
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular or as to the action you should take, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold all your shares in Sino Golf Holdings Limited, you should hand this circular and the accompanying form of proxy at once to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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SINO GOLF HOLDINGS LIMITED

順龍控股有限公司 #

(incorporated in Bermuda with limited liability)

**ADOPTION OF NEW SHARE OPTION SCHEME AND
TERMINATION OF EXISTING SHARE OPTION SCHEME**

**ON-GOING CONNECTED TRANSACTIONS
AND
NOTICE OF SPECIAL GENERAL MEETING**

Independent financial adviser to the Independent Board Committee



PLATINUM
Securities

A letter from Platinum Securities (as defined herein) containing its recommendation to the Independent Board Committee (as defined herein) and a letter from the Independent Board Committee are set out on pages 27 to 35 of this circular.

A notice convening a special general meeting of Sino Golf Holdings Limited to be held at The Macro Polo Hongkong Hotel, Jade Room, 6/F, Harbour City, 3 Canton Road, Kowloon, Hong Kong on 7 August 2002 at 3:00 p.m. (or immediately after the conclusion or, as the case may be, adjournment of the annual general meeting of the Company to be held at the same venue and on the same date at 2:30 p.m., if later) is set out on pages 36 to 38 of this circular. Whether or not you are able to attend the meeting in person, please complete the form of proxy enclosed herewith in accordance with the instructions printed thereof and return it to the share registrar of the Company, Tengis Limited at 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong as soon as practicable and in any event not later than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting should you so wish.

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The information contained herein relating to the Group has been supplied by the Directors, who jointly and severally accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular the omission of which would make any statement contained herein misleading insofar as it relates to the Group.

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DEFINITIONS

In this circular, the following expressions shall have the following meanings unless the context indicates otherwise:

“Board”	the board of Directors;
“Company”	Sino Golf Holdings Limited, a company incorporated in Bermuda with limited liability, and the Shares of which are listed on the Stock Exchange;
“Directors”	the directors of the Company;
“Eligible Participants”	any employees (whether full time or part time), executives or officers, directors (including executive and non-executive) of the Company or any of its Subsidiaries and any business consultants, agents, financial or legal advisers of the Company or any of its Subsidiaries who, in the sole discretion of the Board, will contribute or have contributed to the Company or any of its Subsidiaries;
“Existing Scheme”	the share option scheme adopted by the Company on 5 December 2000 for the granting of share options to executive directors and full-time employees of the Group;
“Global Sports”	Global Sports Technology, Inc., a company incorporated in Florida, US;
“Group”	the Company and its subsidiaries;
“GS On-going Transactions”	the sale of golf products by the Group to Global Sports;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Independent Board Committee”	the independent board committee of the Company, comprising the Independent Non-executive Directors;
“Independent Non-executive Directors”	Mr. Yasumori Muta and Mr. Choy Tak Ho;
“Latest Practicable Date”	12 July 2002, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;

DEFINITIONS

“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange;
“NB On-going Transactions”	the sale of golf products by the Group to Nikko Bussan (Japan);
“New Scheme”	the share option scheme which is proposed and to be adopted by the Company, further information and summary of the principal terms are set out in Appendix A to this circular;
“Nikko Bussan (Japan)”	Nikko Bussan Co., Ltd., a company incorporated in Japan and beneficially owned as to 56% by Mr. Takanori Matsuura, an executive Director of the Company;
“Platinum Securities”	Platinum Securities Company Limited, an investment adviser registered under the Securities Ordinance (Chapter 333 of the Laws of Hong Kong), which has been appointed as the independent financial adviser to the Independent Board Committee in relation to the On-going Connected Transactions;
“On-going Connected Transactions”	NB On-going Transactions and GS On-going Transactions, insofar as they are connected transactions under Chapter 14 of the Listing Rules;
“SGM”	the special general meeting of the Company to be held at The Macro Polo Hongkong Hotel, Jade Room, 6/F, Harbour City, 3 Canton Road, Kowloon, Hong Kong on 7 August 2002 at 3:00 p.m. (or immediately after the conclusion or, as the case may be, adjournment of the annual general meeting of the Company to be held at 2:30 p.m. on the same date and at the same venue, if later);
“Shareholder(s)”	holder(s) of the Shares;
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subsidiary”	a subsidiary within the meaning of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong);
“US”	The United States of America; and
“US\$”	United States dollars, the lawful currency of the US.

LETTER FROM THE BOARD



SINO GOLF HOLDINGS LIMITED

順龍控股有限公司 #

(incorporated in Bermuda with limited liability)

Directors:

Mr. Chu Chun Man, Augustine
Mr. Takanori Matsuura
Mr. Chu Yuk Man, Simon
Mr. Chang Hua Jung
Mr. Carl Thomas McManis*
Mr. Yasumori Muta**
Mr. Choy Tak Ho**
Mr. Zhu Wan Li**

* *“Non-executive Director”*

** *“Independent Non-executive Directors”*

For identification only

Registered office:

Clarendon House
2 Church Street
Hamilton, HM 11
Bermuda

**Head office and principal place
of business in Hong Kong:**

19/F, Delta House
3 On Yiu Street
Shatin
New Territories
Hong Kong

16 July 2002

To the Shareholders

Dear Sirs or Madams,

**ADOPTION OF NEW SHARE OPTION SCHEME AND
TERMINATION OF EXISTING SHARE OPTION SCHEME
AND
ON-GOING CONNECTED TRANSACTIONS**

I. INTRODUCTION

The purpose of this document is to provide you with details regarding the ordinary resolutions to be proposed at the SGM to be held on 7 August 2002 for the adoption of New Scheme, the termination of Existing Scheme; and the approval of the On-going Connected Transactions.

LETTER FROM THE BOARD

II. PROPOSAL FOR ADOPTION OF NEW SCHEME AND TERMINATION OF EXISTING SCHEME

Background

The purpose of this section is to provide you with further details in respect of the proposed adoption of New Scheme and termination of the Existing Scheme at the SGM and to seek your approval at the SGM of the ordinary resolution (ordinary resolution no. 1 to be proposed at the SGM) to approve the same.

The Company adopted the Existing Scheme on 5 December 2000.

As a result of the Stock Exchange amending Chapter 17 (Share Option Schemes) of the Listing Rules on 1 September 2001, certain terms of the Existing Scheme are no longer in compliance with Chapter 17 of the Listing Rules and the Company can no longer grant any further options under the Existing Scheme without being in breach of Chapter 17 of the Listing Rules. Accordingly, the Company proposes to adopt the New Scheme which complies with Chapter 17 of the Listing Rules and to terminate the Existing Scheme. Except that, no further options may be granted under the Existing Scheme consequently upon their termination, all the other provisions of the Existing Scheme will remain in force so as to give effect to the exercise of all outstanding options granted under the Existing Scheme prior to 1 September 2001 and all such options will remain valid and exercisable in accordance with the provisions of the Existing Scheme.

