	38,493

Trade receivables that were neither past due nor impaired relate to customers for whom there was no recent history of default. The Group does not hold any collateral over these balances.

(v) Trade 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 impairment allowance 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

	2009	2008
	HK$'000	*HK$'000*
Trade and bills payables	**46,405**	58,314
Customers' deposits received	**2,973**	6,620
Amount due to a director	**1,160**	730
Accrual and other payables	**15,137**	23,514
	65,675	89,178

The aging analysis of trade and bill payables presented based on the invoice date at the end of the reporting period of the Group was as follows:

	2009	2008
	HK$'000	*HK$'000*
Within 3 months	**30,028**	38,616
4 to 6 months	**8,064**	13,528
7 to 12 months	**5,104**	4,861
Over 1 year	**3,209**	1,309
	46,405	58,314

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

DIVIDENDS AND CLOSURE OF REGISTER OF MEMBERS

The Board has not recommended the payment of a dividend for the year (2008: HK1.5 cents per share).

The register of members of the Company will be closed from Tuesday, 1 June 2010 to Wednesday, 2 June 2010, 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, 31 May 2010.

BUSINESS REVIEW

Overview

The outbreak of the financial tsunami had led to a worldwide economic downturn that lasted through 2008 to adversely affect business in 2009.

The golf industry was hard hit by an unprecedented fall in the market demand for golf equipment and related products. During the first half of 2009, our Group's business slipped remarkably, period on period, by 46% as customers had generally been pursuing a conservative approach in their procurement strategies in light of the economic turbulence. The financial crisis has widespread to retard developments of most economies and enterprises. Golf equipment manufacturers thus encountered a tough time with intense competition. It was fortunate that our Group managed to successfully introduce new first-tier customers during this crucial period that helped contribute extra revenues leading to a rebound in the second half of the year. Notwithstanding that, our Group inevitably suffered a decline in turnover from HK$446.7 million in 2008 to HK$290.3 million in 2009, representing a 35.0% drop year on year. With the depressed sales, gross profit for the year decreased to HK$59.7 million from HK$102.4 million in 2008. Average gross profit margin fell moderately from 22.9% for 2008 to 20.6% for 2009, mainly attributable to a lower recovery of fixed costs under a reduced turnover. As a consequence, the Group sustained, for the first time in its history, a loss of HK$12,535,000 for the year, as contrasted to a profit of HK$13,312,000 for the comparative preceding year.

Benefited from the timely start up of business with some first-tier name brands, there was seen a partial recovery during the second half of 2009 and the situation is continually improving given the expanding volume from new business as well as a resumption of purchasing appetites from existing customers. The Group anticipates that there will be a substantial pick up in business during the first half of 2010 based on the current ordering trend and the improved market conditions. The Group's persistent focus on product innovation and customers' fulfillment has proven a successful strategy to uphold our competitive advantage at times of economic turmoil and paved a firm foundation for substantiating long-term development and growth. Our corporate mission remains unchanged, which is to continually provide customers with best quality one-stop services regardless of the great pressure in our striving to preserve competitiveness under a depressed economy. We are glad that our efforts were rewarded when the Group successfully added some first-tier name brands to the customer profile whilst some market participants were struggling hard for survival during this difficult period.

During the year, the exchange rates of the Renminbi currency remained fairly stable without much appreciation. This has helped ease the cost burden of those manufacturers in the PRC that are mainly engaged in exports, volume of which have shrank significantly since the occurrence of the financial tsunami. Notwithstanding an unfavorable market environment, our Group continued to implement and pursue its reengineering and cost control programs so as to reinforce our status as a fast developing manufacturer in the golf industry. Through effective management and governance practices, the Group had survived the financial crisis and, more importantly, we successfully upgraded our profile to get engaged in manufacturing golf clubs for the world's biggest golf brand commencing since the third quarter of 2009. Though we have suffered a disappointing year in 2009, our Group maintains great confidence in pursuing a year of significant rebound in 2010.

