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 2011

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 referred to as the "Group") for the year ended 31 December 2011 together with the comparative figures for the year ended 31 December 2010. The consolidated financial statements have been reviewed by the Audit Committee of the Company.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2011

	NOTES	**2011** *HK$'000*	2010 *HK$'000*
Turnover	*4*	**278,649**	427,997
Cost of sales		**(234,813)**	(338,177)
Gross profit		**43,836**	89,820
Other operating income	*4*	**3,062**	2,238
Selling and distribution costs		**(5,331)**	(9,550)
Administrative expenses		**(47,143)**	(53,002)
Impairment loss recognised in respect of property, plant and equipment		**–**	(2,248)
Finance costs		**(10,433)**	(15,282)
(Loss) profit before taxation		**(16,009)**	11,976
Income tax expense	*5*	**(262)**	(418)
(Loss) profit for the year	*6*	**(16,271)**	11,558
Other comprehensive income			
Exchange difference arising on translation		**5,149**	2,438
Income tax relating to revaluation of leasehold land and buildings		**75**	76
Other comprehensive income, net of income tax		**5,224**	2,514
Total comprehensive (expenses) income for the year		**(11,047)**	14,072

* *for identification purpose only*

	NOTES	2011 HK$'000	2010 HK$'000
(Loss) profit for the year attributable to:			
Owners of the Company		**(16,242)**	11,588
Non-controlling interests		**(29)**	(30)
		(16,271)	11,558
Total comprehensive (expenses) income for the year attributable to:			
Owners of the Company		**(11,018)**	14,102
Non-controlling interests		**(29)**	(30)
		(11,047)	14,072
(Loss) earnings per share	*7*		
Basic		**(HK5.06 cents)**	HK3.83 cents
Diluted		**(HK5.06 cents)**	HK3.78 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2011

	NOTES	**2011** *HK$'000*	2010 *HK$'000*
Non-current assets			
Property, plant and equipment		**225,205**	246,787
Prepaid lease payments		**12,845**	20,279
Goodwill		**14,820**	20,385
Club debentures		**2,135**	2,135
Deposits and other receivables		**877**	616
Prepayments for the acquisition of property, plant and equipment		**762**	1,697
		256,644	291,899
Current assets			
Inventories		**161,906**	173,817
Trade and other receivables	*9*	**66,831**	83,901
Prepaid lease payments		**416**	632
Bank balances and cash		**39,074**	43,316
		268,227	301,666
Assets classified held for sale		**7,396**	–
		275,623	301,666
Current liabilities			
Trade and other payables	10	**48,386**	72,133
Amounts due to non-controlling shareholders of a subsidiary		**462**	462
Income tax payable		**170**	1,398
Bank borrowings		**121,626**	199,000
Obligations under finance leases		**653**	–
Loan from ultimate holding company		**11,524**	16,640
		182,821	289,633
Net current assets		**92,802**	12,033
Total assets less current liabilities		**349,446**	303,932
Non-current liabilities			
Bank borrowings		**8,422**	14,289
Loan from immediate holding company		**23,678**	23,678
Deferred taxation		**2,490**	2,565
Obligations under finance leases		**1,761**	–
		36,351	40,532
		313,095	263,400
Capital and reserves			
Share capital	11	**46,005**	30,220
Reserves		**264,652**	230,713
Equity attributable to owners of the Company		**310,657**	260,933
Non-controlling interests		**2,438**	2,467
Total equity		**313,095**	263,400

Notes:

1. **BASIS OF PREPARATION**

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for certain leasehold land and buildings and financial instruments that are measured at revalued amounts or fair values. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

2. **APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")**

In the current year, the Group has applied the following new and revised standards and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
Amendment to HKFRS 1	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
Hong Kong Accounting Standards ("HKAS") 24 (as revised in 2009)	Related Party Disclosures
Amendments to HKAS 32	Classification of Rights Issues
HK(IFRIC)-Interpretation ("Int") 14 (Amendment)	Prepayments of a Minimum Funding Requirement
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments

The directors of the Company anticipate that the application of other new and revised HKFRSs has had no material impact on the Group's performance and position for the current and prior years and/or the disclosures set out in these consolidated financial statements.

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

Amendments to HKFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[1]
Amendments to HKFRS 1	First-time Adoption of HKFRS – Government Loans[2]
Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets[1]
	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[5]
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets[4]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[6]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

1 Effective for annual periods beginning on or after 1 July 2011.
2 Effective for annual periods beginning on or after 1 January 2013.
3 Effective for annual periods beginning on or after 1 January 2015.
4 Effective for annual periods beginning on or after 1 January 2012.
5 Effective for annual periods beginning on or after 1 July 2012.
6 Effective for annual periods beginning on or after 1 January 2014.

Amendments to HKFRS 7 Disclosures – Transfers of Financial Assets

The amendments to HKFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The directors of the Company anticipate that the application of the amendments to HKFRS 7 will affect the Group's disclosures regarding transfers of financial assets in the future.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

The directors anticipate that the adoption of HKFRS 9 in the future may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

New and revised Standards on consolidation and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and HK (SIC)-Int 12 Consolidation – Special Purpose Entities. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The application of these five standards may have significant impact on amounts reported in the consolidated financial statements. However, the directors of the Company have not yet performed a detailed analysis of the impact of the application of these Standards and hence have not yet quantified the extent of the impact.