Options granted under the Existing Scheme

As at the Latest Practicable Date, there were 302,200,000 Shares in issue. The particulars of the options granted under the Existing Scheme prior to 1 September 2001 (being the date on which the new Chapter 17 of the Listing Rules governing share option schemes came into effect) and as at the Latest Practicable Date are set forth below:

	As at 1 September 2001		As at the Latest Practicable Date	
	Number of Shares	Percentage of issued Shares	Number of Shares	Percentage of issued Shares
Share options granted (including those exercised, outstanding or cancelled but excluding those lapsed)	2,200,000	0.73	2,200,000	0.73
Share options exercised	2,200,000	0.73	2,200,000	0.73
Share options outstanding	–	–	–	–
Share options lapsed	–	–	–	–

LETTER FROM THE BOARD

Since the Stock Exchange amended Chapter 17 (Share Option Schemes) of the Listing Rules on 1 September 2001, the Directors have not granted any further options under the Existing Scheme and the Directors have no intention to grant any options under the Existing Scheme during the period from the Latest Practicable Date to the date of approval of the New Scheme. Upon the adoption of the New Scheme, no further option can be granted under the Existing Scheme.

Assuming that no further Shares will be issued prior to the date of approval and adoption of the New Scheme by Shareholders, the maximum number of options that can be granted by the Company under the New Scheme and any other schemes would be 30,220,000 Shares, representing 10% of the number of Shares in issue as at the date of approval of the New Scheme.

Conditions to the adoption of the New Scheme

The adoption of the New Scheme is conditional upon:

- (a) the Shareholders passing an ordinary resolution to approve the New Scheme and to terminate the Existing Scheme at the SGM;
- (b) the Stock Exchange granting the approval of the listing of and permission to deal in the Shares to be issued pursuant to the exercise of any option granted under the New Scheme, the total number of which shall not exceed 10% of the total number of Shares in issue as at the date of approval of the New Scheme; and
- (c) if required, the permission from the Bermuda Monetary Authority being obtained for the granting of the options pursuant to the New Scheme and the allotment and issue of the Shares to be issued pursuant to the exercise of the options granted under the New Scheme.

The New Scheme

A summary of the principal terms of the New Scheme is set out in Appendix A to this circular.

The Board is of the view that contributions of the employees, executives and officers of the Company or any of its subsidiaries (and possibly their business consultants, agents and legal or financial advisers) are of paramount importance to the success of the Company or any of its Subsidiaries as a whole and therefore they consider it to be in the interests of the Group as a whole for such persons to be given incentives to participate in the growth of the Group in the form of options to subscribe for Shares.

LETTER FROM THE BOARD

In addition, the Board will be empowered to determine the exercise price of a Share in respect of any particular option granted under the New Scheme on the basis set out in paragraph 5 of Appendix A so that the Eligible Participants will be encouraged to subscribe for the Shares pursuant to the options granted by the Company as incentives and rewards for their contribution to the Group. The subscription of Shares by the Eligible Participants will further contribute towards the profitability and success of the Group.

None of the Directors are appointed as trustees of the New Scheme or have a direct or indirect interest in the trustees of the New Scheme.

Application for listing of the Shares

Application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of any options that may be granted under the New Scheme, the total number of which shall not exceed 10% of the total number of Shares in issue as at the date of approval of the New Scheme.

III. ON-GOING CONNECTED TRANSACTIONS

1. NB On-going Transactions

Background

The Group has been engaging since 1990 and will continue to engage in the NB On-going Transactions involving the sale of golf products which constitute connected transactions of the Group under Chapter 14 of the Listing Rules.

Prior to the listing of the Company on 20 December 2000, the total amount of revenue generated from the NB On-going Transactions was approximately HK\$38,354,000, HK\$45,976,000 and HK\$35,077,000, respectively, representing approximately (i) 28.37%, 24.01% and 16.58%, respectively of the Group's total turnover and (ii) 203.80%, 97.24% and 170.80%, respectively of the book value of the Group's net tangible assets, for the three years ended 31 March 2000.

On the basis of the Directors' previous anticipation that the revenue from the NB On-going Transactions for each of the three years ending 31 March 2003 will be lower than those in previous years and will not exceed 15% of the Group's total turnover for each of the financial years up to 31 March 2003, the Company applied to the Stock Exchange for, and was granted, a waiver from the strict compliance with the disclosure and approval requirements of Chapter 14 of the Listing Rules in respect of the NB On-going Transactions for the period up to 31 March 2003 on the condition, among the other conditions, that the aggregate amount receivable from and payable by Nikko Bussan (Japan) under the NB On-going Transactions will not exceed 15% of the total turnover of the Group in any relevant financial year.

LETTER FROM THE BOARD

The Directors have received indications from potential and existing customers of Nikko Bussan (Japan) that potentially more orders for golf products manufactured by the Group would be placed with Nikko Bussan (Japan). Although those indications do not amount to confirmed orders, the Directors nonetheless anticipate that there would be an increase of the Group's business in the Japanese market. The Company is now anticipated that the said 15% limit would be exceeded and the Company has applied to the Stock Exchange for a new waiver so that (i) the previous waiver will expire upon the coming into effect of the new waiver; (ii) the cap under the new waiver will be increased to 20% of the Group's total turnover in any relevant financial year and (iii) the new waiver will be valid through 31 March 2005.

The Independent Board Committee has been established to advise the Shareholders in relation to the NB On-going Transactions. The Independent Board Committee has also in its letter set out in Appendix B to this circular indicated its view in relation to the NB On-going Transaction. Platinum Securities has been appointed as the independent financial adviser to advise the Independent Board Committee and its advice is set out in Appendix C to this circular.

The purpose of this section 1 of part III of the circular and Appendices B and C hereto is to provide you with further information relating to the NB On-going Transactions, to set out the recommendation of the Independent Board Committee and the independent recommendation of Platinum Securities and to seek your approval at the SGM of the ordinary resolution (ordinary resolution no. 2 to be proposed at the SGM) to approve the NB On-going Transactions.

Connection between the parties

The NB On-going Transactions involve the sale by the Group of golf products to Nikko Bussan (Japan) which is owned as to 56% by Mr. Takanori Matsuura, an executive director of the Company. Nikko Bussan (Japan) and Mr. Takanori Matsuura are, therefore, connected persons of the Group with an interest in the NB On-going Transactions by virtue of the Listing Rules.

As 66.26% of the issued share capital of the Company is held by CM Investment Company Limited which in turn is held as to 48.83% of its issued share capital by Mr. Takanori Matsuura, CM Investment Company Limited is also a connected person of the Group interested in the NB On-going Transaction.

Recent volume of transactions

The total amount of revenue generated from the NB On-going Transactions in the three years ended 31 March 2002 was approximately HK\$35,077,000, HK\$35,056,000 and HK\$31,856,000 respectively, representing approximately (i) 16.58%, 11.68% and 12.62% of the Group's total turnover and (ii) 170.80%, 20.70% and 18.15% of the book value of the Group's net tangible assets, for the respective years. The drop in the revenue generated from the NB On-going

LETTER FROM THE BOARD

Transactions as a percentage of the book value of the Group's net tangible assets from 2000 to 2001 is attributable to the significant increase in the Group's net tangible assets following the listing thereof on the Stock Exchange. The Directors expect that the revenue from and payable by Nikko Bussan (Japan) to the Group under the NB On-going Transactions for each of the three years ending 31 March 2005 will be higher than those from previous years but will not exceed 20% of the Group's total turnover for each relevant financial year. This expectation is found on (i) the indications the Directors have received from potential and existing customers of Nikko Bussan (Japan) that potentially more orders for golf products manufactured by the Group would be placed with Nikko Bussan (Japan) and (ii) the level of existing orders from Nikko Bussan (Japan).