In 2009, golf equipment sales aggregated to HK$251,196,000 representing about 86.5% of the Group's turnover. Sales of the golf bag segment, after eliminating inter-segmental sales of HK$12,800,000, amounted to HK$39,133,000 accounting for the remaining 13.5% of the Group's turnover for the year. Affected by the global recession, the golf equipment and golf bag segments managed to achieve segmental profits of HK$9,466,000 and HK$212,000 for the year, respectively. Profitability of both business segments plummeted as a result of the decline in business.

Golf Equipment Business

The golf equipment business continued to constitute the major operating segment that generated about 86.5% of the Group's turnover for the year. Affected by the economic downturn, customers' orders have shrank through 2008 to bring the golf equipment sales down, period on period, by 42.1% during the first half of 2009 to HK$112,292,000. However, with the benefit from the commencement of business with the world's biggest golf brand and a gradual resumption of orders from existing customers, the Group managed to achieve a partial recovery during the second half of 2009 that helped narrow down the overall sales decline for the year. Nevertheless, golf equipment sales fell 28.5% in 2009 to HK$251,196,000 from HK$351,162,000 for the comparative preceding year. The segment turnover comprised golf clubs sales of HK$192,570,000 and components sales including club heads, shafts and accessories of HK$58,626,000, representing 76.7% and 23.3%, respectively of the segment turnover. For golf clubs sales, the proportion of club sets versus individual clubs was 68.9% and 31.1% respectively. Club sets remained the more popular category in consumers' choice of golf clubs purchase. As regards components sales, club heads accounted for over 90% with shafts and accessories constituting the remaining balance.

During the year, sales comprising mainly hybrid irons to the Group's largest customer dropped 32.7% to HK$121,709,000, representing about 48.5% of the segment sales or 41.9% of the Group's turnover. To strengthen its role as one of the best selling irons in the golf market, the Group's largest customer has launched a series of programs to promote sales through offering discounts and other incentives to consumers. On the other hand, sales of golf equipment by the Group to other less dominant customers generally diminished by a greater extent due to limitations in their ability to offer as much incentives to consumers as those leading name brands. Fortunately, our Group has successfully commenced business with the world's biggest golf brand during the third quarter of 2009 to contribute extra revenue and catch up to some extent the sales decline from existing customers. Shipments to this new customer accounted for nearly 16% or HK$39,726,000 of the segment turnover for the year and its order volume is increasing to boost sales for the ensuing year. Sales of golf equipment to the top five customers in 2009 aggregated to HK$216,778,000, representing about 86.3% of the segment sales or 74.7% of the Group's turnover for the year. Besides, the Group has made good progress with certain leading golf brands in our effort to finalize samples and pass their qualifying run with an aim to get bulk orders soon. It is anticipated that our Group will pick up a few more first-tier customers in the year ahead.

The Group's Shandong manufacturing facility in the PRC has been in full-scale operation by the end of the year to independently produce club heads and assembled clubs for direct export to customers, which facilitated to enhance the overall efficiency by reducing inter-factory transportation of components and eliminating duplicated work processes. Since the third quarter of 2009, it has been producing golf clubs mainly for the new top tier customer with orders then expanding consistently. The Shandong manufacturing facility has taken up the production function and related resources of the Group's manufacturing facility in Xiamen, the PRC, as part of the process to consolidate and streamline our Group's production operations and efficiency. To cope with the increasing volume, production capacity of the Shandong manufacturing facility has been stepped up to reach an average monthly output of 150,000 units, which will further be elevated to over 250,000 units by end of 2010. Production at the Group's manufacturing facilities in Guangdong Province, the PRC, will however be scaled down to about 150,000 units per month to fulfill customers' needs and maintain a balance to take advantage of the cost savings derivable from the operation of the Shandong manufacturing facility. There is a remarkable difference between the labor and operating costs for manufacturing facilities in Guangdong Province and those in Shandong Province. Our Group has possessed distinctive competitive edge for having established a manufacturing base in the northern part of the PRC to take benefit from possible cost savings. The Shandong manufacturing facility represents a milestone to upgrade our Group's capability to provide high quality services for top tier name brands that are seeking competitive alternate supply sources. The start up of business with the world's biggest golf brand during the year was encouraging and good evidence of our success that opens up great potential for us to procure businesses from other major brand names to increase our market share. As planned, the Group has embarked on programs to relocate by stages the bulk production of golf equipment to the Shandong manufacturing facility through consolidating the Guangdong production facilities to more appropriate scale. This is commensurate with our goal to take full advantage of the lower labor and operating costs in the northern part of the PRC. Our Group's competitive strength lies on our capability to produce high-end sophisticated products to customers' satisfaction and our ability to react efficiently to market changes and capture opportunities that emerge from time to time.