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 Financial Instruments: Disclosures will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new Standard may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

Amendments to HKAS 1 – Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the time basis.

The amendments to HKAS 1 are effective for the annual period beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

Other than disclosed above, the directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

3 SEGMENT INFORMATION

Information reported to the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered.

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

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

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

(a) Segment revenues and results

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

For the year ended 31 December

	Golf equipment		Golf bags		Eliminations		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Sales to external customers	**234,822**	384,225	**43,827**	43,772	**–**	–	**278,649**	427,997
Inter-segment revenue	**–**	–	**12,993**	26,317	**(12,993)**	(26,317)	**–**	–
Other operating income	**2,353**	1,573	**648**	358	**–**	–	**3,001**	1,931
Total	**237,175**	385,798	**57,468**	70,447	**(12,993)**	(26,317)	**281,650**	429,928
Segment results	**(498)**	33,968	**1,182**	3,185			**684**	37,153
Interest income							**61**	307
Unallocated corporate income							**–**	–
Unallocated corporate expenses							**(6,321)**	(10,202)
Finance costs							**(10,433)**	(15,282)
(Loss) profit before taxation							**(16,009)**	11,976

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represents the results of each segment without allocation of interest income, central administration costs, 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 performance assessment.

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

(b) Segment assets and liabilities

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

At 31 December

	Golf equipment		Golf bags		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Assets and liabilities						
Segment assets	**456,976**	502,908	**25,537**	43,744	**482,513**	546,652
Unallocated corporate assets						
– Assets held for sale					**7,396**	–
– Club debentures					**2,135**	2,135
– Bank balances and cash					**39,074**	43,316
– Others					**1,149**	1,462
Total assets					**532,267**	593,565
Segment liabilities	**31,432**	48,089	**16,792**	23,983	**48,224**	72,072
Unallocated corporate liabilities						
– Amounts due to non-controlling shareholders of a subsidiary					**462**	462
– Income tax payable					**170**	1,398
– Bank borrowings					**130,048**	213,289
– Obligations under finance leases					**2,414**	–
– Loan from ultimate holding company					**11,524**	16,640
– Loan from immediate holding company					**23,678**	23,678
– Deferred taxation					**2,490**	2,565
– Others					**162**	61
Total liabilities					**219,172**	330,165

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

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

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

(c) Geographical information

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

Information about the Group's revenue from external customers by geographical location of revenue is presented below:

	Revenue from external customers	
	2011	2010
	HK$'000	*HK$'000*
North America	**170,193**	288,346
Europe	**29,712**	31,014
Asia (excluding Japan)	**37,372**	43,287
Japan	**33,017**	61,848
Others	**8,355**	3,502
	278,649	427,997

Less than 1% of the Group's revenue from external customers is derived from 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 presented below:

	2011	2010
	HK$'000	*HK$'000*
Hong Kong (country of domicile)	**15,479**	24,441
The PRC	**240,285**	266,835
Others	**3**	7
	255,767	291,283

(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		Total	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Other segment information:						
Addition to non-current assets *(Note)*	**8,450**	8,343	**491**	1,201	**8,941**	9,544
Amortisation of prepaid lease payments	**533**	529	**107**	103	**640**	632
Bad debts directly written off on other receivables	**350**	–	**–**	–	**350**	–
Bad debts directly written off on trade receivables	**5**	–	**54**	174	**59**	174
Depreciation of property, plant and equipment	**14,450**	18,887	**3,338**	3,389	**17,788**	22,276
Impairment loss recognised in respect of trade receivables	**–**	–	**–**	99	**–**	99
Impairment loss recognised in respect of property, plant and equipment	**–**	–	**–**	2,248	**–**	2,248
Loss on deregistration of subsidiaries	**–**	48	**–**	–	**–**	48
Loss on disposal of a subsidiary	**2,456**	–	**–**	–	**2,456**	–
Loss on disposal of property, plant and equipment	**609**	768	**100**	–	**709**	768

Note: Non-current assets included property, plant and equipments and prepayments for acquisition of property, plant and equipments.

(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	2011	2010
		HK$'000	*HK$'000*
Customer A	Golf equipment	**79,869**	114,803
Customer B	Golf equipment and golf bags	**91,516**	166,070

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 revenue for the year is as follows:

	2011	2010
	HK$'000	*HK$'000*
Turnover		
Sales of golf equipment and related components and parts	**234,822**	384,225
Sales of golf bags, other accessories and related components and parts	**43,827**	43,772
	278,649	427,997
Other operating income		
Interest income	**61**	307
Rental income	**–**	84
Sale of scrap materials	**201**	91
Sample income	**131**	103
Sundry income	**2,058**	1,376
Tooling income	**611**	277
	3,062	2,238
Total revenues	**281,711**	430,235

5. INCOME TAX EXPENSE

	2011	2010
	HK$'000	*HK$'000*
Hong Kong Profits Tax		
– Current	**169**	350
– Overprovision in prior years	**(546)**	–
	(377)	350
PRC Enterprise Income Tax Income ("EIT") – Current	**639**	68
	262	418

i) Hong Kong Profits Tax was calculated at 16.5% of the estimated assessable profit for the two years ended 31 December 2011 and 2010.

ii) Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of certain subsidiaries of the Company, which previously ranged from 15% to 33%, was changed to 25% from 1 January 2008 onwards.