The Directors confirmed that the NB On-going Transactions have been and will continue to be carried out in ordinary course of business of the Group and on normal commercial terms and are fair and reasonable insofar as the interests of the Shareholders, taken as a whole, are concerned.

Terms of NB On-going Transactions

NB On-going Transactions are simply made by way of purchase orders on simple terms including, generally speaking but subject to variation on a case by case basis, a 90 days credit term and a FOB shipping term. The prices of NB On-going Transactions are arrived at through arm's length negotiations taking into account (i) costs; (ii) prices of sales of similar products to other customers and (iii) prices of previous sales to Nikko Bussan (Japan).

Application for waiver and reasons

Without a waiver from the Stock Exchange, each of the NB On-going Transactions will require disclosure and approval from independent Shareholders in accordance with the Listing Rules.

The Directors including the Independent Non-executive Directors are of the view that NB On-going Transactions have been and will continue to be carried out on normal commercial terms, determined on an arm's length basis and in the ordinary and usual course of business of the Group. Platinum Securities is also of the view that such transactions are in the interest of the Group and are fair and reasonable insofar as the interest of the independent Shareholders are concerned.

Given the on-going nature of the NB On-going Transactions, the Directors consider that disclosure and/or approval by the independent Shareholders for each of such transaction in the future on a continuing basis in order to comply with the requirements of the Listing Rules would be impracticable or unduly onerous.

LETTER FROM THE BOARD

On the basis of the Directors' previous anticipation that the revenue from the NB On-going Transactions for each of the three years ending 31 March 2003 will be lower than those previous years and will not exceed 15% of the Group's total turnover for each of the financial years up to 31 March 2003, the Company has applied to the Stock Exchange for, and was granted, a waiver from the strict compliance with the disclosure and approval requirements of Chapter 14 of the Listing Rules in respect of the NB On-going Transactions for the period up to 31 March 2003 on the condition, among the other conditions, that the aggregate amount receivable from and payable by Nikko Bussan (Japan) under the NB On-going Transactions will not exceed 15% of the total turnover of the Group in any relevant financial year.

Due to an anticipated increase of the Group's business in the Japanese market for reasons as stated above, it is now anticipated that the said 15% limit would be exceeded and the Company has applied to the Stock Exchange for a new waiver from the strict compliance with the requirements of Rule 14.26 of the Listing Rules so that (i) the previous waiver will expire upon the coming into effect of the new waiver; (ii) the cap under the new waiver will be increased to 20% of the Group's total turnover in any relevant financial year and (iii) the new waiver will be valid through 31 March 2005.

The application for new waiver is made on the following conditions:

- (a) the NB On-going Transactions shall be:
 - (i) entered into by the Group in the ordinary and usual course of its business;
 - (ii) entered into on an arm's length basis, on normal commercial terms (which expression will be applied by reference to transactions of a similar nature and to be made by similar entities) and on terms no less favourable than terms available to or from independent third parties or (where there is no available comparison) on terms that are fair and reasonable so far as the shareholders of the Company taken as a whole are concerned; and
 - (iii) carried out in accordance with the terms of the relevant agreements, documents or arrangements (including purchase orders) governing such transactions;
- (b) disclosure shall be made in the Company's next and each successive annual report of the transactions containing those particulars specified in Rules 14.25(1)(A) to (D) of the Listing Rules together with a statement of the opinion of the Independent Non-executive Directors and confirmation from the auditors of the Company as referred to in conditions (c) and (d) below;

LETTER FROM THE BOARD

- (c) the Independent Non-executive Directors shall review such connected transactions annually and confirm the following in the Company's annual report for the year during which such transactions took place that:
 - (i) the transactions have been entered into by the Group in the ordinary and usual course of its business;
 - (ii) the transactions have been entered into on an arm's length basis, on normal commercial terms (which expression will be applied by reference to transactions of a similar nature and to be made by similar entities) and on terms no less favourable than terms available to or from independent third parties or (where there is no available comparison) on terms that are fair and reasonable so far as the Shareholders taken as a whole are concerned;
 - (iii) the transactions have been carried out in accordance with the terms of the relevant agreements, documents or arrangements (including purchase orders) governing such transactions;
 - (iv) the transactions have received the approval of the Board; and
 - (v) the transactions have not exceeded the maximum percentage set out in paragraph (e) below;
- (d) the auditors of the Company shall review the NB On-going Transactions annually and confirm to the Directors in writing, a copy of which shall be provided to the Stock Exchange, that:
 - (i) the transactions have received the approval of the Board;
 - (ii) the transactions have been entered into in the ordinary and usual course of business of the Group;
 - (iii) the transactions have been carried out in accordance with the terms of the relevant agreements, documents or arrangements (including purchase orders) governing such transactions or on terms no less favourable than those available to independent third parties; and
 - (iv) the transactions have not exceeded the maximum percentage set out in paragraph (e) below;
- (e) the aggregate amount receivable from and payable by Nikko Bussan (Japan) to the Group for the NB On-going Transactions will not exceed 20% of the total turnover of the Group in any relevant financial year;

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- (f) in the event that the maximum percentage set out in paragraph (e) above is exceeded, or in the event of any future changes to the terms of the connected transactions (unless as provided for under the terms of the relevant agreement) the Company must strictly comply with the relevant provisions of Chapter 14 of the Listing Rules unless it applies for and obtains a separate waiver from the Stock Exchange;
- (g) Nikko Bussan (Japan) will undertake to the Company that the auditors of the Company will have access to the appropriate records of the Group and of Nikko Bussan (Japan) respectively to enable the auditors of the Company to report to the Directors the matters set out in paragraph (d) above; and
- (h) Shareholders' approval in accordance with Rule 14.26 of the Listing Rules.

2. GS On-going Transactions

Background

The Group has been engaging since 1999 and will continue to engage in the GS On-going Transactions, which involve the sale of golf products to Global Sports.

The total amounts of revenue generated from the GS On-going Transactions were approximately HK\$1,863,000, HK\$8,262,000 and HK\$13,828,000 respectively, representing approximately (i) 0.88%, 2.75% and 5.48%, respectively of the Group's total turnover and (ii) 9.07%, 4.88% and 7.88%, respectively of the book value of the Group's net tangible assets, for the three years ended 31 March 2002.

Global Sports, in the circumstances set out below in the paragraph headed "Connection between the parties", became a connected person of the Company on 10 June 2002 and, accordingly, all GS On-going Transactions since that date had constituted connected transactions of the Group under Chapter 14 of the Listing Rules.