The Group has pursued sound governance practice to procure hedging on the recoverability of its receivables through non-recourse factoring and insurance arrangements. Besides, the Group adhered to stringent credit controls to monitor performance of individual customers so as to restrict our exposure to financial risks. Any material exceptions or non-compliance of terms by customers will be promptly dealt with including a decision to take recovery action and/or withhold shipments as deemed appropriate. During the year, the Group made provision of HK$2,128,000 for impairment of receivables mainly relating to warranty disputes with a customer. On the other hand, the Group has received additional distribution of HK$141,000 from the trustee of the Huffy Unsecured Claims Trust to reduce the balance of the debt owed by the reorganized Huffy. Having considered all relevant factors including periodic distributions from the Huffy Unsecured Claims Trust, the management concurred that no provision for impairment in value of the remaining balance owed by the reorganized Huffy is required in the current year.

During the year, raw materials and components prices rationalized to stay at reasonable levels without significant fluctuation. Operating costs such as labor and fuel expenses came down to reflect the reduced production volume under the suppressed business. The Renminbi currency remained relatively stable during the year, which provided a relief on the cost burden of manufacturers in the PRC that are reliant on exports and earn most of their income in foreign currencies to discharge the Renminbi expenses. Besides, our Group has actively participated in customers' programs to support their efforts to modify and adapt product specifications with an aim to stimulate sales through competitive pricing. This strategy was found effective in stabilizing our market share and uphold our competitive edge at times of fierce competition. It is crucial that customers' orders could be satisfactorily fulfilled if we are determined to persistently develop and outperform our competitors.

The business rebound in the second half of 2009 has contributed positively to rebut the segmental loss sustained in the first half year to a segmental profit of HK$9,466,000 for the year, as contrasted to a segmental profit of HK$32,397,000, as restated, for the preceding comparative year. With the improving market conditions and an expanding order volume from the new top-tier customer, the management anticipates a remarkable surge in the golf equipment sales for the ensuing period though the global economy remains volatile and susceptible to uncertainties. We are cautiously optimistic that the golf equipment business will further improve to achieve reasonable performance going forward.

Golf Bag Business

The economic turmoil has caused greater impact on the golf bag business due to higher vulnerability of golf bag products relative to golf equipment. As consumers are generally less performance oriented in their choice of golf bags, the market demand for golf bag products would therefore be more susceptible to fluctuations in consumers' spending and economic cycles.

Turnover of the golf bag segment dropped by 59.0% to HK$39,133,000 in 2009 from HK$95,497,000 for the comparative period of 2008. The extent of decrease will be lessened to 47.3% if we adopted the sales amount before inter-segmental elimination of HK$51,933,000 for 2009 and HK$98,450,000 for 2008 to make the comparison, which more realistically presents the actual change in the business volume of segments. There was substantial increase in the inter-segmental sales of golf bags from HK$2,953,000 in 2008 to HK$12,800,000 in 2009, which constituted component parts of the club sets ordered by certain customers with sales of such club sets being classified as turnover of the golf equipment segment. Since the segment turnover is defined to comprise sales to external customers only, the surge in inter-segmental sales of golf bags during the year has the effect of lowering the amount of segment turnover being used for analytical purpose. To properly assess the movement and actual change in business volume of segments, the inter-segmental sales are relevant factors not to be disregarded especially when such sales are substantial or surge to represent a material portion of the segment activities.

