

Corporate Governance Report

The Company recognizes the importance of good corporate governance to the Company's healthy growth and has devoted considerable efforts to identifying and formulating corporate governance practices appropriate to the Company's needs.

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 2006, except for certain deviations which are explained below. The Company has also put in place certain Recommended Best Practices as set out in the CG Code.

CG PRINCIPLES/CODE PROVISIONS AND SINO GOLF'S PRACTICES

A. Director

The Board

Code Principle

The board should assume responsibilities for leadership and control of the issuer; and be responsible for directing and supervising the issuer's affairs.

Code provisions	Comply?	Governance Practices for Sino Golf																				
<ul style="list-style-type: none"> At least four board meetings a year. 	✓	<ul style="list-style-type: none"> The Board met nine times during the year. Details of Directors' attendance records in 2006: <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="2" style="text-align: right;">Attendance</th> </tr> </thead> <tbody> <tr> <td colspan="2">Executive Directors</td> </tr> <tr> <td>CHU Chun Man, Augustine (<i>Chairman</i>)</td> <td style="text-align: right;">9/9</td> </tr> <tr> <td>Takanori MATSUURA (<i>deceased on 13 August 2006</i>)</td> <td style="text-align: right;">0/9</td> </tr> <tr> <td>CHU Yuk Man, Simon</td> <td style="text-align: right;">8/9</td> </tr> <tr> <td>CHANG Hua Jung</td> <td style="text-align: right;">4/9</td> </tr> <tr> <td colspan="2">Independent non-executive Directors</td> </tr> <tr> <td>TSE Ying Man</td> <td style="text-align: right;">4/9</td> </tr> <tr> <td>CHOY Tak Ho</td> <td style="text-align: right;">5/9</td> </tr> <tr> <td>CHIU Lai Kuen, Susanna</td> <td style="text-align: right;">6/9</td> </tr> </tbody> </table> 	Attendance		Executive Directors		CHU Chun Man, Augustine (<i>Chairman</i>)	9/9	Takanori MATSUURA (<i>deceased on 13 August 2006</i>)	0/9	CHU Yuk Man, Simon	8/9	CHANG Hua Jung	4/9	Independent non-executive Directors		TSE Ying Man	4/9	CHOY Tak Ho	5/9	CHIU Lai Kuen, Susanna	6/9
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<ul style="list-style-type: none"> All directors be given an opportunity to include matters in the agenda for regular board meetings. 	✓	<ul style="list-style-type: none"> Directors are consulted to include any matter in the agenda for regular Board meetings. 																				
<ul style="list-style-type: none"> Notice of at least 14 days be given of a regular board meeting. 	✓	<ul style="list-style-type: none"> The Company generally gives notice and draft agenda of regular Board meetings at least 14 days in advance. The company aims at giving reasonable notice generally for all other Board meetings. 																				

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Code provisions	Comply?	Governance Practices for Sino Golf
<ul style="list-style-type: none"> • Access to advice and services of the company secretary. 	✓	<ul style="list-style-type: none"> • All Directors have access to the Company Secretary who is responsible for ensuring that Board procedures are complied with and advises the Board on corporate governance and compliance matters.
<ul style="list-style-type: none"> • Minutes of meetings kept by company secretary and open for inspection. • Draft and final minutes sent to all Directors for comments within a reasonable time. 	✓	<ul style="list-style-type: none"> • The Company Secretary is responsible for taking minutes of Board and Board Committee meetings, which would be sent to Directors within a reasonable time (generally within 14 days) after each meeting and generally be made available for inspection by Directors/committee members.
<ul style="list-style-type: none"> • Agreed procedure for Directors to seek independent professional advice at the Company's expense. 	✓	<ul style="list-style-type: none"> • Sino Golf's corporate governance guidelines provide for Directors taking independent professional advice at the Company's expense.
<ul style="list-style-type: none"> • If a substantial shareholder/director has a conflict of interest in a material matter, board meeting should be held. Such director must abstain from voting and not be counted in quorum. 	✓	<ul style="list-style-type: none"> • There is a prescribed list of matters reserved for full Board decision, which includes material transactions with connected persons. • The Company's Bye Laws provide for voting and quorum requirements conforming with Code requirements (Bye Laws 114 - 116).