Due to the expansion of the Group's business in the American market, it is now anticipated that the aggregate amount receivable from and payable by Global Sports under the GS On-going Transactions for each financial year up to 31 March 2005 would increase and exceed the higher of HK\$10,000,000 or 3% of the book value of the Group's net tangible assets, but would not exceed 10% of the total turnover of the Group in any relevant financial year.

LETTER FROM THE BOARD

The Independent Board Committee has been established to advise the Shareholders in relation to the GS On-going Transactions. The Independent Board Committee has also in its letter set out in Appendix B to this circular indicated its view in relation to the GS On-going Transaction. Platinum Securities has been appointed as the independent financial adviser to advise the Independent Board Committee and its recommendation is set out in Appendix C to this circular.

The purpose of this section 2 of part III of the circular and Appendices B and C hereto is to provide you with further information relating to the GS On-going Transactions, to set out the recommendation of the Independent Board Committee and the independent recommendation of Platinum Securities and to seek your approval at the SGM of the ordinary resolution (ordinary resolution no. 3 to be proposed at the SGM) to approve the GS On-going Transactions.

Connection between the parties

On 10 April 2002, the Company became an ultimate majority shareholder (holding 51% shareholding interest) of Sino CTB Company, L.L.C. (“**Sino CTB**”), a company incorporated under the laws of the State of Nevada, US which engages in the sale and assembly of golf bags.

On 10 June 2002, Global Sports also became a shareholder of Sino CTB and holds 20% of its equity capital when it fully settled its investment in Sino CTB in the total amount of US\$100,000.

By virtue of its 20% shareholding interest in Sino CTB as of 10 June 2002, Global Sports, being a substantial shareholder of Sino CTB, became a connected person of the Company as of the same date and all GS On-going Transactions since that date had constituted connected transactions of the Group under Chapter 14 of the Listing Rules.

Recent volume of transactions

The total amount of revenue generated from the GS On-going Transactions for each of the three years ended 31 March 2002 is set out in the sub-section headed “Background” above. The same for the periods (i) from 1 April 2002 to 9 June 2002 and (ii) from 10 June 2002 (the date the GS On-going Transactions became connected transactions) to the Latest Practicable Date were HK\$103,000 and HK\$657,000, respectively. The Directors expect that the revenue from and payable by Global Sports to the Group under the GS On-going Transactions for each of the three years ending 31 March 2005 will be higher than those from previous years but will not exceed 10% of the Group’s total turnover. The expectation is found on (i) the recent increase in the types of golf products sold to Global Sports and (ii) the level of existing orders from Global Sports.

LETTER FROM THE BOARD

The Directors confirmed that the GS On-going Transactions have been and will continue to be carried out in ordinary course of business of the Group and on normal commercial terms and are fair and reasonable insofar as the interests of the Shareholders taken as a whole are concerned.

Terms of GS On-going Transactions

GS On-going Transactions are simply made by way of purchase orders on simple terms including, generally speaking but subject to variation on a case by case basis, a 120 days credit terms and a FOB/LC shipping term. The prices of GS On-going Transactions are arrived at through arm's length negotiations taking into account (i) costs; (ii) prices of sales of similar products to other customers and (iii) prices of previous sales to Global Sports.

Application for waiver and reasons

Without a waiver from the Stock Exchange, each of the GS On-going Transactions will require disclosure and approval from independent Shareholders in accordance with the Listing Rules on each and every occasion that GS On-going Transactions are conducted.

The Directors including the Independent Non-executive Directors are of the view that GS On-going Transactions have been and will continue to be carried out on normal commercial terms, determined on an arm's length basis and in the ordinary and usual course of business of the Group. Platinum Securities is also of the view that such transactions are in the interest of the Group and are fair and reasonable insofar as the interest of the independent Shareholders are concerned.

Given the on-going nature of the GS On-going Transactions, the Directors consider that disclosure and/or approval by the independent Shareholders for each such transaction in the future on a continuing basis in order to comply with the requirements of the Listing Rules would be impracticable or unduly onerous.

Accordingly, the Company has applied to the Stock Exchange for a waiver from strict compliance with the disclosure and approval requirements of Rule 14.26 of Listing Rules in respect of the GS On-going Transactions for the period up to 31 March 2005 on the following conditions:

- (a) the GS On-going Transactions shall be:
 - (i) entered into by the Group in the ordinary and usual course of its business;

LETTER FROM THE BOARD

- (ii) entered into on an arm's length basis, on normal commercial terms (which expression will be applied by reference to transactions of a similar nature and to be made by similar entities) and on terms no less favourable than terms available to or from independent third parties or (where there is no available comparison) on terms that are fair and reasonable so far as the shareholders of the Company taken as a whole are concerned; and
 - (iii) carried out in accordance with the terms of the relevant agreements, documents or arrangements (including purchase orders) governing such transactions;
- (b) disclosure shall be made in the Company's next and each successive annual report of the transactions containing those particulars specified in Rules 14.25(1)(A) to (D) of the Listing Rules together with a statement of the opinion of the Independent Non-executive Directors and confirmation from the auditors of the Company as referred to in conditions (c) and (d) below;
- (c) the Independent Non-executive Directors shall review such connected transactions annually and confirm the following in the Company's annual report for the year during which such transactions took place that:
 - (i) the transactions have been entered into by the Group in the ordinary and usual course of its business;
 - (ii) the transactions have been entered into on an arm's length basis, on normal commercial terms (which expression will be applied by reference to transactions of a similar nature and to be made by similar entities) and on terms is no less favourable than terms available to or from independent third parties or (where there is no available comparison) on terms that are fair and reasonable so far as the Shareholders taken as a whole are concerned;
 - (iii) the transactions have been carried out in accordance with the terms of the relevant agreements, documents or arrangements (including purchase orders) governing such transactions;
 - (iv) the transactions have received the approval of the Board; and
 - (v) the transactions have not exceeded the maximum percentage set out in paragraph (e) below;

LETTER FROM THE BOARD

- (d) the auditors of the Company shall review the GS On-going Transactions annually and confirm to the Directors in writing, a copy of which shall be provided to the Stock Exchange, that:
 - (i) the transactions have received the approval of the Board;
 - (ii) the transactions have been entered into in the ordinary and usual course of business of the Group;
 - (iii) the transactions have been carried out in accordance with the terms of the relevant agreements, documents or arrangements (including purchase orders) governing such transactions or on terms no less favourable than those available to independent third parties; and
 - (iv) the transactions have not exceeded the maximum percentage set out in paragraph (e) below;
- (e) the aggregate amount receivable from and payable by Global Sports to the Group for the GS On-going Transactions will not exceed 10% of the total turnover of the Group in any relevant financial year;
- (f) in the event that the maximum percentage set out in paragraph (e) above is exceeded, or in the event of any future changes to the terms of the connected transactions (unless as provided for under the terms of the relevant agreement) the Company must strictly comply with the relevant provisions of Chapter 14 of the Listing Rules unless it applies for and obtains a separate waiver from the Stock Exchange; and
- (g) Shareholders' approval in accordance with the Rule 14.26 of the Listing Rule.