Due to higher vulnerability, turnover of the golf bag segment diminished to represent 13.5% of the Group's turnover for the year, as contrasted to 21.4% for the comparative period of 2008. Amongst the segment turnover analyzed by product types, golf bag sales accounted for about 75.7% and amounted to HK$29,639,000, while sales of accessories comprising mainly shoe bags aggregated to HK$9,494,000 or 24.3% of the segment turnover for the year. Golf bags continued to dominate as the principal product type and there has not been significant change in the product mix percentage throughout the years. Pursuant to adopted accounting practice, the inter-segmental sales of HK$12,800,000, which comprised golf bags made to form part of the club sets ordered by certain customers of the golf equipment segment, had been eliminated in computing the turnover of the golf bag segment for the Group's analytical and comparison purposes. Such club sets equipped with golf bags were billed to customers as a unit and categorized as the turnover of golf equipment segment. In 2009, sales to the largest golf bag customer decreased by 42.8% to HK$20,633,000, representing about 52.7% of the segment turnover or 7.1% of the Group's turnover. Sales to the top five golf bag customers during the year aggregated to HK$31,394,000 and accounted for about 80.2% of the segment turnover or 10.8% of the Group's turnover.

As a constituent of the segment turnover analyzed by product lines, sales of the Japan line of products decreased by about 42.1% to HK$21,605,000 in 2009 while sales of the non-Japan line of products, comprising mainly golf bags of American design, fell by a greater extent of 60.3% to HK$17,528,000 mainly due to the surge in inter-segmental sales which belonged to the non-Japan line of products and were eliminated in computing the amount of segment turnover for making comparisons. The Japan line of products continued to dominate by generating 55.2% of the segment turnover but only represented 41.6% of the total segment sales before inter-segmental eliminations. It has been the Group's strategy to exploit both the Japan line and non-Japan line of golf bags with an aim to increase revenues and gain market share. We are committed to allocate necessary resources to develop the golf bag segment for capturing opportunities that bring us the business volume as well as contributions.

It is generally a prerequisite that the manufacturers should be SOE compliant if they are to be recognized as qualified vendors by first-tier name brands. There are not many SOE compliant manufacturers and our Group's golf bag facility is one with high reputation that produces a variety of high-end golf bags for most of the major brand names. The SOE compliant status of the Group's golf bag operations has been an important factor to maintain customers' confidence in our commitments and standard of services. The SOE compliance provides a greater assurance on product quality and service fulfillment, which helps strengthen customers' loyalty and facilitates new business pick-up by the Group from top-tier name brands in a competitive environment. Our Group has established a significant role in the golf bag sector and is well recognized by substantially all the major brand names. We are devoted to exploiting business opportunities to enhance our market share through persistent focus on product innovation and launch of effective marketing programs.

During the year, prices of raw materials for golf bag production such as PVC, PU and nylon did not fluctuate materially while accessories prices like those of metal parts and plastic components had rationalized from the peak to help ease the cost pressure at times of economic downturn. The Group effectively monitored the materials cost of golf bags through (i) periodic review of suppliers' prices against the market trend to ensure we were granted the best terms; and (ii) adoption of a diversified purchasing approach to engage alternate supply sources that could offer us greater discounts with other incentives. On the other hand, operating costs including labor and social insurance came down to reflect the reduced production scale during the year but the labor rates prevailing in the southern part of the PRC had been subject to an upward pressure due to labor shortage since late 2009. To mitigate the impact of cost pressure, the Group reinforced the cost control measures to rationalize and cut expenditures to the extent achievable and pursued its reengineering processes to enhance productivity. It is the Group's strategy to further develop and focus on high-end golf bags with an aim to boost sales and strengthen our position in the golf bag sector.

Suffering from the depressed sales, the golf bag segment managed to achieve a segmental profit of HK$212,000 for the year as compared with HK$4,790,000 for the comparative preceding year. With an improved global economy entering 2010, it is anticipated that the golf bag business would stabilize and start to pick up as customers generally resume to place orders after undertaking vigorous inventory sales during the recession period. We believe that the most difficult period should have gone though the economic recovery is far from uninterrupted and there are still many uncertainties and challenges ahead. Having considered the current order book status and the prevailing market conditions, the management maintains a cautious view that the golf bag segment will continue to operate under a challenging environment with a steady pick up when the economies continue to rebound. Our Group is confident and determined to persistently develop the golf bag business going forward to uphold our industry status.