The Board of Sino Golf is responsible for the leadership and control of the Company and oversees the Group's businesses, strategic decisions and performances. The Management was delegated the authority and responsibilities by the Board for the day-to-day management and operations of the Group. In addition, the Board has also established audit committee and remuneration committee and has delegated to these committees various responsibilities set out in their terms of reference respectively.

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Chairman and Chief Executive Officer

Code Principle

Clear division of responsibilities – separate offices of chairman and chief executive officer to ensure a balance of power and authority.

Code provisions	Comply?	Governance Practices for Sino Golf
<ul style="list-style-type: none"> Roles of chairman and chief executive officer should be separate; clearly established and set out in writing. 	✘	<ul style="list-style-type: none"> Chu Chun Man, Augustine, who acts as the Chairman of the Company, is also responsible for overseeing the general operations of the Group. The Company does not at present have any office with the title “Chief Executive Officer”. 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. The Board considers that the current structure of vesting the roles of Chairman and Chief Executive Officer in the same person will not impair the balance of power and authority between the Board and the management of the Company. The Company does not consider appointing a “Chief Executive Officer” at the present stage.
<ul style="list-style-type: none"> The Chairman should ensure all directors be briefed on issues arising at the board meetings. The chairman should ensure directors to receive adequate information in a timely manner. 	✓	<ul style="list-style-type: none"> The Chairman has a clear responsibility to provide the whole Board with all the information that is relevant to the discharge of the Board’s responsibilities. The Company aims to continually improve on the quality and timeliness of the dissemination of information to Directors.

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Recommended Best Practice	Comply?	Governance Practices for Sino Golf
<p>Various recommended roles for Chairman including:</p> <ul style="list-style-type: none"> Drawing up and approving board agenda. 	✓	<ul style="list-style-type: none"> The agenda of Board meetings is finalized by the Chairman in consultation with executive Directors and Company Secretary after taking into consideration any matters proposed by the independent non-executive Directors.
<ul style="list-style-type: none"> Establishment of good corporate governance practices and procedures. Encourage directors to make a full and active contribution to board affairs. Facilitate the effective contribution of non-executive directors and ensure constructive relations between executive and non-executive directors. 	✓	<ul style="list-style-type: none"> The Chairman plays a key role in driving corporate governance development in the Company. An independent board committee comprising of non-executive directors will be formed, whenever necessary, to give recommendations to independent shareholders and board. An independent financial adviser will be appointed to give recommendations to the Independent Board Committee and independent shareholders where necessary.

Board composition

The list of all directors is set out under “Corporate Information” on page 2.

The list of directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time.

The relationships among the members of the Board are disclosed under “Biographical Details of Directors and Management” on page 18 to 19 of the annual report.

Code Principle

The board should have a balance of skills and experience appropriate to the requirements of the business of the issuer, which also consists of a balanced composition of executive and non-executive directors (including independent non-executive directors) so that independent judgment can effectively be exercised.

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Code provisions	Comply?	Governance Practices for Sino Golf
<ul style="list-style-type: none"> Identify the independent non-executive directors in all corporate communications. 	✓	<ul style="list-style-type: none"> Composition of the Board, by category of Directors, including names of Chairman, executive Directors and Independent non-executive Directors is disclosed in all corporate communications.
Recommended Best Practice		
<ul style="list-style-type: none"> Independent non-executive directors should represent at least one-third of the board. 	✓	<ul style="list-style-type: none"> The Board comprises three independent non-executive Directors representing more than one third of the full Board.
<ul style="list-style-type: none"> Maintain on the Company's website an updated list of its directors identifying their role and function and independence 	✓	<ul style="list-style-type: none"> An updated list of the executive directors and independent non-executive directors is maintained on the Company's website. Biographies of Directors, including clear designation of their roles and responsibilities, are published in the annual report.

