Chairman's Statement

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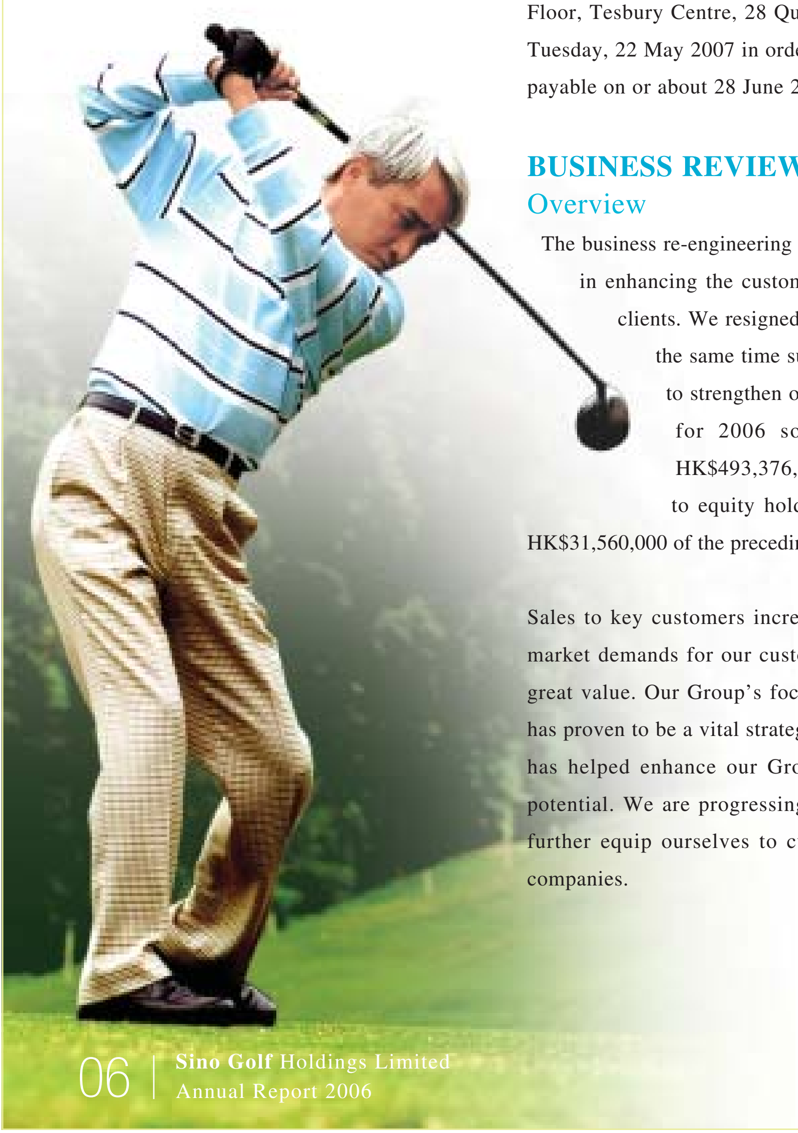
On behalf of the Board of Directors (the "Board") of Sino Golf Holdings Limited (the "Company"), I am pleased to report to shareholders the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2006.

Chu Chun Man, Augustine
Chairman



RESULTS AND DIVIDENDS

Consolidated turnover and net profit attributable to equity holders of the Company for the year amounted to HK$493,376,000 (2005: HK$367,257,000) and HK$33,315,000 (2005: HK$31,560,000) respectively. Basic and diluted earnings per share were HK11.0 cents (2005: HK10.4 cents) and HK11.0 cents (2005: N/A) accordingly.

The directors recommend the payment of a final dividend of HK2.2 cents per share, which is subject to the approval by shareholders at the forthcoming annual general meeting. Together with the interim dividend of HK3.3 cents per share declared and paid, the total annual dividend of HK5.5 cents (2005: HK7.0 cents) per share represents a payout ratio of 50% (2005: 67.3%).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 23 May 2007 to Monday, 28 May 2007 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 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:00 p.m. on Tuesday, 22 May 2007 in order to qualify for the final dividend proposed which will be payable on or about 28 June 2007.