In accordance with the tax legislations applicable to foreign investment enterprises, various subsidiaries are entitled to exemptions from the PRC EIT for the first two year commencing from the first profit-making year of operation and thereafter, entitled to a 50% relief from the PRC EIT for the following three years. According to the New Law, the first year income tax exemption commenced for the year ended 31 December 2008 and the subsidiary enjoys the second year income tax exemption for the year ended 31 December 2009.

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.

6. (LOSS) PROFIT FOR THE YEAR

	2011	2010
	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	**74,081**	84,742
Retirement benefit scheme contributions	**2,785**	2,599
Total staff cost	**76,866**	87,341
Amortisation of prepaid lease payments	**640**	632
Auditor's remuneration	**931**	1,003
Bad debts directly written off	**59**	174
Cost of inventories sold	**234,813**	338,177
Depreciation of property, plant and equipment	**17,788**	22,276
Exchange loss (net)	**2,017**	2,058
Impairment loss recognised in respect of trade receivables	**–**	99
Loss on deregistration of a subsidiary	**–**	48
Loss on disposal of a subsidiary	**2,456**	–
Loss on disposal of property, plant and equipment	**709**	768
Operating leases rentals in respect of land and buildings	**5,405**	5,746
Research and development costs	**2,444**	3,993
Write-off of other receivables	**350**	–

7. (LOSS) EARNINGS PER SHARE

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

	2011	2010
	HK$'000	*HK$'000*
(Loss) earnings		
(Loss) earnings for the purpose of basic and diluted (loss) earnings per share	**(16,242)**	11,588

	2011	2010
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**320,983**	302,200
Effect of dilutive potential on ordinary shares from share options	**–**	4,500
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	**320,983**	306,700

The diluted loss per share is equal to the basic loss per share as there were no dilutive potential ordinary shares for the year ended 31 December 2011.

8. DIVIDENDS

No dividends were paid, declared or proposed during the year ended 31 December 2011, nor has any dividend been proposed since the end of the reporting period (2010: Nil).

9. TRADE AND OTHER RECEIVABLES

	2011	2010
	HK$'000	*HK$'000*
Trade receivables	**18,685**	29,021
Less: impairment loss recognised	**(65)**	(522)
	18,620	28,499
Prepayments	**3,644**	1,105
Deposits and other receivables	**44,567**	54,297
	48,211	55,402
	66,831	83,901

i) The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally between 30 and 60 days. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management.

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

	2011	2010
	HK$'000	*HK$'000*
At the beginning of the year	**522**	13,544
Impairment loss recognised	**–**	99
Written off during the year	**(457)**	(13,121)
At the end of the year	**65**	522

At 31 December 2011, included in the impairment loss of trade receivables are individually impaired trade receivables with an aggregate balances of approximately HK$65,000 (2010: HK$522,000) due to long outstanding. The Group does not hold any collateral over these balances.

iii) The following is an aged analysis of trade receivables (net of impairment) of the Group presented based on the invoice dates at the end of the reporting period:

	2011	2010
	HK$'000	*HK$'000*
0 to 30 days	**13,407**	19,484
31 to 90 days	**4,823**	8,440
91 to 180 days	**380**	568
181 to 365 days	**10**	7
At the end of the year	**18,620**	28,499

iv) The aging analysis of the trade receivables (net of impairment) of the Group presented based on the due dates was as follows:

		Neither past	**Past due but not impaired**		
		due nor	**0 to 90**	**91 to 180**	**181 to 365**
	Total	**impaired**	**days**	**days**	**days**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2011	18,620	16,376	2,190	44	10
At 31 December 2010	28,499	19,517	8,933	49	–

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.

10. TRADE AND OTHER PAYABLES

	2011	2010
	HK$'000	*HK$'000*
Trade and bills payables	**36,772**	56,229
Customers' deposits received	**3,096**	2,285
Accrual and other payables	**8,518**	13,619
	48,386	72,133

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

	2011	2010
	HK$'000	*HK$'000*
0 to 90 days	**26,372**	21,316
91 to 180 days	**6,143**	22,064
181 to 365 days	**523**	10,010
Over 365 days	**3,734**	2,839
	36,772	56,229

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.

11. SHARE CAPITAL

	Number of shares	**Share capital**
		HK$'000
Ordinary shares of HK$0.10 each		
Authorised		
At 1 January 2010, 31 December 2010 and 2011	1,000,000,000	100,000
Issued and fully paid		
At 1 January 2010 and 31 December 2010	302,200,000	30,220
Exercise of shares options *(Note 1)*	4,500,000	450
Issue of shares upon rights issue *(Note 2)*	153,350,000	15,335
At 31 December 2011	460,050,000	46,005

Note 1: During the year ended 31 December 2011, 4,500,000 ordinary shares of HK$0.10 each were issued at a price of HK$0.37 per share upon exercise of share options granted on 2 November 2009.

Note 2: On 21 November 2011, a rights issue of 153,350,000 ordinary shares of HK$ 0.10 each in the Company was issued at a price of HK$0.39 per rights share. A sum of HK$58,772,000 net of expenses was raised.

