Sino Golf Holdings Limited
順龍控股有限公司
(Incorporated in Bermuda with limited liability)
Stock Code: 00361

ANNUAL REPORT 2010

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. CHU Chun Man, Augustine
(Chairman and member of Remuneration Committee)
Mr. CHU Yuk Man, Simon
(Member of Remuneration Committee)
Mr. CHANG Hua Jung

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHOY Tak Ho
(Member of Audit Committee and Remuneration Committee)
Ms. CHIU Lai Kuen, Susanna
(Chairman of Audit Committee and Member of Remuneration Committee)
Mr. HSIEH Ying Min
(Chairman of Remuneration Committee and member of Audit Committee)

COMPANY SECRETARY

Mr. CO, Man Kwong

AUTHORISED REPRESENTATIVES

Mr. CHU Chun Man, Augustine
Mr. CHU Yuk Man, Simon

AUDITORS

SHINEWING (HK) CPA Limited
43/F., The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong

INTERNAL CONTROL REVIEW ADVISOR

SHINEWING Risk Services Limited
43/F., The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong

PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited
Standard Chartered Bank (Hong Kong) Limited

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM 08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton, HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS

Room 1901
19th Floor, Delta House
3 On Yiu Street
Shatin
New Territories
Hong Kong

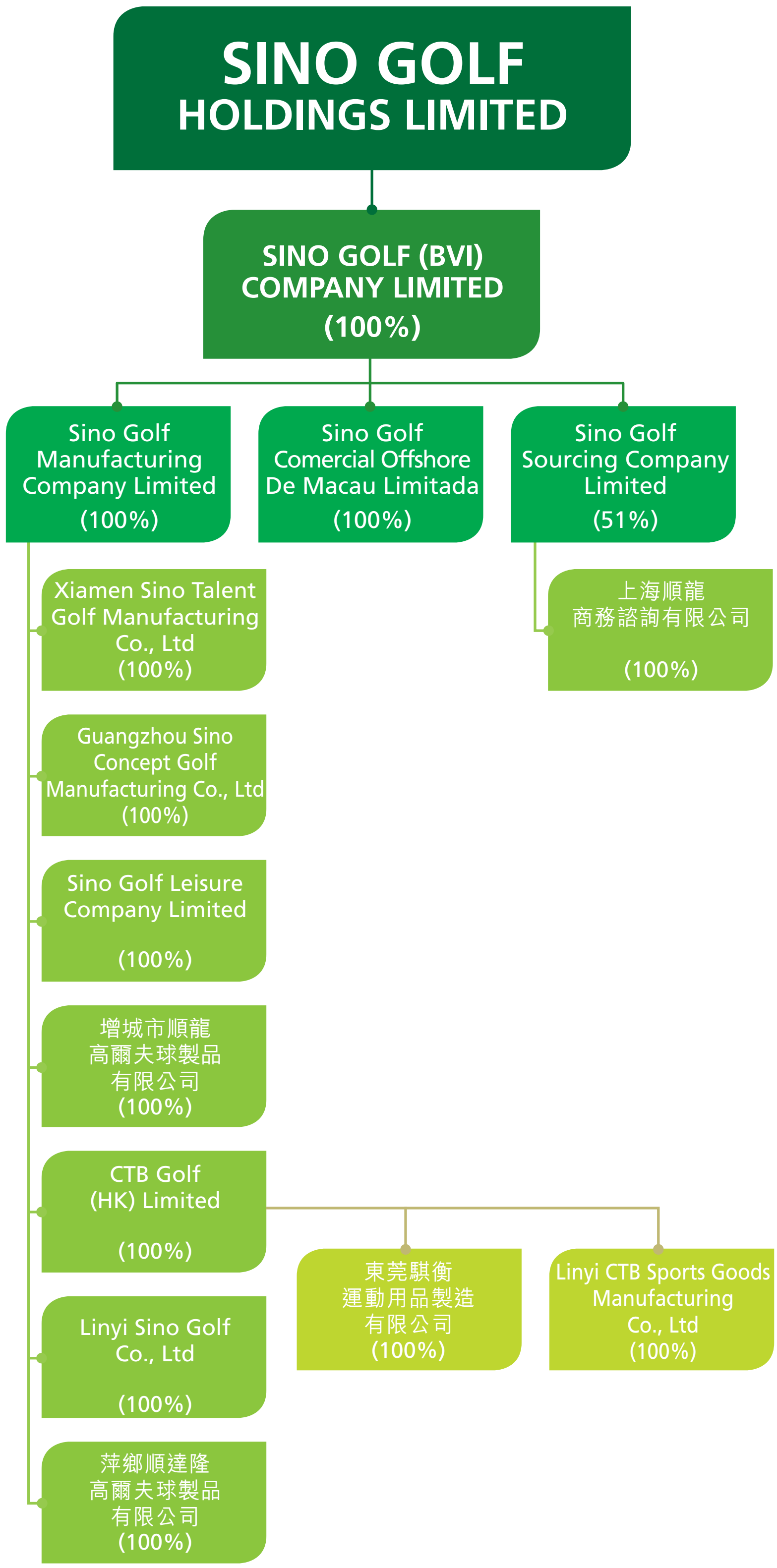
TICKER SYMBOL

Listed on The Stock Exchange of Hong Kong Limited
under the Share ticker number 00361

WEBSITE

http://www.sinogolf.com

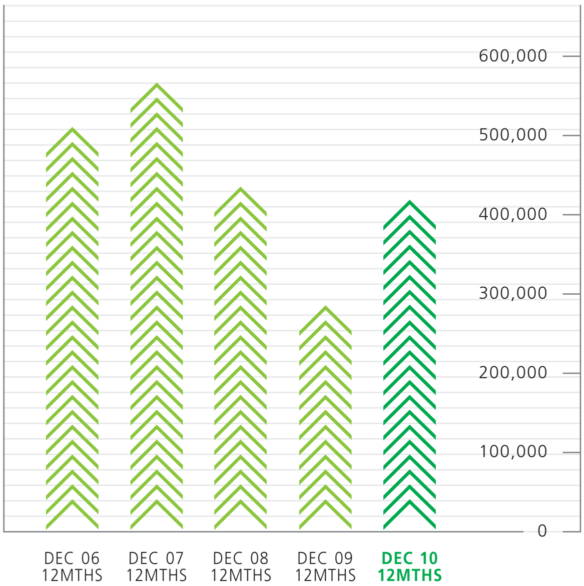
CORPORATE STRUCTURE



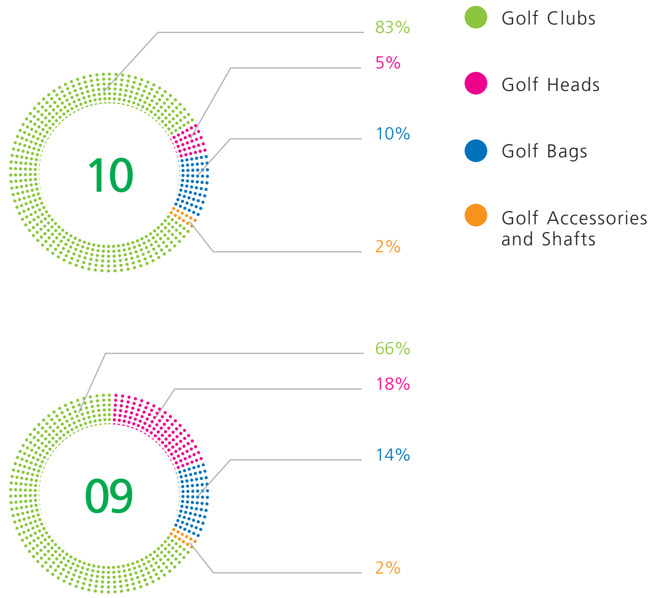
FINANCIAL HIGHLIGHTS

Turnover

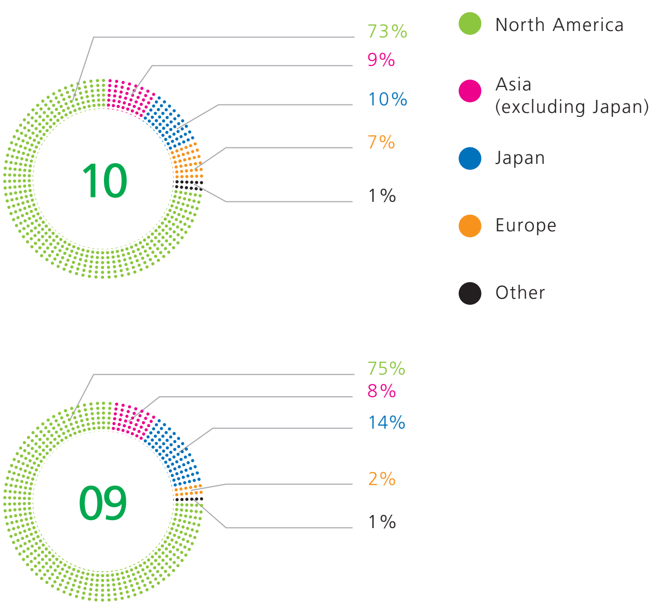
(HK$'000)



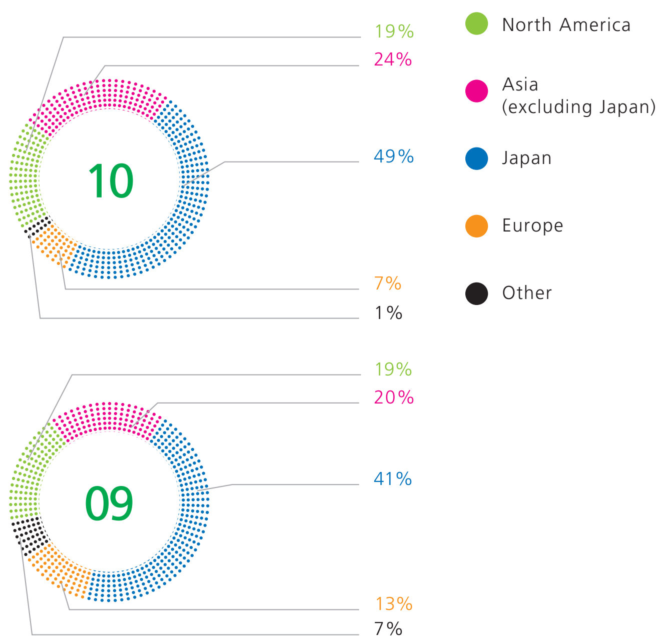
Turnover by Product



Turnover (Club) by Geographical Area



Turnover (Bag) by Geographical Area



CHAIRMAN'S STATEMENT

On behalf of the Board of Directors (the "Board") of Sino Golf Holdings Limited (the "Company"), I am pleased to present to shareholders the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2010.

Chu Chun Man, Augustine
Chairman

CHAIRMAN'S STATEMENT

RESULTS AND DIVIDENDS

Consolidated turnover of the Group increased to HK$427,997,000 for the year ended 31 December 2010 (2009: HK$290,329,000). Profit for the year attributable to owners of the Company amounted to HK$11,588,000 (2009: loss of HK$12,535,000). Earnings per share was HK3.83 cents (2009: loss per share of HK4.15 cents) whereas diluted earnings per share was HK3.78 cents (2009: loss per share of HK4.15 cents).

The Board has not recommended the payment of a dividend for the year (2009: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 1 June 2011 to Thursday, 2 June 2011, both days inclusive, for the purpose of establishing entitlement of shareholders to vote at the forthcoming annual general meeting. During the period, no transfer of shares will be effected. All share transfer, accompanied by the relevant share certificates, shall be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:00 p.m. on Tuesday, 31 May 2011.

BUSINESS REVIEW

OVERVIEW

Benefiting from a recovery in the global economy, the golf industry has rebounded moderately during the year when major market participants partially resumed their purchasing volume in light of the improved market conditions. To cope with the various challenges, it is desirable that the recovery cycle could last long enough to give the impetus necessary for further economic growth and developments.

With the contribution from the business with the new first-tier customers and a general rebound in the market demand, our Group has achieved a remarkable surge in both the sales of golf equipment and golf bags during the year. Though the market sentiment has apparently improved, the economies remain fairly volatile and are exposed to ad hoc fluctuations. To substantiate growth and survive fierce competition, most of the golf industry participants have been endeavoring to tap revenues whilst streamlining the operations to optimize and reduce costs. Notwithstanding the business rebound, our Group remains highly alert of possible market fluctuations, as there is no assurance that the economy would continue to prosper without material interruptions.

The Group's turnover increased significantly, year on year, by 47.4% from HK$290.3 million in 2009 to HK$428.0 million this year. Gross profit grew to HK$89.8 million from HK$59.7 million for the comparative preceding year. Average gross profit margin improved slightly to 21.0% from 20.6% for 2009. Attributed to the increase in revenues, the Group has successfully reverted to profitability from the loss sustained in the preceding year. With the broadened customer base and enhanced manufacturing capabilities, our Group has managed to regain market share and uplift industry recognition. It is anticipated that the Group will continue to expand business with the first-tier customers to generate extra revenues. Overall, we have progressed steadily towards our mission to provide one-stop premium services to the customers and strengthen our role as a high quality golf equipment manufacturer.

The Group pursued its emphasis on product innovation and customers' fulfillment as a means to uphold our competitive advantage against the intense competition. This has proved to be an effective strategy to gain and preserve customers' confidence especially during a time of economic instability. Our Group's effort has culminated in successfully adding new first-tier name brands to our customer profile, in contrary to some industry peers that had failed during this difficult period.

During the year, the Renminbi ("RMB") currency has somewhat appreciated to add to our cost burden as RMB expenditures like wages and factory overheads incurred in the PRC increased. To combat the cost hikes, the Group has reinforced its rationalization programs with the aim to optimize costs to the extent feasible. Following a year of consolidation, our Group has regained profitability in 2010 as substantiated by the significant rebound in revenues.

For the year of 2010, golf equipment sales aggregated to HK$384,225,000 representing 89.8% of the Group's turnover. Sales of the golf bags and accessories, after eliminating inter-segmental sales of HK$26,317,000, amounted to HK$43,772,000 to account for the remaining 10.2% of the Group's turnover for the year. Attributed to the surge in revenues, the golf equipment and golf bag segments both demonstrated an improvement to achieve segmental profits of HK$33,968,000 and HK$3,185,000 for the year, respectively.

GOLF EQUIPMENT BUSINESS

The golf equipment segment constituted the main operating segment that accounted for 89.8% of the Group's turnover for the year (2009: 86.5%). Attributable to the contribution from business with the new first tier customers, golf equipment sales for the year rebounded significantly by 53.0% to HK$384,225,000 from HK$251,196,000 in 2009. The segment turnover comprised golf clubs sales of HK$352,963,000 and components sales of HK$31,262,000, representing 91.9% and 8.1% respectively. Of the golf clubs sales, the proportion of club sets versus individual clubs was 87.4% and 12.6% respectively. As regards components sales, club heads accounted for 70.9% with shafts and other accessories taking up the remaining 29.1%.

During the year, sales to the new first-tier customer, which carries the world's most prominent golf brand, more than quadrupled to HK$165,940,000 (2009: HK$39,726,000) to make it the Group's largest customer. Sales to the Group's then largest customer for the year, comprising mainly hybrid iron sets, was down 5.7% to HK$114,803,000 (2009: HK$121,709,000) due mainly to issues on delivery schedules. It is anticipated that sales to this second largest customer would resume growing in the ensuing year, as the delivery issue has been properly dealt with. On the other hand, sales to other major customers showed a moderate rebound in general given a partial resumption in the market demand for golf equipment products. Turnover generated from the top five golf equipment customers aggregated to HK$348,662,000, representing 90.7% of the segment turnover or 81.5% of the Group's turnover for the year. With the strengthened customer base, the Group is confident to continually develop the golf equipment business to take on other high quality first-tier name brands.

During the year, the Shandong manufacturing facility was principally engaged in producing golf club sets for the new first-tier customer that carries the world's most prominent golf brand. To accomplish the Group's program to relocate a majority of the production to the northern part of the PRC, the capacity of the Shandong manufacturing facility has been stepped up by phases to cope with the growing needs. Endowed with the advantage of lower labor and operating costs, the Shandong manufacturing facility has managed to bring additional contribution to the Group through the increased output volume. As part of the process to consolidate the Group's production, the Shandong manufacturing facility has taken up the production function originally assumed by the Group's manufacturing facility in Xiamen Province, the PRC. Following that, the Group has subsequently realized its investment in the subsidiary that owns the Xiamen manufacturing facility in February 2011. Proceeds from the disposal of RMB18 million will mainly be applied towards providing funds for the Group's working capital. To further streamline the production flow and enhance efficiency, several golf bags production lines have been set up at the Shandong manufacturing facility to cater for customers' orders of golf club sets that include golf bags as accessories. This serves to improve overall efficiency and helps reduce the transportation cost and risk associated with moving completed golf bags over long distances from the Group's Guangdong manufacturing facility. The Shandong manufacturing facility signifies a milestone in our Group's development that strengthens our competitive advantage and provides a strong platform to facilitate the Group to effectively take on new first-tier golf name brands that are seeking to cooperate with alternative high quality supply sources.

