SINO GOLF HOLDINGS LIMITED

順龍控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 361)

ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2007

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 2007 with the comparative figures for the year ended 31 December 2006. The consolidated financial statements have been reviewed by audit committee of the Company.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2007

	Notes	**2007** *HK$'000*	2006 *HK$'000* (Restated)
REVENUE	*3*	**567,668**	493,376
Cost of sales		**(423,478)**	(359,597)
Gross profit		**144,190**	133,779
Other income and gain	*3*	**7,661**	5,781
Selling and distribution costs		**(21,590)**	(23,850)
Administrative expenses		**(57,982)**	(53,549)
Other expenses		**(6,714)**	(6,844)
Finance costs	*5*	**(22,576)**	(20,603)
PROFIT BEFORE TAX	*4*	**42,989**	34,714
Tax	*6*	**(1,179)**	(1,580)
PROFIT FOR THE YEAR		**41,810**	33,134
Attributable to:			
Equity holders of the parent		**41,810**	33,315
Minority interests		**–**	(181)
		41,810	33,134
DIVIDENDS	*8*		
Interim		**6,044**	9,973
Proposed final		**7,555**	6,648
		13,599	16,621
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*7*		
Basic		**HK13.8 cents**	HK11.0 cents
Diluted		**HK13.8 cents**	HK11.0 cents

CONSOLIDATED BALANCE SHEET

31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**196,169**	156,674
Prepaid land lease payments		**21,725**	20,765
Goodwill		**25,723**	25,723
Deposits and other receivables		**3,539**	–
Prepayments for acquisition of items of property, plant and equipment		**22,359**	29,517
Total non-current assets		**269,515**	232,679
CURRENT ASSETS			
Inventories		**161,557**	151,062
Trade receivables	*9*	**47,445**	16,295
Prepaid land lease payments		**528**	459
Prepayments, deposits and other receivables		**28,435**	15,702
Cash and cash equivalents		**80,069**	73,105
Total current assets		**318,034**	256,623
CURRENT LIABILITIES			
Trade and bills payables	*10*	**84,099**	53,967
Other payables and accruals		**42,265**	37,811
Due to minority shareholders of a subsidiary		**462**	454
Tax payable		**1,715**	2,090
Interest-bearing bank and other borrowings		**106,383**	149,059
Total current liabilities		**234,924**	243,381
NET CURRENT ASSETS		**83,110**	13,242
TOTAL ASSETS LESS CURRENT LIABILITIES		**352,625**	245,921

	Notes	**2007**	2006
		HK$'000	*HK$'000*
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**108,693**	42,842
Deferred tax liabilities		**2,333**	2,718
Total non-current liabilities		**111,026**	45,560
Net assets		**241,599**	200,361
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital		**30,220**	30,220
Reserves		**201,253**	160,926
Proposed final dividend		**7,555**	6,648
		239,028	197,794
Minority interests		**2,571**	2,567
Total equity		**241,599**	200,361

Notes:

1.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2007. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries.

1.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 7	*Financial Instruments: Disclosures*
HKAS 1 Amendment	*Capital Disclosures*
HK(IFRIC)-Int 8	*Scope of HKFRS 2*
HK(IFRIC)-Int 9	*Reassessment of Embedded Derivatives*
HK(IFRIC)-Int 10	*Interim Financial Reporting and Impairment*

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 7 *Financial Instruments: Disclosures*

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results of operations of the Group, comparative information has been included/revised where appropriate.

(b) Amendment to HKAS 1 *Presentation of Financial Statements – Capital Disclosures*

This amendment requires the Group to make disclosures that enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital.

(c) HK(IFRIC)-Int 8 *Scope of HKFRS 2*

This interpretation requires HKFRS 2 to be applied to any arrangement in which the Group cannot identify specifically some or all of the goods or services received, for which equity instruments are granted or liabilities (based on a value of the Group's equity instruments) are incurred by the Group for a consideration, and which appears to be less than the fair value of the equity instruments granted or liabilities incurred. As the Company has only issued equity instruments to the Group's employees for identified services provided in accordance with the Company's share option scheme, the interpretation has had no effect on these financial statements.

(d) HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives*

This interpretation requires that the date to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative is the date that the Group first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. As the Group has no embedded derivative requiring separation from the host contract, the interpretation has had no effect on these financial statements.

(e) HK(IFRIC)-Int 10 *Interim Financial Reporting and Impairment*

The Group has adopted this interpretation as of 1 January 2007, which requires that an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument classified as available-for-sale or a financial asset carried at cost is not subsequently reversed. As the Group had no impairment losses previously reversed in respect of such assets, the interpretation has had no impact on the financial position or results of operations of the Group.

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

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

HKFRS 8	*Operating Segments* [1]
HKAS 1 (Revised)	*Presentation of Financial Statements* [1]
HKAS 23 (Revised)	*Borrowing Costs* [1]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements* [5]
HKFRS 2 Amendments	*Share-based Payment – Vesting Conditions and Cancellations* [1]
HKFRS 3 (Revised)	*Business Combinations* [5]
HK(IFRIC)-Int 11	*HKFRS 2 – Group and Treasury Share Transactions* [2]
HK(IFRIC)-Int 12	*Service Concession Arrangements* [4]
HK(IFRIC)-Int 13	*Customer Loyalty Programmes* [3]
HK(IFRIC)-Int 14	*HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* [4]

[1] *Effective for annual periods beginning on or after 1 January 2009*
[2] *Effective for annual periods beginning on or after 1 March 2007*
[3] *Effective for annual periods beginning on or after 1 July 2008*
[4] *Effective for annual periods beginning on or after 1 January 2009*
[5] *Effective for annual periods beginning on or after 1 July 2009*

HKFRS 8, which will replace HKAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group expects to adopt HKFRS 8 from 1 January 2009.