Sino Golf's Board members bring an appropriate diverse set of experience, competencies, skills and judgment to the Board.

Skill/experience

Executive Directors

- Top management (strategic planning, corporate policy and overall management and marketing of Sino Golf) – CHU Chun Man, Augustine (Chairman) and Takanori MATSUURA (Director, Japanese market, deceased on 13 August 2006)
- Business line – CHU Yuk Man, Simon (Director, Marketing and Customer Relation)
- Production and Research Development – CHANG Hua Jung (Director, Production and Research Development)

Independent non-executive Directors

- Trading companies exposure – CHOY Tak Ho
- Related business (Golf manufacturing) – TSE Ying Man
- I.T. and Corporate Governance – CHIU Lai Kuen, Susanna

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Appointments, re-election and removal

Code Principle

Formal, considered and transparent procedures should be established for the appointment of new directors. Significant emphasis should also be placed on issue of succession planning.

Code provisions	Comply?	Governance Practices for Sino Golf
<ul style="list-style-type: none"> Non-executive directors should be appointed for a specific term, subject to re-election. Every director should be subject to rotation at least once every three years. All directors appointed to fill a casual vacancy should be subject to election at the first and subsequent general meeting. 	<p>✓ with deviation</p>	<ul style="list-style-type: none"> Although the independent non-executive directors have not been appointed for any specific terms, they are required by the Company's Bye Laws to retire by rotation approximately once every three years at the Company's annual general meeting. The Company's Bye Law 87(1) provides that the chairman of the Board and/or the managing director shall not be subject to retirement by rotation. Such provisions are inconsistent with the Code Provision A.4.2. Nonetheless, the Company has, in practice, complied with and adopted the said Code Provision as Mr. Chu Chun Man, Augustine, Chairman of the Board, voluntarily offered himself to retire at the 2006 annual general meeting along with Mr. Chu Yuk Man, Simon and Mr. Choy Tak Ho. To conform with Code Provision A.4.2, a special resolution will be proposed at the 2007 annual general meeting of the Company to amend the Company's Bye Laws so that all directors will be 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 Board as a whole is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of directors, monitoring the appointment and succession planning of directors and assessing the independence of independent non-executive directors.

The Board reviewed its own structure, size and composition regularly to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Company.

Where vacancies on the Board exist, the Board will carry out the selection process by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of the proposed candidates, the Company's needs and other relevant statutory requirements and regulations. An external recruitment agency may be engaged to carry out the recruitment and selection process when necessary.

According to clauses 87(1) and 87(2) of the Company's Bye-Laws, Mr. Chang Hua Jung will retire and offer himself for re-election at the 2007 annual general meeting.

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The Board recommended the re-appointment of the director standing for re-election at the next forthcoming annual general meeting of the Company.

The Company's circular dated 27 April 2007 contains detailed information of the director standing for re-election.

Responsibilities of directors

Code Principle

All directors (including non-executive directors) are required to keep abreast of their responsibilities as directors of an issuer and of the conduct, business activities and development of that issuer.

Code provisions	Comply?	Governance Practices for Sino Golf
<ul style="list-style-type: none"> Every newly appointed director should receive a comprehensive, formal and tailored induction to ensure that he/she has a proper understanding of the business, his/her responsibilities under the Listing Rules, applicable regulatory requirements, business and governance policies of the issuer. 	✓	<ul style="list-style-type: none"> On appointment, new Directors will be given a comprehensive orientation package, including introduction to Group activities, induction into their responsibilities and duties, and other regulatory requirements. Non-executive Directors are regularly updated with management's strategic plans, lines of business, financial objectives, plans and actions. The Company Secretary is responsible for keeping all Directors updated on Listing Rules and other statutory requirements.
<ul style="list-style-type: none"> Functions of non-executive directors should include: <ul style="list-style-type: none"> bringing an independent judgment at the board meeting; taking the lead where potential conflicts of interests arise; serving on committees if invited; scrutinising the issuer's performance and monitoring the reporting of performance. Directors should ensure that they can give sufficient time and attention to the affairs of the issuer. 	✓	<ul style="list-style-type: none"> Strategic planning and monitoring are two distinct but intertwined roles of Sino Golf Directors. Strategic planning should be based on an identification of the opportunities and the full ranges of risks that will determine which of these opportunities are worth pursuing. <p>On an on-going basis, the Board will review with management how the strategic environment is changing, what major risks and opportunities have emerged, how they are being managed and what, if any, adjustments in strategic direction would be required.</p> <ul style="list-style-type: none"> There is satisfactory attendance for Board and Board Committee meetings in 2006.