3. Voting at the SGM

As stated above, Mr. Takanori Matsuura and CM Investment Company Limited are connected persons of the Group interested in the NB On-going Transactions. They and their respective associates (as defined in the Listing Rules) shall, as such, abstain from voting at the SGM in respect of the resolution to approve the NB On-going Transactions.

4. Additional information

Your attention is drawn to the letter of advice from Platinum Securities to the Independent Board Committee in relation to the On-going Connected Transactions set out in Appendix C to this circular.

LETTER FROM THE BOARD

Your attention is also drawn to the letter of advice from the Independent Board Committee to the Shareholders in relation to the On-going Connected Transactions set out in Appendix B to this circular.

IV. SGM

The notice convening the SGM to be held at The Macro Polo Hongkong Hotel, Jade Room, 6/F, Harbour City, 3 Canton Road, Kowloon, Hong Kong on 7 August 2002 at 3:00 p.m. (or immediately after the conclusion or, as the case may be, adjournment of the annual general meeting of the Company to be held at 2:30 p.m. on the same date and at the same venue, if later) is set out on pages 36 to 38 of this circular for the purpose of considering and, if thought fit, passing, among others, the resolutions in respect of:

- (i) the adoption of New Scheme and the termination of Existing Scheme; and
- (ii) the approval of the On-going Connected Transactions.

A form of proxy for use by the Shareholder at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM in person, please complete the relevant form of proxy in accordance with the instructions printed thereof and return it to the share registrar of the Company, Tengis Limited at 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong as soon as practicable and in any event not later than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting should you so wish.

A further announcement will be made on the outcome of the SGM regarding the adoption of New Scheme and the termination of Existing Scheme on the business day following such meeting.

V. RECOMMENDATIONS

Having regard to the information set out in this circular, the Board is of the opinion that it is in the interest of the Company and the Shareholders as a whole to:

- (i) adopt the New Scheme and to terminate the Existing Scheme; and
- (ii) approve the On-going Connected Transactions.

Accordingly the Board recommends the Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM.

LETTER FROM THE BOARD

VI. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of the principal place of business of the Company in Hong Kong at 19 Floor, Delta House, 3 On Yiu Street, Shatin, New Territories, Hong Kong during normal business hours for a period of 14 days before the date of the the SGM (i.e. from 9:00 a.m. to 6:00 p.m.) and at the SGM:

- (i) the memorandum and bye-laws of the Company; and
- (ii) the New Scheme.

Yours faithfully
For and on behalf of the Board
Chu Chun Man, Augustine
Chairman

**APPENDIX A FURTHER INFORMATION AND SUMMARY OF THE
PRINCIPAL TERMS OF THE NEW SCHEME**

NEW SCHEME

Summary of terms

The following is a summary of the principal terms of the New Scheme to be adopted at the SGM:

1. Purpose

The purpose of the New Scheme is to enable the Company to grant options to Eligible Participants as incentives and rewards for their contribution to the Company or such subsidiaries.

2. Who may join

The Board may, at its discretion, offer Eligible Participants, being, employees (whether full time or part time) or executives or officers of the Company or any of its subsidiaries (including executive and non-executive directors of the Company or any of its subsidiaries) and business consultants, agents and legal or financial advisers who the Board considers, in its sole discretion, will contribute or have contributed to the Company or any of its subsidiaries, options to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph 5 below. Upon acceptance of the option, the grantee shall pay HK\$1.00 to the Company by way of consideration for the grant.

3. Maximum number of Shares

The maximum number of Shares which may be issued upon exercise of all options to be granted under the New Scheme and any other share option scheme(s) of the Company (which for this purpose, excludes the Existing Scheme) must not exceed 10% of the Shares (i.e. assuming that no further options are granted until the date of the SGM, 30,220,000 Shares) in issue on the date of approval and adoption of the New Scheme by the Shareholders (which is expected to be 7 August 2002, being the date of the SGM). Options lapsed in accordance with the terms of such option scheme(s) will not be counted for the purpose of the 10% limit.

Subject to the issue of a circular by the Company and the approval of the Shareholders in the general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may:

- (a) refresh this limit at any time to 10% of the Shares in issue as at the date of the approval by the Shareholders in the general meeting (options previously

**APPENDIX A FURTHER INFORMATION AND SUMMARY OF THE
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granted under any share option schemes of the Company (including those outstanding, cancelled, lapsed in accordance with such schemes or exercised options) will not be counted for the purpose of calculating the limit as refreshed); and/or

- (b) grant options beyond the 10% limit to Eligible Participants specifically identified by the Board whereupon the Company shall send a circular to the Shareholders containing, amongst others, a generic description of the specified participants who may be granted such options, the number and terms of the options to be granted and the purpose of granting options to the specified participants with an explanation as to how the options serve such purpose.

Notwithstanding the foregoing, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other share option scheme(s) of the Company at any time shall not exceed 30% of the Shares in issue from time to time. No options shall be granted under any scheme(s) of the Company or any of its subsidiaries if this will result in the 30% limit being exceeded.

4. Maximum number of options to any one individual

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the New Scheme and any other share option scheme(s) of the Company (including exercised, cancelled and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant.

Any further grant of options in excess of this 1% limit shall be subject to the issue of a circular by the Company and the approval of the Shareholders in the general meeting with such Eligible Participant and his associates (as defined in the Listing Rules) abstaining from voting and/or other requirements prescribed under the Listing Rules from time to time.

5. Price of Shares

The subscription price for a Share in respect of any particular option granted under the New Scheme (which shall be payable upon exercise of the option) shall be such price as the Board in its absolute discretion shall determine, save that such price must not be less than the higher of (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (b) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of grant; and (c) the nominal value of a Share.

6. Granting options to connected persons

Any grant of options to a Director, chief executive or substantial shareholder of the Company or any of their respective associates (as defined in the Listing Rules) is

APPENDIX A FURTHER INFORMATION AND SUMMARY OF THE PRINCIPAL TERMS OF THE NEW SCHEME

required to be approved by the Independent Non-executive Directors (excluding the Independent Non-executive Director who is the grantee of the options).

If the Company proposes to grant options to a substantial shareholder (as defined in the Listing Rules) of the Company or any Independent Non-executive Director or their respective associates (as defined in the Listing Rules) which will result in the number of Shares issued and to be issued upon exercise of all options granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of the offer of such grant:

- (a) representing in aggregate over 0.1% of the Shares in issue on the date of the offer; and
- (b) having an aggregate value in excess of HK\$5 million, based on the closing price of the Shares at the date of each offer,

such further grant of options will be subject to the issue of a circular by the Company and the approval of the Shareholders in the general meeting on a poll at which all connected persons (as defined in the Listing Rules) of the Company shall abstain from voting, and/or such other requirements prescribed under the Listing Rules from time to time. A connected person (as defined in the Listing Rules) of the Company will be permitted to vote against the grant only if his intention to do so has been stated in the circular.

7. Restrictions on the time of grant of options

A grant of options may not be made after a price-sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price-sensitive information has been published in the newspaper. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of (a) the date of the Board meeting for the approval of the Company's annual or interim results; and (b) the deadline for the Company to publish its interim or annual results announcement under the listing agreement and ending on the date of actual publication of the results announcement.

