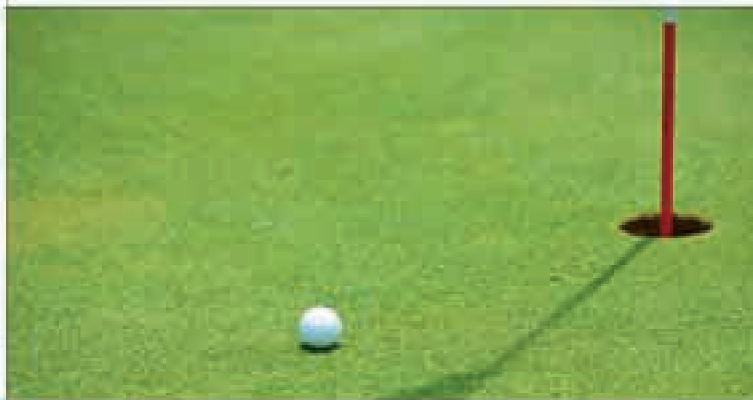
Chairman's Statement



Chairman's Statement

On behalf of the Board of Directors (the "Board") of Sino Golf Holdings Limited (the "Company"), I am pleased to report to shareholders the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2004.

Chu Chun Man, Augustine
Chairman

RESULTS AND DIVIDENDS

Consolidated turnover and net profit attributable to shareholders for the year amounted to HK$393,945,000 (2003: HK$400,708,000) and HK$28,092,000 (2003: HK$43,324,000) respectively. Earnings per share was HK9.3 cents for the year.

The directors do not recommend any payment of final dividend for the year. Taking into account the interim dividend declared and paid, a total dividend of HK6.3 cents per share has been paid in respect of the year.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 5 May 2005 to Friday, 6 May 2005 both days inclusive, during which period no transfer of shares will be effected. All share transfer, accompanied by the relevant share certificates, must be lodged with the Company's share registrar in Hong Kong, Tengis Limited at G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 4 May 2005.

BUSINESS REVIEW AND PROSPECTS

The year of 2004 has, beyond our expectation, recorded unsatisfactory results. Benefited from a strong recovery in the global and local economy, our Group has been able to achieve double-digit growth during the first-half year of 2004 compared to the corresponding period in 2003. To our disappointment, the performance for the second-half year of 2004 was hampered by several incidents including (i) the impact sustained from the set-up and learning process

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following the commencement of operation of the new golf bag facility in August 2004; (ii) the relocation and movement costs of approximately HK$1.85 million incurred in relation to the new golf bag facility project; (iii) a decrease in gross margin by approximately 1.0% due to increase in materials and production costs; (iv) the incurrence of a bad debt provision of approximately HK$9.5 million made against one of our overseas customers who filed for bankruptcy protection under Chapter 11 in the United States in late 2004, and (v) a slow down in sales following the tightened credit control on customers. Hard hit by the above events, the overall performance of the Group for 2004 declined both in turnover and profitability as compared to the preceding year. The Directors however believe that the adverse impact should not be long-lasting because our Group possesses a solid customer base and our products are highly recognised in the market place for their quality and competitiveness. Our Group's persistent investments in research and development in recent years has affirmed and much enhanced our industry profile and recognition. Our capability to produce higher end products such as golf clubs with titanium body and graphite top has helped strengthen our competitive advantage and our ability to swiftly react to market changes further distinguishes us from other golf manufacturers.

Sales of golf clubs and accessories for the year amounted to HK$327,425,000, accounting for 83.1% of the annual turnover, while the remaining 16.9% or HK$66,520,000 represents sales of golf bags. Results of the golf club and golf bag segments comprise a profit of HK$39,575,000 and a loss of HK$302,000 respectively.

Golf Clubs and Accessories Business

The golf club segment continues to dominate and generate most of the Group's revenue and profitability. Sales of golf clubs and accessories for the year has not shown a significant increase mainly because of a slow down in the last quarter sales due to our Group's review and tightened credit control on customers. In order to better control and enhance the quality of the Group's customer portfolio, we have screened out accounts which are less secured including those requiring a longer open credit or demonstrating a less satisfactory payment history. We imposed more stringent terms by shortening the allowed credit period and demanding settlement of overdue trade debts before release of new shipments. This strategy aims at reducing our Group's exposure to customers' failure and financial risks. As a consequence, the sales for the fourth quarter of 2004, which is normally the shipping season for new models, has slowed down to a level lower than that of the preceding period.