In pursuant of sound commercial practices, the Group adhered to the policy of hedging its major receivables through factoring and insurance arrangements. Besides, the Group cautiously monitored the performance of individual customers and regulated their terms as appropriate to best safeguard our interest. During the year, the Group received further distribution of HK$486,000 from the trustee of the Huffy Unsecured Claims Trust in respect of the debt owed by the reorganized Huffy in prior years. The management has considered those relevant factors including the periodic distributions received by the Group for paying down the debt balance and concurred that no impairment existed on the remaining balance of approximately HK$258,000 owed by the reorganized Huffy as at the year end date. The Group will review the circumstances again in the ensuing year to assess the existence of impairment.

During the year, the labor shortage problem prevailing in the southern part of the PRC has created some pressure on securing timely deliveries to customers. To better facilitate the fulfillment of customers' orders, our Group had to engage additional subcontracting work to meet with the delivery requirements. This together with the increase in the statutory minimum wage rates enforced in the PRC has resulted in an increase in costs to undermine the profit margins. During the year, raw materials and component costs did not fluctuate materially and this helped preserve the available profit margins against the impact of rising labor cost and overheads such as fuel expenses.

Supported by the business rebound, the golf equipment segment has shown encouraging improvement to achieve a segmental profit of HK$33,968,000 for the year (2009: HK$9,466,000). Taking into account the prevailing market conditions and the current order book status, the management anticipates that the golf equipment segment will continue to achieve reasonable performance subject to the more prudent purchasing practice of most customers in the recent years.

GOLF BAG BUSINESS

Taking advantage of the economic rebound, the golf bag segment has gained business in 2010 to help contribute to the Group's revert to profitability from the loss sustained in the preceding year. Total sales of golf bags and accessories grew by 35.0% from HK$51,933,000 in 2009 to HK$70,089,000 this year. After eliminating inter-segmental sales of HK$26,317,000 (2009: HK$12,800,000), the segment turnover comprising sales of golf bags to the external customers increased, year on year, by 11.9% from HK$39,133,000 in 2009 to HK$43,772,000 to account for 10.2% of the Group's turnover for the year (2009: 13.5%). The inter-segmental sales increased substantially as a result of the surge in customers' orders of golf club sets that incorporated golf bags as accessories, sales of which had been classified as the turnover of the golf equipment segment.

Of the segment turnover, golf bag sales accounted for 74.9% or amounted to HK$32,786,000, whereas accessories sales comprising mainly shoe bags aggregated to HK$10,986,000 or 25.1%. There has not been a material fluctuation in the product mix throughout these years. During the year, sales to the largest golf bag customer increased remarkably by 30.4% to HK$26,916,000, accounting for 61.5% of the segment turnover or 6.3% of the Group's turnover. Turnover from the top five golf bag customers aggregated to HK$36,577,000, representing 83.6% of the segment turnover or 8.5% of the Group's turnover for the year.

CHAIRMAN'S STATEMENT

Analyzed from another perspective, sales of the Japan line of products increased substantially during the year by 26.5% to HK$27,327,000 whereas sales of the non-Japan line of products, comprising mostly golf bags of American design, decreased by 6.2% to HK$16,445,000 instead. This has been mainly due to the significant increase in the inter-segmental sales of non-Japan line of golf bags, which were eliminated in arriving at the amount of the segment turnover as these golf bags constituted the accessories of the related golf club sets. Sales of those golf club sets having golf bags as accessories had been classified to the turnover of the golf equipment segment as appropriate. Of the turnover of the golf bag segment, the proportion of the Japan line and the non-Japan line of products was 62.4% and 37.6% respectively with the Japan line of products dominating the sales mix. The Group has pursued its strategy to continually develop and explore both the Japan line and the non-Japan line of golf bags so as to gain market share and broaden the customer base. We are devoted to allocate necessary resources to tap market opportunities that bring us both the quantities and reasonable margins.

During the year, prices of major raw materials for the golf bag production such as PVC, PU and nylon demonstrated a moderate increase whereas the accessories price like those of metal parts and plastic components did fluctuate within narrow ranges. On the other hand, the labor cost has increased to reflect the adjustments made to the statutory minimum wage rates enforced in the PRC to cope with the labor shortage problem prevailing during the year. To strengthen the competitive advantage, the golf bag segment continued to reinforce the various measures implemented to streamline the operations to optimize costs. It is our strategy to emphasize and continually develop the high-end golf bags so as to uphold the Group's role as a key player in the golf bag sector.

Motivated by a more favorable market sentiment, the performance of the golf bag segment improved to achieve a segmental profit of HK$3,185,000 for the year, up from HK$212,000 for the comparative preceding year. Given the prevailing market conditions and the current order book status, the management anticipates that the golf bag segment should have passed the most difficult period and will continue to develop at a reasonable pace while still facing a challenging environment going forward.

GEOGRAPHICAL SEGMENTS

There has not been any significant fluctuation in the geographical distribution of the Group's business throughout the years. Over two-third of the Group's turnover for the year were for shipments to customers in North America, mainly the United States while shipments to other geographical regions include Japan; Asia (excluding Japan); Europe; and others. Being the world's largest golf market, North America dominated to account for 67.4% of the Group's turnover in 2010 (2009: 67.3%). Other geographical regions covering Japan, Asia (excluding Japan), Europe; and others contributed 14.5%, 10.1%, 7.2% and 0.8% of the Group's turnover for the year, respectively (2009: 17.8%; 9.1%; 3.3%; and 2.5%, respectively).

As percentages of the Group's turnover, sales to the North American market stayed at similar level as that of the preceding year whereas sales to the Japanese market decreased to 14.5% (2009: 17.8%), mainly due to the effect of sales programs specifically launched for the Japanese market in 2009. Benefiting from the global recovery, aggregate sales to other geographical regions including Asia (excluding Japan); Europe and others rebounded moderately, as a percentage of the Group's turnover, from 14.9% in 2009 to 18.1% for the current year.

In monetary terms, sales to the North American market soared 47.6% in 2010 to HK$288,346,000, comprising golf equipment and golf bag sales in the proportion of 97.1% and 2.9%, respectively. Sales to the Japanese market also increased by 19.6% to HK$61,848,000 in 2010. With our effort to tap additional revenues, sales to other geographical regions covering Asia (excluding Japan); Europe and others increased in aggregate by 79.9% to HK$77,803,000 in 2010.

It is the corporate strategy to strengthen our competitive edge in the North American market through further exploring the business opportunities with the world's most prominent golf brand, shipments to which have exceeded HK$165 million during 2010. The Group remains committed to continually developing and tapping potential opportunities in the Japanese market both for the golf bag and golf equipment segments. To facilitate the long-term goal to increase our market share, the Group is devoted to continually expanding business in the geographical regions covering, Asia (excluding Japan); Europe; and others, particularly the Asian market, where the golf activities have become increasingly popular and affordable as a trend of leisure sports

PROSPECTS AND RISK FACTORS

PROSPECTS

With our persistent effort, the Group's business has recovered steadily from the economic downturn caused by the financial crisis. Sales have surged remarkably during the year following a general recovery in the global economy, which facilitated the Group to successfully revert to profitability from the loss sustained in 2009. Business with the new first-tier customer, which carries the world's most prominent golf brand, has grown significantly to make it the Group's largest customer for the year and provided the impetus needed for reinforcing the Group's recovery and development. Besides, the establishment of the Shandong manufacturing facility constituted an essential move to strengthen our competitive advantage through enhancing the Group's productivity and technological capabilities.

Though the world economy has achieved a satisfactory recovery in 2010, it is uncertain how long this process may last to continue boost the economies under a highly volatile market environment. The threat of further economic or financial turbulence does exist as there still lies ahead many challenges and uncertainties to overcome. The recent occurrence of the earthquake and tsunami in Japan has posed major threats on Japan's economy in the short to medium term. Its potential impact on the global economy is yet to be assessed and needs to be cautiously monitored. As the Japan market accounts for about 15% of our Group's business, it is expected that some level of impact may be inevitable and we have to remain highly alert and responsive to possible fluctuations so as to mitigate any adverse impact. Our Group has maintained a strong customer network through which we are periodically updated with the ad hoc market information and trends. We are highly adaptive to effectively cope with the market changes and customers' needs, which enable us to outperform other industry peers and progress towards our corporate goal to provide customers with competitive one-stop premium services. The growth potential with the new first-tier customers looks promising and it is expected that we will continue to take on additional first-tier name brands to broaden our customer base and move forward.

CHAIRMAN'S STATEMENT

Including the actual shipments made after the year end date, the Group has currently procured customer orders exceeding HK$150 million for 2011 with additional orders yet to be received in the usual course of business. Taking into account the current market conditions and the potential impact on the world economy as may be caused by the recent earthquake in Japan, it is anticipated that sales for 2011 may remain volatile and be subject to various uncertainties and challenges. The Group is making every effort to capture and preserve our businesses in light of the current dynamic economic situations. Based on the current ordering trend and the prevailing market conditions, the management maintains a cautious view about the business outlook for 2011. It is envisaged that both the golf equipment and golf bag business should develop steadily in commensurate with the actual market status and conditions. The Group has established a strong relationship with its customers and we remain aggressive to continually exploit business opportunities to broaden and diversify our customer profile. We will also keep ourselves alert of the market developments in responding to and capturing opportunities as well as managing challenges.

RISK FACTORS

Given that the Group's historical results are not necessarily indicative of the Group's future performance and/or financial condition, it is desirable to present an outline of those factors that could affect the Group's future performance and/or financial condition. These factors could cause the Group's future performance and/or financial condition to differ materially from those of the prior years or from management's expectations or estimates.

STATUS OF UNITED STATES ECONOMY AND CURRENCY FLUCTUATION

As the Group is principally engaged in exporting the majority of its products to the United States, any fluctuation to the United States economy might have an effect on the Group's business. The potential conflicts arising from the imbalance of trade between the PRC and the United States may lead to trade barriers if not properly dealt with and resolved by the respective governments. Despite a general recovery of the global economy after the financial crisis, there is no assurance that the economies will continue to rebound without material interruptions. Besides, the tendency of continued appreciation of the RMB currency may affect the competitiveness of manufacturers in the PRC if the RMB currency further appreciates.

INTEREST RATES MOVEMENTS

The Group generally utilizes banking facilities to finance its operations, which usually bear interest at floating rates. Movements in the applicable interest rates will affect the level of finance cost to be borne by the Group. Though interest rates stayed at a relatively low level during 2010, any revision of the interest rates up will increase the finance cost burden to the Group. Though the Group could have the option to enter into interest rate swap contracts to hedge interest payments, there is no assurance that the interest rate swaps would result in any material savings for the Group.

CONCENTRATION OF KEY CUSTOMERS

In 2010, sales to the largest customer represents 43.2% of the turnover of the golf equipment segment or 38.8% of the Group's annual turnover. The five largest customers in aggregate accounted for about 83.7% of the Group's turnover for the year. It has been the Group's policy to diversify to maintain a healthy and balanced customer portfolio and there is reasonable progress so far. Due to the highly reliance on key customers, it is inevitable that incidents with material adverse impact on the Group's key customers may also adversely affect the Group's business.

MATERIALS COST AND SOURCES OF SUPPLY

As material cost constitutes the major cost component of the Group's products, any significant price fluctuation or supply shortage may pose threats on the Group's profit margin even if we could adjust sales prices to recoup cost increase to some extent. In addition, the trend of relying more on the component makers and suppliers specified by customers may limit the choice and flexibility in selecting suppliers by the Group that might undermine and erode profit margins over the time.

In addition to the risk factors identified above, the Group is subject to other risk factors and uncertainties that could arise when market conditions change from time to time. The management remains alert to keep aware of other possible risks and will adopt prompt measures to mitigate the Group's exposure as necessary.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to express my sincere thanks to the Board members, the management and our employees for their hard work, loyalty and continued support. We treasure their commitments as a key motivator of the Group's long-term development and success.

Mr. Chu Chun Man, Augustine
Chairman

Hong Kong
30 March 2011

MANAGEMENT DISCUSSION AND ANALYSIS

This statement provides supplementary information to the Chairman's Statement.

RESULTS OF OPERATIONS

Attributed to the global recovery, the Group's business rebounded strongly during the year to facilitate a regain of profitability in 2010. The Group's turnover for the year ended 31 December 2010 increased significantly by 47.4% to HK$427,997,000 (2009: HK$290,329,000). Profit for the year attributable to owners of the Company amounted to HK$11,588,000 (2009: loss of HK$12,535,000). Earnings per share was HK3.83 cents for the year (2009: loss per share of HK4.15 cents). Diluted earnings per share was HK3.78 cents (2009: loss per share of HK4.15 cents). The directors do not recommend the payment of a dividend for the year (2009: nil).

During the year, turnover of the golf equipment and golf bag segments soared by 53.0% and 11.9% to HK$384,225,000 and HK$43,772,000, respectively. Prior to eliminating the inter-segmental sales of golf bags of HK$26,317,000 (2009: HK$12,800,000), the total sales of the golf bag segment increased in volume by 35.0% to HK$70,089,000 during the year, which represented the actual change in the business volume of the segment. There was significant increase in the inter-segmental sales of golf bags, mainly attributable to the surge in the sale of golf club sets that incorporated golf bags as accessories. Revenues from the sale of such golf club sets were classified as the turnover of the golf equipment segment as appropriate.

During the year, shipments to the new first-tier customer, which carries the world's most prominent golf brand, have exceeded HK$165 million to make it the Group's largest customer and accounted for 38.8% of the Group's turnover for the year. With the surge in total revenues, gross profit for the year increased to HK$89,820,000 from HK$59,685,000 in 2009. Average gross profit margin improved slightly from 20.6% for 2009 to 21.0% for the current year.

Other operating income for the year decreased to HK$2,238,000 from HK$4,819,000 in 2009, mainly due to the reduction in rental and tooling charge income, and the non-recurring gains from certain derivative financial instruments and write-back of other payables in 2009.

Selling and distribution costs for the year increased to HK$9,550,000 from HK$7,016,000 in 2009 primarily owing to the increase in transportation and ocean freight charges in commensurate with a greater business volume. Attributable to the savings achieved from cost control measures, administrative expenses for the year decreased to HK$53,002,000 from HK$57,803,000 in 2009, mainly attributable to the reduction in rental expenses and payroll costs.

An impairment loss of HK$2,248,000 was recognised during the year (2009: Nil) to reflect the difference between the recoverable amount and the carrying amount of certain land and buildings which were in the process of being reclaimed by the local PRC government.

Finance costs for the year increased to HK$15,282,000 from HK$11,173,000 in 2009, primarily owing to the increase in term loan interest and the higher factoring charges against greater export volume.

With the business rebound, the Group successfully reverted to profitability to achieve a profit attributable to the owners of the Company of HK$11,588,000 for the year, in contrasted to a loss of HK$12,535,000 incurred for the comparative preceding year.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

The Group continued to rely on internally generated cash flows and banking facilities to finance its operations. To strengthen the Group's financial position in a volatile economic environment, the immediate holding company and the ultimate holding company have granted unsecured interest free loans to the Group to reduce bank borrowings and assure that there are sufficient funds for the operations. To properly manage and limit its exposure to financial risks, the Group has adopted effective policies and guidelines to help identify the existence of financial risks for timely treatment and rectifications.

At 31 December 2010, bank balance and cash, which were mostly denominated in United States dollars, Hong Kong dollars and Renminbi, amounted to HK$43.3 million (2009: HK$39.5 million). The bank balance increased as a result of the additional funds provided by the ultimate holding company to strengthen the Group's liquidity. The Group has pursued the principle of maintaining sufficient funds to run its operations and discharge the liabilities as they fall due.

Borrowings of the Group other than the loans from immediate holding company and ultimate holding company are mostly denominated in Hong Kong dollars, United States dollars and Renminbi that carry interest at a certain spread over the HIBOR/LIBOR or the interest rate promulgated by the Peoples' Bank of China from time to time. At 31 December 2010, interest-bearing borrowings of the Group comprising bank loans and finance lease payable aggregated to HK$213.3 million (2009: HK$232.7 million), of which HK$199 million (2009: HK$195.5 million) was repayable within one year. The loan from immediate holding company of HK$23.7 million (2009: HK$23.7 million) is unsecured, interest-free and will mature in March 2012, whereas the loan from the ultimate holding company of HK$16.6 million (2009: Nil) is unsecured, interest free and repayable on demand. Besides, certain bank loans from the banks in the PRC of HK$85.9 million (2009: HK$46 million) are secured by certain leasehold land and buildings of the Group with a carrying value of HK$182.4 million (2009: HK$172.3 million). The gearing ratio, defined as bank loans and finance lease payable less bank balance and cash of HK$170.0 million (2009: HK$193.2 million) divided by the shareholders' equity of HK$263.4 million (2009: HK$248.0 million), was 64.5% as at 31 December 2010 (2009: 77.9%). The gearing ratio at 31 December 2010 would be restated as 79.8% (2009: 87.5%) if the loans from immediate holding company and ultimate holding company were included in computing the ratio.