8. Rights are personal to grantee

An option is personal to the grantee and the grantee may not in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any option or attempt to do so.

9. Time of exercise of option

There is no general requirement that an option must be held for any minimum period before it can be exercised but the Board is empowered to impose at its discretion any such minimum period at the time of grant of any particular option. The Board is currently unable to determine such minimum period. The date of grant of any particular option is the date when the duplicate offer document constituting acceptance of the

**APPENDIX A FURTHER INFORMATION AND SUMMARY OF THE
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option duly signed by the grantee, together with a remittance in favour of the Company of HK\$1.00 by way of consideration is received by the Company, such date must be on or before the 30 day after the option is offered to the relevant grantee. The period during which an option may be exercised will be determined by the Board at its absolute discretion, save that no option may be exercised more than 10 years from the date of grant. No option may be granted more than 10 years after the date of approval of the New Scheme. Subject to earlier termination by the Company in general meeting, the New Scheme shall be valid and effective for a period of 10 years from the date of adoption of the New Scheme by Shareholders by resolution at a general meeting.

10. Performance target

The Board has the discretion to require a particular grantee to achieve certain performance targets specified at the time of grant before any option granted under the New Scheme can be exercised. There are no specific performance targets stipulated under the terms of the New Scheme and the Board is currently unable to determine such restriction on the exercise of the options granted under the New Scheme.

11. Rights on ceasing to be an Eligible Participant and death

In the event of the grantee ceasing to be an Eligible Participant for any reason (including his or her death) other than (i) the termination of his or her relationship with the Company and/or any of its subsidiaries on one or more of the grounds specified in paragraph 12 below; or (ii) the termination of the same for any reason during the 12-month period following the date upon which the relevant option is deemed to be granted and accepted in accordance with the New Scheme, the grantee may exercise the option up to his or her entitlement at the date of cessation of being an Eligible Participant (to the extent not already exercised) within the period of six months following the date of such cessation, which date shall be the last actual working day on which the grantee was at work with the Company or its relevant subsidiary on which salary is paid whether in lieu of notice or not, or such longer period as the Board may in its absolute discretion determine.

12. Lapse of option on misconduct, bankruptcy or dismissal etc.

If a grantee ceases to be an Eligible Participant by reason of the termination of his relationship with the Company and/or any of its subsidiaries on any one or more of the grounds that he has been guilty of serious misconduct, or has committed any act of bankruptcy or is unable to pay his or her debts or has become insolvent or has made any arrangement or has compromised with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty or in relation to an employee of the Company and/or any of its subsidiaries (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the Grantee's service contract with the company or the relevant subsidiary, his or her option will lapse and not be exercisable on the date of termination of his or her relationship with the Company and/or any of its subsidiaries.

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13. Rights on takeover

If a general offer is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional (with the meaning of the Hong Kong Code on Takeovers and Mergers), the grantee shall be entitled to exercise the option in full or in part (to the extent not already exercised) at any time within 1 month after the date on which the offer becomes or is declared unconditional.

14. Rights on compromise or arrangement between the Company and its members or creditors

If, pursuant to the Companies Act 1981 of Bermuda (as amended from time to time), a compromise or arrangement between the Company and its members and/or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies, the Company shall give notice thereof to all the grantees (together with a notice of the existence of the provisions of this paragraph) on the same day as it despatches to members and/or creditors of the Company a notice summoning the meeting to consider such a compromise or arrangement, and thereupon each grantee shall be entitled to exercise all or any of his/her options in whole or in part at any time prior to 12:00 noon (Hong Kong time) on the business day immediately preceding the date of the meeting directed to be convened by the relevant court for the purposes of considering such compromise or arrangement and if there are more than one meeting for such purpose, the date of the first meeting. With effect from the date of such meeting, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapsed and determined. The Company Board shall endeavour to procure that the Company Shares issued as a result of the exercise of options in such circumstances shall for the purposes of such compromise or arrangement form part of the issued share capital of the Company on the effective date thereof and that such the Company Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the relevant court (whether upon the terms presented to the relevant court or upon any other terms as may be approved by such court) the rights of the grantees to exercise their respective options shall with effect from the date of the making of the order by the relevant court be restored in full as if such compromise or arrangement had not been proposed by the Company and no claim shall lie against The Company or any of its officers for any loss or damage sustained by any grantee as a result of the aforesaid suspension.

15. Rights on winding-up

In the event a notice is given by the Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall on the same date as or soon after it despatches such notice to each member of the Company give notice thereof to

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all grantees (together with a notice of the existence of the provisions of this paragraph) and thereupon, each grantee shall be entitled to exercise all or any of his or her options (to the extent not already exercised) at any time not later than two business days prior to the date of the proposed general meeting of the Company by giving notice in writing to the Company, accompanied by a remittance for the full amount of the aggregate exercise price for the Shares in respect of which the notice is given, whereupon the Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot and issue the relevant number of Shares to the grantee credited as fully paid.

16. Lapse of the options

An option will lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (a) the expiry date relevant to that option;
- (b) the expiry of any of the periods referred to in paragraphs 11, 13 or 14 above;
- (c) the date of commencement of the winding-up of the Company (as determined in accordance with the applicable law) as referred to in paragraph 15 above;
- (d) the date on which the scheme for the reconstruction of the Company or its amalgamation with any other company or companies, becomes effective as referred to in paragraph 14 above;
- (e) the date on which the grantee ceases to be an Eligible Participant by reason of the termination of his relationship with the Company and/or any of its subsidiaries on any one or more of the grounds specified in paragraph 12 above. A resolution of the Board or the board of directors of the relevant subsidiary to the effect that the employment of a grantee has or has not been terminated on one or more of the grounds specified in paragraph 12 above shall be conclusive;
- (f) the date on which the Board shall exercise the Company's right to cancel the option at any time after the grantee commits a breach of the prohibitions specified in paragraph 8 above or the options are cancelled in accordance with paragraph 20 below;
- (g) the date on which the grantee ceases to be so employed by the Company and/or any of its subsidiaries during the 12-month period following the date on which the option is deemed to be granted and accepted in accordance with the New Scheme; and
- (h) the date on which the grantee ceases to be an Eligible Participant on or after committing any act of bankruptcy or becoming insolvent or making any arrangements or composition with his creditors generally.

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17. Ranking of Shares

The Shares to be allotted upon the exercise of an option will not carry voting rights until completion of the registration of the grantee (or such other person nominated by the grantee) as the holder thereof and will be subject to all the provisions of the bye-laws of the Company for the time being in force and will rank pari passu in all respects with the fully paid Shares in issue on the relevant date of allotment. In particular, such Shares will rank pari passu in respect of voting, transfer and other rights, including those arising on liquidation of the Company and rights in respect of any dividend or other distribution paid or made after the relevant date of allotment other than any dividend or other distributions previously declared or recommended or resolved to be paid or made if the record date therefor shall be on or before the relevant date of allotment as attached to the other fully-paid Shares in issue on the date of issue.