HKAS 1 has been revised to separate owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, the revised standard introduces the statement of comprehensive income: it presents all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense, either in one single statement, or in two linked statements. The Group is still evaluating whether it will have one or two statements.

HKAS 23 has been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. As the Group's current policy for borrowing costs aligns with the requirements of the revised standard, the revised standard is unlikely to have any financial impact on the Group.

HKAS 27 has been revised to require a change in the ownership interest of a subsidiary to be accounted for as an equity transaction. The revised standard will not have impact on goodwill nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary. The revised standard must be applied prospectively and will affect future acquisitions and transactions with minority interest.

HKFRS 2 has been amended to restrict the definition of "vesting condition" to a condition that includes an explicit or implicit requirement to provide services. Any other conditions are non-vesting conditions, which have to be taken into account to determine the fair value of the equity instruments granted. The amended standard states that the award which does not vest as the result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this must be accounted for as a cancellation. The Group has not entered into share-based payment schemes with non-vesting conditions attached and, therefore, does not expect significant implications on its accounting for share-based payments.

HKFRS 3 has been revised to introduce a number of changes in the accounting for business combinations that will impact in the period that an acquisition occurs, and future reported results. The revised standard must be applied prospectively and will affect future acquisitions and transactions with minority interests.

HK(IFRIC)-Int 11 requires arrangements whereby an employee is granted rights to the Group's equity instruments, to be accounted for as an equity-settled scheme, even if the Group acquires the instruments from another party, or the shareholders provide the equity instruments needed. HK(IFRIC)-Int 11 also addresses the accounting for share-based payment transactions involving two or more entities within the Group. As the Group currently has no such transactions, the interpretation is unlikely to have any financial impact.

HK(IFRIC)-Int 12 requires an operator under public-to-private service concession arrangements to recognise the consideration received or receivable in exchange for the construction services as a financial asset and/or an intangible asset, based on the terms of the contractual arrangements. HK(IFRIC)-Int 12 also addresses how an operator shall apply existing HKFRSs to account for the obligations and the rights arising from service concession arrangements by which a government or a public sector entity grants a contract for the construction of infrastructure used to provide public services and/or for the supply of public services. As the Group currently has no such arrangements, the interpretation is unlikely to have any financial impact on the Group.

HK(IFRIC)-Int 13 requires that loyalty award credits granted to customers as part of a sales transaction are accounted for as a separate component of the sales transaction. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished.

HK(IFRIC)-Int 14 addresses how to assess the limit under HKAS 19 *Employee Benefits*, on the amount of a refund or a reduction in future contributions in relation to a defined benefit scheme that can be recognised as an asset, in particular, when a minimum funding requirement exists.

As the Group currently has no customer loyalty award credits and defined benefit scheme, HK(IFRIC)-Int 13 and HK(IFRIC)-Int 14 are not applicable to the Group and therefore are unlikely to have any financial impact on the Group.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on the Group's results of operations and financial position.

2. SEGMENT INFORMATION

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

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

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

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

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

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

(a) Business segments

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 December 2007 and 2006.

Group

	Golf equipment		Golf bag		Eliminations		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Sales to external customers	**407,966**	402,188	**159,702**	91,188	**–**	–	**567,668**	493,376
Intersegment revenue	**–**	4,475	**4,634**	11,079	**(4,634)**	(15,554)	**–**	–
Other revenue	**2,368**	3,093	**4,431**	1,867	**–**	–	**6,799**	4,960
Total	**410,334**	409,756	**168,767**	104,134	**(4,634)**	(15,554)	**574,467**	498,336
Segment results	**56,223**	48,949	**8,480**	5,547			**64,703**	54,496
Interest income							**862**	821
Finance costs							**(22,576)**	(20,603)
Profit before tax							**42,989**	34,714
Tax							**(1,179)**	(1,580)
Profit for the year							**41,810**	33,134

Group

	Golf equipment		Golf bag		Eliminations		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Assets and liabilities								
Segment assets	**459,281**	373,977	**86,926**	55,504	**(40,432)**	(13,284)	**505,775**	416,197
Corporate and other unallocated assets							**81,774**	73,105
Total assets							**587,549**	489,302
Segment liabilities	**77,051**	56,078	**73,495**	51,528	**(40,432)**	(13,284)	**110,114**	94,322
Corporate and other unallocated liabilities							**235,836**	194,619
Total liabilities							**345,950**	288,941
Other segment information:								
Depreciation	**13,894**	11,640	**2,741**	1,917			**16,635**	13,557
Impairment of trade receivables	**–**	822	**–**	–			**–**	822
Write-off of trade receivables	**80**	–	**–**	–			**80**	–
Capital expenditure	**43,185**	43,270	**4,550**	6,744			**47,735**	50,014

(b) Geographical segments

The following table presents revenue and certain asset and expenditure information for the Group's geographical segments for the years ended 31 December 2007 and 2006.