It is our corporate objective to maintain a financial position that is supportive of the Group's long-term development and growth. At 31 December 2010, the total assets and net asset value of the Group amounted to HK$593.6 million (2009: HK$574.4 million) and HK$263.4 million (2009: HK$248.0 million) respectively. Current and quick ratios as at 31 December 2010 were 1.04 (2009: 1.05) and 0.44 (2009: 0.43) respectively. Both the current ratio and quick ratio remain relatively stable and showed no material fluctuation. The Group continues to explore effective means to rationalize and improve its financial position.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND CONTINGENT LIABILITIES

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

At 31 December 2010, the Group had no significant contingent liabilities.

EMPLOYEE AND REMUNERATION POLICIES

At 31 December 2010, the Group employed a total of approximately 2,600 employees mainly located in Hong Kong and the PRC. It is the Group's strategy to establish and maintain a harmonious relationship with its employees through provision of competitive remuneration packages and career development opportunities. The employees are remunerated based on their duties, experience and performance as well as industrial practices. The remuneration packages are reviewed annually to assure fairness and competitiveness and discretionary bonuses may be awarded to employees based on individual performance.

BIOGRAPHICAL DETAILS OF DIRECTORS AND MANAGEMENT

Executive Directors

CHU Chun Man, Augustine ("Augustine Chu"), aged 53, is the chairman of the Company and a founder of the Group and is responsible for the strategic planning, corporate policy and overall management and marketing aspect of the Group. Augustine Chu holds a bachelor degree in commerce from the University of Calgary, Alberta, Canada and an executive master of business administration from the Chinese University of Hong Kong. He has over 27 years of experience in golf equipment manufacturing industry. He also serves various positions in the public sector including a membership of The Chinese People's Political Consultative Conference (CPPCC) – Guangdong Province.

CHU Yuk Man, Simon ("Simon Chu"), aged 55, is the elder brother of Augustine Chu. He has over 13 years of experience in the golf equipment manufacturing industry. Simon Chu is responsible for the sales and marketing functions as well as the customer relation functions of the Group. Simon Chu graduated with a bachelor degree in science in the Leland Stanford Junior University in the United States and an executive master degree in business administration from the Chinese University of Hong Kong. Prior to joining the Group in November 1997, Simon Chu held an Asia Pacific director position with an international firm which is listed on NASDAQ in the United States.

CHANG Hua Jung, aged 49, graduated from an industrial institution in Taiwan. Mr. Chang has over 28 years of experience in the golf equipment manufacturing industry. He joined the Group in August 1988 and is responsible for the production and the research and development functions of the Group.

Independent Non-executive Directors

CHOY Tak Ho, aged 82, has over 48 years of experience in trading business in Hong Kong. He is the President of Union International (HK) Company Limited. Mr. Choy is the Charter President of Hong Kong Kwun Tong Industries and Commerce Association Limited, Chartered President of Hong Kong and Overseas Chinese Association of Commerce Ltd., Hon. Permanent President of Hong Kong Commerce Industrial Ltd., Hon. Life Chairman of Chinese General Chamber of Commerce, Hong Kong, Hon. President of the Chinese Manufacturers' Association of Hong Kong, Member of The National Committee 9th of the Chinese People's Political Consultative Conference, Executive Committee Member 8th of The All China Federation of Industrial and Commerce, Hon. Director of China Overseas Friendship Association.

Mr. Choy is also an independent non-executive director of EVA Precision Industrial Holdings Limited (stock code: 838). During the year 2010, Mr. Choy resigned as an independent non-executive director of two listed companies, namely Multifield International Holdings Limited (stock code: 898) and Oriental Explorer Holdings Limited (stock code: 430). Save as disclosed, Mr. Choy did not hold any directorships in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years.

CHIU Lai Kuen, **Susanna**, aged 51, is a director of Li & Fung Development (China) Ltd, responsible for China relations and business development. Ms. Chiu is a qualified Chartered Accountant from England, and holds an executive master of business administration from the Chinese University of Hong Kong. She is currently the Council Member and Vice President of the HK Institute of Certified Public Accountants and Past President of ISACA (HK Chapter). Ms. Chiu is appointed by the government to serve on the Antiquities Advisory Board and Equal Opportunities Commission. She is also a member of the Shannxi Committee of the Chinese People's Political Consultative Conference. Ms. Chiu is a member of the HK Institute of Directors. Ms. Chiu brings considerable experience in business operations, finance, internal control and corporate governance.

During the year 2010, Ms Chiu changed her post from the Senior Vice President of Li & Fung (Trading) Limited to act as a Director of Li & Fung Development (China) Ltd and she resigned from the Pan Pearl River Delta Panel of the Central Policy Unit.

HSIEH Ying Min, aged 55, is a Taiwanese. Mr. Hsieh has over 36 years of experience in golf manufacturing industry and possesses rich knowledge in the manufacturing processes of golf club as well as a considerable familiarity with the related market and materials.

During the year 2010, Mr. Hsieh resigned from the chairman of Approach Golf International Co., Ltd.

Senior Management

CO Man Kwong, aged 48, is the operations director and company secretary of the Company and is responsible for the financing activity, investors' relation, operations management and strategic planning of the Group. Mr. Co joined the Group in September 2002. Prior to that, he worked in an international accounting firm for over 6 years before joining the commercial field for more than 12 years. Mr. Co graduated from the Hong Kong Polytechnic University and is a fellow member of the Association of Chartered Certified Accountants, the United Kingdom, and HKICPA.

LEE May Yee, aged 41, is the senior marketing manager of the Group. Ms. Lee has over 18 years of experience in the golf equipment manufacturing industry. She graduated with a bachelor degree in business administration from the University of Baptist. She joined the Group in December 1992 and is currently in charge of the marketing functions of the Group.

HE Xin Hong, aged 47, is the assistant general manager of the Group's production department. He joined the Group in December 1990 and is currently in charge of the overall production of a golf bag subsidiary. Mr. He has more than 20 years of experience in the golf manufacturing industry.

HUNG Yi Chuan, aged 48, is the assistant general manager of the Group's production department. He joined the Group in February 2000 and is currently in-charge of the overall production of a golf equipment subsidiary. Mr. Hung has more than 23 years experience in golf manufacturing industry.

REPORT OF THE DIRECTORS

The directors present their report and the audited consolidated financial statements of the Group for the year ended 31 December 2010.

Principal Activities

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in Note 39 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

Results and Dividends

The Group's profit for the year ended 31 December 2010 and the state of affairs of the Group at that date are set out on pages 47 to 49 of the annual report.

The directors do not recommend the payment of dividend in respect of the year.

Summary Financial Information

A summary of the published results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited consolidated financial statements and is set out on page 104 of the annual report. This summary does not form part of the audited consolidated financial statements.

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group during the year are set out in Note 18 to the consolidated financial statements.

Share Capital and Share Options

Details of movements in the Company's share capital and share options during the year are set out in Notes 32 and 33 to the consolidated financial statements, respectively.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to its existing shareholders.

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.

Reserves

Details of movements in the reserves of the Company during the year are set out in Note 38 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

REPORT OF THE DIRECTORS

Distributable Reserves

At 31 December 2010, the Company's reserves available for distribution amounted to HK$43,990,000. In accordance with the Companies Act 1981 of Bermuda, the Company's contributed surplus may be distributed in certain circumstances. In addition, the Company's share premium account, in the amount of HK$57,270,000, may be distributed in the form of fully paid bonus shares.

Major Customers and Suppliers

In the year under review, sales to the Group's five largest customers accounted for 83.7% of the total sales for the year and sales to the largest customer included therein amounted to 38.8%. Purchases from the Group's five largest suppliers accounted for less than 25% of the total purchases for the year.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers.

Directors

The directors of the Company during the year were:

EXECUTIVE DIRECTORS:

Mr. CHU Chun Man, Augustine
Mr. CHU Yuk Man, Simon
Mr. CHANG Hua Jung

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Mr. CHOY Tak Ho
Ms. CHIU Lai Kuen, Susanna
Mr. HSIEH Ying Min

In accordance with articles 87 of the Company's Bye-laws, Mr. CHOY Tak Ho and Ms. CHIU Lai Kuen, Susanna will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The Company has received annual confirmations of independence from Mr. CHOY Tak Ho, Ms. CHIU Lai Kuen, Susanna and Mr. HSIEH Ying Min, and as at the date of this report still considers them to be independent.

Directors' and Senior Management's Biographies

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 17 to 18 of the annual report.

Directors' Service Contracts

Each of the executive directors has entered into a service contract with the Company commencing on 1 December 2000 which will continue thereafter unless terminated in accordance with the relevant clauses of the service contracts. These service contracts are exempted from the shareholders' approval requirement under Rule 13.68 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Apart from the foregoing, no director of the Company proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors' Remuneration

With the shareholders' approval at general meeting, the Company's board of directors was authorised to fix the directors' remuneration including directors' fee. Other emoluments are determined by the Company's board of directors with reference to directors' duties, responsibilities and performance and the results of the Group.

Directors' Interests in Contracts

Save as disclosed in Note 37 to the consolidated financial statements, no director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, or any of its holding companies, or subsidiaries was a party during the year.

Directors' Interests and Short Positions in Shares and Underlying Shares

At 31 December 2010, the interests and short positions of the directors in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

(I) LONG POSITIONS IN ORDINARY SHARES OF THE COMPANY:

	Number of shares held, capacity and nature of interest			
Name of director	**Directly beneficially owned**	**Through controlled corporation#**	**Total**	**Percentage of the Company's issued share capital**
Mr. CHU Chun Man, Augustine	2,326,263	171,543,775	173,870,038	57.53%
Mr. CHU Yuk Man, Simon	636,237	–	636,237	0.21%
	2,962,500	171,543,775	174,506,275	57.74%

\# These shares of the Company are held by CM Investment Company Limited, a company incorporated in the British Virgin Islands, of which, approximately 67.46% of issued share capital are owned by A & S Company Limited, approximately 4.18% of issued share capital are owned by Mr. Chu Chun Man, Augustine and approximately 1.21% of its issued share capital are owned by Mr. Chu Yuk Man, Simon. A & S Company Limited is a company incorporated in the British Virgin Islands and is owned as to approximately 64% by Mr. Chu Chun Man, Augustine, approximately 21.71% by Mr. Chu Yuk Man, Simon and 14.29% by another family member. The interests of Mr. Chu Chun Man, Augustine, and Mr. Chu Yuk Man, Simon, in the 171,543,775 shares of the Company therefore duplicate with those of CM Investment Company Limited and A & S Company Limited.

(II) LONG POSITIONS IN SHARES AND UNDERLYING SHARES OF ASSOCIATED CORPORATIONS:

Name of director	Name of associated corporation	Relationship with the Company	Shares	Number of shares held	Capacity and nature of interest	Percentage of the associated corporation's issued non-voting deferred share capital
Mr. CHU Chun Man, Augustine	Sino Golf Manufacturing Company Limited	Company's subsidiary	Non-voting deferred shares	1,190,607	Directly beneficially owned	30.98%
Mr. CHU Yuk Man, Simon	Sino Golf Manufacturing Company Limited	Company's subsidiary	Non-voting deferred shares	414,297	Directly beneficially owned	10.78%
Mr. CHANG Hua Jung	Sino Golf Manufacturing Company Limited	Company's subsidiary	Non-voting deferred shares	3,600	Directly beneficially owned	0.09%

In addition to the above, a director has non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Group solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed above, as at 31 December 2010, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

Directors' Rights to Acquire Shares

Save as disclosed in the share option scheme disclosures in Note 33 to the consolidated financial statements below, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, or any of its holding companies or subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

Share Option Scheme

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Further details of the Scheme are disclosed in Note 33 to the consolidated financial statements.

The following table discloses movements in the Company's share options outstanding during the year:

	Number of share options			
Category of participant	**At 1 January 2010 and 31 December 2010**	**Date of grant of share options***	**Exercise period of share options**	**Exercise price of share options** HK$ per share**
Employees				
In aggregate	1,500,000	2 November 2009	2 November 2009 to 1 November 2011	0.37
Business associates				
In aggregate	3,000,000	2 November 2009	2 November 2009 to 1 November 2011	0.37
	4,500,000			

Notes to the table of share options outstanding during the year:

* The vesting period of the share options is from the date of grant until the commencement of the exercise period.

** The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

Substantial Shareholders' and Other Persons' Interests in Shares and Underlying Shares

At 31 December 2010, the following interests of 5% or more of the issued share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO or as otherwise notified to the Company:

Long Positions:

Name	Notes	**Capacity and nature of interest**	**Number of ordinary shares held**	**Percentage of the Company's issued share capital**
CM Investment Company Limited		Directly beneficially owned	171,543,775	56.76%
A & S Company Limited	(a)	Through a controlled corporation	171,543,775	56.76%
Ms. Hung Tze Nga, Cathy	(b)	Through spouse	173,870,038	57.53%

Notes:

(a) The interest disclosed are the shares directly beneficially owned by CM Investment Company Limited. CM Investment Company Limited is held directly as to 67.46% by A & S Company Limited. Accordingly, A & S Company Limited is deemed to be interested in the shares owned by CM Investment Company Limited.

(b) Ms. Hung Tze Nga, Cathy, is the spouse of Mr. Chu Chun Man, Augustine. Accordingly, Ms. Hung Tze Nga, Cathy, is deemed to be interested in the shares owned by Mr. Chu Chun Man, Augustine.

Save as disclosed above, as at 31 December 2010, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

Auditors

Ernst & Young were the auditors of the Company for the year ended 31 December 2007 and resigned as auditors of the Company on 8 December 2008.

Messr. SHINEWING (HK) CPA Limited ("SHINEWING") was appointed auditors of the Company on 24 December 2008 and the consolidated financial statements for the past three years ended 31 December 2010 were audited by SHINEWING.

SHINEWING retires and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Chu Chun Man, Augustine
Chairman

Hong Kong
30 March 2011

CORPORATE GOVERNANCE REPORT

The Company recognizes the importance of good corporate governance to the Company's healthy growth and will continue to devote 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 2010, 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 THE COMPANY'S PRACTICES

A. DIRECTOR

THE BOARD

CODE PRINCIPLE

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

Code provisions	Comply?	Governance Practices for the Company
• At least four Board meetings a year.	✓	• The Board met four times during the year. • Details of Directors' attendance records in 2010: **Attendance** **Executive Directors** Mr. CHU Chun Man, Augustine *(Chairman)* 4/4 Mr. CHU Yuk Man, Simon 4/4 Mr. CHANG Hua Jung 4/4 **Independent Non-Executive Directors** Mr. HSIEH Ying Min 4/4 Mr. CHOY Tak Ho 4/4 Ms. CHIU Lai Kuen, Susanna 4/4
• All Directors are given an opportunity to include matters in the agenda for regular Board meetings.	✓	• Directors are consulted to include any matter in the agenda for regular Board meetings.
• Notice of at least 14 days is given of a regular Board meeting.	✓	• 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.
• Access to advice and services of the Company Secretary.	✓	• 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.

Code provisions	Comply?	Governance Practices for the Company
• Minutes of meetings were kept by Company Secretary and were opened for inspection. • Draft and final minutes were sent to all Directors for comments within a reasonable time.	✓	• The Company Secretary is responsible for taking minutes of the 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.
• Agreed procedure for Directors to seek independent professional advice at the Company's expense.	✓	• The Company's corporate governance guidelines provide for Directors taking independent professional advice at the Company's expense.
• 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.	✓	• 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 the Company 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.

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 the Company
• Roles of Chairman and Chief Executive Officer should be separated; clearly established and set out in writing.	✗	• 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 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 existing 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.
• The Chairman should ensure all Directors be briefed on issues arising at the Board meetings. • The Chairman should ensure Directors receive adequate information in a timely manner.	✓	• 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.

Recommended Best Practice	Comply?	Governance Practices for the Company
Various recommended roles for Chairman including: • Drawing up and approving Board agenda.	✓	• 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.
• 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.	✓	• 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 of the annual report.

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 pages 17 to 18 of the annual report.

CODE PRINCIPLE

The Board should have a balance of skills and experience appropriate for 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.

The Directors acknowledge their responsibilities for the preparation of the consolidated financial statements of the Group and that the consolidated financial statements are prepared in accordance with the statutory requirements and applicable accounting standards.

Code provisions	Comply?	Governance Practices for the Company
• Identify the Independent Non-Executive Directors in all corporate communications.	✓	• 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		
• Independent Non-Executive Directors should represent at least one-third of the Board.	✓	• The Board comprises three Independent Non-Executive Directors representing more than one third of the full Board.
• Maintain on the Company's website an updated list of its Directors identifying their role and function and independence	✓	• 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.

The Company'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 the Company) – Mr. CHU Chun Man, Augustine (Chairman)
- Business line – Mr. CHU Yuk Man, Simon (Director, Marketing and Customer Relation)
- Production and Research Development – Mr. CHANG Hua Jung (Director, Production and Research Development)

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

APPOINTMENTS, RE-ELECTION AND REMOVAL

CODE PRINCIPLE

Formal, considered and transparent procedures should be established for the appointment of new directors. There should be plans for orderly succession.

Code provisions	Comply?	Governance Practices for the Company
• 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.	✓ with deviation	• 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 once every three years at the Company's annual general meeting. • To conform with Code Provision A.4.2, a special resolution was passed at the 2007 annual general meeting of the Company 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 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, Ms. Chiu Lai Kuen, Susanna and Mr. Choy Tak Ho will retire and offer themselves for re-election at the 2011 annual general meeting.