BUSINESS REVIEW

Overview

The business re-engineering process initiated by the Group in 2005 has been successful in enhancing the customer portfolio to encompass a greater number of high-end clients. We resigned from some low-end and less performing customers and at the same time succeeded in soliciting a number of prominent name-brands to strengthen our customers base. Turnover and gross profit of the Group for 2006 soared significantly by about 34.3% and 28.8% to HK$493,376,000 and HK$137,905,000 respectively. Profit attributable to equity holders of the Company increased to HK$33,315,000 from HK$31,560,000 of the preceding year.

Sales to key customers increased significantly during the year mainly due to strong market demands for our customers' products renowned for their innovative edge and great value. Our Group's focus on product innovation and research and development has proven to be a vital strategy to sustain long-term growth. Throughout the years, this has helped enhance our Group's competitive advantage and reinforce our growth potential. We are progressing along this direction to better serve our customers and further equip ourselves to cultivate business opportunities with other top tier golf companies.

Chairman's Statement

Materials price fluctuations, though somewhat stabilized during the latter part of the year, have continued to pose threats on the profit margin achievable by the Group. During the year, we have managed to adjust the pricing of new products to reflect the effect of cost increase to the extent allowable. However, the shift by customers to rely more on direct components purchase, due to the shortage in raw materials for production of components like graphite shafts, has reduced the room to improve margins. In addition, the variation to product specifications of some new models initiated by changes in industry standards have result in a more complicated production processes and thus a drop in the output efficiency. Average gross profit margin for the year declined to approximately 27.7% from 28.8% of the prior year while the gross profit amount increased by about 28.8% to approximately HK$137,905,000 against the increased sales revenue of the year.

For the year of 2006, golf equipment sales climbed to HK$402,188,000 representing 81.5% of the Group's annual turnover, while golf bags and accessories sales accounted for the remaining 18.5% or HK$91,188,000. The golf equipment and golf bags segments achieved segmental profits of approximately HK$48,949,000 and HK$5,547,000 respectively. Both business segments have shown satisfactory improvement over the preceding year.

Golf Equipment Business

Being traditionally the largest business segment, golf equipment sales continued to dominate and accounted for approximately 81.5% of the Group's annual turnover. During the year, sales of golf equipment increased by about 33.6% to approximately HK$402,188,000 of which about 58% were realized during the first half of 2006 taking into account the seasonal effect and some order rescheduling by customers during the latter part of the year.

Of the total segment turnover, golf clubs sales accounted for about 72.8% or HK$292,733,000, while components sales including club heads, shafts and accessories took up the remaining 27.2% or HK$109,455,000. Among the golf clubs sales, the split between sales of clubs sets and individual clubs were approximately 51.2% and 48.8% respectively. There has not been any material fluctuations in the product mix percentages in the past few years.

Driven by the successful launch of the hybrid iron set program in the United States by the Group's largest customer, sales to this customer surged by about 67.1% to approximately HK$214,911,000 during the year, representing approximately 53.4% of segment sales or 43.6% of the Group's turnover for the year. Significant growth was also recorded on sales to a number of other customers, thanks to the realization of product innovations through effective marketing programs. Sales of golf equipment to the top five golf club customers aggregated to approximately HK$323,594,000, representing about 80.5% of the segment sales or 65.6% of the Group's annual turnover. While experiencing remarkable growth with the major customers, our Group continues to devote efforts to explore business opportunities with targeted golf companies. Supported by our enhanced reputation, the Group is well positioned to bring in high profile new customers following the completion of the new production facility in Shandong Province, the P.R.C. during the latter part of 2007. The Group's continuing investments in research and development have successfully enhanced our industry profile and recognition over the years. Our competitive advantage built on the capability to produce sophisticated high-end golf clubs and the ability to react swiftly to the rapid market changes also reaffirms the Group's presence in the golf industry.

Chairman's Statement

As not uncommon in the golf industry, the Group conducts its business through a relatively small number of active key customers and adopts tight credit controls in setting terms on sales to individual customers. We safeguard recoverability of trade debts by procuring non-recourse factoring or insurance on shipments to major customers. To minimize bad debt risks, any material delay in payments or non-payments by customers beyond the approved credit terms are immediately reported to management for further action. Appropriate steps including the withholding of shipments will be taken to ensure prompt collection of outstanding debts. We also regularly review the credit policies in accordance to the performance of the customers. As noted in the 2005 annual report, Huffy Corporation, one of the Group's customers, had successfully implemented its restructuring plan which was approved at the creditors' meeting and confirmed by the U.S. bankruptcy court in late 2005. Against the debts that Huffy Corporation owes to our Group, we are entitled to receive a proportionate share of (i) a US$9 million promissory note which will be paid by four annual installments commencing on 30 June 2007 and carries interest at 10% per annum; and (ii) the class B common stock of US$14 million of Huffy Corporation. Sales by the Group to Huffy Corporation during the year amounted to approximately HK$11 million which was timely settled and covered by insurance. Taking into account the current conditions of Huffy Corporation and the amount of bad debt provision already made by the Group for debts outstanding prior to the filing of bankruptcy protection by Huffy Corporation, it is considered that no material impairment in value of the remaining debts has happened and no further provision is required.