Geographical Segments

There has not been significant fluctuation in the geographical distribution of the Group's business throughout the years. Over two-third of the Group's turnover for the year were for shipments to customers in North America, mainly the United States. Shipments to other geographical regions include Japan; Asia (excluding Japan); Europe; and others. Being the world's largest golf market, North America preserved its dominancy and accounted for 67.3% of the Group's turnover in 2009, close to 67.7% for the comparative period of 2008. Other geographical regions covering Japan, Asia (excluding Japan), Europe; and others contributed 17.8%, 9.1%, 3.3% and 2.5% of the Group's turnover for the year, respectively (2008: 12.5%; 15.9%; 2.6%; and 1.3%, respectively).

As percentages of the Group's turnover, sales to the North American market stayed at similar level to last year while sales to the Japanese market climbed to 17.8% due to incremental sales of golf equipment through specific marketing programs. Affected by the global recession, aggregate sales to other geographical regions including Asia (excluding Japan); Europe and others decreased moderately, as a percentage of the Group's turnover, from 19.8% in 2008 to 14.9% this year.

In monetary terms, sales to the North American market decreased by 35.4% in 2009 to HK$195,348,000, comprising golf equipment and golf bag sales in the proportion of 96% and 4%, respectively. Benefited from the sales campaigns, sales to the Japanese market dropped by a lesser extent of 7.4% to HK$51,727,000 in 2009. On the contrary, sales to other geographical regions covering Asia (excluding Japan); Europe and others decreased remarkably by 51.1% to HK$43,254,000 in 2009 due to the impact of the economic recession.

It is the corporate strategy to strengthen our competitive edge in the North American market through expanding the business volume with the world's biggest golf brand, shipments to which have exceeded HK$39 million during the last quarter of 2009. The Group remains committed to further developing and tapping 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 Asia (excluding Japan); Europe; and others, particularly the Asian market, where golf activities are becoming more popular and affordable by the public in general.

PROSPECTS AND RISK FACTORS

Prospects

The year of 2009 was a challenging though difficult year for the Group. Despite sustaining a loss for the first time under the impact of the financial crisis, our Group made encouraging progress to enter a new era as we successfully commenced business with the world's biggest golf brand during the year. This signifies an enhanced recognition of the Group by the industry peers and a greater potential for us to develop and grow our business. The establishment of the Shandong manufacturing facility was a crucial move to upgrade our Group's technical capability and industry status.

Though the global economy has demonstrated a general recovery entering 2010, it is by no means assured to be persistent or uninterrupted. The threats of further economic or financial fluctuations should not be ignored since there are still many challenges and uncertainties the business sector has to deal with. Our Group is in a relatively advantageous position as we not only benefit from the resumption of orders from existing customers due to general economic rebound, but also enjoy extra contributions from the new first-tier customers with whom we have commenced business. The growth potential of business with the new top-tier customers is huge, which facilitates to strengthen our competitive advantage for further expansion of customer base.

For the first half of 2010, the Group has procured record high orders on golf equipment that more than take up our Group's production capacities. We are making arrangements for extra subcontracting to help achieve as much production as we could. To date, the Group has obtained orders that aggregated to exceed HK$250 million, of which about HK$220 million was for golf equipment with the remaining for golf bags. Shipments during the first quarter of 2010 approximated to HK$80 million. Due to a temporary labor shortage in the southern part of the PRC and a short production period attributable to the lunar new-year holidays during early 2010, the shipments for the first quarter were a bit lag behind in proportion to orders placed. The production and shipments will however be sped up during the second quarter as the labor shortage issue has been dealt with and additional subcontracting arrangements are being secured. The Group is making efforts to fulfill as many orders as we could for the first half of 2010. Based on the current ordering trend and the improved economic conditions, the business outlook for the year of 2010 appears promising. It is anticipated that the golf equipment business is going to demonstrate a significant growth in 2010 whilst the golf bag business will pick up at reasonable pace as the economy continues to recover. The Group has maintained a strong relationship with its customers and we remain confident to continually exploit business opportunities to broaden and diversify our client portfolio. We will also keep ourselves alert of market developments to ensure swift response to opportunities as well as challenges.