All the new ordinary shares issued during the year ended 31 December 2011 ranked pari passu with the existing shares in all respects.

12. CAPITAL COMMITMENTS

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

	2011	2010
	HK$'000	*HK$'000*
Contracted, but not provided for:		
Leasehold land and buildings	**1,763**	1,434
Plant and machinery	**835**	1,186
	2,598	2,620

EVENTS AFTER THE REPORTING PERIOD

Subsequent to 31 December 2011, the Group entered into sales and purchase agreements with independent third parties to dispose of certain land and buildings in the PRC. Details of which are set out in the Company's announcement dated 9 March 2012.

DIVIDENDS AND CLOSURE OF REGISTER OF MEMBERS

The Board has not recommended the payment of a dividend for the year (2010: Nil).

The register of members of the Company will be closed from Monday, 4 June 2012 to Tuesday, 5 June 2012, 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 p.m. on Friday, 1 June 2012.

BUSINESS REVIEW

Overview

The volatile economic environment prevailing during the year has hampered our business and resulted in a substantial decline in the Group's turnover in 2011. Facing the economic uncertainties, market participants generally pursued a more prudent strategy through lowering the order quantities or rescheduling the shipment time to minimize the risk under a fluctuating global economy. Absent an obvious rebound in the market demand as anticipated, the business sentiment remained stagnant during the second half of the year. Despite our effort to fulfill orders timely to preserve and recognize revenues, the Group suffered a sales curtailment inevitably when a major customer rescheduled the launch and delivery time of certain programs to the first quarter of 2012.

The Group's turnover plummeted, year over year, by 34.9% in 2011 to HK$278,649,000 (2010: HK$427,997,000). Gross profit for the year was reduced to HK$43,836,000 from HK$89,820,000 for 2010 in commensurate with the reduced revenue level. Average gross profit margin fell by 5.3% to 15.7% mainly due to the recovery of fixed costs and other non-recurring expenses through the depressed turnover. To combat the volatile economy, the Group reinforced its cost control measures to optimize expenditures so as to mitigate the impact caused by the shrinkage in revenues. The broadened customer base and the enhanced manufacturing capability have helped strengthen our competitive edge during a period of economic instability. Driven by our mission to provide one-stop premium services to customers, the Group has persistently focused and committed on product innovation and customers' fulfillment aiming to gain market share as well as industry recognition. Our Group is determined to achieve long-term development and endeavors to procure additional business from the first-tier name brands to generate extra revenues. We maintain a confident though cautious view on the business outlook of the ensuing year as we anticipate a partial rebound when major customers resume and expedite the launch of new products during the later part of 2012.

During the year, the Renminbi currency appreciated moderately to intensify the cost burden attributable to Renminbi expenditures such as wages and factory overheads incurred at our manufacturing facilities in China. To mitigate the impact of cost hikes, the Group strengthened the implementation of its rationalization measures with an aim to streamline operations to optimize and reduce expenditures to the extent feasible.

In 2011, the golf equipment and components sales aggregated to HK$234,822,000 (2010: HK$384,225,000) representing 84.3% (2010: 89.8%) of the Group's turnover. Sales of the golf bags and accessories, after eliminating inter-segmental sales of HK$12,993,000 (2010: HK$26,317,000), amounted to HK$43,827,000 (2010: HK$43,772,000) to account for the remaining 15.7% of the Group's turnover for the year (2010: 10.2%). Suffering a plummet in revenues, both the golf equipment and the golf bag segments deteriorated in performance to record separately a segmental loss of HK$498,000 and a segmental profit of HK$1,182,000 for the year (2010: segmental profits of HK$33,968,000 and HK$3,185,000, respectively).

Golf Equipment Business

The golf equipment segment retained its role as the main operating segment to account for 84.3% of the Group's turnover for the year (2010: 89.8%). Adversely affected by the economic downturn, the golf equipment sales dropped significantly in 2011 by 38.9% to HK$234,822,000 compared to HK$384,225,000 for 2010. The segment turnover comprised golf clubs sales of HK$210,492,000 (2010: HK$352,963,000) and components sales of HK$24,330,000 (2010: HK$31,262,000), representing 89.6% (2010: 91.9%) and 10.4% (2010: 8.1%), respectively. Of the golf clubs sales, the proportion of club sets versus individual clubs was 81.8% (2010: 87.4%) and 18.2% (2010: 12.6%), respectively. For the components sales, club heads accounted for 83.0% (2010: 70.9%) with shafts and other accessories taking up the remaining 17.0% (2010: 29.1%).

During the year, sales to the largest segmental customer that carries the world's most prominent golf brand decreased by 44.9% to HK$91,377,000 (2010: HK$165,940,000), which represents 38.9% (2010: 43.2%) of the segment turnover or 32.8% (2010: 38.8%) of the Group's turnover for the year. Sales to other customers generally decreased by differing extent to further erode revenues. Turnover generated from the top five golf equipment customers aggregated to HK$218,823,000 (2010: HK$348,662,000), representing 93.2% (2010: 90.7%) of the segment turnover or 78.5% (2010: 81.5%) of the Group's turnover for the year. With the broadened customer base, the Group is determined to continually develop the golf equipment business to take on new first-tier name brands to uphold our role as a key market player.