Group

	North America		Europe		Asia (excluding Japan)		Japan		Others		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:												
Sales to external customers	**354,263**	338,244	**19,325**	21,265	**91,190**	57,157	**93,528**	75,616	**9,362**	1,094	**567,668**	493,376

	Hong Kong and Macau		Mainland China		Others		Eliminations		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Other segment information:										
Segment assets	**575,516**	427,845	**502,430**	363,821	**21,570**	13,710	**(593,741)**	(389,179)	**505,775**	416,197
Capital expenditure	**2**	322	**47,733**	49,692	**–**	–	**–**	–	**47,735**	50,014

3. REVENUE, OTHER INCOME AND GAIN

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold after allowances for goods returns and trade discounts received and receivable during the year.

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

	Group	
	2007	2006
	HK$'000	*HK$'000*
		(Restated)
Revenue		
Sale of goods	**567,668**	493,376
Other income and gain		
Bank interest income	**862**	821
Rental income	**1,974**	1,974
Sample income	**2,104**	18
Tooling charges	**1,765**	2,143
Gain on disposal of items of property, plant and equipment	**–**	150
Others	**956**	675
	7,661	5,781

During the year, the Group considered it more appropriate to reclassify certain revenue items, including rental income, testing income and tooling charges to other income and gain in order to better reflect the underlying nature and allow a more appropriate presentation of the Group's results. Accordingly, the relevant comparative amount of HK$4,126,000, in aggregate, was reclassified to conform with the current year's presentation.

4. PROFIT BEFORE TAX

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

	2007	2006
	HK$'000	*HK$'000*
Auditors' remuneration	**1,500**	1,330
Cost of inventories sold	**266,263**	243,293
Depreciation	**16,635**	13,557
Employee benefits expense (including directors' remuneration):		
Wages, salaries, bonuses and allowances	**88,506**	84,262
Equity-settled share option expense	**–**	312
Retirement benefits scheme contributions*	**5,041**	2,187
	93,547	86,761
Foreign exchange differences, net	**(11)**	1,141
Recognition of prepaid land lease payments	**528**	493
Minimum lease payments under operating leases in respect of land and buildings	**8,400**	7,541
Research and development costs	**4,834**	3,015
Loss on derecognition of interest rate swaps	**–**	172
Loss/(gain) on disposal of items of property, plant and equipment	**75**	(150)
Write-off of items of property, plant and equipment**	**463**	103
Impairment of trade receivables**	**–**	822
Write-off of trade receivables**	**80**	–
Write-off of other receivables**	**350**	–

* At 31 December 2007, the Group had no forfeited contributions available to reduce its contributions to the retirement benefits schemes in future years (2006: Nil).

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

5. FINANCE COSTS

	Group	
	2007	2006
	HK$'000	*HK$'000*
Loss on derecognition of interest rate swaps	**–**	172
Factoring and bank charges	**11,712**	11,077
Interest on bank loans wholly repayable within five years	**10,636**	9,248
Interest on finance leases	**228**	106
	22,576	20,603

6. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Group	
	2007	2006
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	**1,200**	1,761
Overprovision in prior years	**(203)**	–
Current – Elsewhere	**567**	560
Deferred	**(385)**	(741)
Tax charge for the year	**1,179**	1,580

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

The calculation of basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the parent of HK$41,810,000 (2006: HK$33,315,000) and the weighted average number of 302,200,000 (2006: 302,200,000) ordinary shares in issue during the year.

The calculation of diluted earnings per share is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of 302,883,000 (2006: 302,147,000) ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares that would be issued at no consideration assuming all outstanding share options of the Company were exercised to subscribe for ordinary shares of the Company at the beginning of the year.

8. DIVIDENDS

	2007	2006
	HK$'000	*HK$'000*
Interim – HK2.0 cents (2006: HK3.3 cents) per ordinary share	**6,044**	9,973
Proposed final – HK2.5 cents (2006: HK2.2 cents) per ordinary share	**7,555**	6,648
	13,599	16,621

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

9. TRADE RECEIVABLES

	Group 2007 HK$'000	2006 HK$'000
Trade receivables	**57,285**	27,066
Impairment	**(9,840)**	(10,771)
	47,445	16,295

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. Trade receivables are non-interest-bearing.

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

	Group 2007 HK$'000	2006 HK$'000
At 1 January	**10,771**	9,949
Impairment losses recognised *(note 4)*	**–**	822
Amount written off as uncollectible	**(931)**	–
	9,840	10,771

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$9,840,000 (2006: HK$10,771,000) with a carrying amount of HK$11,124,000 (2006: HK$12,748,000). The individually impaired trade receivables relate to customers that were in financial difficulties and only a portion of the receivables is expected to be recovered. The Group does not hold any collateral over these balances.

The aged analysis of the trade receivables that are not considered to be impaired is as follows:

	Group 2007 HK$'000	2006 HK$'000
Neither past due nor impaired	**24,242**	7,212
1 to 3 months past due	**18,484**	4,330
4 to 6 months past due	**964**	16
7 to 12 months past due	**2,030**	2,500
Over 1 year past due	**1,725**	2,237
	47,445	16,295

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

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

10. TRADE AND BILLS PAYABLES

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

	Group	
	2007	2006
	HK$'000	HK$'000
Within 3 months	**69,821**	46,310
4 to 6 months	**10,855**	6,933
7 to 12 months	**3,039**	428
Over 1 year	**384**	296
	84,099	53,967

The trade payables are non-interest-bearing and are normally settled on 30 to 90 days terms.

FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The directors recommend the payment of a final dividend of HK2.5 cents per share for the year ended 31 December 2007 (2006: HK2.2 cents), which is subject to the approval by shareholders at the forthcoming annual general meeting, to those shareholders whose names appear on the register of members of the Company on 29 May 2008. Together with the interim dividend of HK2.0 cents per share declared and paid (2006: HK3.3 cents), the total annual dividend of HK4.5 cents (2006: HK5.5 cents) per share represents a payout ratio of about 32.6% (2006: 50.0%).