During the first half of 2006, raw material prices went up further especially that for graphite sheets, the supply of which has become more volatile and scarce. To secure uninterrupted production amidst insufficient supply of graphite sheets for shaft production, the Group has opted for more direct purchase of graphite shafts from the component makers. In some cases, the Group had to purchase certain materials from suppliers specified by the customers. Such changes in the purchasing pattern have reduced the flexibility and choice the Group has in the selection of suppliers and determination of purchase terms. The situation has somewhat improved as the materials price and supply began to stabilize during the latter part of the year. On the other hand, there were variations to the product specifications of some new models as initiated by changes in industry standards. The increased complexity in the production processes of those models had led to a drop in the output efficiency. To optimize materials cost and supply, the Group strategically stocked up selected key materials to help preserve product margins and to ensure materials availability for orders fulfillment. The overall inventory level thus increased as a result of the procedures taken to combat the impact of material price hikes.

Supported by a strong revenue stream, the golf equipment segment achieved a segmental profit of approximately HK$48,949,000 for the year, representing an improvement of about 18% over that of the preceding year. In consideration of the current order book status and a competitive market environment, the management maintains a cautious but confident view for a further strengthened golf equipment business going forward.

Chairman's Statement

Golf Bags Business

Sales of the golf bag segment increased by about 37.7% during the year to approximately HK$91,188,000, representing approximately 18.5% of the Group's turnover compared to 18.0% in 2005. Of the total segment sales, golf bags sales amounted to approximately HK$72,662,000 or 79.7%, while sales of accessories including shoe bags sales accounted for the remaining 20.3% or HK$18,526,000. There has not been any material change in the product mix percentage in the past few years. The significant surge in turnover came as a result of the stepping up of production capability and the gaining back of orders lost in the preceding year due to delivery problems. During the year, sales to the largest customer increased by over 1.2 times to approximately HK$49,466,000, representing about 54.2% of the segment turnover or 9.9% of the Group's turnover. Sales to the top five golf bag customers during the year aggregated to approximately HK$64,551,000, accounting for about 70.8% of the segment turnover or 13.0% of the Group's turnover.

The Japan line of products continued to dominate and took up over 60% of the segment sales, against the non-Japan line of products in American and European style. In general, the more sophisticated Japan line commands a higher gross margin and is expected to grow with strong momentum through businesses secured by our Japanese partner. The SOE compliant status of our golf bag facility has successfully generated new business for the Group and helped enhance our competitive advantage. Our Group possesses strong reputation in the golf bag industry and is now serving substantially all the major brand names in the golf bag sector. To cope with the increasing demands for our products, we have rented additional factory space of approximately 12,000 square meters near the existing golf bag facility to provide extra production capacity and to reduce subcontracting requirements. Additional workers were employed and trained to work at the new factory facility during the second half of 2006. The expenses comprising rental, wages and overheads incurred for the newly rented factory space amounted to over HK$2.5 million.

Supported by the remarkable growth in turnover, the golf bag segment achieved a segmental profit of approximately HK$5,547,000 for the year in contrast to that of approximately HK$1,775,000 in 2005. During the year, major material prices for golf bags production like PVC, PU and nylon continued to escalate while the energy and overhead costs remained high. To combat the impact of price hikes, the Group will continue expand the Japan line products that offer higher average margins and implement measures to uplift productivity and reduce wastages. Taking into account the current order book status and the competitive advantage of the Group, the management is confident that the golf bag segment will grow continually at an uninterrupted pace.

Geographical Segments

The Group's geographical spread has not changed materially throughout the years. North America continues to represent the largest geographical segment contributing approximately 68.6% of the Group's annual turnover. Other geographical regions comprising Japan Europe and other countries contributed 15.3%, 4.3% and 11.8% of the Group's annual turnover respectively.