It has been the Group's strategy to realize as much benefit and savings as would be achievable through its Shandong manufacturing facility that operates under a lower cost environment in the northern part of China. Since the inception, the Shandong manufacturing facility has kept on expanding to account for about two-third of the Group' production of golf clubs other than shafts for the current year. It is further planned to relocate the shaft production from our Guangdong manufacturing facility to the Shandong manufacturing facility in 2012. This arrangement aims to centralize the overall production of golf clubs and related components at one integrated facility to achieve greater efficiency and save cost. To further streamline the operations, a limited volume of golf bags production has been set up at the Shandong manufacturing facility to fulfill those orders of golf club sets that incorporate golf bags as accessories. This helps reduce the moving cost and eliminate the risk associated with transporting bulk quantities of golf bags over a long distance from the Group's Guangdong manufacturing facility for packaging into golf club sets at the Shandong manufacturing facility for export to customers. The Shandong manufacturing facility has strengthened our competitive advantage and provides an effective platform to facilitate the Group to solicit new business from those top tier golf name brands that are seeking alternative high quality supply sources.

During the year, the Group disposed to an independent third party of its entire equity interest in the subsidiary, which owns the Xiamen manufacturing facility in China, for a cash consideration of RMB18,000,000. The production role of the Xiamen manufacturing facility has been taken up by the Shandong manufacturing facility with greater productivity and contribution. Details of the transaction had been set out in the announcements of the Company made on 17 February 2011 and 23 February 2011, respectively. A loss of approximately HK$2,456,000 was recorded upon completion of the disposal. The proceeds from the disposal were applied for providing funds for the Group's working capital.

Following the relocation of the majority of the Group's production to the Shandong manufacturing facility, there is less demand for the production output of the Group's manufacturing facilities located in southern China. It is therefore desirable to seek opportunities to realize the redundant capacities for the benefit of the Group and the shareholders. Further to the disposal of the subsidiary holding the Xiamen manufacturing facility, the Group has subsequently entered into agreements in March 2012 to dispose of its two manufacturing facilities in Guangdong Province, China for a total cash consideration of RMB 37,500,000. Details of the transactions were set out in an announcement of the Company dated 9 March 2012. Proceeds from the disposal of the properties will be applied to reduce bank debts and provide general working capital for the Group.

To assure good quality and due recoverability of trade debts, the Group pursues the sound practice to procure factoring and insurance for its major receivables. Besides, the Group has tightened the credit terms in recent years to not exceeding 60 days and further requires deposits from new customers to avoid excess exposure. Our management seeks to maintain a strict control in doing business with individual customers and feels satisfied with the overall quality of trade receivables. At 31 December 2011, there was only an impairment provision of HK$65,000 that represents 0.34% of the outstanding trade receivables.

During the year, raw materials and components cost fluctuated moderately given the appreciation in the Renminbi currency, which brought inflationary pressure for the domestic purchases. On the other hand, the stringent cost control measures adopted by the Group have effectively mitigated the impact of a rising trend in labor cost and other expenditures such as energy and fuels that helped reduce margin erosions.

Hard hit by the shrinkage in sales volume, the golf equipment segment has recorded a segmental loss of HK$498,000 for the year (2010: profit of HK$33,968,000). Taking into account the prevailing market conditions and the current order book status, the management anticipates the golf equipment segment to achieve a partial rebound in the ensuing year though it will continue to operate under a fluctuating economy and face intense competition. We remain confident with caution and are devoted to further develop and explore the golf equipment business with an aim to rebuild sales volume and resume growth.

Golf Bag Business

Impacted by the economic downturn, the total sales of the golf bag segment decreased, before elimination of the inter-segmental sales of HK$12,993,000 (2010: HK$26,317,000), by 18.9% in 2011 to HK$56,820,000 (2010: HK$70,089,000). Notwithstanding the drop in the total segment sales, the segment turnover defined to comprise only the sales of golf bags and accessories to external customers increased slightly in 2011 to HK$43,827,000 (2010: HK$43,772,000) and accounted for 15.7% of the Group's turnover for the year (2010: 10.2%). The inter-segmental sales of golf bags dropped substantially as a result of the shrinkage in customers' orders of golf club sets that incorporated golf bags as accessories, sales of which had been classified to constitute the turnover of the golf equipment segment.

Of the segment turnover for the year, golf bag sales amounted to HK$30,086,000 (2010: HK$32,786,000) or represent 68.6% (2010: 74.9%), whereas accessories sales comprising mainly shoe bags aggregated to HK$13,741,000 (2010: HK$10,986,000) to account for the remaining 31.4% (2010: 25.1%). There has not been material change in the product mix percentage throughout the years. During the year, sales to the largest golf bag customer stayed at similar level as last year and amounted to HK$26,917,000 (2010: HK$26,916,000), which represents 61.4% (2010: 61.5%) of the segment turnover or 9.7% (2010: 6.3%) of the Group's turnover for the year. Turnover from the top five golf bag customers aggregated to HK$38,311,000 (2010: HK$36,577,000), representing 87.4% (2010: 83.6%) of the segment turnover or 13.7% (2010: 8.5%) of the Group's turnover for the year.