The register of members of the Company will be closed from Tuesday, 27 May 2008 to Thursday, 29 May 2008 both days inclusive, during which period no transfer of shares will be effected. All share transfer, accompanied by the relevant share certificates, must be lodged with the Company's share registrar in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:00 p.m. on Monday, 26 May 2008 in order to qualify for the final dividend proposed which will be payable on or about 12 June 2008.

BUSINESS REVIEW AND PROSPECTS

Overview

The year of 2007 has brought considerable challenge for our Group. It is encouraging that the golf bag segment achieved record sales of approximately HK$160 million during the year and there was an increase of 1.4% in the golf equipment sales to about HK$408 million. Overall, the turnover of the Group increased by about 15% to approximately HK$568 million in 2007. With the focus on product innovation and successful marketing strategy, the golf bag business continued to expand to broaden its customer base. On the other hand, the golf equipment business had undergone a short-term consolidation during the first half of 2007, which was followed by a rebound in the second half of the year when new product models were launched.

Gross profit increased from HK$133.8 million (as restated) in 2006 to HK$144.2 million this year. As golf bag sales, which generally carried a lower profit margin than golf equipment sales, accounted for a greater proportion of the Group's turnover in the current year, the average gross profit margin was thereby diluted. Coupled with the impact of a general cost rise, the average gross profit margin declined from 27.1% (as restated) in 2006 to 25.4% for 2007. Profit attributable to equity holders of the Company for the year increased to HK$41,810,000 compared with HK$33,315,000 for the preceding year.

Driven by the Group's effective marketing programs, sales of the golf bag segment soared by 75% during the year. The growth of the non-Japan line of products, which comprised mainly golf bags of American style, was particularly prominent. Our strategy to focus on product innovation and customer service has laid the foundation for long-term growth, which has helped enhance the Group's competitive advantage to substantiate the continued development and expansion throughout these years. We are devoted to provide our customers with improved and better quality one-stop premium services.

During the year, both the materials cost and labor rates went up. Furthermore, currency fluctuation, especially the appreciation of the Renminbi, has brought additional cost burden for manufacturers operating in the Mainland China. Our Group managed to mitigate the adverse impact of cost rises by improving its output efficiency and administering more stringent cost controls. In addition, sales price of new product models had been adjusted to reflect the cost increase. Nevertheless, the average gross profit margin was undermined to the extent that certain cost increases were not fully recoverable through price revisions.

In 2007, the golf equipment sales amounted to HK$407,966,000 representing 71.9% of the Group's annual turnover. Sales in the golf bag segment accounted for the remaining 28.1% or HK$159,702,000 of the total turnover. Within a competitive operating environment, the golf equipment and golf bag segments achieved segmental profits of approximately HK$56,223,000 and HK$8,480,000 respectively for the year. Both business segments have shown further development since the preceding year.

Golf Equipment Business

The golf equipment business continued to be the Group's largest business segment. Partly affected by a short-term consolidation in the first half of 2007, the dominance of golf equipment sales, as a percentage of the Group's annual turnover, has declined from 81.5% in 2006 to 71.9% for 2007. During the year, sales of golf equipment increased by about 1.4% to approximately HK$407,966,000 of which about HK$176,465,000 or 43.3% was realized during the first six months followed by a rebound in the second half year when the orders for new models were fulfilled.

Of the total segment sales, golf clubs sales accounted for about 70.5% or HK$287,597,000, while components sales including club heads, shafts and accessories took up the remaining 29.5% or HK$120,369,000. Within the golf clubs sales, the split between club sets and individual clubs was approximately 63.3% and 36.7% respectively. Sales of club sets, as a proportion of the total golf clubs sales, has gone up by more than twelve percentage points against the sale of individual clubs when compared to those of the preceding year.

Attributed to the satisfactory performance of the hybrid iron set program since its launch by the Group's largest customer a couple of years ago, sales to this customer increased to approximately HK$216,377,000 in 2007, representing about 53.0% of the segment sales or 38.1% of the Group's turnover for the year. During the year, sales to other major customers developed steadily with the addition of a number of new customers of good potential. Sales of golf equipment to the top five customers aggregated to approximately HK$315,940,000, representing about 77.4% of the segment sales or 55.7% of the Group's annual turnover. The impact of the short-term consolidation during the first half of 2007 was only temporary, as golf equipment sales rebounded remarkably upon the launch of new models during the second half of the year. Besides, our Group has made good progress towards starting a business relationship with certain prominent name brands in the golf market. It is anticipated that trial orders from the targeted name brands are likely to commence within 2008. Following the completion of the new golf club facility in Shandong Province, the Mainland China, the Group now possesses an enhanced platform designed specifically to meet the criteria for engaging in business with top tier golf clients. The Group's persistent investments in research and development have successfully enhanced our industry profile and recognition throughout the years. Our competitive advantage built on the capability to produce a variety of sophisticated high-end products and the ability to swiftly foresee and react market changes also reaffirms the Group's position as one of the key players in the golf industry.