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Code provisions	Comply?	Governance Practices for Sino Golf
<ul style="list-style-type: none"> Directors must comply with their obligations under the Model Code set out in Appendix 10. 	✓	<ul style="list-style-type: none"> The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as the Company's code of conduct for dealings in securities of the Company by the Directors. Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2006. The Company also has established written guidelines on terms no less exacting than the Model Code (the "Employees Written Guidelines") for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

Supply of and access to information

Code Principle

Directors should be provided in a timely manner with appropriate information so as to enable them to make an informed decision and to discharge their duties and responsibilities.

Code provisions	Comply?	Governance Practices for Sino Golf
<ul style="list-style-type: none"> Board papers should be sent to all directors at least three days before the date of board/committee meeting. 	✓	<ul style="list-style-type: none"> Board papers are sent to all Directors at least 3 days before the date of board/committee meeting.
<ul style="list-style-type: none"> Each director should have separate and independent access to senior management. 	✓	<ul style="list-style-type: none"> Senior management is from time to time brought into formal and informal contact with the Board at board meetings and other events.
<ul style="list-style-type: none"> Directors are entitled to have access to board papers; steps must be taken to respond properly and fully to director queries. 	✓	<ul style="list-style-type: none"> Board papers and minutes are available for inspection by Directors and Committee Members.

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B. Remuneration of Directors and Senior Management

The level and make-up of remuneration and disclosure

Code Principle

A formal and transparent procedure should be established for setting policy on executive directors' remuneration and for fixing the remuneration packages for all directors. No director should be involved in deciding his own remuneration.

Code provisions	Comply?	Governance Practices for Sino Golf
<ul style="list-style-type: none"> • Issuers should establish a remuneration committee with specific written terms of reference (containing the minimum prescribed duties) which information is available on request and on the Company's website. A majority of the members should be independent non-executive directors. 	✓	<ul style="list-style-type: none"> • The remuneration committee with written terms of reference was set up on 23 September 2005. It comprises three independent non-executive directors and two executive directors. The terms of reference are available on request and on the Company's website.
<ul style="list-style-type: none"> • The committee should consult the chairman and/or chief executive officer regarding proposed remuneration of other executive directors and have access to professional advice where necessary. 	✓	<ul style="list-style-type: none"> • The remuneration committee is responsible for formulating and making recommendation to the Board on the Group's policy and structure for all remuneration of the Directors of the Company and senior management of the Group.
<ul style="list-style-type: none"> • The remuneration committee should be provided with sufficient resources to discharge its duties. 	✓	<ul style="list-style-type: none"> • Independent professional advice will be sought to supplement internal resources where necessary.
Recommended Best Practice		
<ul style="list-style-type: none"> • A significant proportion of executive directors' remuneration should be linked to corporate and individual performance. 	✓	<ul style="list-style-type: none"> • The directors' remuneration is determined by the Company in general meeting. It is delegated to the Board by the shareholders at the AGM. The emolument is determined with reference to the directors' duties, responsibilities, performance and the results of the Group.

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Remuneration Committee

The primary objectives of the Remuneration Committee include making recommendations on and approving the remuneration policy and structure and remuneration packages of the directors and the senior management. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

The Remuneration Committee normally meets towards the end of each year for reviewing the remuneration policy and structure and determination of the annual remuneration packages of the directors and the senior management and other related matters. The Human Resources Department is responsible for collection and administration of the human resources data and making recommendations to the remuneration committee for consideration. The Remuneration Committee shall consult the Chairman of the Company about these recommendations on remuneration policy and structure and remuneration packages.