Analyzed alternatively, the segment turnover for the year was made up of sales of the Japan line of products and the non-Japan line of products in the percentage of 61.9% (2010: 62.4%) and 38.1% (2010: 37.6%), respectively. During the year, sales of the Japan line of products decreased marginally by 0.7% to HK$27,147,000 (2010: HK$27,327,000) whereas sales of the non-Japan line of products, comprising mostly golf bags of American design, increased slightly by 1.4% to HK$16,680,000 (2010: HK$16,445,000). The Group is devoted to seize opportunities to continually develop both the Japan line and the non-Japan line of golf bags that can bring us the business volume or reasonable profit margins.

During the year, the prices of major raw materials for the golf bag production such as PVC, PU and nylon increased moderately whilst the accessories price for items like metal parts and plastic components fluctuated within limited range. On the other hand, the labor cost and production overheads such as energy and fuels did move up moderately to intensify the overall cost burden. To maintain our position as a key market player, the golf bag segment reinforced the various measures it has implemented to streamline the operations to enhance efficiency and rationalize costs. It is our strategy to continually develop and specialize in the business of high-end golf bags that offers room for greater margins to sustain the Group's long-term growth in the golf bag segment.

Operating in a stagnant economic environment, the performance of the golf bag segment worsened to record a segmental profit of HK$1,182,000 for the year (2010: HK$3,185,000), down 62.9% from the previous year. In consideration of the prevailing market conditions and the current ordering trend, the management anticipates the golf bag segment to continue to develop steadily with an aim to resume growth notwithstanding a volatile economic environment with various challenges.

Geographical Segments

There have not been significant fluctuations in the geographical distribution of the Group's business throughout the years. About two-third of the Group's turnover for the year were for shipments to customers in North America, mainly the United States, whilst shipments to other geographical regions covered Japan; Asia (excluding Japan); Europe; and others. Being the world's largest golf market, North America continued to dominate and accounted for 61.1% of the Group's turnover in 2011 (2010: 67.4%). Other geographical regions covering Japan, Asia (excluding Japan), Europe; and others contributed 11.8%, 13.4%, 10.7% and 3.0% of the Group's turnover for the year, respectively (2010: 14.5%; 10.1%; 7.2%; and 0.8%, respectively).

In terms of percentages of the Group's turnover, sales to the North American market and the Japan market decreased, year over year, by 6.3% and 2.7% to 61.1% and 11.8% in 2011, respectively. As more effort has been made to seize opportunities to develop and explore other markets, sales to regions covering Asia (excluding Japan); Europe and others grew in importance and increased, as a percentage of the Group's turnover, to 13.4%; 10.7% and 3.0%, respectively in 2011 (2010: 10.1%; 7.2% and 0.8%, respectively).

In monetary terms, sales to the North American market fell 41.0% in 2011 to HK$170,193,000 (2010: HK$288,346,000), comprising golf equipment and golf bag sales in the proportion of 96.2% (2010: 97.1%)% and 3.8% (2010: 2.9%), respectively. Sales to the Japan market also decreased by 46.6% in 2011 to HK$33,017,000 (2010: HK$61,848,000) due mainly to the impact of the earthquake incident that took place in Japan in March 2011. With our effort to tap opportunities for other markets, sales to other geographical regions covering Asia (excluding Japan); Europe and others merely decreased in aggregate by 3% in 2011 to HK$75,439,000 (2010: HK$77,803,000).

It is the corporate strategy to strengthen our position in the North American market through continuing to explore the business opportunities with the major customers as well as other first-tier name brands looking for competitive high quality supply sources. Being the largest golf market in Asia, the Group remains devoted to persistently develop and tap opportunities in the Japan market both for the golf bag and golf equipment segments. To facilitate the long-term goal to enhance our market share, the Group is determined to continually develop business in the geographical regions covering, Asia (excluding Japan); Europe; and others, particularly the Asian market where the golf activities have become increasingly more popular and economical.

PROSPECTS AND RISK FACTORS

Prospects

The year of 2011 has been a challenging year for the Group. Irrespective of our effort to fulfill orders timely in striving to recognize as much revenues as achievable, the Group nevertheless suffered a sales curtailment for the year when a major customer rescheduled the launch of certain programs to the ensuing financial period. Both the golf equipment and the golf bag segments recorded a remarkable drop in the sales volume prior to the elimination of inter-segmental sales of golf bags that constituted the components of the golf club sets, sales of which had been appropriately classified to the turnover of the golf equipment segment. To mitigate the adverse impact caused by the retarded sales, the Group reinforced its cost control measures to help optimize the expenditures and continued to shift more production to the Shandong manufacturing facility to further reduce manufacturing cost.

With a strong customer network through which our Group communicates to keep abreast of the market trends and ad hoc incidents, we are devoted to grasp every opportunity to create business ideas and make proposals. Our Group has been working hard to attempt to start doing business with a prominent golf name brand in 2012 for which we have submitted prototypes pending feedback. Besides, we consider the growth potential of the existing major customers huge, with which our Group has set a target for long-term development and co-operation. We also expect to continue to take on additional new name brands to strengthen our customer portfolio for the Group's long-term value and interest.

To facilitate the long-term development, the Group has started to get participation in producing certain tools product that employs the same casting technology as that being used for our golf heads production. Shipments of the tools product have commenced in the first quarter of 2012 and we anticipate more orders of tools product to come. This project serves as a diversification option that offers an alternative utilization of the Group's production resources to generate extra revenue especially during the slack period for golf equipment.