As a common feature of the golf industry, the Group conducts its golf equipment business through a relatively concentrated customer portfolio comprising approximately 20 active customers. Accordingly, the Group has been able to closely monitor individual customers through effective credit controls and periodic review of their performance. Recoverability of trade debts was secured by non-recourse factoring or insurance of shipments to major customers. Besides, only customers with sound credit worthiness will be given credit terms and cash deposits are normally required from new customers. To properly confine bad debt risk to a minimum, any material delays in payments, or non-payments by customers were immediately addressed by the management including a decision to withhold shipments where necessary. During the year, the Group has received a distribution of approximately HK$718,000 from the trustee of the creditors of Huffy Corporation in accordance with its reorganization plan approved by the U.S. bankruptcy court in 2005. The amount so received had been applied as appropriate to reduce the remaining debt owed by Huffy Corporation that was brought forward prior to its reorganization in 2005. Sales by the Group to Huffy Corporation during the year amounted to approximately HK$8.6 million, which was settled according to terms and covered by insurance. Having considered the relevant factors, the management concurred that no further provision for impairment in value of the remaining debt owed by Huffy Corporation is required in the current year.

During the year, raw material prices and production costs including labor and energy expenses continued to escalate. As the Group received most of its revenues in the currency of United States dollars, the appreciation of the Renminbi further increased the Group's operating costs when foreign currency revenues were exchanged to discharge the Renminbi expenses. Given that price revisions were generally not feasible once the terms had been fixed, the profit margins on committed orders were thus squeezed. However, the Group has managed to revise sales price to recoup the cost increase when negotiating orders for new models. To secure uninterrupted production for timely deliveries, the Group has compromised to strike a balance between the purchase of raw materials, such as graphite sheets for shaft production, and the purchase of components direct from specified suppliers. The shift in the purchasing pattern to rely more on direct components purchase has restricted and limited the room to incorporate additional profit margins into the pricing of finished products. To mitigate the impact of cost rise as well as supply shortages, the Group has strategically compiled inventories of selected key materials so as to optimize costs and ensure materials availability for uninterrupted production.

Despite a short-term consolidation during the first half year, the golf equipment segment achieved a segmental profit of approximately HK$56,223,000 in 2007, representing an increase of about 14.9% compared to that of the preceding year. Having considered the current order book status and the prevailing market conditions, the management maintains a cautious but confident view for a further developed golf equipment business going forward.

Golf Bag Business

With the back up of the SOE compliant operation, the golf bag business continued to prosper and achieved record sales of approximately HK$159,702,000 in 2007, representing an increase of 75% over that of the preceding year. Turnover of the golf bag segment has reached a historic high to account for 28.1% of the Group's annual turnover. Of the total segment sales, golf bag sales accounted for about 85.0% and amounted to approximately HK$135,807,000, while sales of accessories comprising mainly shoe bags aggregated to approximately HK$23,895,000 or 15.0% of the segment sales. There has not been material change in the product mix percentage during the past couple of years. The golf bag segment has enjoyed unprecedented growth in recent years taking advantage of the SOE compliant qualification and our capability to produce high-end innovative products. During the year, sales to the largest golf bag customer increased by 71.4% to approximately HK$84,772,000, representing about 53.1% of the segment sales or 14.9% of the Group's turnover. Sales to the top five golf bag customers during the year aggregated to approximately HK$146,893,000 and accounted for about 92.0% of the segment sales or 25.9% of the Group's turnover.

Both the Japan line and non-Japan line of products grew substantially during the year. In particular, sales to a non-Japan line customer surged significantly to account for over 33% of the segment sales, making it the second largest segmental customer. Nevertheless, the Japan line of products continued to dominate the golf bag sector and took up over 59% of the segment sales. It is our Group's strategy to actively develop both the Japan line and non-Japan line of golf bags. We will continue to put emphasis on the Japan line of products that normally command higher prices and margins, while directing additional resources to further explore the non-Japan line of products that offer bulk sales opportunities, particularly in the American market.

The SOE compliant status has qualified our Group to engage in direct business with top tier customers, which generally designate such qualification as a prerequisite for purchase of goods from a supplier. This has helped bring in additional business for the Group and enables us to outperform other competitors. Our Group now plays a leading role in the golf bag sector and serves substantially all the major brand names in the market. We are committed to further develop the golf bag business to strengthen and increase our market share through continued product innovation and value added one-stop premium services.

During the year, price of key materials for golf bag production such as PVC, PU and nylon fluctuated mildly but prices of accessories like metal parts and components showed greater increment. In addition, labor costs continued to escalate due to volatility in the labor supply. Our Group combated against the impact of price hikes by administering more stringent cost control and improving its the output efficiency. We also continued to strengthen and expand the Japan line of products that carry higher prices and margins to contribute to revenues.

Benefiting from the substantial growth in turnover, the golf bag segment achieved a 52.9% increase in segmental profit to approximately HK$8,480,000 for the year. Having considered the current order book status and the prevailing market conditions, the management maintains a confident view that the golf bag segment will continue to develop at a steady pace going forward.

Geographical segments

There has not been major change in the geographical spread of the Group's business during the past couple of years. The Group shipped the majority of golf equipment products to the United States and substantial portion of the golf bags to Japan and the United States. Despite a short-term consolidation of golf equipment sales to the United States during the first half of 2007, the North American market continued to represent the largest geographical segment contributing approximately 62.4% of the Group's annual turnover. Other geographical regions including Japan, Europe and Other Countries generated about 16.5%, 3.4% and 17.7% of the Group's annual turnover respectively.