The Remuneration Committee met once during the year ended 31 December 2006 and reviewed the remuneration policy and structure of the Company and remuneration packages of the directors and the senior management for the year under review.

Details of attendance records of Remuneration Committee meetings in 2006:

Executive Directors	Attendance
CHU Chun Man, Augustine	1/1
CHU Yuk Man, Simon	1/1
Independent non-executive Directors	
TSE Ying Man (<i>Chairman</i>)	1/1
CHOY Tak Ho	1/1
CHIU Lai Kuen, Susanna	1/1

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C. Accountability and Audit

Financial reporting

Code Principle

The board should present a balanced, clear and comprehensible assessment of the company's performance, position and prospects.

Code provisions	Comply?	Governance Practices for Sino Golf
<ul style="list-style-type: none"> Management should provide explanation and information to enable the board to make informed assessment of relevant matters. 	✓	<ul style="list-style-type: none"> Directors are regularly kept informed and updated with management's strategic plans, lines of business, financial objectives, plans and actions.
<ul style="list-style-type: none"> The directors should acknowledge their responsibility for preparing the accounts; there should be a statement by the auditors regarding their reporting responsibilities in the auditors' report. 	✓	<ul style="list-style-type: none"> A Statement of Director Responsibilities for Financial Statements is set out in this Annual Report on page 48. The statement of the external auditors about their reporting responsibilities on the financial statements is set out in the "Report of the Auditors" on page 48.
<ul style="list-style-type: none"> The Board's responsibility to present a balanced, clear and understandable assessment extends to annual/interim reports, other price-sensitive announcements and other financial disclosures/reports under the Listing Rules and statutory requirements. 	✓	<ul style="list-style-type: none"> The Board aims to present a comprehensive, balanced and understandable assessment of the Group's position and prospects in all shareholder communications.

The remuneration paid/payable to the external auditors of the Company in respect of audit services and non-audit services for the year ended 31 December 2006 amounted to HK\$1,330,000 and HK\$99,200 respectively.

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Internal Controls

Code Principle

The board should maintain a sound and effective internal controls system to safeguard the shareholders' investment and the issuer's assets.

Code provisions	Comply?	Governance Procedures for Sino Golf
<ul style="list-style-type: none"> The directors should at least annually conduct a review of the effectiveness of the system of internal controls. 	✓	<ul style="list-style-type: none"> The Board has overall responsibility for the system of internal controls and for reviewing its effectiveness. Management is charged with the responsibility to design and implement an appropriate system of internal controls. Management regularly reviews the effectiveness of the risk management and system of internal controls. Key findings are reported to the Audit Committee and the Board. The Board has engaged an external professional adviser to assist it to conduct an annual review of the effectiveness of the system of internal controls of the Group and is of the view that the system of internal controls in place for the year under review and up to the date of issuance of the annual report is sound and effective to safeguard the shareholders' investment and the Group's assets.

At Sino Golf, Management is primarily responsible for the design, implementation and maintenance of internal controls. The Board and its Audit Committee oversee the actions of Management and monitor the effectiveness of the controls that have been put in place. The system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage, rather than eliminate, risks of failure in operational systems and achievement of the Group's objectives.

Our system of internal controls comprises the following five interrelated components:

1. Control Environment
2. Risk Assessment
3. Information and communication
4. Control Activities
5. Monitoring

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Control Environment

Sino Golf's directors bring an appropriate diverse set of experience, competencies, skill and judgment to the Board, which has a strong commitment to integrity and high ethical values. The Group's value and behavioral standards are explicitly communicated to all employees through the terms in the employment contracts, internal circulars and a formal Code of Conduct.

The Board and its Audit Committee actively participate in the Group's corporate governance and oversight. Major transactions have to be reviewed and approved by the Board/Audit Committee. All members of the Audit Committee are independent non-executive directors with appropriate experiences and expertise and one of them is a qualified accountant. Independent professional advice, where necessary, is available for them to discharge their duties and responsibilities, which are outlined in its term of reference.