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 beneficial 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 United states Economy and Currency Fluctuation

As the Group exports the majority of its products to the United States, the status of the United States economy might have a potential effect on the Group's business. The existence of trade conflicts between the PRC and the United States may end up with trade barriers to hinder the business sector if not properly dealt with and resolved by the respective governments. The global recession caused by the financial tsunami has suppressed and may continue to depress consumers' spending and overall market demand in the United States resulting in a shrinkage of exports from the PRC to the United States. Besides, the tendency of continued appreciation of the Renminbi currency may effect the ability of manufacturers in the PRC to maintain their product margins if the Renminbi currency further appreciates.

Interest Rates Movements

The Group generally utilizes banking facilities to finance its operations, which usually bear interest at floating rates. Movements in the applicable interest rates will affect the level of finance cost to be borne by the Group. Though interest rates stayed at a relatively low level during 2009, any revision of the interest rates up will increase the finance burden to the Group. Though the Group could have the option 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 2009, sales to the largest customer represents 48.5% of the turnover of the golf equipment segment or 41.9% of the Group's annual turnover. The five largest customers in aggregate accounted for about 80% of the Group's turnover for the year. It has been the Group's objective to diversify and establish new first-tier customers so as to maintain a more balanced customer portfolio. During the year, the

Group has successfully commenced business with the world's biggest golf brand and a few more first-tier name brands are anticipated to be picked up by the Group in the near future. Though there is satisfactory progress on the diversification of customer profile to take on new first-tier name brands, it is inevitable that incidents with material adverse impact on the Group's key customers may 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, any material price fluctuation or supply shortage may pose threats on the Group's ability to maintain profit margins even if we could adjust sales prices to recoup the cost increase to some extent. In addition, the trend of relying more on the component makers and suppliers specified by customers may limit the choice and flexibility in selecting suppliers by the Group that might undermine and erode profit margins over the time.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Results of Operations

The impact of the financial crisis has persisted to retard business in 2009. The Group's turnover for the year ended 31 December 2009 decreased by 35.0% to HK$290,329,000 (2008: HK$446,659,000). Loss for the year attributable to owners of the parent was HK$12,535,000 (2008: profit of HK$13,312,000). During the year, turnover of the golf equipment and golf bag segments plummeted by 28.5% and 59.0% to HK$251,196,000 and HK$39,133,000, respectively. Due to higher vulnerability, the golf bag business has suffered a greater decline of 59.0% in segment turnover, which will be lessened to 47.3% if inter-segmental sales of golf bags were not eliminated in measuring segment revenues to better quantify the actual change in business volume, particularly in circumstances where the inter-segmental sales were substantial or had surged to represent a significant portion of the segment activities. During the year, there was a surge in inter-segmental sales of golf bags that should not be disregarded for measuring actual change in business volume.

With our effort, the Group has successfully commenced business with the world's biggest golf brand during the third quarter of 2009, shipments to which have exceeded HK$39 million to account for nearly 14% of the Group's turnover for the year. As further benefited from a gradual resumption of orders from existing customers, the Group managed to achieve a rebound in the second half of the 2009 to partially recoup losses sustained during the first half of the year. Given a depressed turnover, gross profit for the year decreased to HK$59,685,000 from HK$102,430,000 in 2008. Average gross profit margin fell from 22.9% for 2008 to 20.6% for the current year.

Other operating income for the year decreased to HK$4,819,000 from HK$6,265,000 in 2008, mainly due to the reduction in rental and tooling charge income. During the year, the Group earned HK$559,000 (2008: HK$311,000) from derivative financial instruments which had matured before the year end and related to forward currency option contracts made up with Hong Kong dollars and United States dollars.

Commensurate with the reduced business volume, selling and distribution costs for the year decreased to HK$7,016,000 from HK$12,654,000 in 2008 primarily owing to the decrease in sales commissions, sample costs and ocean freight charges. Attributable to savings derived from cost control measures, administrative expenses for the year decreased to HK$57,803,000 from HK$66,125,000 for 2008 including reductions in rental expenses and payroll costs.