Following the short-term consolidation of golf equipment shipments to the United States, sales to the North American market, as a percentage of the Group's turnover, decreased from 68.6% in 2006 to 62.4% for 2007. With the satisfactory performance of both the Japan line and non-Japan line of golf bags, sales to the Japanese market increased moderately from 15.3% in 2006 to 16.5% of the Group's turnover in the current year. During the year, sales to other geographical regions covering Europe and Other Countries increased from 16.1% to 21.1% of the Group's turnover mainly attributable to the additional sales to certain Asian countries (other than Japan).

In monetary terms, sales to the North American market still increased by about 4.7% year on year to approximately HK$354,263,000 comprising about 87% golf equipment sales and 13% golf bags sales respectively. It is encouraging that sales of golf bags to the United States more than tripled the amount achieved in the preceding year. With the efforts devoted, sales to the Japanese market increased by about 24% to HK$93,528,000, of which approximately HK$74,281,000 or 79% represented golf bags sales with the remaining 21% constituting golf equipment sales. Sales to other geographical regions covering Europe and Other Countries increased by about 51% to approximately HK$119,877,000. It is a motivation to see satisfactory growth in both the Japanese market and geographical regions covering Europe and Other Countries.

Irrespective of a short-term consolidation in the golf equipment business, it is the Group's strategy to strengthen and further develop its business in the North America market so as to uphold our competitive advantage in the world's largest golf market. Concurrently, extra efforts and additional resources will be expended to tap the huge opportunities in the Japanese market both in the golf bag and golf equipment business for which the pace of outsourcing still lags behind its counterpart in the western world. Besides, our Group will also direct more attention to further exploring business in the geographical regions covering Europe and Other Countries particularly the Asian countries where golfing has become a more popular activity in recent years.

Prospects

Material price hikes in recent years have intensified the competition in the golf industry and brought mounting pressure upon golf product manufacturers. Our Group's persistent focus on product innovation and service fulfillment helped us to strengthen our competitive advantage and enabled us to outperform other competitors. It is the Group's mission to provide our customers with one-stop premium services with value added options. We have enjoyed unprecedented growth in the golf bag business during the past couple of years, and continued to develop the golf equipment business to take on new clients. Following the operation of the new golf club facility in Shandong Province, the P.R.C., there is a good chance that our Group may start engaging in business with some targeted name brands in the short term. We have made substantial progress in liaison over the details of our proposed cooperation with the targeted name brands. It is the Group's objective to further expand its market share and strengthen our position as one of the leading participants in the golf industry.

There are market concerns arising from the economic uncertainties brought about by the subprime mortgage crisis in the United States as well as the current crude oil price hikes. These factors may adversely affect the economies and the consumer markets of the countries to which the Group exports the majority of its products. However, we are careful to keep alert and will closely monitor the challenges that the golf industry may encounter in the near future. So far, there has been no major impact on our Group's business for 2008 in regard to the level of customers' orders and market feedbacks. In view of the cost rises, we have managed to revise the sales price of new models within limits acceptable to our customers. The Group also continues to pursue effective cost control measures to mitigate the impact of the cost rise. The operation of the new golf club facility in Shandong Province, the P.R.C., offers a distinct opportunity for our Group to further realize cost savings through the lower labor and operating cost level in northern part of China.

Following a rapid growth in golf bag sales in the past few years, the Group anticipates a year of consolidation with continued development for the golf bag business in 2008. Accordingly, it is expected that golf bag sales in 2008 should remain fairly stable. The SOE compliant operation of the golf bag facility helps strengthen the Group's competitive advantage and bring in new high-end clients that require SOE compliant productions. The non-Japan line of golf bag products will continue to develop, particularly in the North American market. Our Group is negotiating bulk orders with a prominent name brand, which may contribute extra revenue for the golf bag segment. As a strategy, the Group will further explore the Japan line products to maintain its significance in generating revenues and improving profit margins for the golf bag segment. At the appropriate time, the Group contemplates triggering a plan to shift its golf bag production also to Shandong Province, the P.R.C., to realize the cost savings derivable from the lower labor and operating costs in northern China. In view of the prevailing market outlook, the management holds a cautious but confident view for a strengthened and further developed golf bag business going forward.

Despite a short-term consolidation in 2007 the golf equipment business has been back on a growth track with stable development. With the Group's strong innovative capabilities and competitive advantage, we have made satisfactory progress in our liaison with certain top tier name brands, There is a good prospect that our Group may obtain trial orders from those name brands within 2008, as we are now actively engaged in the preparatory work and related negotiations. The operation of the new golf club facility represents an important milestone signifying our Group's enhancement to provide high standard services to top tier customers. It also ensures sufficient capacity is made available to fulfill the needs of both existing and new customers. Taking advantage of the lower cost level in northern part of China, our Group will benefit from further cost savings following the operation of the new golf club facility in 2008. Barring unforeseen circumstances, it is anticipated that the golf equipment business will develop steadily in 2008. In particular, it is likely that our Group may get more business from its major customer during the second half of 2008 as orders for certain models may be reallocated to our Group from other supply sources. The management adopts a cautious but confident view that the golf equipment business will develop at a satisfactory pace and broaden its customer base to take on top tier customers.

Shipments of the Group during the first quarter of 2008 amounted to approximately HK$122 million comprising golf equipment sales of HK$85 million and golf bag sales of HK$37 million, which compares to sales of approximately HK$112 million comprising golf equipment sales of HK$73 million and golf bag sales of HK$39 million for the corresponding period in 2007.