The results of the golf club segment has suffered when a customer, Huffy Corporation, ran into financial difficulty and filed for bankruptcy protection under Chapter 11 in the United States in late 2004. A proof of claims for the amount of debt owed by the Huffy group has been filed with the United States Bankruptcy Court. At the present stage, it is premature to accurately estimate the impact of the bankruptcy case on the Group. A bad debt provision of HK$9.5 million, representing about 80% of the total outstanding balance, has been made in 2004 against the amount due from the Huffy group. It is expected that Huffy Corporation would be submitting a restructuring proposal for approval by its creditors around mid 2005. By then, we shall review and ascertain the actual impact on our Group and adjustment to the bad debt provision, if necessary, will be made to reflect the outcome in the accounts of 2005. Under the supervision of the United States Bankruptcy Court, Huffy Corporation continues to do business with its major suppliers including our Group on cash basis or

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under insurance coverage. Our Group has been cautious and prudent in granting customers' credits and usually would require cash deposits from new customers and payments on delivery for customers without sufficient credibility. Huffy Corporation through its golf subsidiary has been our customer for years with sound track record and performance. Its restructuring is an isolated case beyond our expectation and without prior signs of material breaches or non-performance.

To minimise future exposure to customers' failures, our Group has secured to the extent possible proper insurance coverage and non-recourse factoring arrangements for its major customers. We have also conducted an extensive review of the existing customer portfolio to ensure adequate monitoring over the receivables and eventual elimination of unsatisfactory accounts. More restrictions are imposed on those accounts bearing a long credit period and lengthened payment history whereby shipments would be withheld until the customers have been in compliance with the approved trade terms. Certain accounts have been abandoned due to unacceptable performance or higher risk. The review exercise on the customer portfolio has resulted in a short-term decline to the sales level achievable under the new practices which effect may likely extend into part of 2005. Concurrent with the customers review, our Group has been actively working with certain prominent brand names which are expected to add to broaden the customer portfolio in the coming season in late 2005. The business from the new customers is anticipated to boost sales of the golf club segment back to a growing trend. Rebound of golf club sales should be more obvious during the second-half year in 2005 when orders for new models are taken up and fulfilled. The Directors maintain a cautious but confident view that the performance of the golf club segment should steadily recover and show improvement in the year to come.

Golf Bags Business

Though the golf bag sales have demonstrated a mild increase of 7.5% during the first-half year of 2004 compared to the corresponding period in 2003, the annual sales of golf bags for 2004 has decreased by approximately 15.3% to HK$66.5 million. The delay in the commencement of operation of the new golf bag factory and the subsequent set-up and learning process has resulted in our Group's failure to take up and fulfill certain mass orders of golf bags to meet customers' schedule. Certain customers have shifted their orders to other suppliers as a result of our Group's failure to fulfill their requirements. The loss in revenue and related gross margins were substantial and has adversely affected the performance of the golf bags segment during the second-half year.

Besides, the relocation of production from the old factory to the new factory has necessitated incurrence of some non-recurring costs aggregating to approximately HK$1.85 million which includes the movement expenditure and the write-off of unamortised cost of the old factory's leasehold improvement. In order to mitigate the inconvenience caused by late shipments, the Group has incurred extra airfreight charges and further granted discounts on certain orders.

The adverse impact associated with the incidents on the new golf bag factory project is considered temporary because we anticipate that, with the new factory operating at its norm, the productivity of golf bags should steadily climb to exceed its historic peak. The Directors are confident that we should re-gain the foregone orders on golf bags as the new factory has been geared to operate at enhanced productivity and efficiency. The disappointing performance of the golf bag segment during the second-half year has to certain extent been mitigated by the cost savings derived from the termination of the assembly operation in the United States since December 2003.

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With the annual production capacity substantially enhanced and taking advantage of the improved efficiency of the new factory, the Directors remain confident that the golf bag business should show a rebound during the year of 2005, particularly during the second-half year when extra and new orders come on stream. Besides, we also expect increasing contribution to the golf bag sales to be forthcoming from additional businesses to be introduced by the Japanese partner as well as through the extensive network of our Group's golf club segment.