The Board recommended the re-appointment of the Directors standing for re-election at the 2011 annual general meeting of the Company.

The Company's circular dated 20 April 2011 contains detailed information of the Directors standing for re-election.

NOMINATION COMMITTEE

There is no Nomination Committee under the Board of Directors of the Company. The task of nominating directors is directly dealt with by the Board as appropriate. During the year, there was no newly-appointed directors to the Board and there was one meeting of the Board held for the purpose of nominating the retiring directors for re-election at the AGM convened on 2 June 2010.

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 Company.

Code provisions	Comply?	Governance Practices for the Company
• 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.	✓	• 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.

• Functions of Non-Executive Directors should include:
  • bringing an independent judgment at the Board meetings;
  • 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.
	✓	• Strategic planning and monitoring are two distinct but intertwined roles of the Company's 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.
		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.
		• There is satisfactory attendance for Board and Board Committee meetings in 2010.

• Directors should ensure that they can give sufficient time and attention to the affairs of the Company.		

Code provisions	Comply?	Governance Practices for the Company
• Directors must comply with their obligations under the Model Code set out in Appendix 10.	✓	• 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 2010. • The Company also has established written guidelines on terms no less exacting than the Model Code (the "Employees Written Guidelines" and "Code for Securities Transactions by Directors and Employees") 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 and Code for Securities Transactions by Directors and 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 the Company
• Board papers should be sent to all Directors at least three days before the date of Board/ Committee meetings.	✓	• Board papers are sent to all Directors at least 3 days before the date of Board/Committee meetings.
• Each Director should have separate and independent access to senior management.	✓	• Senior management is from time to time brought into formal and informal contact with the Board at Board meetings and other events.
• Directors are entitled to have access to board papers; steps must be taken to respond promptly and fully to Director queries.	✓	• Board papers and minutes are available for inspection by Directors and Committee Members.

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 the Company
• 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.	✓	• A Remuneration Committee with written terms of reference had been set up that comprises three Independent Non-Executive Directors and two Executive Directors. The terms of reference are available on request and on the Company's website.
• 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.	✓	• 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.
• The Remuneration Committee should be provided with sufficient resources to discharge its duties.	✓	• Independent professional advice will be sought to supplement internal resources where necessary.
Recommended Best Practice		
• A significant proportion of Executive Directors' remuneration should be linked to corporate and individual performance.	✓	• The Directors' remuneration is determined by the Company in AGM. 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.

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 2010 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 2010:

Executive Directors	**Attendance**
Mr. CHU Chun Man, Augustine	1/1
Mr. CHU Yuk Man, Simon	1/1
Independent Non-Executive Directors	
Mr. HSIEH Ying Min *(Chairman)*	1/1
Mr. CHOY Tak Ho	1/1
Ms. CHIU Lai Kuen, Susanna	1/1

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 the Company
• Management should provide explanation and information to enable the Board to make informed assessment of relevant matters.	✓	• Directors are regularly kept informed and updated with management's strategic plans, lines of business, financial objectives, plans and actions.
• 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.	✓	• A Statement of Director Responsibilities for the consolidated financial Statements is set out in this Annual Report on page 45. • The statement of the external auditors about their reporting responsibilities on the consolidated financial statements is set out in the "Independent Auditor's Report" on page 45.
• 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.	✓	• 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 2010 amounted to HK$800,000 and HK$148,000 respectively.

INTERNAL CONTROLS

CODE PRINCIPLE

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

Code provisions	Comply?	Governance Procedures for the Company
• The Directors should at least annually conduct a review of the effectiveness of the system of internal controls. • The Board should, in particular, consider the adequacy of resources, qualifications and experience of staff who participate in the accounting and financial reporting functions, and their training programmes and budgets.	✓	• 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' investments and the Group's assets. • Adequate accounting personnel were engaged to carry out the accounting and financial reporting functions. Senior staff possesses professional accounting qualifications and periodically attends seminars to update developments in the accountancy profession.

At the Company, 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 of the following five interrelated components:

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

1. *CONTROL ENVIRONMENT*

The 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 ethical value and behavioral standards are explicitly conveyed to all employees through the terms in the employment contracts, internal circulars and a formal Code of Conduct/Staff Hand Book.

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 relevant experiences and expertise and one of them is a qualified accountant who gave valuable recommendations or guidelines to the Group. Independent professional advice, where necessary, is available for them to discharge their duties and responsibilities, which are outlined in the terms of reference.

The Group has well-defined lines of authority and control responsibilities within the organization structure to ensure the work activities are consistent with organizational objectives. Each post has a written job description; performance is evaluated and reviewed annually.

The management team possesses wide range of functional skill and rich 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 rectified on a timely basis.

2. *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, opportunities and adjustments in strategic direction:

- The market trends are actively monitored through internal research and participation in 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.
- Employee performance and reward review is conducted annually 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 access of confidential and insider information is strictly prohibited and is stipulated in both the employment contracts and the Code of Conduct.

Information that is or is expected to be price-sensitive will be 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 through the websites of the Exchange and the Company as soon as practicable. All such information is kept strictly confidential until an announcement is made.

3. INFORMATION AND COMMUNICATION

The Group has provided sufficient human and financial resources to develop or improve 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. All important information will be documented and recorded for review purpose.

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 description.

Procedures and guidelines are established to ensure that proper controls are in place for safeguarding assets and recording of complete, accurate and timely accounting and management information. They are reviewed by management 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.

4. CONTROL ACTIVITIES

Management has implemented the following control activities that are effective and efficient:

- Policies and procedures are reviewed periodically for appropriateness to the Group's business.

- To safeguard the assets, 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 different staff are responsible for asset custody and record keeping separately.

- All transactions are properly documented and approved by authorized personnel.

- Significant accounting estimates and unusual transactions are reviewed by the Board/Audit Committee. Accounting and closing practices are followed consistently throughout the year. Key performance indicators and monthly financial information accompanied by analytical comments are prepared and submitted to Management for review. Quarterly information are to be reviewed by the Audit Committee where necessary.

5. 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 internal audit department, headed by a member of the Institute of Internal Auditors, is in place to monitor the Group's activities and to ensure that they are carried out in accordance with the policies laid down by Management to help achieve the Group's mission. 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.

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 the Company
• Minutes be kept by a duly appointed secretary; and should be sent to all committee members within a reasonable time.	✓	• Draft minutes prepared by the Company Secretary are sent to members generally within 14 days of each meeting.
• A former partner of the existing auditors should not sit on the Audit Committee.	✓	• None of the three Audit Committee members are former partners of the external auditors.
• The terms of reference of Audit Committee (containing the minimum prescribed duties) be made available on request and on the Company's website.	✓	• Full terms of reference are available on request and on the Company's website.
• 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.	✓	• Audit Committee recommended to the Board (which in turn endorsed the view) that, subject to shareholders' approval at the forthcoming AGM, SHINEWING (HK) CPA Limited, be reappointed as the external auditors for 2011.
• The Audit Committee should be provided with sufficient resources to discharge its duties.	✓	• There is an agreed procedure for Audit Committee members to take independent professional advice at the Company's expense.
• Terms of reference include: – Review arrangements by which employees of the issuer may, in confidence, raise concerns about possible improprieties. – Oversee the issuer's relation with the external auditors.	✓	• 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 of the Company. It has reviewed with management the accounting policies and practice adopted by the Group and discussed auditing, internal control and financial reporting matters including a review of the consolidated financial statements for the year ended 31 December 2010.

The main duties of the Audit Committee include the following:

(a) To review the consolidated financial statements and reports and consider any significant or unusual items raised by the responsible accounting and internal audit personnel 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 two meetings during the year ended 31 December 2010 to review the financial results and reports, financial reporting and compliance procedures, the internal control and risk management, the report of External Auditors 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 2010 has been reviewed by the Audit Committee.

Details of attendance records of Audit Committee Meetings in 2010:

Independent Non-Executive Directors	**Attendance**
Ms. CHIU Lai Kuen, Susanna *(Chairman)*	2/2
Mr. CHOY Tak Ho	2/2
Mr. HSIEH Ying Min	2/2

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 Company.

Code provisions	Comply?	Governance Practices for the Company
• Board must give clear directions as to the powers of management, including circumstances where management should report back and obtain prior approval from the Board.	✓	• Matters reserved for the Board's decision includes: – 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; – 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.
• Formalize the functions reserved to the Board and those delegated to management	✓	
Recommended Best Practice		
• Companies should have formal letters of appointment for Directors setting out the key terms and conditions relative to their appointment.	✓	• A formal appointment letter, setting out the key terms and conditions relative to their appointment, will be prepared for each newly appointed Director.

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 the Company
• Clear terms of reference to enable proper discharge of committee functions.	✓	• The Board has established two Board Committees (i.e. the Audit Committee and the Remuneration Committee) with specific terms of reference.
• The terms of reference should require committees to report their decisions to the Board.	✓	• 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 participations.

Code provisions	Comply?	Governance Practices for the Company
• A separate resolution be proposed by the Chairman for each substantially separate issue.	✓	• Separate resolutions are proposed at the meeting on each substantially separate issue, including the election of individual Directors.
• 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. Companies should arrange for the notice to shareholders to be sent at least 20 clear business days before the AGM and 10 clear business days for all other general meetings.	✓	• The Chairman of the Board and five other Directors including three Independent Non-Executive Directors were present in the 2010 Annual General Meeting to answer questions raised by the shareholders. • Notice of 2010 AGM were sent to shareholders 21 clear business days before the meeting.

The Company has also established a web site (http://www.sinogolf.com) to communicate with its shareholders.

VOTING BY POLL

CODE PRINCIPLE

The Company 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 the Company
• Chairman of meeting should adequately explain the poll procedures at the commencement of the meeting and then answer any questions from shareholders regarding voting by way of a poll.	✓	• Poll procedures were explained by the Chairman at the commencement of the AGM proceedings. The Chairman of the meeting has demanded poll on each and every resolution put to the vote in the 2010 AGM. • Poll results were posted on the websites of the Stock Exchange and the Company on the business day following the meeting.

INDEPENDENT AUDITOR'S REPORT

SHINEWING (HK) CPA Limited
43/F., The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong

TO THE MEMBERS OF SINO GOLF HOLDINGS LIMITED
順龍控股有限公司
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Sino Golf Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 47 to 103, which comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2010 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Lo Wa Kei
Practising Certificate Number: P03427

Hong Kong
30 March 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Turnover	9	**427,997**	290,329
Cost of sales		**(338,177)**	(230,644)
Gross profit		**89,820**	59,685
Other operating income	9	**2,238**	4,819
Selling and distribution costs		**(9,550)**	(7,016)
Administrative expenses		**(53,002)**	(57,803)
Impairment loss recognised in respect of property, plant and equipment		**(2,248)**	–
Finance costs	11	**(15,282)**	(11,173)
Profit (loss) before taxation		**11,976**	(11,488)
Income tax expense	12	**(418)**	(1,047)
Profit (loss) for the year	13	**11,558**	(12,535)
Other comprehensive income			
Exchange difference arising on translation		**2,438**	116
Gain on revaluation of leasehold land and buildings		**–**	2,524
Income tax relating to revaluation of leasehold land and buildings		**76**	(631)
Total other comprehensive income, net of tax		**2,514**	2,009
Total comprehensive income (expenses) for the year		**14,072**	(10,526)
Profit (loss) for the year attributable to:			
Owners of the Company		**11,588**	(12,535)
Non-controlling interests		**(30)**	–
		11,558	(12,535)
Total comprehensive income (expenses) for the year attributable to:			
Owners of the Company		**14,102**	(10,526)
Non-controlling interests		**(30)**	–
		14,072	(10,526)
Earnings (loss) per share	14		
Basic		**HK3.83 cents**	HK(4.15) cents
Diluted		**HK3.78 cents**	HK(4.15) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Non-current assets			
Property, plant and equipment	18	**246,787**	254,600
Prepaid lease payments	19	**20,279**	20,451
Goodwill	20	**20,385**	20,385
Club debentures	21	**2,135**	2,135
Deposits and other receivables	22	**616**	957
Prepayments for the acquisition of property, plant and equipment		**1,697**	807
		291,899	299,335
Current assets			
Inventories	23	**173,817**	162,127
Trade and other receivables	24	**83,901**	72,850
Prepaid lease payments	19	**632**	597
Bank balances and cash	25	**43,316**	39,522
		301,666	275,096
Current liabilities			
Trade and other payables	26	**72,133**	65,675
Amounts due to non-controlling shareholders of a subsidiary	27	**462**	462
Income tax payable		**1,398**	1,248
Bank borrowings	28	**199,000**	194,794
Obligations under finance leases	29	**–**	730
Loan from ultimate holding company	30	**16,640**	–
		289,633	262,909
Net current assets		**12,033**	12,187
		303,932	311,522
Non-current liabilities			
Bank borrowings	28	**14,289**	37,184
Loan from immediate holding company	30	**23,678**	23,678
Deferred taxation	31	**2,565**	2,641
		40,532	63,503
		263,400	248,019

	Note	2010 HK$'000	2009 HK$'000
Capital and reserves			
Share capital	32	**30,220**	30,220
Reserves		**230,713**	215,297
Equity attributable to owners of the Company		**260,933**	245,517
Non-controlling interests		**2,467**	2,502
Total equity		**263,400**	248,019

The consolidated financial statements on pages 47 to 103 were approved and authorised for issue by the board of directors on 30 March 2011 and are signed on its behalf by:

Chu Chun Man, Augustine
Director

Chu Yuk Man, Simon
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

	Attributable to owners of the Company												
	Share capital HK$'000	Share premium HK$'000	Other reserve HK$'000 (Note i)	Contributed surplus HK$'000 (Note ii)	Legal reserve HK$'000 (Note iii)	Assets revaluation reserve HK$'000	Statutory surplus reserve HK$'000 (Note iv)	Exchange fluctuation reserve HK$'000	Share options reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2009	30,220	57,270	–	10,564	–	24,360	–	33,360	–	98,154	253,928	2,502	256,430
Loss for the year	–	–	–	–	–	–	–	–	–	(12,535)	(12,535)	–	(12,535)
Other comprehensive income for the year	–	–	–	–	–	1,893	–	116	–	–	2,009	–	2,009
Total comprehensive income (expenses) for the year, net of tax	–	–	–	–	–	1,893	–	116	–	(12,535)	(10,526)	–	(10,526)
Deemed contribution by immediate holding company arising from non-interest bearing loan (Note 30)	–	–	1,652	–	–	–	–	–	–	–	1,652	–	1,652
Recognition of equity-settled share based payment	–	–	–	–	–	–	–	–	463	–	463	–	463
At 31 December 2009	30,220	57,270	1,652	10,564	–	26,253	–	33,476	463	85,619	245,517	2,502	248,019
Profit for the year	–	–	–	–	–	–	–	–	–	11,588	11,588	(30)	11,558
Other comprehensive income for the year	–	–	–	–	–	76	–	2,438	–	–	2,514	–	2,514
Total comprehensive income (expenses) for the year, net of tax	–	–	–	–	–	76	–	2,438	–	11,588	14,102	(30)	14,072
Deemed contribution by immediate holding company arising from non-interest bearing loan (Note 30)	–	–	1,314	–	–	–	–	–	–	–	1,314	–	1,314
Eliminated on deregistration of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(5)	(5)
Transfers	–	–	–	–	48	–	17	–	–	(65)	–	–	–
At 31 December 2010	30,220	57,270	2,966	10,564	48	26,329	17	35,914	463	97,142	260,933	2,467	263,400

Note i: The other reserve represents the capital contribution from the Company's immediate holding company in the form of a non-interest bearing loan. The amounts are estimated by discounting the nominal value of the non-interest bearing loan to the Group at an effective interest rate of 5.22%.

Note ii: The Group's contributed surplus represents the difference between the nominal value of the shares and the share premium account of the subsidiaries acquired over the nominal value of the Company's shares issued in exchange therefore.

Note iii: In accordance with the Macau Commercial Code, the Company's subsidiary incorporated in Macau is required to appropriate 25% of its net profit to a legal reserve until the balance of the reserve reaches 50% of the respective Company's registered capital. The legal reserve is not distributable to the shareholders.