North America remained the principal market for the Group's export business. As a percentage to the Group's turnover, sales to the North American market increased from 67.6% in 2005 to 68.6% this year. In contrast and driven by the business development efforts devoted, sales to Japan increased considerably from 11.2% to 15.3% of the Group's turnover. During the year, sales to other geographical regions covering Europe and other countries declined from 21.2% to 16.1% of the Group's turnover but the sales amount increased by about HK$1.6 million in monetary term. It is obvious that the Japanese market has become relatively more important in recent years as a result of the resources directed to expand business in this market. Being the largest golf market in Asia, there is huge potential for our Japan business to grow given the relatively small scale of the existing sales volume.

Chairman's Statement

In monetary terms, sales to the North American market increased by about 36.3% during the year to approximately HK$338,244,000 comprising mostly golf clubs sales with about 4% of golf bags sales only. On the other hand, sales to Japan increased by about 83.5% to HK$75,616,000, of which approximately HK$55,547,000 or 73.5% was golf bags sales. Sales to other geographical regions covering Europe and other countries increased slightly by about 2% to approximately HK$79,516,000. It is encouraging to see satisfactory growth in both the North American and Japanese markets, with a mild increase in sales to Europe and other countries.

It is the Group's strategy to strengthen and further develop its business in North America so as to uphold our competitive advantage in the world's largest golf market. On the other hand, continued efforts will be expended to tape the huge opportunities existing in Japanese market, particularly the golf equipment business for which the outsourcing portion still lags behind the pace of the western world. There have not been active marketing rollouts in the markets of Europe and other countries, but the Group was still able to achieve mild business growth in this geographical region.

PROSPECTS AND RISK FACTORS

Prospects

Although the golf industry has become more competitive in the face of the challenges caused by material price hikes, it remained a relatively stable industry in 2006 underpinned by a robust global economy. There has been strong market demands for high quality innovative products that helped drive the golf sector to grow and to sustain long-term developments. Supported by a high-end customer portfolio, the Group pursues its mission of providing one-stop premium services to the customers with value added options. It is also our objective to continually expand our participation to play a leading role in the golf sector and to strengthen our competitive advantages. The remarkable sales growth and the enhanced industry recognition of the Group are achievements validating our success and supporting our further progress towards such goals.

The management remains cautiously confident about the outlook of the Group's business for 2007. Supported by the SOE compliant golf bag facility, the golf bag business has been growing at uninterrupted pace with a double-digit percentage annual increment. The Japan line of golf bags will continue to expand with momentum under the support of the Japanese partner while the non-Japan line comprising mainly golf bags of American style is anticipated to grow remarkably in 2007 with the contribution from bulk volume customers. The Group has been successful in strengthening its competitive advantage and leading role in the golf bag industry. As regards the golf equipment business, it is envisaged that some consolidations will be experienced during the first half of 2007 due to the product cycle effect. The Group's policy is to focus on higher end products while dropping unwarranted low end models. Nevertheless, the golf equipment business for the second half of 2007 is expected to grow beyond that of the corresponding period in 2006 upon the launch of new models for the coming season. It is anticipated that overall business volume of the golf equipment segment for 2007 would not fluctuate materially compared to that of 2006. Shipments of the Group during the first quarter of 2007 amounted to approximately HK$112 million comprising golf equipment sales of HK$73 million and golf bag sales of HK$39 million, which is close to the sales of HK$113 million for the corresponding period in 2006.

With a strong reputation, the Group has been approached by some leading golf companies for business opportunities. There has been satisfactory progress in such negotiations and factory visits have been arranged for the evaluation of the Group's capabilities. Given the competitive advantages of the Group and following the completion of the new golf club facility, the management feels confident of bringing in new first tier clients to contribute to the Group's future revenue and profitability.

Chairman's Statement

To sustain long-term development, our Group will continually focus on research and development, product innovation and customer services. With enhanced competencies, we are now better positioned to establish closer links with other leading golf companies to explore business opportunities. The Group is devoted to further develop the North American and the Japanese markets from which over 80% of the revenue is generated. Being the world's major golf markets, both regions present huge opportunities for which the Group has been devoting major resources throughout the years. The Group will effectively leverage its extensive golf equipment network in North America to achieve synergies in the future rollout of its golf bag business in this market. With contributions from some new customers, the golf bag segment is expected to grow remarkably in 2007. On the other hand, the Group will also continue to make inroads in the golf equipment segment of the Japanese market by taking advantage of its dominant position in the Japan's golf bag sector. These business rollouts will enable further diversification of the product range and allow the Group to exploit synergies across business streams by deploying its competencies Group-wide.