Product Costs and Gross Margins

During the year, both the materials such as titanium, graphite and PVC, and energy cost have increased by double digit percentage due to a relative shortage in the market supply. This has brought some pressure to squeeze upon the gross margin of our Group's products. In view of the anticipated increase in material costs, we have adopted a strategy to selectively store up certain key materials like titanium and graphite so as to stabilise the product cost at a reasonable level. During the last quarter of 2004, the titanium cost experienced further increase and this has created additional pressure upon the product margin. The urge in the titanium cost in late 2004 is likely to affect the product cost for some part of 2005 and we expect it will stabilise by mid 2005. To the extent possible, the increase in product cost will be adequately reflected in the sales price of new models to be introduced in the second-half year of 2005.

In spite of a rising trend in materials and production costs, our Group has been able to mitigate the impact of profit erosion due to a surge in product cost through improved production efficiency and lowering the wastage rates. Consequential on our efforts, the overall gross profit margin for the year decreased by approximately 1.0% to 31.0%. The management is devoted to further look into other available cost control measures to preserve our Group's competitiveness. We will also continue to explore and reinforce the Group's research and development activities that are key to our Group's long-term success.

Geographical Segments

Consistent with the historic trend, North America continues to constitute the largest geographical segment from which approximately 69.7% of the Group's annual turnover was generated. Europe, Japan and other countries in turn account for 7.7%, 12.8% and 9.8% of the Group's annual turnover respectively. During the year, percentage sales for the Japan market decreased from 21.3% to 12.8% mainly due to a decline in golf club sales which came as a refining adjustment in response to last year's aggressive sales programs. Nevertheless, Japan is still the market possessing much potential and deserving our Group's continued effort to persistently explore and penetrate. In addition, the strategic alliance since November 2003 with the Japanese partner will certainly continue to contribute and help bring additional golf bag orders to feed the Group's new golf bag facility, which possesses the capability to produce high end sophisticated golf bags to satisfy the demanding requirements of the Japanese customers. Regarding other geographical segments, sales for Europe and other countries increased moderately by 4% and 1.9% to account for approximately 7.7% and 9.8% of the Group's annual turnover respectively. On the other hand, there has been no significant change to the percentage sales for the North America, which increased slightly by 2.6% to 69.7%. It is our Group's main policy to continue exploring this largest golf market through the extensive business network and we are dedicated to better serve our customers with high quality products and value added services through the Group's fulfillment operation in the United States.

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Prospects

Throughout the years, it has been the Group's strategy to strengthen and broaden the customer base by consistently monitoring and supporting the existing customers to increase their market share through product innovations while concurrently taking opportunities on new customers and brand names with great potential. With the enhanced production capacity and productivity, we possess the competitive advantage to be able to bulk produce a variety of advanced golf bags to meet customers' requirements, particularly for the demanding customers of the Japan market. For the golf club business, the Group is at the technology forefront as a result of our persistent investments in product engineering and research and development regime. Our Group has outperformed other competitors in the assembly of completed clubs which outsourcing trend will continue in the foreseeable future and will definitely benefit us through taking on extra orders.

To cope with the anticipated development in the golf club business, the Group has embarked on a program to construct a new golf club factory at Shandong Province, the P.R.C. The new factory site is located to the northern part of China so as to take cost advantage of labour and land resources. The project is currently in the design stage and construction work is expected to commence around mid 2005. The Group plans to complete the new factory by first-half year of 2006 and will finance the new factory project by internal funding.

Our commitment to provide high quality products and value added services remain the Group's long-term goal to better serve the customers and faster react to the market needs. Taking into account the current situation of the Group and market conditions, the Directors are cautious but remain confident that our Group shall perform reasonably and show improvement during the ensuing year.

ACKNOWLEDGEMENT

On behalf of the Board of Directors, I would like to thank our staff for their hard work and loyalty. I would also express my gratitude to our shareholders for their continued support and recognition. Our Group shall strive for improvement and further development for the interests of our shareholders and employees.

Chu Chun Man, Augustine
Chairman

Hong Kong
18 April 2005