Note iv: As stipulated by regulations in the People's Republic of China (the "PRC"), certain subsidiaries in the PRC are required to appropriate 10% of their after-tax profit (after offsetting prior year losses) to a statutory surplus reserve fund until the balance of the fund reaches 50% of its registered capital and thereafter any further appropriation is optional. The statutory surplus reserve fund can be utilised to offset prior year losses, or for conversion into registered capital on the condition that the statutory surplus reserve fund shall be maintained at a minimum of 25% of the registered capital after such utilisation.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2010

	Note	2010 HK$'000	2009 HK$'000
OPERATING ACTIVITIES			
Profit (loss) before taxation		**11,976**	(11,488)
Adjustments for:			
Amortisation of prepaid lease payments		**632**	597
Bad debts directly written off		**174**	1,143
Depreciation of property, plant and equipment		**22,276**	20,947
Equity-settled share based payment		**–**	463
Finance costs		**15,282**	11,173
Impairment loss recognised in respect of goodwill		**–**	1,795
Impairment loss recognised in respect of trade receivables		**99**	2,128
Impairment loss recognised in respect of property, plant and buildings		**2,248**	–
Interest income		**(307)**	(113)
Income from derivative financial instruments		**–**	(559)
Loss on deregistration of subsidiaries	34	**48**	30
Loss on disposal of property, plant and equipment		**768**	2,118
Waiver of other payables		**–**	(1,009)
Write-off of inventories		**–**	2,447
Operating cash flows before movements in working capital		**53,196**	29,672
(Increase) decrease in inventories		**(11,690)**	3,785
(Increase) decrease in trade and other receivables		**(11,372)**	852
Decrease in trade and other payables		**(1,987)**	(22,378)
Cash generated from operations		**28,147**	11,931
Enterprise Income Tax paid		**–**	(865)
Hong Kong Profits Tax paid		**(268)**	(54)
NET CASH FROM OPERATING ACTIVITIES		**27,879**	11,012
INVESTING ACTIVITIES			
Decrease (increase) in bank deposits		**22,449**	(22,508)
Decrease in deposit and other receivables		**341**	1,209
Interest income		**307**	113
Proceeds from disposal of property, plant and equipment		**265**	1,072
Purchase of property, plant and equipment		**(7,040)**	(14,383)
Prepayments for acquisition of property, plant and equipment		**(1,697)**	(807)
Net cash from derivative financial instruments		**–**	656
NET CASH FROM (USED IN) INVESTING ACTIVITIES		**14,625**	(34,648)

	Notes	2010 HK$'000	2009 HK$'000
FINANCING ACTIVITIES			
Repayments of bank borrowings		**(153,563)**	(228,545)
Interest and factoring charges paid		**(13,968)**	(11,028)
Repayments of obligations under finance leases		**(730)**	(1,382)
New bank borrowings raised		**134,887**	225,344
Loan from ultimate holding company		**16,640**	–
Loan from immediate holding company		**–**	25,185
NET CASH (USED IN) FROM FINANCING ACTIVITIES		**(16,734)**	9,574
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**25,770**	(14,062)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**16,017**	30,079
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**486**	–
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**42,273**	16,017
ANALYSIS OF CASH AND CASH EQUIVALENTS, represented by			
Bank balances and cash	25	**43,257**	15,014
Short-term time deposits with an original maturity of less than three months	25	**–**	2,000
Bank overdrafts	28	**(984)**	(997)
		42,273	16,017

1. GENERAL

Sino Golf Holdings Limited (the "Company") was incorporated as an exempted company with limited liability in Bermuda under the Bermuda Companies Act. The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). In the opinion of the directors of the Company, the immediate holding company of the Company is CM Investment Company Limited, which is incorporated in the British Virgin Islands ("BVI") and the ultimate holding company is A & S Company Limited, which is also incorporated in the BVI.

The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to the annual report.

The functional currency of the Company and its subsidiaries (collectively referred to as the "Group") is United States dollars ("US$") and for those subsidiaries established in the PRC is Renminbi ("RMB"). The consolidated financial statements are presented in Hong Kong dollars ("HK$") for the convenience of users of the consolidated financial statements as the Company is a listed company in Hong Kong.

The principal activities of the Company is investment holding and the principal activities of its subsidiaries are set out in Note 39.

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

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

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
Hong Kong Accounting Standard ("HKAS") 27 (as revised in 2008)	Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (as revised in 2008)	First-time Adoption of HKFRSs
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (as revised in 2008)	Business Combinations
HK(IFRIC) – Interpretation ("Int") 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners

Except as disclosed below, the adoption of the new and revised HKFRSs had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

HKAS 27 (AS REVISED IN 2008) CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

The application of HKAS 27 (as revised in 2008) has resulted in changes in the Group's accounting policies for changes in ownership interests in subsidiaries of the Group. Specifically, the revised standard has affected the Group's accounting policies regarding changes in the Group's ownership interests in its subsidiaries that do not result in loss of control. In prior years, in the absence of specific requirements in HKFRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised, when appropriate; for decreases in interests in existing subsidiaries that did not involve a loss of control, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss. Under HKAS 27 (as revised in 2008), all such increases or decreases are dealt with in equity, with no impact on goodwill or profit or loss.

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

HKAS 27 (AS REVISED IN 2008) CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (continued)

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised standard requires the Group to derecognise all assets, liabilities and non-controlling interests at their carrying amounts and to recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

These changes have been applied prospectively from 1 January 2010 in accordance with the relevant transitional provisions.

In addition, under HKAS 27 (as revised in 2008), the definition of non-controlling interest has been changed. Specifically, under the revised standard, non-controlling interest is defined as the equity in a subsidiary not attributable, directly or indirectly, to a parent.

The Group has not early applied the following new and revised standards, amendments and interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010 except for the amendments to HKFRS 3 (as revised in 2008), HKFRS 7, HKAS 1 and HKAS 28[1]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosure for First-time Adopters[3]
HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[5]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[5]
HKFRS 9	Financial Instruments[7]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[6]
HKAS 24 (As revised in 2009)	Related Party Disclosures[4]
HKAS 32 (Amendment)	Classification of Rights Issues[2]
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[4]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[3]

1 Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.
2 Effective for annual periods beginning on or after 1 February 2010.
3 Effective for annual periods beginning on or after 1 July 2010.
4 Effective for annual periods beginning on or after 1 January 2011.
5 Effective for annual periods beginning on or after 1 July 2011.
6 Effective for annual periods beginning on or after 1 January 2012.
7 Effective for annual periods beginning on or after 1 February 2013.

HKFRS 9 Financial Instruments (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 Financial Instruments (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

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

- Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

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

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for financial year ending 31 December 2013 and that the application of the new standard may have a significant impact on amounts reported in respect of the Groups' financial assets.

HK(IFRIC) – Int 19 provides guidance regarding the accounting for the extinguishment of a financial liability by the issue of equity instruments. To date, the Group has not entered into transactions of this nature. However, if the Group does enter into any such transactions in the future, HK(IFRIC) – Int 19 will affect the required accounting. In particular, under HK(IFRIC) – Int 19, equity instruments issued under such arrangements will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the fair value of equity instruments issued will be recognised in profit or loss.

The directors of the Company anticipate that the application of the other new and revised HKFRSs, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

ALLOCATION OF TOTAL COMPREHENSIVE INCOME TO NON-CONTROLLING INTERESTS

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 1 January 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

(b) INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are included in the Company's statement of financial position at cost less any identified impairment loss.

(c) GOODWILL

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses, if any and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the relevant cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment including land and buildings held for use in the production or supply of goods, or for administrative purposes (other than construction in progress as described below) are stated at cost or fair value less subsequent accumulated depreciation and accumulated impairment losses, if any.

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and any subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any revaluation increase arising on revaluation of land and buildings is recognised in other comprehensive income and accumulated in the assets revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is recognised in profit or loss to the extent that it exceeds the balance, if any, on the assets revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

Depreciation on revalued buildings is recognised in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the assets revaluation reserve is transferred directly to retained earnings.

Depreciation is recognised so as to write off the cost or fair value of items of property, plant and equipment other than construction in progress less their residual values over their estimated useful lives, and after taking into account of their estimated residual value, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) PREPAID LEASE PAYMENTS

Payment for obtaining land use rights is considered as operating lease payment. Land use rights are stated at cost less accumulated amortisation and accumulated impairment losses, amortisation is charged to the consolidated statement of comprehensive income over the period of the rights using the straight-line method.

(f) CLUB DEBENTURES

Club debentures are carried at cost less accumulated impairment losses, if any.

(g) INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

(h) FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

FINANCIAL ASSETS

The Group's financial assets are classified into one of two categories including financial assets at fair value through profit or loss and loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

EFFECTIVE INTEREST METHOD

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at fair value through profit or loss, of which interest income is included in net gains or losses.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Derivative instruments are classified as held for trading and measured at fair value, with changes in fair value arising on remeasurement recognised directly in profit or loss in the period in which they arise.

LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including deposits, trade and other receivables and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) FINANCIAL INSTRUMENTS (continued)

IMPAIRMENT LOSS ON FINANCIAL ASSETS

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade and other receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade and other receivable is considered uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

FINANCIAL LIABILITIES AND EQUITY INSTRUMENTS

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Group's financial liabilities are generally classified as other financial liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) FINANCIAL INSTRUMENTS (continued)

EFFECTIVE INTEREST METHOD

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

OTHER FINANCIAL LIABILITIES

Other financial liabilities including trade and other payables, amounts due to minority shareholders of a subsidiary, bank borrowings, obligation under finance leases and loan from immediate/ultimate holding company are subsequently measured at amortised cost, using the effective interest method.

EQUITY INSTRUMENTS

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

FINANCIAL GUARANTEE CONTRACTS

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation in accordance with HKAS 18 Revenue.

TRANSACTIONS WITH OWNERS

The Group applies a policy of treating loans from shareholders as transactions between owners in their capacity as owners. No gain or loss is recognised in profit or loss from the non-interesting bearing loans. Any deemed contribution from the shareholder arising from the non-interest bearing loan is recognised directly in the consolidated statement of changes in equity.

DERECOGNITION

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) FINANCIAL INSTRUMENTS (continued)

DERECOGNITION (continued)

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the Group retains control), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(i) CASH AND CASH EQUIVALENTS

Bank balances and cash in the consolidated statement of financial position comprise cash at bank and on hand and short-term deposits with a maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalent consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

(j) IMPAIRMENT LOSSES ON ASSETS OTHER THAN GOODWILL (SEE THE ACCOUNTING POLICIES IN RESPECT OF GOODWILL ABOVE)

At the end of the reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts, returns and sales related taxes.

i) *SALE OF GOODS*

Revenue from sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

Deposits and instalments from purchasers prior to meeting the above criteria on revenue recognition are included in the consolidated statement of financial position under current liabilities.

ii) *INTEREST INCOME*

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

iii) *SERVICE INCOME*

Service income is recognised when services are provided.

(l) EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

SHARE OPTIONS GRANTED TO EMPLOYEES

The fair value of services received is determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period/recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

SHARE OPTIONS GRANTED TO BUSINESS ASSOCIATES

Share options issued in exchange for goods or services are measured at the fair value of the goods or services received, unless that fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the share options granted. The fair values of the goods or services received are recognised as expenses, with a corresponding increase in equity (share options reserve), when the Group obtains the goods or when the counterparties render services, unless the goods or services qualify for recognition as assets.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) LEASING

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownerships to the lessee. All other leases are classified as operating leases.

THE GROUP AS LESSOR

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

THE GROUP AS LESSEE

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss.

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

LEASEHOLD LAND AND BUILDINGS

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

(n) BORROWING COSTS

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

(o) RESEARCH AND DEVELOPMENT COSTS

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

(p) RETIREMENT BENEFIT COSTS

Payments to state-managed retirement benefit schemes and the mandatory provident fund scheme are charged as an expense when employees have rendered service entitling them to the contributions.

(q) TAXATION

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) TAXATION (continued)

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

(r) FOREIGN CURRENCIES

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (exchange fluctuation reserve).

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in the exchange fluctuation reserve.

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

CRITICAL JUDGMENT IN APPLYING THE ENTITY'S ACCOUNTING POLICIES

The critical judgment, apart from those involving estimations (see below), that the directors have made in the process of applying the entity's accounting policies and that have the most significant effects on the amounts recognised in the consolidated financial statements.

LEGAL TITLE OF BUILDINGS

As detailed in Note 18, certain of the Group's buildings have not been granted legal title from the relevant government authorities yet. Although, the Group has not obtained the relevant legal title, the directors of the Company having regard to the legal opinion have recognised the buildings on the grounds that they expect the legal title to be obtained in the near future with no major difficulties and the Group is in substance controlling these buildings.

KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

ESTIMATED IMPAIRMENT OF GOODWILL

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. Details of impairment testing on goodwill are set out in Note 20(b).

DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account of their estimated residual values. The determination of the useful lives and residual values involve management's estimation. The Group assesses annually the residual values and the useful lives of the property, plant and equipment and if the expectation differs from the original estimates, such differences may impact the depreciation in the year and the estimates will be changed in the future period.

IMPAIRMENT LOSS RECOGNISED IN RESPECT OF PROPERTY, PLANT AND EQUIPMENT

The impairment loss for property, plant and equipment are recognised for the amounts by which the carrying amounts exceed their recoverable amounts, in accordance with the Group's accounting policy. The recoverable amounts of property, plant and equipment have been determined based on value-in-use calculations. These calculations require the use of estimates such as the future revenue with a stable growth rate and a suitable discount rate. During the year ended 31 December 2010, an impairment loss of approximately HK$2,248,000 (2009: Nil) was recognised.

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

INCOME TAXES

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

IMPAIRMENT LOSS RECOGNISED IN RESPECT OF TRADE RECEIVABLES

The Group performs ongoing credit evaluations of its customers and adjusts credit limits based on payment history and the customer's current credit-worthiness, as determined by the review of their current credit information. The Group continuously monitors collections and payments from its customers and maintains a provision for estimated credit losses based upon its historical experience and any specific customer collection issues that it has identified. Credit losses have historically been within the Group's expectations and the Group will continue to monitor the collections from customers and maintain an appropriate level of estimated credit losses. At 31 December 2010, the carrying amount of trade receivables was approximately HK$28,499,000 (2009: HK$28,458,000), net of impairment losses of approximately HK$522,000 (2009: HK$13,544,000).

NET REALISABLE VALUE OF INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs to make the sale. The cost of inventories is written down to the net realisable value when there is objective evidence that the cost of inventories may not be recoverable. The amount written off to the consolidated statement of comprehensive income is the difference between the carrying value and net realisable value of inventories. In determining whether the cost of inventories can be recovered, significant judgment is required. In making this judgment, the Company evaluates, amongst other factors, the duration, extent and means by which the amount will be recovered. These estimates are based on the current market and past experience in sales of similar products. It could change significantly as a result of changes in customer preferences and competitor actions in response to changes in market condition. At 31 December 2010, the carrying amount of inventories was approximately HK$173,817,000 (2009: HK$162,127,000). No impairment loss was provided for in both years.

5. CAPITAL RISK MANAGEMENT

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value. The Group's overall strategy remains unchanged from prior period.

The capital structure of the Group consists of debt, which includes amounts due to non-controlling shareholders of a subsidiary disclosed in Note 27, bank borrowings disclosed in Note 28, obligations under finances leases disclosed in Note 29, loan from immediate/ultimate holding company disclosed in Note 30 net of bank balances and cash disclosed in Note 25 and equity attributable to owners of the Company, comprising issued share capital and reserves.

5. CAPITAL RISK MANAGEMENT (continued)

The Group monitors its capital by using a gearing ratio, which consists of net debt divided by the total capital. The Group's policy is to maintain the gearing ratio at not more than 100% (2009: 100%), which is determined and reviewed with reference to the funding needs of the Group periodically. Net debt includes amounts due to non-controlling shareholders of a subsidiary, bank borrowings, obligations under finance leases, and loan from immediate and ultimate holding companies less bank balances and cash. Total equity includes equity attributable to the owners of the Company and non-controlling interests. The gearing ratios as at the end of the reporting period were as follows:

	2010 HK$'000	2009 HK$'000
Amounts due to non-controlling shareholders of a subsidiary	**462**	462
Bank borrowings	**213,289**	231,978
Obligations under finance leases	**–**	730
Loan from immediate holding company	**23,678**	23,678
Loan from ultimate holding company	**16,640**	–
Less: Bank balances and cash	**(43,316)**	(39,522)
Net debts	**210,753**	217,326
Equity attributable to owners of the Company	**260,933**	245,517
Non-controlling interests	**2,467**	2,502
Total equity	**263,400**	248,019
Gearing ratio	**80%**	88%

6. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2010 HK$'000	2009 HK$'000
Financial assets		
Loans and receivables (including bank balances and cash)	**93,977**	111,577
Financial liabilities		
Financial liabilities at amortised cost	**326,202**	322,523

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES

The Group's major financial instruments include deposit and other receivables, trade and other receivables, bank balances and cash, trade and other payables, amounts due to non-controlling shareholders of a subsidiary, bank borrowings, obligations under finance leases and loan from immediate/ultimate holding company are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

CURRENCY RISK

Several subsidiaries of the Company have foreign currency purchases, which expose the Group to foreign currency risk. 19% (2009: 36%) of the Group's purchase are denominated in currencies other than the functional currency of the group entity making the purchase.

The carrying amounts of the Group's foreign currency denominated monetary liabilities at the reporting date are as follows:

	Liabilities	
	2010 **HK$'000**	2009 HK$'000
RMB	**1,478**	1,708

The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

SENSITIVITY ANALYSIS

The Group is mainly exposed to RMB.

The following table details the Group's sensitivity to a 5% increase and decrease in US$ against RMB. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive number below indicates an increase in post-tax profit (2009: decrease in post-tax loss) where US$ strengthen 5% against the relevant currency. For a 5% weakening of US$ against the relevant currency, there would be an equal and opposite impact on the profit/loss, and the balances below would be negative. The analysis is performed on the same basis for the year ended 31 December 2009.