Including actual shipments made after the yearend, the Group has procured, to-date, customer orders exceeding HK$150 million for 2012 with additional orders to be added from time to time. Our Group has endeavored to grasp opportunities to create business while continuing to develop the existing client portfolio for long-term growth. Based on the current ordering trend and the prevailing market conditions, the management maintains a confident though cautious view about the business outlook for 2012. It is envisaged that the golf equipment business may achieve a partial rebound whereas the golf bag business should manage to perform reasonably given a dynamic and volatile economic environment. We will also keep ourselves alert of the market developments and changes to ensure a prompt and rightful response for the Group's interest.

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 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 The United States Economy and Currency Fluctuations

As the Group is principally engaged in exporting the majority of its products to the United States, any fluctuation or adverse change in the economy of the United States might have an effect on the Group's business. The potential conflicts arising from (i) the imbalance of trade between the PRC and the United States, and (ii) the alleged under-valuation of the RMB currency could eventually lead to trade barriers and protectionism practices if not properly dealt with and resolved by the respective governments. Besides, the tendency of a stronger RMB currency may affect the competitiveness of the PRC exporters if the RMB currency further appreciates.

Interest Rates Movements

The Group 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 are currently at a relatively low level, any upward revision of the interest rates will increase the finance cost of the Group. Notwithstanding that the Group may consider entering into interest rate swap contracts to hedge interest payments, there is no assurance that such interest rate swaps would result in any significant savings for the Group.

Reliance on Key Customers

In 2011, sales to the largest customer represented 38.9% of the turnover of the golf equipment segment or 32.8% of the Group's annual turnover. The five largest customers in aggregate accounted for about 87.0% of the Group's turnover for the year. It is the Group's objective to diversify to maintain a healthy and balanced customer portfolio and we have reasonably achieved this. Due to the reliance on a few customers, 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 Supply Sources

As materials cost constitutes the major cost component of the Group's products, any significant price fluctuations or supply shortages may pose threats to erode profit margins even if we could adjust sales prices to recover the cost increase to some extent. Besides, the trend of more reliance on the component makers and those suppliers specified by customers may limit the choice and flexibility in selecting competitive suppliers by the Group that might undermine and erode our profit margins over the time.

In addition to the risk factors mentioned above, the Group is subject to other risk factors and uncertainties that could arise as market conditions may change from time to time. The management keeps alert on the existence of any other risks and will adopt prompt measures to mitigate the Group's exposure as deemed necessary.

MANAGEMENT DISCUSSION AND ANALYSIS

Results of Operations

Impacted by the volatile economy, the Group's business was adversely affected as customers generally pursued a more prudent strategy in placing orders or scheduling the launch and delivery time. The Group's turnover plummeted, year over year, by 34.9% in 2011 to HK$278,649,000 (2010: HK$427,997,000). Loss for the year attributable to owners of the Company amounted to HK$16,242,000 (2010: profit of HK$11,588,000). Basic loss per share was HK5.06 cents for the year (2010: earnings per share of HK3.83 cents). Diluted loss per share was also HK5.06 cents as there were no dilutive potential ordinary shares in respect of the year (2010: Diluted earnings per share of HK3.78 cents). The directors do not recommend the payment of a dividend for the year (2010: Nil).

During the year, turnover of the golf equipment segment decreased by 38.9% to HK$234,822,000 (2010: HK$384,225,000) whilst the turnover of the golf bag segment, defined to comprise only the sales to external customers, increased slightly to HK$43,827,000 (2010: HK$43,772,000). Prior to the elimination of inter-segmental sales of HK$12,993,000 (2010: HK$26,317,000), the total sales of the golf bag segment had decreased by 18.9% in 2011 to HK$56,820,000 (2010: HK$70,089,000), which represents the actual change in the business volume of the golf bag segment under the depressed economy. The inter-segmental sales of golf bags decreased significantly during the year mainly due to the drop in the orders of golf club sets that incorporated golf bags as accessories. Revenues from the sale of such golf club sets were classified to constitute the turnover of the golf equipment segment as deemed appropriate.

Other operating income for the year increased to HK$3,062,000 from HK$2,238,000 in 2010, mainly due to the increase in tooling and handling charge income.

Selling and distribution costs for the year decreased to HK$5,331,000 from HK$9,550,000 in 2010, primarily attributable to the reduction in commission payments and transportation charges given a curtailed business volume.

Benefited from the savings achieved through the Group's cost control measures, administrative expenses for the year decreased to HK$47,143,000 from HK$53,002,000 in 2010, mainly attributable to the reduction in staff costs, rentals and insurance expenses. Included in the administrative expenses was a loss of HK$2,456,000 for the disposal of a subsidiary that holds the Xiamen manufacturing facility (2010: Nil).

Finance costs for the year was reduced to HK$10,433,000 from HK$15,282,000 in 2010, primarily owing to the decrease in term loan interest and export factoring charges.

Hampered by the depressed economy, the Group has sustained a loss attributable to owners of the Company of HK$16,242,000 for the year in contrast to a profit of HK$11,588,000 recorded for 2010.