18. Effect of alterations to capital

In the event of capitalisation of profits or reserves, rights issue, consolidation, sub-division or reduction of the share capital of the Company, the Company shall instruct the auditors to and the auditors shall, at the request of the Company, certify in writing such corresponding alterations (if any) made in (except on an issue of securities of the Company as consideration in a transaction which shall not be regarded as circumstances requiring alteration or adjustment) the number or nominal amount of Shares subject to any option so far as such option or any part thereof remains unexercised, either generally or as regards any particular grantee to be in their opinion fair and reasonable, provided that any such alterations shall be made on the basis that a grantee shall have the same proportion of the equity capital of the Company as that to which he or she was entitled to subscribe had he or she exercised all the options held by him or her immediately before such adjustments and the aggregate exercise price payable by a grantee on the full exercise of any option shall remain as nearly as possible the same as (but shall not be greater than) it was before such event and that no such alterations shall be made the effect of which would be to enable a Share to be issued at less than its nominal value. The capacity of the auditors in this paragraph is that of experts and not of arbitrators and their certification, in the absence of manifest error, shall be final and conclusive and binding on the Company and the grantees. The costs and expenses in connection with the issue of such certificate by the auditors shall be borne by the Company.

19. Alteration of New Scheme

The New Scheme may be altered in any respect by resolution of the Board except that:

- (a) any alteration to the advantage of the grantees or the Eligible Participants (as the case may be) in respect of the matters contained in Rule 17.03 of the Listing Rules;
- (b) any change to the authority of the Board or scheme administrators in relation to any alteration to the terms of the New Scheme; and

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- (c) any material alteration to the terms and conditions of the New Scheme or any change to the terms of options granted (except any alterations which take effect automatically under the terms of the New Scheme),

must be made with the prior approval of the shareholders of the Company in general meeting provided that no alteration shall operate to adversely affect the terms of issue of any option granted or agreed to be granted prior to the date of alteration or to reduce the proportion of the equity capital to which any person was entitled pursuant to such option prior to the alteration except with the sanction obtained' in accordance with the terms of the New Scheme.

20. Cancellation of options

Any cancellation of options granted but not exercised must be approved by the grantee of the relevant options. Where the Company cancels options and issues new ones to the same grantee, the issue of such new options may only be made under the New Scheme with available unissued options (excluding the cancelled options) within the limit approved by Shareholders.

21. Termination of the New Scheme

The Company may by resolution in general meeting or the Board may at any time terminate the New Scheme and in such event no further option shall be offered but the provisions of New Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior to the termination or otherwise as may be required in accordance with the provisions of the New Scheme. Options granted prior to such termination at the time of termination shall continue to be valid and exercisable in accordance with the New Scheme.

22. Condition of the New Scheme

The New Scheme is conditional on (a) the Shareholders' approval of the adoption of the New Scheme and termination of the Existing Scheme at the SGM; and (b) the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of options granted pursuant thereto, the total number of which shall not exceed 10% of the total number of Shares in issue as at the date of approval of the New Scheme; and (c) the Bermuda Monetary Authority granting approval for the granting of the options and the allotment and issue of the Shares upon the exercise of the options.

23. Disclosure in annual and interim reports

The Company will disclose details of the New Scheme in its annual and interim reports including the number of options, date of grant, exercise price, exercise period, vesting period and (if appropriate) a valuation of options granted during the financial year/period in the annual/interim reports in accordance with the Listing Rules in force from time to time.

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24. Present status of the New Scheme

Application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of the options granted under the New Scheme, the total number of which shall not exceed 10% of the total number of Shares in issue as at the date of approval of the New Scheme.

Values of all options that can be granted under the New Scheme

The Board considers that it is not appropriate or helpful to Shareholders to state the value of all options that can be granted pursuant to the New Scheme as if they had been granted at the Latest Practicable Date. The Board believes that any statement regarding the value of the options as at the Latest Practicable Date will not be meaningful to the Shareholders, since the options to be granted shall not be assignable, and no holder of the option shall in any way sell, transfer, charge, mortgage or create any interest (legal or beneficial) in favour of any third party over or in relation to any option.

In addition, the calculation of the value of the options is based on a number of variables such as the exercise price, the exercise period, interest rate, expected volatility and other relevant variables. The Board believes that any calculation of the value of the options as at the Latest Practicable Date based on a great number of speculative assumptions would not be meaningful and would be misleading to the Shareholders.

**SINO GOLF HOLDINGS LIMITED****順龍控股有限公司 #***(incorporated in Bermuda with limited liability)**To the Shareholders*

16 July 2002

Dear Sirs or Madams,

ON-GOING CONNECTED TRANSACTIONS

We refer to the circular dated 16 July 2002 (“**Circular**”) issued by the Company to its Shareholders, of which this letter forms part. Terms defined in the Circular shall have the same meanings when used in this letter, unless the context otherwise requires.

The Independent Board Committee has been appointed by the Board to consider the terms of the On-going Connected Transactions and to advise you in connection therewith. Platinum Securities Company Limited (“**Platinum Securities**”) has been appointed as the independent financial adviser to advise the Independent Board Committee in this regard.

We wish to draw your attention to the section III of the “Letter from the Board”, as set out on pages 3 to 17 of the Circular, which sets out information relating to the On-going Connected Transactions, and the letter from Platinum Securities to the Independent Board Committee which contains its recommendation in respect of the On-going Connected Transactions as set out in Appendix C to the Circular.

We have discussed with the management of the Company the reasons for the On-going Connected Transactions and the basis upon which these terms have been determined. We have also considered the principal factors taken into account by Platinum Securities in arriving at its opinion regarding the terms of the On-going Connected Transactions as set out in pages 29 to 35 of the Circular and the letter from Platinum Securities as set out in Appendix C to the Circular. We consider that (i) it is in the interest of the Group to continue and maintain the On-going Connected Transactions; and (ii) the respective terms of the NB On-going Transactions and GS On-going Transactions, and the waivers from the strict compliance with Chapter 14 of the Listing Rules (the term of which are set out in pages 6 to 15 of the Circular)

For identification only

to be applied for in connection therewith, are fair and reasonable insofar the independent Shareholders are concerned. Accordingly, we recommend the independent Shareholders to vote in favour of the ordinary resolutions to approve the NB On-going Transactions and the GS On-going Transactions respectively.

Yours faithfully,
For and on behalf of the
Independent Board Committee
Yasumori Muta, Choy Tak Ho
Independent Non-executive Directors

Set out below is the text of a letter from Platinum Securities to the Independent Board Committee prepared for inclusion in this circular: –



PLATINUM Securities Company Limited

22/F Standard Chartered Bank Building
4 Des Voeux Road Central
Hong Kong

Sino Golf Holdings Limited
19/F, Delta House
3 On Yiu Street
Shatin, New Territories
Hong Kong

To the Independent Board Committee

Dear Sirs,

ON-GOING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our engagement under which Platinum Securities Company Limited (“Platinum Securities”) has been appointed as the independent financial adviser to advise the Independent Board Committee in respect of the On-going Connected Transactions, details of which are set out in the letter from the Board on pages 3 to 27 in the circular of the Company dated 16 July 2002 (the “Circular”) to its Shareholders of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

In our capacity as the independent financial adviser to the Independent Board Committee, our role is to give an independent opinion as to whether the terms of each of the NB On-going Transactions and GS On-going Transactions, as a whole, are fair and reasonable insofar as the interests of the Company and the Shareholders as a whole are concerned. Our letter of recommendation to the Independent Board Committee has been prepared and delivered in accordance with the requirements of the Listing Rules for the purposes of assisting the Independent Board Committee in their duties to evaluate the terms of the NB On-going Transactions and the GS On-going Transactions respectively.