The performance of the Group is ultimately dependent on the extent to which it can realize its business plans and targets under prevailing market conditions and subject to changes that arise from time to time, but our growth aspirations will continue to lead our way forward.

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 a discussion 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.

Trade Relations between China and the United States

Since the Group exports majority of its products to the United States, the trade status and relations between China and the United States is a crucial factor that may potentially affect the Group's business. In the case of major trade disputes between these two countries or the imposition of trade sanctions by either party, the scale of exports from China to the United States may experience a significant shrinkage. Besides, the impact of continued Renminbi appreciation is another factor that could adversely affect the competitive advantage of the goods exported from China.

Interest Rates Movements

The Group generally employs banking facilities to finance its operations, which mostly bear interests at floating rates. Movements in the interest rates therefore affect the level of finance cost to be borne by the Group. The successive increase in interest rates during 2006 has resulted in substantial increase in the finance cost incurred by the Group. Any rise in interest rates will further increase the finance burden of the Group. Although the Group has the option to enter into interest rate swap contracts to hedge interest payments, there is no assurance that the interest swaps would result in any material savings for the Group.

Concentration of Key Customers

In 2006, the largest customer individually represented over 53% of the turnover of the golf equipment segment or over 43% of the Group's annual turnover. The five largest customers in aggregate accounted for nearly 73% of the Group's turnover for the year. Although the Group endeavors to explore and develop additional high-end customers, there is no assurance that the existing key customers would continue to expand and contribute sufficient sales to support the growth expected of the Group before the contribution from new customers achieves a meaningful portion of the Group's turnover. It is inevitable that matters with material adverse impact on the Group's key customers would also adversely affect the Group.

Chairman's Statement

Materials Cost and Sources of Supply

In recent years, the golf industry has been facing challenges from a trend of rising materials costs, such as those of major materials titanium plates and graphite sheets. While most manufacturers have managed to shift the cost increase to customers to the extent allowable, it is worth noting that the price adjustments reflect mostly the cost increase and do not carry a meaning profit margin. Such cost-driven price adjustments, unlike revenues generated from increased sales, would not contribute additional profits of any material extent for the Group. For some products, a lower overall gross profit margin may result against an increase in selling prices.

During the first half of 2006, the supply of graphite sheets had become more volatile and subject to severe limitations. To secure smooth production and product delivery, there was an increased tendency for the golf OEM manufacturers to opt for direct components purchase such as graphite shafts, or for procurement of materials and components from sources specified by the customers. The changes in the purchasing pattern of materials and components would reduce the flexibility and choices of selecting suppliers and could undermine the gross profit margin achievable on the golf equipment sales.

Increased Complexity in Production Processes

To sustain continued product innovation in response to changes in industry standards, there comes a trend of pursuing upgrades and modifications to production processes and methodologies when fulfilling the requirements for some advanced new products. The increased complexity in product specifications not only requires additional staff trainings and but also changes to production methodologies and processes. The set up and learning process generally involves an initial phase of higher wastages and lower output efficiency leading to lower margins being achieved for varying lengths of periods. It is apparent that there is a cost to get us qualified to acquire business from high-end customers and to sustain long-term profitability.

In addition to the above risk factors, the Group may also be subject to other risks and uncertainties that could arise when conditions change from time to time. The management is devoted to keeping alert of the possible risks and adopting appropriate measures to mitigate the Group's exposure.

ACKNOWLEDGEMENT AND CONDOLENCES

It is with sadness that we report the passing away of Mr. Takanori Matsuura on 13 August 2006. Mr. Matsuura was a co-founder of the Group and an executive director of the Company. He had made irreplaceable contribution to the growth and development of the Group and his departure is a great loss to all of us. The Company will build on the solid foundations laid down by Mr. Matsuura to the benefit of all shareholders of the Company.

On behalf of the Board, I would also like to express my thanks to everyone on the Board, the management and all employees for their commitments, hard work and loyalty. Their continued support is crucial for the Group to further develop and achieve its goals and mission with greater success.

Chu Chun Man, Augustine
Chairman

Hong Kong
20 April 2007