Liquidity and Financial Resources

It is the Group's objective to continually strengthen and rationalize its financial position to well support our long-term development and growth. We have progressed satisfactorily in this direction through the resources and funds contributed or made available from the internally generated cash flows; banking facilities and the financial support in the form of unsecured interest-free loans extended by the ultimate holding company and the immediate holding company to enable the Group to reduce its reliance on bank borrowings at times of economic depression. During the year, the Group utilized the funds provided by the ultimate holding company to further reduce the bank borrowings, which was followed by a rights issue in November 2011 to effectively capitalize part of the loan from the ultimate holding Company to increase the equity of the Group. The rights issue was made on the basis of one rights share for every two existing shares at a subscription price of HK$0.39 per rights share to raise approximately HK$59,807,000 before expenses. Details of the rights issue had been set out in the rights issue prospectus dated 3 November 2011 and the announcements of the Company made on 21 October 2011 and 22 November 2011, respectively. To properly manage the exposure to financial risks, the Group has adopted appropriate policies and guidelines to facilitate timely identification and prompt treatment of any detected financial risks.

At 31 December 2011, bank balances and cash, which were mostly denominated in United States dollars, Hong Kong dollars and Renminbi, amounted to HK$39,074,000 (2010: HK$43,316,000). The bank balances and cash decreased mainly because of less trade receivables realized during the year given the reduced sales revenues. At 31 December 2011, the inventories of the Group amounted to HK$161,906,000 (2010: HK$173,817,000). It is the Group's objective to maintain adequate inventories to meet its production requirement and review periodically to regulate the inventory level for appropriateness. We are devoted to properly consume and deal with compiled inventories to assure the realization of assets through the business cycle. The Group has managed to realize and clear up some compiled inventories worth approximately HK$20 million during the first quarter of 2012 to help rationalize the inventory level. The Group has pursued the policy to maintain adequate funds to run its operations and discharge the liabilities as and when they fall due.

Borrowings of the Group other than the loans from the immediate holding company and the ultimate holding company are mostly denominated in Hong Kong dollars, United States dollars and Renminbi that carry interest on HIBOR/LIBOR plus basis or at the interest rate promulgated by the Peoples' Bank of China from time to time. At 31 December 2011, interest-bearing borrowings comprising bank borrowings and obligations under finance leases aggregated to HK$132,462,000 (2010: HK$213,289,000), of which HK$122,279,000 (2010: HK$199,000,000) was repayable within one year. The loan from the immediate holding company of HK$23,678,000 at 31 December 2011 was unsecured, interest-free and has been extended to mature in March 2013 (2010: HK$23,678,000), whereas the loan from the ultimate holding company of HK$11,524,000 at 31 December 2011 was unsecured, interest free and repayable on demand (2010: HK$16,640,000). On the other hand, bank loans from certain PRC banks of HK$81,768,000 at 31 December 2011 (2010: HK$85,882,000) were secured by the land and buildings of the Group with a carrying value of HK$187,686,000 (2010: HK$182,388,000). The gearing ratio, defined as bank borrowings and obligations under finance leases less bank balances and cash of HK$93,388,000 divided by the shareholders' equity of HK$313,095,000, was 29.8% as at 31 December 2011 (2010: 64.5%). The gearing ratio at 31 December 2011 would be restated as 41.1% (2010: 79.8%) if the loans from the immediate holding company and the ultimate holding company were included in computing the ratio.

It is the corporate objective to maintain a financial position that is supportive of the Group's long-term development and growth. At 31 December 2011, the total assets and the net asset value of the Group amounted to HK$532,267,000 (2010: HK$593,565,000) and HK$313,095,000 (2010: HK$263,400,000) respectively. Current and quick ratios as at 31 December 2011 were 1.51 (2010: 1.04) and 0.62 (2010: 0.44) respectively. Both the current ratio and quick ratio showed remarkable improvement as a result of the realization of certain non-current assets and the substantial reduction in bank borrowings. The Group is devoted to continue to explore effective means to rationalize and further improve its financial position.

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 RMB.

At 31 December 2011, the Group had no significant contingent liabilities.

Employee and Remuneration Policies

At 31 December 2011, the Group employed a total of approximately 1,830 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.

REMUNERATION COMMITTEE

The Remuneration Committee comprises three Independent Non-Executive Directors and two Executive Directors of the Company. It met once during the year ended 31 December 2011 and reviewed the remuneration policy and structure of the Company and remuneration packages of the directors and the senior management for the year under review.

NOMINATION COMMITTEE

During the year, there was no Nomination Committee under the Board of the Company. The task of nominating directors is directly dealt with by the Board as appropriate. During the year, there was no newly-appointed directors to the Board and there was one meeting of the Board held for the purpose of nominating the retiring directors for re-election at the Company's annual general meeting convened on 2 June 2011.

Subsequent to the reporting period, the Company has established a Nomination Committee with specific terms of reference on 22 February 2012 in compliance with the requirements of the Listing Rules.

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 2011.

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 2011.

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 2011, 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 continued support. We treasure their contribution and commitments as a key motivator of the Group's long-term development and success.

PUBLICATION OF THE 2011 ANNUAL REPORT ON THE WEBSITE OF THE STOCK EXCHANGE

The Company's annual report for 2011 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, 30 March 2012

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.