The Group will continue to put emphasis on the development of the North American and Japanese markets, which represent the world's largest golf markets from which our Group derives the majority of the revenues. We will utilize the vast networks of the golf equipment segment to further expand the golf bag business in the United States. There has been satisfactory growth in golf bag sales to the United States through the non-Japan line of products. We are also devoted to strengthening and further developing the Japan line of golf bag business and to directing additional resources to explore the golf equipment business in the Japanese market through the extensive golf bag networks. On the other hand, the Group has been working hard to tap the Asian market outside Japan where golfing activities are becoming more and more popular. Overall, the Group maintains great confidence in developing and growing our golf businesses going forward.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

Consolidated turnover of the Group for the year ended 31 December 2007 increased by about 15% year on year to approximately HK$567,668,000 (2006: HK$493,376,000). Net profit attributable to equity holders of the Company increased to approximately HK$41,810,000 (2006: HK$33,315,000). The growth in turnover came mainly as a result of the significant increase in sales of the golf bag segment by 75% and an increase of 1.4% in the golf equipment sales during the year. The Group has successfully enhanced its customer portfolio by taking on new high-end name brands from the golf bag sector while maintaining a satisfactory relationship with the existing major customers in the golf equipment segment.

Facing a trend of rising material and operating costs and in light of a 15% increase in annual turnover, the gross profit for the year increased to approximately 144,190,000 from HK$133,779,000 (as restated) for the preceding year. Given that the golf bag sales generally carry a lower profit margin than golf equipment sales, the significant increase in the golf bag sales, as a proportion of the Group's total turnover, has resulted in a dilution of average profit margins. Coupled with the impact of a general cost rise, the average gross profit margin declined from 27.1% (as restated) in 2006 to 25.4% in the current year. The Group has managed to mitigate the impact of cost rises through sales price revisions and stringent cost control measures.

Other income and gain for the year increased to approximately HK$7,661,000 from HK$5,781,000 (as restated) for preceding year, mainly owing to the rise in the sample charge and interest income.

Selling and distribution costs were reduced from HK$23,850,000 in 2006 to approximately HK$21,590,000 this year, primarily owing to a decrease in commission expenses. Administrative expenses for the year increased by about 8.2% year on year to approximately HK$57,982,000 from HK$53,549,000 for the preceding year, mainly attributable to a surge in payroll costs and rental expenses and the levy of a previously exempted land use tax in the Mainland China. Other expenses for the year decreased from HK$6,844,000 in 2006 to approximately HK$6,714,000 and did not show material fluctuation.

Finance costs for the year increased to approximately HK$22,576,000 from HK$20,603,000 in 2006 principally owing to the increase in factoring charges and bank interests incurred during the year.

Profit attributable to equity holders of the Company for the year amounted to approximately HK$41,810,000, representing an increase of about 25.5% from that of 2006.

LIQUIDITY AND FINANCIAL RESOURCES

The Group adopts prudent but effective policies to manage its funds. We generally rely on internally generated cash flows and banking facilities to finance our operations and provide working capital. To limit the exposure to financial risks, the Group has established appropriate policies and guidelines to help monitor and confine those risks within acceptable ranges.

Cash and cash equivalents, which were mostly denominated in United States dollars and Hong Kong dollars, increased moderately to approximately HK$80.1 million at 31 December 2007 (2006: HK$73.1 million). The Group follows a practice of maintaining sufficient funds to run its operations and discharge liabilities as they fall due. During the year, the Group refinanced certain matured bank loans to raise medium term funds for operating and capital expenditures. These included the appropriation of funds for the purchase of machinery and equipment and the compilation of selected inventories to safeguard uninterrupted production against possible supply shortages in materials. Partially affected by the appreciation in the exchange rate of the Renminbi, the value of inventory at the balance sheet date went up to approximately HK$161.6 million (2006: HK$151.1 million).

Borrowings of the Group are mostly denominated in Hong Kong dollars and United States dollars and carry interest at a certain spread over HIBOR or LIBOR respectively. At 31 December 2007, borrowings (including finance lease payable) aggregated to approximately HK$215.1 million (2006: HK$191.9 million), of which approximately HK$106.4 million (2006: HK$149.1 million) is repayable within one year. The level of borrowings increased mainly due to greater needs for funds to finance the increased business volume. The gearing ratio, defined as total bank borrowings and finance lease payable less cash and cash equivalents of approximately HK$135.0 million divided by the shareholders' equity of approximately HK$241.6 million, was 55.9% as at 31 December 2007 (2006: 59.3%). The gearing ratio has improved compared to the preceding corresponding balance sheet date.

Our Group is concerned with maintaining a reasonable and healthy financial position to support its on-going growth and development needs. At 31 December 2007 the net asset value of the Group amounted to approximately HK$241.6 million (2006: HK$200.4 million). Current and quick ratios as at 31 December 2007 were 1.35 (2006: 1.05) and 0.67 (2006: 0.43) respectively. Both the current ratio and quick ratio improved as a consequence of the refinancing of certain matured borrowings with medium term loans.

SHORTFALL UNDER PROFIT GUARANTEE

Pursuant to an agreement dated 22 December 2003 (the "Agreement") entered into between Sino Golf Manufacturing Company Limited ("SGMCL"), an indirect wholly owned subsidiary of the Company, and Mr. Chen Chien Hsiang ("Mr. Chen"), SGMCL acquired from Mr. Chen an additional 11.5% interest ("Acquisition") in the ordinary share capital of CTB Golf (HK) Limited ("CTB"), rendering CTB 62.5% then owned by the Group after the Acquisition. The Group subsequently further increased the shareholding in CTB to 100% in August 2005. The consideration of the Acquisition is HK$9.8 million which is subject to refund by Mr. Chen if the audited consolidated profit of CTB is less than the guaranteed profit of HK$8,522,000 ("Guaranteed Profit") for each of the five profit guaranteed years commencing on 1 January 2004. As the audited consolidated profit of CTB for the year ended 31 December 2007 was less than the Guaranteed Profit, SGMCL is entitled to a receivable of approximately HK$280,000 from Mr. Chen calculated in accordance with the terms of the Agreement. The amount receivable from Mr. Chen has been accounted for in the consolidated balance sheet under other receivables and other payables.