The Group has well-defined lines of authority and control responsibilities within the organization structure. Every employee has a written job descriptions and performance is evaluated and reviewed annually.

The management team possesses broad functional skill and experiences appropriate to the Group's business requirement. It is committed to provide sufficient competent personnel to keep pace with the growth and complexity of the business. It has adopted a conservative financial reporting philosophy thereby biases that may affect significant accounting estimates and other judgments are minimized. Significant issues relating to internal control and accounting matters are consulted with the auditors and the Audit Committee. Any identified deficiencies in the internal controls are discussed, investigated and corrected on a timely basis.

Risk Assessment

Strategic planning is one of the distinct roles of the Board. It is based on an identification of the opportunities and the full ranges of risks that determine which of these opportunities are worth pursuing. On an on-going basis, the Board reviews with Management of the changes in the strategic environment, the management of major risks and opportunities and adjustments in strategic direction.

The market trends are actively monitored through internal research and attendance of local and overseas business shows and exhibitions and visits to overseas customers. Key financial and operational performance indicators are reviewed to monitor the Group's performance. Annual employee performance and compensation review is conducted to ensure that quality staff is retained in the Group.

The regulatory environment is monitored through attendance to professional seminars and conferences periodically. Qualified accountants are hired in key positions to ensure high level of competence and quality. The accounting department is promptly notified of any changes that may affect the process of recording transactions. Policies and procedures are also revised to reflect significant changes in internal control of the operating environment as a result of new or changing regulations. Significant changes in accounting practices have to be reviewed and approved by the Audit Committee. Procedures are established to identify related party transactions and the latter is reviewed and approved by the Audit Committee. Unauthorized use of confidential and insider information is strictly prohibited and is stipulated in both the employment contracts and the Code of Conduct.

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Information that is or is expected to be price-sensitive is submitted to the Board for discussion. Professional advice is sought promptly whenever necessary and details of the enquiries, discussion and advice are documented. Consultation with the Exchange is also sought promptly whenever there is any doubt. Once a decision is made and approved for the disclosure of price-sensitive information, arrangement will be made for reporting to the Exchange and announcement to the public as soon as practicable. All such information is kept strictly confidential until an announcement is made.

Information and communication

Management is committed to provide sufficient human and financial resources to develop or revise the necessary information systems in response to the Group's business strategy, or process and application objectives. The Group's information systems provide Management with sufficient details on a timely basis to enable it to carry out its responsibilities efficiently and effectively. Procedures and guidelines are established for timely and appropriate response to external enquiries about the Group's affairs. Senior staff of the Group are identified and authorized to act as its spokespersons in response to enquiries in designated area of issues. The Group's objectives are communicated to the employees through staff meetings and internal circulars. All employees are encouraged to report any potential improprieties or constructive suggestions to Management and they will be handled confidentially to the extent possible under the circumstances. Lines of authority and responsibilities are clearly defined and every employee has a written job descriptions. Procedures and guidelines are established to ensure that proper controls are in place for safeguarding assets and the recording of complete, accurate and timely accounting and management information. They are reviewed by the Operations Director and the Deputy Financial Controller periodically and discussed with the Audit Committee where necessary. Regular audits are carried out to ensure that the financial statements are prepared in accordance with generally accepted accounting principles, legislation, regulations, and the group's policies.

Control Activities

Policies and procedures are reviewed periodically for appropriateness to the Group's business. All valuable assets are properly secured and register is maintained for all fixed assets. Physical checks are performed periodically. Programs and data files are backed up daily and access to specific applications and databases are restricted to authorized personnel. Procedures and guidelines are established for implementing, documenting, testing and approving changes to computer programs. Major information system projects and resources priorities are to be reviewed by the Audit Committee. Duties are segregated so that no one is responsible for both asset custody and records keeping. All transactions are properly documented and approved by authorized personnel. Significant accounting estimates and unusual transactions are to be reviewed by the Board/Audit Committee. Accounting and closing practices are followed consistently throughout the year. Key performance indicators and monthly financial statements accompanied by analytical comments are prepared and submitted to Management for review. Quarterly financial reports are to be reviewed by the Audit Committee.