	RMB	
	2010 **HK$'000**	2009 HK$'000
Impact on profit (loss) for the year	**62**	71

This is mainly attributable to the exposure on outstanding trade and other payables denominated in RMB at the end of the reporting period.

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES (continued)

INTEREST RATE RISK

The interest income is derived from the Group's current and short-term time deposits that carry interest at the respective banking deposit rate of the banks located in the PRC and Hong Kong.

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings (see Note 28 for details of these borrowings) for the year ended 31 December 2010. The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

The Group's cash flow interest rate risk relates primarily to variable-rate bank deposits (see Note 25 for details of these deposits) and variable-rate borrowings (see Note 28 for details of these borrowings). It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

The Group's bank deposits are short-term in nature and the exposure of the interest rate risk is minimal and no sensitivity to interest rate risk is presented.

The Group's exposure to interest rates on financial liabilities is detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of base lending rate published by the People's Bank of China and the Hong Kong Interbank Offered Rate.

SENSITIVITY ANALYSIS

As of 31 December 2010, it is estimated that a general 100 basis point increase or decrease in interest rates, with all other variables held constant, would increase or decrease the Group's profit (loss) for the year ended and retained profits by approximately HK$1,064,000 (2009: HK$705,000).

The above sensitivity analysis has been determined assuming that a change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 100 basis point increase or decrease represents directors' assessment of a reasonably possible change in interest rates over the period until the next reporting period. The analysis was performed on the same basis for year ended 31 December 2009.

CREDIT RISK

At 31 December 2010, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks in Hong Kong with high credit ratings assigned by international credit-ratings agencies and authorised banks in the PRC with high credit ratings.

The Group's concentration of credit risk is 25% and 75% (2009: 29% and 92%) of the total trade receivables was due from the Group's largest customer and the five largest customers, respectively.

The Group's concentration of credit risk by geographical locations is mainly in North America, which accounted for 69% (2009: 68%) of the total trade receivables as at 31 December 2010.

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES (continued)

LIQUIDITY RISK

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

	At 31 December 2010				
	Within one year or on demand HK$'000	**More than one year less than two years HK$'000**	**More than two years less than five years HK$'000**	**Total contractual undiscounted cash flow HK$'000**	**Carry amount HK$'000**
Non-derivative financial liabilities					
Trade and other payables	**72,133**	**–**	**–**	**72,133**	**72,133**
Amounts due to non-controlling shareholders of a subsidiary	**462**	**–**	**–**	**462**	**462**
Bank borrowings	**203,393**	**6,310**	**8,692**	**218,395**	**213,289**
Loan from immediate holding company	**–**	**25,185**	**–**	**25,185**	**23,678**
Loan from ultimate holding company	**16,640**	**–**	**–**	**16,640**	**16,640**
	292,628	**31,495**	**8,692**	**332,815**	**326,202**

	At 31 December 2009				
	Within one year or on demand HK$'000	More than one year less than two years HK$'000	More than two years less than five years HK$'000	Total contractual undiscounted cash flow HK$'000	Carry amount HK$'000
Non-derivative financial liabilities					
Trade and other payables	65,675	–	–	65,675	65,675
Amounts due to non-controlling shareholders of a subsidiary	462	–	–	462	462
Bank borrowings	202,462	32,043	7,371	241,876	231,978
Obligations under finance leases	733	–	–	733	730
Loan from immediate holding company	–	25,185	–	25,185	23,678
	269,332	57,228	7,371	333,931	322,523

8. FAIR VALUE

The fair value of financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

The directors of the Company consider that the other carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values due to their short-term maturities.

9. TURNOVER AND OTHER OPERATING INCOME

Turnover represents the net amounts received and receivable for goods sold by the Group to outside customers, less discounts, returns and sales related taxes.

Analysis of the Group's turnover for the year is as follows:

	2010 HK$'000	2009 HK$'000
Turnover		
Sales of golf equipment and related components and parts	**384,225**	251,196
Sales of golf bags, other accessories and related components and parts	**43,772**	39,133
	427,997	290,329
Other operating income		
Income from derivative financial instruments	**–**	559
Interest income	**307**	113
Rental income (Note)	**84**	285
Sale of scrap materials	**91**	432
Sample income	**103**	89
Sundry income	**1,376**	1,398
Tooling income	**277**	934
Waiver of other payables	**–**	1,009
	2,238	4,819
Total revenues	**430,235**	295,148

Note: There was no outgoings for rental income in both years.

10. SEGMENT INFORMATION

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

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

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

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

(a) SEGMENT REVENUES AND RESULTS

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

For the year ended 31 December

	Golf equipment		Golf bags		Eliminations		Consolidated	
	2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'000	**2010 HK$'000**	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
Segment revenue:								
Sales to external customers	**384,225**	251,196	**43,772**	39,133	**–**	–	**427,997**	290,329
Inter-segment revenue	**–**	–	**26,317**	12,800	**(26,317)**	(12,800)	**–**	–
Other operating income	**1,573**	3,024	**358**	1,123	**–**	–	**1,931**	4,147
Total	**385,798**	254,220	**70,447**	53,056	**(26,317)**	(12,800)	**429,928**	294,476
Segment results	**33,968**	9,466	**3,185**	212			**37,153**	9,678
Interest income							**307**	113
Unallocated corporate income							**–**	559
Unallocated corporate expenses							**(10,202)**	(10,665)
Finance costs							**(15,282)**	(11,173)
Profit (loss) before taxation							**11,976**	(11,488)

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3. Segment results represents the results of each segment without allocation of interest income, central administration costs, directors' remuneration and finance costs. This is the measure reported to the chief operating decision maker of the Group for the purposes of resource allocation and performance assessment.

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

10. SEGMENT INFORMATION (continued)

(b) SEGMENT ASSETS AND LIABILITIES

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

At 31 December

	Golf equipment		Golf bags		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Assets and liabilities						
Segment assets	**502,908**	486,774	**43,744**	43,290	**546,652**	530,064
Unallocated corporate assets						
– Club debentures					**2,135**	2,135
– Bank balances and cash					**43,316**	39,522
– Others					**1,462**	2,710
Total assets					**593,565**	574,431
Segment liabilities	**48,089**	53,355	**23,983**	11,988	**72,072**	65,343
Unallocated corporate liabilities						
– Amounts due to non-controlling shareholders of a subsidiary					**462**	462
– Income tax payable					**1,398**	1,248
– Bank borrowings					**213,289**	231,978
– Obligations under finance leases					**–**	730
– Loan from ultimate holding company					**16,640**	–
– Loan from immediate holding company					**23,678**	23,678
– Deferred taxation					**2,565**	2,641
– Others					**61**	332
Total liabilities					**330,165**	326,412

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

- all assets are allocated to reportable segments other than club debentures and bank balances and cash. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and
- all liabilities are allocated to reportable segments other than amounts due to non-controlling shareholders of a subsidiary, income tax payable, bank borrowings, obligations under finance leases, loan from immediate/ultimate holding company and deferred taxation. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

10. SEGMENT INFORMATION (continued)

(c) GEOGRAPHICAL INFORMATION

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

The Group's revenue from external customers by geographical location of revenue from external customers is detailed below:

	Revenue from external customers	
	2010	2009
	HK$'000	HK$'000
North America	**288,346**	195,348
Europe	**31,014**	9,596
Asia (excluding Japan)	**43,287**	26,530
Japan	**61,848**	51,727
Others	**3,502**	7,128
	427,997	290,329

Less than 1% of the Group's revenue from external customers is derived from the PRC including Hong Kong (country of domicile) for both years.

The Group's non-current assets, other than financial instruments, by geographical location is detailed below:

	2010	2009
	HK$'000	HK$'000
Hong Kong (country of domicile)	**24,441**	24,726
The PRC	**266,835**	273,641
Others	**7**	11
	291,283	298,378

10. SEGMENT INFORMATION (continued)

(d) OTHER SEGMENT INFORMATION

Amounts included in the measure of segment profit or loss or segment assets:

For the year ended 31 December

	Golf equipment		Golf bags		Total	
	2010 **HK$'000**	2009 HK$'000	**2010** **HK$'000**	2009 HK$'000	**2010** **HK$'000**	2009 HK$'000
Other segment information:						
Addition to non-current assets (Note)	**8,343**	13,223	**1,201**	4,204	**9,544**	17,427
Amortisation of prepaid lease payments	**529**	496	**103**	101	**632**	597
Bad debts directly written off	**174**	1,143	**–**	–	**174**	1,143
Depreciation of property, plant and equipment	**18,887**	17,419	**3,389**	3,528	**22,276**	20,947
Impairment loss recognised in respect of goodwill	**–**	–	**–**	1,795	**–**	1,795
Impairment loss recognised in respect of trade receivables	**–**	2,128	**99**	–	**99**	2,128
Impairment loss recognised in respect of property, plant and equipment	**–**	–	**2,248**	–	**2,248**	–
Loss on deregistration of subsidiaries	**48**	30	**–**	–	**48**	30
Loss on disposal of property, plant and equipment	**768**	827	**–**	1,291	**768**	2,118
Waiver of other payables	**–**	(1,009)	**–**	–	**–**	(1,009)
Write-off of inventories (included in cost of sales)	**–**	2,447	**–**	–	**–**	2,447

Note: Non-current assets excluded financial instruments.

10. SEGMENT INFORMATION (continued)

(e) INFORMATION ABOUT MAJOR CUSTOMERS

Revenues from customers of the corresponding years contributing over 10% of the total revenue of the Group as follows:

	Revenue generated from	**2010 HK$'000**	2009 HK$'000
Customer A	Golf equipment	**114,803**	121,709
Customer B	Golf equipment and golf bags	**166,070**	39,726
Customer C	Golf equipment	**N/A***	41,439

* The corresponding revenue does not contribute over 10% of the total revenue of the Group in the respective year.

11. FINANCE COSTS

	2010 HK$'000	2009 HK$'000
Factoring and bank charges	**4,398**	3,178
Interest expenses on:		
– bank overdraft	**69**	55
– bank borrowings wholly repayable within five years	**9,498**	7,773
– imputed interest on non-interest bearing loan from immediate holding company	**1,314**	145
– obligations under finance leases	**3**	22
	15,282	11,173

12. INCOME TAX EXPENSE

	2010 HK$'000	2009 HK$'000
Hong Kong Profits Tax	**350**	–
PRC Enterprise Income Tax Income ("EIT")		
– Current	**68**	934
– Underprovision in prior years	**–**	113
	68	1,047
	418	1,047

12. INCOME TAX EXPENSE (continued)

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

Hong Kong Profits Tax was not provided for in the consolidated financial statements as there was no estimated assessable profit derived from Hong Kong for the year ended 31 December 2009.

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

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

Certain PRC subsidiaries were either in loss-making position for the current and the previous years or had sufficient tax losses brought forward from previous year to offset the estimated assessable income for the year and accordingly did not have any assessable income.

The income tax expense for the year can be reconciled to the profit (loss) before taxation per the consolidated statement of comprehensive income as follows:

	2010 **HK$'000**	2009 HK$'000
Profit (loss) before taxation	**11,967**	(11,488)
Tax calculated at rates applicable to profits in the respective tax jurisdiction concerned	**2,135**	(1,844)
Underprovision in prior years	**–**	113
Effect of tax exemptions granted	**(6,682)**	(2,222)
Tax effect of income not taxable for tax purposes	**(58)**	(143)
Tax effect of expense not deductible for tax purposes	**1,883**	4,255
Tax effect of tax losses and deductible temporary differences not recognised	**3,967**	893
Utilisation of tax losses and deductible temporary differences previously not recognised	**(827)**	(5)
Income tax expense for the year	**418**	1,047

Details of the deferred taxation are set out in Note 31.

13. PROFIT (LOSS) FOR THE YEAR

	2010 HK$'000	2009 HK$'000
Profit (loss) for the year has been arrived at after charging:		
Staff cost (including directors' emoluments):		
Salaries, wages and other benefits in kind	**84,742**	70,173
Equity-settled share-based payment (Note 33)	**–**	154
Retirement benefits scheme contributions	**5,635**	5,403
Total staff cost	**90,377**	75,730
Amortisation of prepaid lease payments	**632**	597
Auditor's remuneration	**1,003**	819
Bad debts directly written off**	**174**	1,143
Cost of inventories sold	**338,177**	228,197
Depreciation of property, plant and equipment	**22,276**	20,947
Exchange loss (net)**	**2,058**	1,408
Equity-settled share based payment (business associates) (Note)	**–**	309
Impairment loss recognised in respect of goodwill**	**–**	1,795
Impairment loss recognised in respect of trade receivables**	**99**	2,128
Loss on deregistration of a subsidiary (Note 34)**	**48**	30
Loss on disposal of property, plant and equipment	**768**	2,118
Operating leases rentals in respect of land and buildings	**5,746**	5,880
Research and development costs**	**3,993**	3,457
Write-off of inventories (included in cost of sales)	**–**	2,447

** These amounts are included in administrative expenses.

Note: During the year ended 31 December 2009, the amount represented the fair value of consultancy services provided to the Group in relation to searching for new customers. The consultancy service fees were settled through the issue of 3,000,000 share options as set out in Note 33.

14. EARNINGS (LOSS) PER SHARE

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

	2010	2009
	HK$'000	HK$'000
Earnings (loss)		
Earnings (loss) for the purpose of basic and diluted earnings per share	**11,588**	(12,535)

	2010	2009
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**302,200**	302,200
Effect of dilutive potential on ordinary shares from share options	**4,500**	N/A
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**306,700**	302,200

The computation of diluted loss per share for the year ended 31 December 2009 does not assume the conversion of the Company's outstanding share options since their exercise would result in a decrease in the loss per share.

15. DIVIDENDS

No dividends were paid, declared or proposed during the year ended 31 December 2010, nor has any dividend been proposed since the end of the reporting period (2009: Nil).

16. STAFF COSTS (EXCLUDING DIRECTORS' EMOLUMENTS)

	2010	2009
	HK$'000	HK$'000
Salaries, allowances and other benefits in kind	**79,372**	64,983
Equity-settled share-based payment	**–**	154
Retirement benefits scheme contributions	**5,611**	5,379
	84,983	70,516

16. STAFF COSTS (EXCLUDING DIRECTORS' EMOLUMENTS) (continued)

i) HONG KONG

Subsidiaries in Hong Kong operate a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated statement of comprehensive income as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the subsidiaries in an independently administered fund. The subsidiaries' employer contributions vest fully with the employees when contributed into the MPF Scheme. During the year ended 31 December 2010, a total contribution of approximately HK$203,000 (2009: approximately HK$227,000) was made by the Group in respect of this scheme.

ii) THE PRC, OTHER THAN HONG KONG

The employees in the Group who work in the PRC are required to participate in pension schemes operated by the local governments. The Group is required to contribute 5% to 13% (2009: 5% to 13%) of their payroll costs to the schemes. The contributions are charged to the consolidated statement of comprehensive income as they become payable in accordance with the rules of the pension schemes. During the year ended 31 December 2010, a total contribution of approximately HK$5,432,000 (2009: approximately HK$5,176,000) was made by the Group in respect of this scheme.

iii) At 31 December 2010, the Group had no forfeited contributions available to reduce its contributions to the above schemes in future years (2009: Nil).

17. DIRECTORS' AND EMPLOYEE'S EMOLUMENTS

(a) DIRECTORS REMUNERATION

The emoluments paid or payable to each of the six (2009: six) directors were as follows:

	For the year ended 31 December 2010					
	Fees HK$'000	Salaries HK$'000	Bonuses HK$'000 (Note)	Housing benefits HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Executive directors						
Mr. Chu Chun Man, Augustine ("Augustine Chu")	–	1,560	30	840	12	2,442
Mr. Chu Yuk Man, Simon ("Simon Chu")	–	1,200	130	600	12	1,942
Mr. Chang Hua Jung	–	720	20	–	–	740
Independent non-executive directors						
Mr. Choy Tak Ho	120	–	–	–	–	120
Mr. Hsieh Ying Min	50	–	–	–	–	50
Ms. Chiu Lai Kuen, Susanna	100	–	–	–	–	100
	270	3,480	180	1,440	24	5,394

17. DIRECTORS' AND EMPLOYEE'S EMOLUMENTS (Continued)

(a) DIRECTORS REMUNERATION (Continued)

	For the year ended 31 December 2009					
	Fees HK$'000	Salaries HK$'000	Bonuses HK$'000 (Note)	Housing benefits HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Executive directors						
Mr. Augustine Chu	–	1,560	–	840	12	2,412
Mr. Simon Chu	–	1,200	–	600	12	1,812
Mr. Chang Hua Jung	–	720	–	–	–	720
Independent non-executive directors						
Mr. Choy Tak Ho	120	–	–	–	–	120
Mr. Hsieh Ying Min	50	–	–	–	–	50
Ms. Chiu Lai Kuen, Susanna	100	–	–	–	–	100
	270	3,480	–	1,440	24	5,214

Note: The performance related bonuses were determined by the remuneration committee based on individual performance.

No directors waived or agreed to waive any emoluments during the two years ended 31 December 2010 and 2009.