NEW GOLF CLUB FACILITY PROJECT

The construction of the new golf club facility in Shandong Province, the P.R.C., had substantially been completed in 2007. Following the training of the initial 300 plus new workers, it has been scheduled to run a partial trial production by end of April 2008. The new facility will only attain full scale of trial operation by June 2008 after the installation and completion of testing of machinery and equipment. At 31 December 2007, the Group invested in aggregate HK$77.6 million in the new golf club facility project which comprised land premium net of amortization of approximately HK$14.8 million and construction and project payments of approximately HK$62.8 million. Pre-operating expenses of approximately HK$3 million incurred during the year (2006: HK$1.6 million) were charged to the income statement.

At the initial phase of operation, the new golf club facility will start up mainly with the production of golf club heads. The shaft production and assembly operation will then be followed during the second half of 2008 when the labor force is enlarged to constitute a team of up to about 1,000 workers. We will continue to carry out staff trainings and upgrade production systems such as work in progress management. By that time, the monthly production is anticipated to reach a volume of 100,000 units, which represents nearly half of the designed capacity of the constructed facility. The production will further be stepped up in the following year to achieve the targeted monthly output of over 200,000 units as a norm. There is however enough room with completed infrastructure to further expand the production capacity should the business so require. During the set up process and initial phase of the production, it is envisaged that the operating costs of the new facility including the amortization of land and buildings will stay high when allocated over the volume of the actual output, which will take six to nine months time after commencement of the trial production to reach the targeted norm to contribute positively for the Group. The new golf club facility comes at the right time and designates a key milestone for our Group through which we enhance our industry status and get qualified to engage in business with potential top tier customers. The new facility will also provide the additional capacity necessary for fulfilling the growing needs from both existing and potential new customers. It is projected that the relocation of the bulk production to the new golf club facility shall be completed within 2010. Taking advantage of the lower operating and labor costs in Shandong Province, it is expected that the Group will benefit from additional cost savings to enhance its competitiveness going forward and to create more value for its shareholders.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND CONTINGENT LIABILITIES

The Group is exposed to foreign currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of operations to which they relate. The currencies giving rise to this risk are primarily United States dollars and Renminbi.

As at 31 December 2007, the Group had no significant contingent liabilities.

EMPLOYEE AND REMUNERATION POLICIES

At 31 December 2007, the Group employed a total of over 3,900 employees in Hong Kong, Macau, the P.R.C. and the United States. It is the Group's policy to pursue and maintain a harmonious relationship with its employees through the provision of competitive remuneration packages and training opportunities. The employees were remunerated based on their performances, experiences and expertises as well as industry practices. The remuneration packages are reviewed annually to assure fairness and appropriateness and discretionary bonuses may be awarded to employees based on individual performance.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors of the Company. It has reviewed with management the accounting policies and practice adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the financial statements for the year ended 31 December 2007.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as the Company's code of conduct for dealings in securities of the Company by the directors. Upon specific enquiry, all directors of the Company have confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2007.

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 2007, except for certain deviations, which are explained below:

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

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

c) Prior to the amendment of the Company's Bye Laws on 28 May 2007, every director is subject to rotation at least once every three years with the exception of the chairman of the Board, who is not subject to retirement by rotation in accordance with the Company's Bye Laws. According to the corporate governance practices of the Company prior to such amendment, all directors of the Company submitted themselves for re-election once every three years. To conform with the CG Code provision A.4.2, a special resolution had been passed at the 2007 annual general meeting of the Company held on 28 May 2007 to amend the Company's Bye Laws so that all directors are subject to retirement by rotation once every three years and any new director appointed to fill a casual vacancy shall be subject to re-election by shareholders at the first general meeting after appointment.

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

COMPLIANCE WITH CHAPTER 13 OF THE LISTING RULES

As at 31 December 2007, the Group had loan facilities, which were subject to, inter alias, specific performance obligations on the controlling shareholders of the Company during the tenure of such loan facilities. The specific performance obligations relate to a minimum holding by the controlling shareholders in the issued share capital of the Company throughout the tenure of the loan facilities granted to the Group. A breach of the obligation will constitute an event of default. As a result of such breach, the loan facilities may become due and declared repayable on demand by the relevant lenders according to the respective terms and conditions thereof. The details of the loan facilities are as follows:

Amounts outstanding as at 31 December 2007	Minimum holding in the issued share capital of the Company	Final maturity of the loan facilities
HK$30 million	51%	May 2010
HK$40 million	over 50%	May 2010
HK$23 million	40%	October 2010

ACKNOWLEDGEMENT

On behalf of the Board, I hereby express my thanks to the Board members, the management and all employees for their commitment, hard work and loyalty. We appreciate their continued support as a key motivator for the Group's long-term development and success.

PUBLICATION OF THE 2007 ANNUAL REPORT ON THE WEBSITE OF THE STOCK EXCHANGE

The Company's annual report for 2007 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, 22 April 2008

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.