Monitoring

Internal audit plays an important role in monitoring the Group's internal governance and provides an objective assurance to the Board that a sound internal control system is maintained and operated by Management in compliance with the Group's policies. An independent internal audit department, headed by a member of the Institute of Internal Auditors, has been set up to monitor the Group's activities and to ensure that they are carried out in accordance with the policies laid down by Management. The scope of planned internal audit activities is reviewed in advance with Management. Independent reviews of different financial, business and functional operations and activities are conducted with resources focused on higher risk areas. Ad hoc reviews are also conducted on areas of concern identified by Management. Procedures and control processes are reviewed periodically to ensure that the controls are in place and applied as expected. Exceptions and overrides are investigated and corrective actions are taken promptly on deficiencies. Findings and recommendations from internal auditors and regulators are timely addressed by Management.

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Audit Committee

Code Principle

The audit committee should have clear terms of reference, including arrangements for considering how it applies the financial reporting and internal controls principles. The committee should maintain an appropriate relationship with the company's auditors.

Code provisions	Comply?	Governance Practices for Sino Golf
<ul style="list-style-type: none"> Minutes be kept by a duly appointed secretary; and should be sent to all committee members within a reasonable time. 	✓	<ul style="list-style-type: none"> Draft minutes prepared by the Company Secretary are sent to members generally within 14 days of each meeting.
<ul style="list-style-type: none"> A former partner of the existing auditors should not sit on the Audit Committee. 	✓	<ul style="list-style-type: none"> None of the three Audit Committee members are former partners of the external auditors.
<ul style="list-style-type: none"> The terms of reference of audit committee (containing the minimum prescribed duties) be made available on request and on the Company's website. 	✓	<ul style="list-style-type: none"> Full terms of reference are available on request and on the Company's website.
<ul style="list-style-type: none"> Where the Board disagrees with the audit committee's view on the selection, appointment, resignation or the dismissal of the external auditors, there should be a statement from the audit committee explaining its recommendation and the reason(s) why the board has taken a different view. 	✓	<ul style="list-style-type: none"> Audit Committee recommended to the Board (which in turn endorsed the view) that, subject to shareholders' approval at the forthcoming AGM, Ernst & Young be reappointed as the external auditors for 2007.
<ul style="list-style-type: none"> The audit committee should be provided with sufficient resources to discharge its duties. 	✓	<ul style="list-style-type: none"> There is an agreed procedure for Audit Committee members to take independent professional advice at Company's expense.

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Recommended Best Practice	Comply?	Governance Practices for Sino Golf
<ul style="list-style-type: none"> • Terms of reference include: <ul style="list-style-type: none"> – Review arrangements by which employees of the issuer may, in confidence, raise concerns about possible improprieties. – Oversee the issuer's relation with the external auditor. 	✓	<ul style="list-style-type: none"> • The arrangement is included in the Company's Code of Conduct – Employees/Directors. • The Audit Committee oversees the relationship of management with the external auditors.

Audit Committee

The Audit Committee comprises three independent non-executive directors (including one independent non-executive director who possesses the appropriate professional qualifications or accounting or related financial management expertise).

The main duties of the Audit Committee include the following:

- (a) To review the financial statements and reports and consider any significant or unusual items raised by the qualified accountant, compliance officer (if any), internal auditor or external auditors before submission to the Board.
- (b) To review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditors.
- (c) To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

The Audit Committee held three meetings during the year ended 31 December 2006 to review the financial results and reports, financial reporting and compliance procedures, the internal control and risk management, the report of External Auditor to the Audit Committee in relation to the audit of the consolidated financial statements of the Group and the re-appointment of the external auditors.

The Company's annual results for the year ended 31 December 2006 has been reviewed by the Audit Committee.