(b) SENIOR MANAGEMENT'S EMOLUMENTS

Of the five individuals with highest emoluments, three (2009: three) were directors of the Company whose emoluments are set out in the above. The emoluments of the remaining two (2009: two) highest paid individuals were as follows:

	2010 HK$'000	2009 HK$'000
Salaries, allowances and other benefits in kind	**2,293**	2,031
Retirement benefits schemes contributions	**12**	12
	2,305	2,043

17. DIRECTORS' AND EMPLOYEE'S EMOLUMENTS (Continued)

(b) SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

Their emoluments were within the following bands:

	Number of individuals 2010	2009
Nil to HK$1,000,000	–	1
HK$1,000,001 to HK$1,500,000	2	1
	2	2

(c) No emolument have been paid by the Group to the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office for the two years ended 31 December 2010 and 2009.

18. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings at revalued amount HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
COST/VALUATION							
At 1 January 2009	215,842	7,818	143,933	6,181	5,287	2,113	381,174
Adjustment arising on valuation	(31,683)	–	–	–	–	–	(31,683)
Additions	1,937	768	12,162	1,010	614	936	17,427
Transfers	2,053	–	60	–	–	(2,113)	–
Disposals	(1,579)	–	(12,788)	(159)	(1,055)	–	(15,581)
At 31 December 2009	186,570	8,586	143,367	7,032	4,846	936	351,337
Exchange realignment	9,408	129	2,012	129	85	–	11,763
Additions	1,744	231	2,320	198	234	3,120	7,847
Disposals	(1,549)	–	(7,772)	(32)	(857)	–	(10,210)
Deregistration of subsidiaries	–	(216)	(12)	(215)	(59)	–	(502)
At 31 December 2010	196,173	8,730	139,915	7,112	4,249	4,056	360,235
At 31 December 2010							
At cost	11,152	8,730	139,915	7,112	4,249	4,056	175,214
At valuation	185,021	–	–	–	–	–	185,021
	196,173	8,730	139,915	7,112	4,249	4,056	360,235

18. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Leasehold land and buildings at revalued amount HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
ACCUMULATED DEPRECIATION							
At 1 January 2009	28,559	4,217	81,876	4,149	3,587	–	122,388
Provided for the year	6,197	574	12,872	872	432	–	20,947
Eliminated on disposals	(549)	–	(10,719)	(130)	(993)	–	(12,391)
Eliminated on revaluation	(34,207)	–	–	–	–	–	(34,207)
At 31 December 2009	–	4,791	84,029	4,891	3,026	–	96,737
Exchange realignment	–	105	1,637	79	45	–	1,866
Provided for the year	5,999	753	14,140	774	610	–	22,276
Eliminated on disposals	(732)	–	(7,656)	(31)	(758)	–	(9,177)
Eliminated on deregistration of subsidiaries	–	(216)	(12)	(215)	(59)	–	(502)
Impairment loss recognised	2,248	–	–	–	–	–	2,248
At 31 December 2010	7,515	5,433	92,138	5,498	2,864	–	113,448
CARRYING VALUES							
At 31 December 2010	188,658	3,297	47,777	1,614	1,385	4,056	246,787
At 31 December 2009	186,570	3,795	59,338	2,141	1,820	936	254,600

(a) The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold land and buildings	Over the shorter of the term of the lease or 20 to 50 years
Leasehold improvements	10% to 20%
Plant and machinery	10% to 20%
Furniture, fixtures and equipment	20%
Motor vehicles	20%

(b) The leasehold land and buildings are held in the PRC under medium-term lease.

(c) At 31 December 2009, certain of the Group's leasehold land and buildings of the Group were revalued by LCH (Asia-Pacific) Surveyors Limited, an independent valuer not connected with the Group at an aggregate open market value of HK$186,570,000 using the depreciated replacement cost basis. Such leasehold land and buildings were not revalued at 31 December 2010. In the opinion of the directors of the Company, there was no significant change in the valuation of these leasehold land and buildings from their carrying amount as at 31 December 2009.

18. PROPERTY, PLANT AND EQUIPMENT (Continued)

(d) If the leasehold land and buildings had not been revalued, they would have been included in these consolidated financial statements at historically cost less accumulated depreciation of approximately HK$168,696,000 (2009: HK$167,777,000).

(e) At 31 December 2009, the carrying value of plant and machinery of approximately HK$59,338,000 (2010: HK$47,777,000) included an amount of approximately HK$1,858,000 (2010: Nil) in respect of assets under finance leases.

(f) During the year ended 31 December 2009, certain of the Group's property, plant and equipment were leased to a related party, further details of which are included in Note 37(a).

(g) At 31 December 2010, the property usage permit of certain buildings was not granted by the relevant government authorities with the aggregate carrying values of approximately HK$3,571,000 (2009: HK$5,962,000). In the opinion of the directors of the Company, the absence of property usage permits for these buildings does not impair the value of the relevant buildings to the Group.

(h) At 31 December 2010, the Group's leasehold land and buildings with a carrying value of approximately HK$169,194,000 (2009: HK$157,283,000) was pledged as security for banking facilities granted to the Group.

(i) During the year ended 31 December 2010, an impairment loss of HK$2,248,000 was recognised for certain leasehold land and buildings following entering of an agreement during the year with the local PRC government authority for reclaim of certain land and buildings in the PRC by the local government authority and the amount being impaired to the expected recoverable amount.

19. PREPAID LEASE PAYMENTS

	2010 HK$'000	2009 HK$'000
Prepaid lease payments comprises of leasehold land held under medium-term lease in the PRC and are analysed for reporting purposes as follows:		
Current assets	**632**	597
Non-current assets	**20,279**	20,451
	20,911	21,048

At 31 December 2010, the carrying value of the Group's prepaid lease payment pledged as security for the banking facilities granted to the Group amounted to approximately HK$13,194,000 (2009: approximately HK$15,664,000).

During the year ended 31 December 2010, the Group entered into an agreement with the local PRC government for reclaim of certain land and buildings in the PRC. At 31 December 2010, the transaction is still not yet completed.

20. GOODWILL

(a)

	2010 HK$'000	2009 HK$'000
COST		
At the beginning of the year	**22,180**	22,180
Deregistration of subsidiaries	**(1,795)**	–
At the end of the year	**20,385**	22,180
IMPAIRMENT		
At the beginning of the year	**1,795**	–
Impairment loss recognised for the year	**–**	1,795
Eliminated on deregistration of subsidiaries	**(1,795)**	–
At the end of the year	**–**	1,795
CARRYING VALUES		
At 31 December 2010		20,385
At 31 December 2009		20,385

(b) IMPAIRMENT TESTING ON GOODWILL

For the purpose of impairment testing, goodwill set out above has been allocated to two individual cash generating units (2009: two). The carrying amounts of goodwill (net of accumulated impairment losses) as at the end of the reporting period allocated to these units are as follows:

	2010 HK$'000	2009 HK$'000
Golf equipment		
– Sino Concept Golf Manufacturing Co., Ltd ("Sino Concept")	**1,669**	1,669
– Xiamen Sino Talent Golf Manufacturing Co., Ltd ("Xiamen Sino")	**5,565**	5,565
– Zengcheng Sino Golf Manufacturing Co., Ltd* ("Zengchen Sino Golf") 增城市順龍高爾夫球製品有限公司	**5,155**	5,155
	12,389	12,389
Golf bags		
– CTB Golf (HK) Limited ("CTB")	**7,996**	7,996
– Sino CTB Company, LLC ("Sino CTB")	**–**	–
– Sino Golf USA Inc ("USA Golf")	**–**	–
	7,996	7,996
	20,385	20,385

* The English name is for identification purposes only.

20. GOODWILL (Continued)

(b) IMPAIRMENT TESTING ON GOODWILL (Continued)

GOLF EQUIPMENT

Companies comprising of the golf equipment segment are engaged in the manufacture and trading of golf equipment. The management of the Group prepared a profit forecast and cash flow forecast in respect of this CGU (the "Golf Equipment Forecast"). The Golf Equipment Forecast were based on financial budgets approved by the management covering a period of five years at a pre-tax discount rate of 7.29% (2009: 4.94%). The cash flows beyond the period of one year were extrapolated using a steady growth rate of 10% (2009: 8%-12%). This growth rate was based on the relevant industry growth rate forecasts and does not exceed the average long-term growth rate for the relevant industry. The Golf Equipment Forecast for the budgeted period was based on the budgeted sales and budgeted gross margins during the budget period. Budgeted gross margins were determined based on management's expectation for market development and past experience, and the management believes that the budgeted gross margins were reasonable. The directors of the Company were of the opinion, based on the Golf Equipment Forecast, that the recoverable amount exceeds its carrying amount in the consolidated statement of financial position and no impairment loss was necessary.

GOLF BAGS

Companies comprising of the golf bag segment are engaged in the manufacture and trading of golf bags.

Sino CTB and USA Golf operated in the United States of America (the "US") and due to the uncertainties left behind following the global financial tsunami in 2008, the directors of the Company had made due assessment of the future viability of the Group's golf bag operations in the US. It was considered that the carrying amount of goodwill arising on acquisition of the US golf bag segment in the amount of approximately HK$1,795,000 were fully impaired during the year ended 31 December 2009. Sino CTB and USA Golf have been deregistrated during the year ended 31 December 2010.

For the remaining company comprising of the golf bag segment, the management of the Group prepared a profit forecast and cash flow forecast in respect of this CGU (the "Golf Bag Forecast"). The Golf Bag Forecast were based on financial budgets approved by the management covering a period of five years at a pre-tax discount rate of 7.29% (2009: 6.85%). The cash flows beyond the one year period were extrapolated using a steady growth rate of 5% (2009: 8%-12%). This growth rate was based on the relevant industry growth rate forecasts and does not exceed the average long-term growth rate for the relevant industry. The Golf Bag Forecast for the budgeted period was based on the budgeted sales and budgeted gross margins during the budget period. Budgeted gross margins were determined based on management's expectation for market development and past experience, and the management believes that the budgeted gross margins were reasonable. The directors of the Company were of the opinion, based on the Golf Bag Forecast, that the recoverable amount exceeds its carrying amount in the consolidated statement of financial position and no impairment loss was necessary.

21. CLUB DEBENTURES

The club debentures represent memberships in private golf clubs in the PRC. The directors of the Company with reference to the second hand market price of the club debentures as at the end of the reporting period considered that no impairment was identified.

22. DEPOSITS AND OTHER RECEIVABLES

Included in the deposits and other receivables is an amount of approximately HK$216,000 (2009: HK$410,000) which is represented by loans advanced to employees of the Group. The loans are unsecured, bear interest at rates ranging from 1.5% to 5.5% per annum (2009: 1.5% to 5.5% per annum) and are not repayable within the next twelve months from the end of the reporting period. The remaining balances are represented by deposits and receivables which are unsecured, non-interest bearing and are not repayable within the next twelve months from the end of the reporting period.

23. INVENTORIES

	2010 **HK$'000**	2009 HK$'000
Raw materials	**63,054**	50,048
Work in progress	**59,329**	65,385
Finished goods	**51,434**	46,694
	173,817	162,127

24. TRADE AND OTHER RECEIVABLES

	2010 **HK$'000**	2009 HK$'000
Trade receivables	**29,021**	42,002
Less: impairment loss recognised	**(522)**	(13,544)
	28,499	28,458
Prepayments	**1,105**	1,625
Deposits and other receivables	**54,297**	42,767
	55,402	44,392
	83,901	72,850

24. TRADE AND OTHER RECEIVABLES (continued)

i) The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally between 30 and 90 days. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management.

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

	2010	2009
	HK$'000	HK$'000
At the beginning of the year	**13,544**	11,416
Impairment loss recognised	**99**	2,128
Written off during the year	**(13,121)**	–
At the end of the year	**522**	13,544

At 31 December 2010, included in the impairment loss of trade receivables are individually impaired trade receivables with an aggregate balance of approximately HK$522,000 (2009: HK$13,544,000) which are due to long outstanding. The Group does not hold any collateral over these balances.

iii) The aging analysis of the trade receivables (net of impairment) of the Group was as follows:

		Neither	Past due but not impaired			
		past due	1 to 3	4 to 6	7 to 12	More than
	Total	nor impaired	months	months	months	12 months
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2010	28,499	19,517	8,933	49	–	–
At 31 December 2009	28,458	16,396	10,120	48	1,894	–

Trade receivables that were neither past due nor impaired relate to customers for whom there was no recent history of default. The Group does not hold any collateral over these balances.

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

v) At 31 December 2009, included in deposits and other receivable was an amount of approximately HK$1,379,000 deposited with an independent third party for supporting the guarantee extended by that party to secure banking facilities granted to the Group. The deposit amount was released during the year ended 31 December 2010.

25. BANK BALANCES AND CASH

	2010 HK$'000	2009 HK$'000
Bank balances and cash	**43,257**	15,014
Short-term time deposits with an original maturity of less than three months	**–**	2,000
Short-term time deposits with an original maturity of more than three months	**59**	22,508
	43,316	39,522
Less: Short-term time deposits with an original maturity of more than three months	**(59)**	(22,508)
Less: Bank overdrafts (Note 28)	**(984)**	(997)
Cash and cash equivalents	**42,273**	16,017

a) Bank balances carried interest rate ranged from 0.01% to 0.36% per annum (2009: 0.01% to 0.36% per annum).

b) The short-term time deposits with an original maturity of less than three months carried interest rate at approximately 0.20% per annum (2009: 0.20% per annum).

c) The short-term time deposits with an original maturity of more than three months carried interest rate at approximately 2.25% per annum (2009: 2.25%).

d) At 31 December 2010, the Group's time deposits, and bank balances and cash denominated in RMB amounted to approximately RMB28,841,000, equivalent to approximately HK$33,931,000 (2009: RMB25,174,000, equivalent to approximately HK$28,936,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations.

26. TRADE AND OTHER PAYABLES

	2010 HK$'000	2009 HK$'000
Trade and bills payables	**56,229**	46,405
Customers' deposits received	**2,285**	2,973
Amount due to a director (Note ii)	**–**	1,160
Accrual and other payables (Note iii)	**13,619**	15,137
	72,133	65,675

26. TRADE AND OTHER PAYABLES (continued)

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

	2010 **HK$'000**	2009 HK$'000
Within 3 months	**21,316**	30,028
4 to 6 months	**22,064**	8,064
7 to 12 months	**10,010**	5,104
Over 1 year	**2,839**	3,209
	56,229	46,405

The average credit period on purchases of goods is from 30 days to 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

ii) The amount due to a director is unsecured, non-interest bearing and was fully settled during the year.

iii) Included in accrual and other payables is an amount of approximately HK$2,353,000 deposit received in related disposal of certain property, plant and equipment and prepaid lease payments. Details of which are disclosed in Notes 18 and 19.

iv) Included in trade and other payables in the consolidated statement of financial position are mainly the following amounts denominated in currencies other than the functional currency of the entity to which they relate:

	2010 **HK$'000**	2009 HK$'000
RMB	**1,478**	1,708

27. AMOUNTS DUE TO NON-CONTROLLING SHAREHOLDERS OF A SUBSIDIARY

The amounts due to non-controlling shareholders of a subsidiary are unsecured, non-interest bearing and repayable on demand.

28. BANK BORROWINGS

	2010 HK$'000	2009 HK$'000
Bank overdraft	**984**	997
Term loans	**151,109**	199,242
Trust receipts and packing loans	**61,196**	31,739
	213,289	231,978
Secured	**85,882**	45,977
Unsecured	**127,407**	186,001
	213,289	231,978
Bank borrowings repayable:		
On demand or within one year	**199,000**	194,794
More than one year but not exceeding two years	**5,867**	30,295
More than two years but not exceeding five years	**8,422**	6,889
	213,289	231,978
Less: Amounts due within one year shown under current liabilities	**(199,000)**	(194,794)
	14,289	37,184

i) At 31 December 2010, bank borrowings of approximately HK$124,909,000 and HK$88,380,000 are fixed-rate borrowings and floating-rate borrowings, respectively. The fixed-rate borrowings carry interest ranging from 4.86% to 7.44% per annum and the floating-rate borrowings carry interest at the effective rate ranging from 0.96% to 6.68% per annum.

At 31 December 2009, bank borrowings of approximately HK$106,897,000 and HK$125,081,000 are fixed-rate borrowings and floating-rate borrowings, respectively. The fixed-rate borrowings carry interest ranging from 4.80% to 6.90% per annum and the floating-rate borrowings carry interest at the effective rate ranging from 0.93% to 6.11% per annum.

ii) During the year ended 31 December 2010, the Group obtained new borrowings of approximately HK$134,887,000 (2009: HK$225,344,000) to finance its working capital.

iii) At 31 December 2010, the Company had provided guarantees in relation to bank borrowings and banking facilities granted to certain subsidiaries. At the end of the reporting period, the Group had unused banking facilities of approximately HK$209,423,000 (2009: HK$136,217,000).

iv) During the year ended 31 December 2010, included in the unsecured bank borrowings are amounts of HK$9,000,000 (2009: HK$11,400,000) and HK$9,556,000 (2009: HK$12,000,000) raised under the Special Loan Guarantee Scheme, 80% of the principal amount of the loans is guaranteed by the Government of Hong Kong Special Administrative Regions.

The remaining amount of the unsecured bank borrowings at 31 December 2010 are guaranteed by a related company and a director of the Company.