Finance costs for the year decreased to HK$11,173,000 from HK$15,875,000 in 2008, primarily owing to lower applicable interest rates and a reduction in factoring charges against the depressed export volume.

Impacted by the economic downturn, the Group sustained for the first time a loss of HK$12,535,000 for the year as contrasted to a profit of HK$13,312,000 for the comparative preceding year.

Liquidity and Financial Resources

Pursuant to sound practices, the Group generally relies on internally generated cash flows and banking facilities to finance its operations. To combat the challenges caused by the financial crisis, the immediate holding company has provided extra support to the Group by granting an unsecured, interest-free loan to assure that the Group has sufficient funds to operate and meet with its cash flow requirements when business volume resumes. To limit the exposure to financial risks, the Group has adopted effective policies and guidelines to help identify, monitor and timely deal with those risks to safeguard the Group's interest.

At 31 December 2009, bank and cash balances, which were mostly denominated in United States dollars, Hong Kong dollars and Renminbi yuan, amounted to approximately HK$39.5 million (2008: HK$30.1 million). The bank and cash balance increased mainly due to the additional cash flows extended by the immediate holding company to strengthen the Group's liquidity. To rationalize funds utilization, the Group follows a practice of maintaining sufficient cash to run its operations and discharge the liabilities as they fall due.

Borrowings of the Group other than the loan from immediate holding company are mostly denominated in Hong Kong dollars, United States dollars and Renminbi yuan that carry interest at a certain spread over HIBOR / LIBOR or the interest rate promulgated by the People's Bank of China from time to time. At 31 December 2009, interest-bearing borrowings comprising bank loans and finance lease payable aggregated to HK$232.7 million (2008: HK$236.3 million), of which HK$195.5 million (2008: HK$167.2 million) was repayable within one year. The loan from immediate holding company of HK$23.7 million as at 31 December 2009 (2008: Nil) is unsecured, interest-free and will mature in March 2011. The gearing ratio, defined as bank loans and finance lease payable less bank and cash balances of HK$193.2 million divided by the shareholders' equity of HK$248.0 million, was 77.9% as at 31 December 2009 (2008: 80.4%). The gearing ratio at 31 December 2009 would be restated as 87.5% if the loan from immediate holding company was included in computing the ratio.

It remains the Group's objective to maintain a financial position that is supportive of its growth and long-term development needs. At 31 December 2009, the total assets and net asset value of the Group amounted to HK$574.4 million and HK$248.0 million respectively (2008: HK$585.5 million and HK$256.4 million, respectively). Current and quick ratios as at 31 December 2009 were 1.05 (2008: 1.07) and 0.43 (2008: 0.42), respectively. Both the current ratio and quick ratio did not fluctuate materially during the year. The Group continues to explore feasible means to strengthen and rationalize its financial position as business improves and rebounds in the ensuing year.

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 currency giving rise to this risk is primarily Renminbi.

As at 31 December 2009, the Group had no significant contingent liabilities.

Employee and Remuneration Policies

At 31 December 2009, the Group employed a total of approximately 2,400 employees mainly located in Hong Kong and the PRC. It is the Group's strategy to establish and maintain a harmonious relationship with its employees through provision of competitive remuneration packages and career development opportunities. The employees are remunerated based on their duties, experience and performance as well as industrial practices. The remuneration packages are reviewed annually to assure fairness and competitiveness 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 control and financial reporting matters including a review of the consolidated financial statements for the year ended 31 December 2009.

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. Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2009.

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 2009, except for certain deviations as explained below. The Company has also put in place certain Recommended Best Practices as set out in the CG Code.

a) 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.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to express my gratitude to the Board members, the management and our employees for their hard work, loyalty and support. We treasure their commitments as a key motivator for the Group's long-term development and success.

PUBLICATION OF THE 2009 ANNUAL REPORT ON THE WEBSITE OF THE STOCK EXCHANGE

The Company's annual report for 2009 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, 27 April 2010

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.