Details of attendance records of Audit Committee Meetings in 2006:

Independent non-executive Directors	Attendance
CHIU Lai Kuen, Susanna (<i>Chairman</i>)	3/3
CHOY Tak Ho	2/3
TSE Ying Man	3/3

Corporate Governance Report

D. Delegation by the Board

Management functions

Code Principle

An issuer should have a formal schedule of matters reserved to the board for its decision. The board should give clear directions to management as to the matters that must be approved by the board before decisions are made on behalf of the issuer.

Code provisions	Comply?	Governance Practices for Sino Golf
<ul style="list-style-type: none"> Board must give clear directions as to the powers of management, including circumstances where management should obtain prior approval from the board. 	✓	<ul style="list-style-type: none"> Matters reserved for the Board's decision includes: <ul style="list-style-type: none"> Long-term objectives and strategies of the Group; Material change in or extension of group activities into new business areas; Preliminary announcements of interim and final results; Dividends; Material banking facilities;
<ul style="list-style-type: none"> Formalize the functions reserved to the board and those delegated to management. 	✓	<ul style="list-style-type: none"> Material acquisitions and disposals of assets and/or business; Annual assessment of the effectiveness of the internal controls; Appointment of members to the Board; and Other matters of significance, which the management submits for the Board's consideration and decision.
Recommended Best Practice		
<ul style="list-style-type: none"> Issuers should have formal letters of appointment for directors setting out the key terms and conditions relative to their appointment. 	✓	<ul style="list-style-type: none"> A formal appointment letter, setting out the key terms and conditions relative to their appointment, will be prepared for each newly appointed Director.

Corporate Governance Report

Board Committees

Code Principle

Board committees should be formed with specific written terms of reference that deal clearly with the committees' authority and duties.

Code provisions	Comply?	Governance Practices for Sino Golf
<ul style="list-style-type: none"> Clear terms of reference to enable proper discharge of committee functions. 	✓	<ul style="list-style-type: none"> The Board has established two Board Committees (i.e. the audit committee and the remuneration committee) with specific terms of reference.
<ul style="list-style-type: none"> The terms of reference should require committees to report their decisions to the board. 	✓	<ul style="list-style-type: none"> Board Committees present their respective reports to the Board after each meeting, which reports address their work and findings.

E. Communication with Shareholders

Effective communication

Code Principle

The board should endeavour to maintain an on-going dialogue with shareholders and in particular, use annual general meetings or other general meetings to communicate with shareholders and encourage their participation.

Code provisions	Comply?	Governance Practices for Sino Golf
<ul style="list-style-type: none"> A separate resolution be proposed by the chairman for each substantially separate issue. 	✓	<ul style="list-style-type: none"> Separate resolutions are proposed at the meeting on each substantially separate issue, including the election of individual directors.
<ul style="list-style-type: none"> The chairman of the board should attend the general meeting and arrange for the chairmen of the audit, remuneration and nomination committees (as appropriate) to be present. 	✓	<ul style="list-style-type: none"> The Chairman of the Board and two other directors including an independent non-executive director were present in the 2006 Annual General Meeting to answer questions raised by the shareholders.

Corporate Governance Report

Voting by poll

Code Principle

The issuer should regularly inform shareholders of the procedure for voting by poll and ensure compliance with the requirements about voting by poll contained in the Listing Rules and the constitutional documents of the issuer.

Code provisions	Comply?	Governance Practices for Sino Golf
<ul style="list-style-type: none"> The general meeting circulars should disclose the procedures and rights of shareholders to demand a poll. 	✓	<ul style="list-style-type: none"> Procedures for demanding a poll were set out in the circular accompanying the AGM Notice. Poll procedures were also explained during the AGM proceedings. The Chairman of the meeting has demanded poll on each and every resolution put to the vote in the 2006 AGM. The Share Registrars of the Company was appointed as scrutineer. Poll results were published in major Hong Kong newspapers on the business day following the meeting and posted on the websites of the Stock Exchange and the Company.
<ul style="list-style-type: none"> Ensure that votes cast are properly counted and recorded. 		
<ul style="list-style-type: none"> Chairman of meeting should adequately explain the poll procedures at the commencement of the meeting. 		