At 31 December 2009, the remaining amount of the unsecured bank borrowings was guaranteed by an independent third party, a related company and a director of the Company.

29. OBLIGATIONS UNDER FINANCE LEASES

The Group leases certain of its plant and machinery for its golf equipment manufacturing business. These leases are classified as finance leases, the average lease term of these leases is five years (2009: five years).

At the end of reporting period, the total future minimum lease payments under finance leases and their present values were as follows:

	Minimum lease payments		Present value of minimum lease payments	
	2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
Amounts payable under finance leases due within one year	**–**	733	**–**	730
Less: Future finance charges	**–**	(3)	**–**	–
Present value of lease obligations	**–**	730	**–**	730
Less: Amounts due within one year shown under current liabilities			**–**	(730)
Amounts due after one year			**–**	–

Obligations under finance leases of the Group bear interest at floating interest rates. The effective interest rate of these obligations under finance leases ranged from 1.70% to 1.90% (2009: 1.70% to 1.90%). The Group's obligation under finance leases are secured by the lessor's charge over the leased assets.

All obligations under finance leases were denominated in HK$.

30. LOAN FROM IMMEDIATE/ULTIMATE HOLDING COMPANY

The loan from immediate holding company is unsecured, non-interest bearing and repayable on 31 March 2011. In 2010, the Group and the immediate holding company entered into a supplementary agreement in which the loan was extended to 31 March 2012. The effective interest rate of the loan from immediate holding company is 5.22%.

The loan from ultimate holding company is unsecured, non-interest bearing and repayable on demand.

31. DEFERRED TAXATION

The movements in deferred tax liabilities of the Group during the year are as follows:

	Revaluation of land and buildings HK$'000
At 1 January 2009	2,010
Charged to other comprehensive income	631
At 31 December 2009	2,641
Credited to other comprehensive income	(76)
At 31 December 2010	2,565

At the end of the reporting period, the Group had tax losses of approximately HK$19,084,000 (2009: HK$6,164,000) available for offset against future profits. No deferred asset has been recognised in respect of the tax losses due to the unpredictability of future income stream. At 31 December 2010, approximately HK$19,084,000 (2009: HK$3,278,000) included in the above unused tax losses will expire after five years from the year of assessment to which they relate to. The remaining balances in 2009 may be carried forward indefinitely.

At 31 December 2010, the Group also had deductible temporary differences of approximately HK$952,000 (2009: HK$2,866,000). No deferred tax asset has been recognised in relation to the above deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Under the EIT Law of PRC, withholding tax is imposed on dividends in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards (the "Post-2008 Earnings"). Deferred taxation has not been provided for in the consolidation financial statements in respect of temporary difference attributable to the "Post-2008 Earnings" amounting to approximately HK$5,828,000 (2009: HK$2,367,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

32. SHARE CAPITAL

	2010 & 2009 HK$'000
Authorised:	
1,000,000,000 ordinary shares of HK$0.10 each	100,000
Issued and fully paid:	
302,200,000 ordinary shares of HK$0.10 each	30,220

There was no change in share capital for both years.

33. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include any employee (whether full-time or part-time), executive or officer of the Company or any of its subsidiaries (including executive and non-executive directors of the Company or any of its subsidiaries) and any business consultants, agents and legal or financial advisers, who, at the sole discretion of the board of directors of the Company, will contribute or have contributed to the Company and/or any of its subsidiaries. The Scheme became effective on 7 August 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

Pursuant to the Scheme, the maximum number of shares in respect of which options may be granted under the Scheme, when aggregated with shares subject to any other share option schemes, must not exceed 30% of the shares in issue of the Company at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to the shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors of the Company. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5,000,000 within any 12-month period up to and including the date of the offer of the grant, are subject to the issuance of a circular by the Company and the approval of the shareholders in advance in a general meeting.

The offer of a grant of share options may be accepted within 30 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the board at its absolute discretion, and commences on a specified date and ends on a date which is not later than 10 years from the date of offer of share options or the expiry date of the Scheme, whichever is earlier.

The exercise price of the share options is determinable by the directors of the Company, but may not be less than the highest of (i) the closing price of the Company's shares as stated in the daily quotation sheet of the Stock Exchange on the date of grant, which must be a business day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

At 31 December 2010, the number of shares in respect of which options had been granted and remained outstanding under the share option scheme was 4,500,000 (2009: 4,500,000), representing 1.49% (2009: 1.49%) of the ordinary shares in issue at that date.

33. SHARE OPTION SCHEME (continued)

Movements of the Company's share options during the year are set out below.

	Date of grant	Number of share options: Outstanding at 1 January 2009	Granted during the year	Outstanding at 31 December 2009 and 2010	Exercise period	Exercise price per share HK$
Other employees						
In aggregate	2 November 2009	–	1,500,000	1,500,000	2 November 2009 to 1 November 2011	0.37
Business associates						
In aggregate	2 November 2009	–	3,000,000	3,000,000	2 November 2009 to 1 November 2011	0.37
		–	4,500,000	4,500,000		
Weighted average exercise price (HK$)		N/A	0.37	0.37		

Note: All the share options are exercisable on the grant date.

During the year ended 31 December 2009, options were granted on 2 November 2009 and the estimated fair value of the options granted was HK$463,000.

The fair values of the share options granted during the year ended 31 December 2009 were calculated using the Black-Scholes Options Pricing Model. The inputs into the model were as follows:

	2 November 2009
Weighted average share price	HK$0.36
Exercise price	HK$0.37
Expected volatility	87.30%
Expected life	2 years
Risk-free rate	0.14%
Expected dividend yield	7.16%

Expected volatility was determined by using the historical volatility of the Company's share price over 250 days.

34. DEREGISTRATION OF A SUBSIDIARY

(a) During the year ended 31 December 2010, the Group deregistered the following subsidiaries. The net assets of these subsidiaries at the respective dates of deregistration were as follows:

	Sino (CNC) Company Limited HK$'000	Sino Golf (USA), Inc HK$'000	Sino US Holding Company LLC HK$'000	Sino CTB Company LLC HK$'000	Total HK$'000
Other receivables	–	53	–	–	53
Non-controlling interests	(5)	–	–	–	(5)
Loss on deregistration	5	(53)	–	–	(48)
	–	–	–	–	–

The subsidiaries de-registered during the year ended 31 December 2010 have no significant impact on the results and cash flows of the Group.

(b) On 20 October 2009, a 51% owned subsidiary of the Group, Linyi (CNC) Manufacturing Company Limited ("Linyi CNC") was de-registered. The net assets of Linyi CNC at the date of de-registration were as follows:

	HK$'000
Other receivables	30
Loss on deregistration	(30)
	–

The subsidiary de-registered during the year ended 31 December 2009 had no significant impact on the results and cash flows of the Group.

35. COMMITMENT UNDER OPERATING LEASE

(a) THE GROUP AS LESSOR

The Group leased certain of its plant and machinery (Note 18) under operating lease arrangements, the general lease term for the leases is one year.

Rental income earned from leasing of certain plant and machinery during the year ended 31 December 2009 was HK$124,000 (2010: Nil).

(b) THE GROUP AS LESSEE

The Group leases certain of its office properties, production plants and staff quarters under operating lease arrangements. Leases are negotiated for a term ranging from one to ten years. The Group does not have an option to purchase the leased asset at the expiry of the lease period.

35. COMMITMENT UNDER OPERATING LEASE (continued)

(b) THE GROUP AS LESSEE (continued)

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which are payable as follows:

	2010 **HK$'000**	2009 HK$'000
Within one year	**5,175**	3,615
In the second to fifth years, inclusive	**2,138**	1,063
	7,313	4,678

36. CAPITAL COMMITMENTS

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

	2010 **HK$'000**	2009 HK$'000
Contracted, but not provided for:		
Leasehold land and buildings	**1,434**	1,460
Plant and machinery	**1,186**	126
	2,620	1,586

37. RELATED PARTY AND CONNECTED PARTY TRANSACTIONS

a) In addition to related party balances detailed in the consolidated financial statements and Notes 26, 27 and 30, respectively, the Group entered into the following significant transactions with related parties during the year:

	Notes	**2010** **HK$'000**	2009 HK$'000
Rental expenses paid to Progolf Manufacturing Company Limited ("Progolf")	(i)	**840**	840
Rental expenses paid to Yuru Holdings Limited ("Yuru Holdings")	(ii)	**179**	–
Rental income in respect of renting plant and equipment to Sino Sporting Company Limited ("Sino Sporting")	(iii)	**–**	124

37. RELATED PARTY AND CONNECTED PARTY TRANSACTIONS (continued)

a) (continued)

Notes:

i) Mr. Augustine Chu has beneficial interests in Progolf. The rental expenses were determined at rates agreed between the Group and Progolf.

ii) Mr. Simon Chu has beneficial interests in Yuru Holdings. The rental expenses were determined at rates agreed between the Group and Yuru Holdings.

iii) Mr. Augustine Chu and Mr. Simon Chu both have beneficial interests in Sino Sporting. The rental rates were based on the terms of the agreement entered into among the parties.

b) At 31 December 2010, Guangzhou Li Hu Golf Club Limited (廣州荔湖高爾夫球有限公司) ("Sino Golf and Country Club") provided a corporate guarantee to the Group of approximately HK$29,471,000 for banking facilities granted to the Group (2009: HK$51,724,000). Mr. Augustine Chu has beneficial interests in Sino Golf and Country Club.

c) At 31 December 2010, Mr. Augustine Chu provided personal guarantees to the bankers of approximately HK$7,059,000 for bank facilities granted to the Group (2009: HK$9,195,000).

d) Key management compensation

The key management personnel of the Group comprises all the directors of the Company and the five highest paid individuals. Details of compensation of directors and the five highest paid individuals are included in Note 17.

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2010 HK$'000	2009 HK$'000
Non-current assets			
Investments in subsidiaries		**15,717**	15,717
Club debentures		**1,560**	1,560
		17,277	17,277
Current assets			
Amounts due from subsidiaries	(a)	**123,843**	114,029
Bank balances and cash		**37**	37
		123,880	114,066
Current liabilities			
Other payables		**61**	52
Financial guarantee liabilities		**6,187**	3,474
		6,248	3,526
Net current assets		**117,632**	110,540
		134,909	127,817
Capital and reserves			
Share capital		**30,220**	30,220
Reserves	(b)	**104,689**	97,597
		134,909	127,817

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Notes:

a) The amounts are unsecured, non-interest bearing and repayable on demand.

b) Reserves

	Share premium HK$'000	**Other Reserve** HK$'000 (Note i)	**Contributed surplus** HK$'000 (Note ii)	**Share options reserve** HK$'000	**Retained profits** HK$'000	**Total** HK$'000
At 1 January 2009	57,270	–	15,516	–	2,540	75,326
Total comprehensive income for the year	–	–	–	–	20,156	20,156
Deemed contribution by immediate holding company arising from non-interest bearing loan (Note 30)	–	1,652	–	–	–	1,652
Recognition of equity-settled share based payment	–	–	–	463	–	463
At 31 December 2009	57,270	1,652	15,516	463	22,696	97,597
Total comprehensive income for the year	–	–	–	–	5,778	5,778
Deemed contribution by immediate holding company arising from non-interest bearing loan (Note 30)	–	1,314	–	–	–	1,314
At 31 December 2010	57,270	2,966	15,516	463	28,474	104,689

Note i: The other reserve represents the capital contribution from the Company's immediate holding company in the form of a non-interest bearing loan. The amounts are estimated by discounting the nominal value of the non-interesting bearing loan to the Group at an effective interest rate of 5.22%.

Note ii: The Company's contributed surplus represents the excess of the fair value of the shares of the subsidiaries acquired over the nominal value of the Company's shares issued for the acquisition. Under the Bermuda Companies Act, the Company may make distributions to its members out of the contributed surplus under certain circumstances.

39. PRINCIPAL SUBSIDIARIES

Name of subsidiary	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ paid up capital	Percentage of equity interest attributable to the Company Direct 2010 & 2009	Percentage of equity interest attributable to the Company Indirect 2010 & 2009	Principal activities
Sino Golf (BVI) Company Limited	BVI/Hong Kong	US$101	100	–	Investment holding
Sino Golf Manufacturing Company Limited	Hong Kong	HK$2 (ordinary) HK$3,842,700 (non-voting deferred) (Note c)	–	100	Investment holding and trading of golf equipment and accessories
Zengcheng Sino Golf (Note b)	PRC	HK$111,700,000	–	100	Manufacture and trading of golf equipment and accessories
Sino Concept (Note b)	PRC	HK$30,000,000	–	100	Manufacture and trading of golf equipment and accessories
CTB	Hong Kong	HK$10,000,000 (ordinary) HK$2,730,000 (preference)	–	100	Trading of golf bags and accessories
Dongguan Qi Heng (Note b)	PRC	HK$38,000,000	–	100	Manufacture and trading of golf bags
Xiamen Sino (Note b)	PRC	US$5,542,962	–	100	Manufacture and trading of golf equipment
Linyi Sino Golf (Notes b)	PRC	HK$98,000,000	–	100	Manufacture and trading of golf equipment and accessories
Sino Golf Comercial Offshore De Macao Limitada	Macau	MOP 100,000	–	100	Trading of golf equipment and accessories
Pingxiang Shun Da Long Golf Manufacturing Co., Ltd * ("Pingxiang") (萍鄉順達隆高爾夫球製品有限公司) (Notes b & d)	PRC	–	–	100	Not commenced business

* The English names are for identification only

39. PRINCIPAL SUBSIDIARIES (Continued)

Notes:

a) The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantive portion of the net assets of the Group. To give details of the other subsidiaries would, in the opinion of the directors would result in particulars of excessive length.

b) These are wholly foreign owned enterprises of the Company which were established under the PRC law.

c) The non-voting deferred shares carry no rights to dividends and no rights to receive notice of or attend or vote at any general meeting of Sino Golf Manufacturing Company Limited. The holders of the non-voting deferred shares shall be entitled to any surplus in return of capital in respect of one half of the balance of assets after the first HK$100,000,000,000,000 has been distributed to the holders of ordinary shares, in a winding up or otherwise the assets of Sino Golf Manufacturing Company Limited to be returned.

d) Pingxiang was established under the laws of the PRC with limited liability on 2 July 2008 with an operating period of 20 years. The registered capital of the Pingxiang was US$2,500,000 (equivalent to HK$19,500,000). No paid-up capital has been paid as at 31 December 2010 and the Group will not proceed with the capital contribution.

None of the subsidiaries had any debt securities outstanding as at the end of the years or at any time during both years.

40. EVENTS AFTER THE REPORTING PERIOD

On 17 February 2011, Sino Golf Manufacturing Company Limited, a wholly owned subsidiary of the Company, entered into a sales and purchase agreement with an independent third party for the sale of the entire equity interests in Xiamen Sino, a wholly owned subsidiary established in the PRC for a cash consideration of RMB18,000,000 (equivalent to approximately HK$21,176,000).

Details of this transaction are set out on an announcement of the Company dated 17 February 2011 and the supplemental announcement dated 23 February 2011, respectively.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and minority interests of the Group for the last five financial years, as extract from the published audited consolidated financial statements and restated as appropriate, is set out below.

	Year ended 31 December 2010 HK$'000	Year ended 31 December 2009 HK$'000	Year ended 31 December 2008 HK$'000	Year ended 31 December 2007 HK$'000	Year ended 31 December 2006 HK$'000
			(Restated)	(Restated)	(Restated)
RESULTS					
Turnover	**427,997**	290,329	446,659	567,668	493,376
Cost of sales	**(338,177)**	(230,644)	(344,229)	(423,478)	(359,597)
Gross profit	**89,820**	59,685	102,430	144,190	133,779
Other operating income	**2,238**	4,819	6,265	7,661	5,781
Selling and distribution costs	**(9,550)**	(7,016)	(12,654)	(21,590)	(23,850)
Administrative expenses	**(53,002)**	(57,803)	(66,125)	(64,696)	(60,393)
Impairment loss recognised in respect of property, plant and equipment	**(2,248)**	–	–	–	–
Finance costs	**(15,282)**	(11,173)	(15,875)	(22,576)	(20,603)
PROFIT (LOSS) BEFORE TAXATION	**11,976**	(11,488)	14,041	42,989	34,714
Income tax expense	**(418)**	(1,047)	(748)	(1,179)	(1,580)
PROFIT (LOSS) FOR THE YEAR	**11,558**	(12,535)	13,293	41,810	33,134
Attributable to:					
Owners of the Company	**11,588**	(12,535)	13,312	41,810	33,315
Non-controlling interests	**(30)**	–	(19)	–	(181)
	11,558	(12,535)	13,293	41,810	33,134

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As At 31 December				
	2010 HK$'000	2009 HK$'000	2008 HK$'000	2007 HK$'000	2006 HK$'000
TOTAL ASSETS	**593,565**	574,431	585,494	587,549	489,302
TOTAL LIABILITIES	**(330,165)**	(326,412)	(329,064)	(345,950)	(288,941)
NON-CONTROLLING INTERESTS	**(2,467)**	(2,502)	(2,502)	(2,571)	(2,567)
	260,933	245,517	253,928	239,028	197,794