In formulating our recommendation, we have relied on the information and facts supplied by, the opinions expressed by and the representations of, the Directors and management of Company concerning the Group, the NB On-going Transactions and the GS On-going Transactions, including those facts, opinions and representations set out in the Circular. We

have assumed that all such information is true and accurate in all material respects as at the date hereof. The Directors have confirmed that they take full responsibility for the contents of the Circular.

We have no reason to suspect that such information is inaccurate or that any material facts have been omitted or withheld from the information supplied or opinions expressed in the Circular. In line with normal practice, we have not, however, conducted a verification process of the information supplied to us, nor have we conducted any independent in-depth investigation into the business and affairs of the Group. The Directors have confirmed that no material facts have been omitted from the information supplied to us. We consider that we have reviewed sufficient information to enable us to reach an informed view and to provide a reasonable basis for our recommendation regarding the NB On-going Transactions and the GS On-going Transactions.

BACKGROUND OF THE ON-GOING CONNECTED TRANSACTIONS

(i) NB On-going Transactions

As stated in the letter from the Board, the Group, since 1990, has been engaging, and will continue to engage, in the NB On-going Transactions involving the sale of golf products to Nikko Bussan (Japan). In preparation for the listing of the Shares on the Stock Exchange in December 2000, the Company applied to the Stock Exchange for, and was granted, a waiver (the “Existing NB Waiver”) from the strict compliance with the disclosure and approval requirements of Chapter 14 of the Listing Rules in respect of the NB On-going Transactions, subject to the aggregate amount receivable from, and payable by, Nikko Bussan (Japan) under the NB On-going Transactions not exceeding 15% of the total turnover of the Group in each of the financial years up to 31 March 2003 (the “2000 NB Annual Cap”).

In view of further expansion of the Group’s business in the Japanese market, the Company has applied to the Stock Exchange for a new Waiver (the “New NB Waiver”) such that (i) the Existing NB Waiver will expire upon the coming into effect of the New NB Waiver; (ii) the 2000 NB Annual Cap will be increased from 15% to 20% (the “2002 NB Annual Cap”); and (iii) the New NB Waiver will be valid through the financial year ended 31 March 2005.

Details of the conditions of the New NB Waiver has been set out on pages 8 to 11 in the letter from the Board.

(ii) GS On-going Transactions

As stated in the letter from the Board, the Group, since 1999, has been engaging, and will continue to engage, in the GS On-going Transactions involving the sale of golf products to Global Sports. Since Global Sports has become a connected person under the Listing Rules since 10 June 2002, the GS On-going Transactions has constituted connected transactions. The Company has applied to the Stock Exchange for a waiver (the “GS Waiver”) from the strict compliance with the disclosure and approval requirements of Chapter 14 of the Listing Rules in respect of the GS On-going Transactions, subject to the aggregate amount receivable from, and payable by, Global Sports not exceeding 10% of the total turnover of the Group (“2002 GS Annual Cap”) in each of the financial years up to 31 March 2005.

Details of the conditions of the GS Waiver have been set out on pages 13 to 15 in the letter from the Board.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion as to whether the terms of each of the NB On-going Transactions and the GS On-going Transactions are fair and reasonable insofar as the interests of the independent Shareholders are concerned, we have considered the following principal factors:

1. Reasons for entering into the On-going Connected Transactions

(i) *NB On-going Transactions*

The Directors stated, in the letter from the Board, the reasons of increasing the 2000 NB Annual Cap of 15% to the 2002 NB Annual Cap of 20%. In particular, the Directors represented that they have received indications from the potential and existing customers of Nikko Bussan (Japan) to place more orders with Nikko Bussan (Japan) for the Group's products, although such indications do not in fact amount to confirmed orders.

We have discussed with the Directors the grounds of making the above-mentioned representation and noted that Nikko Bussan (Japan), a company controlled by Mr. Takanori Matsuura who is a Director and one of the substantial Shareholders, has been receiving an increasing number of inquiries from its potential and existing customers for information regarding the Group's products with a view to possibly placing orders. The Directors regarded such enquiries as favorable indications of a market environment in Japan in which more orders would be placed with the Group in the coming years. In spite of the favorable indications, the Directors have confirmed and we are satisfied that the Group's customers, including Nikko Bussan (Japan), usually place their orders with the Group approximately two months before shipments. It is, therefore, difficult to work out a quantitative projection to substantiate exactly how many additional orders would be placed with the Group to justify the 2002 NB Annual Cap of 20% for the period up to 31 March 2005. Nevertheless, based on historical NB On-going Transactions, details of which have been set out in the following subsection headed "Amount of the NB On-going Transactions", we consider that it is a logical decision to increase the annual cap to the 2002 NB Annual Cap of 20% in order to give a sufficient buffer for the Group to cater for more orders from Nikko Bussan (Japan), in view of favorable indications from their potential and existing customers. Without the 2002 NB Annual Cap, the existing 2000 NB Annual Cap could easily be exceeded, and the disclosures and/or approvals from independent Shareholders for each of NB On-going Transactions required in the event that the 2000 NB Annual Cap is exceeded, would be impracticable and unduly onerous for the Group.

As stated in the letter from the Board, Nikko Bussan (Japan) has been trading with the Group since 1990. The Directors regarded that Nikko Bussan (Japan) as a long-term strategic partner of the Group and maintaining a sound

business relationship with Nikko Bussan (Japan) is important to the Group, particularly in respect of the NB On-going Transactions. In this regard, we concur with the Directors' view that the NB On-going Transactions are in the interest of the Group and are fair and reasonable insofar as the interest of the independent Shareholders are concerned, provided that such transactions are carried out on an arm's length basis and on normal commercial terms.

(ii) *GS On-going Transactions*

The background and the reasons of GS On-going Transactions are connected transactions are set out in the above section headed "Background of the On-going Connected Transactions" and the letter from the Board respectively. In particular, without the GS Waiver, each of the GS On-going Transactions will require disclosure and approval from the independent Shareholders in accordance with the Listing Rules. Given the on-going nature of the GS On-going Transactions, the Directors considered that complying with the relevant Listing Rules requirements would be impracticable or unduly onerous. Therefore, the Company has applied to the Stock Exchange for the GS Waiver.

Since the Group has been carrying out GS On-going Transactions since 1999, the Directors consider that the GS On-going Transactions are beneficial to the Group, particularly in expanding its American market. The amount of GS On-going Transactions has been set out in the following sub-section headed "Amount of the GS On-going Transactions". To this end, we consider that it is a logical decision to apply for the GS Waiver. We also concur with the Directors' view that the GS On-going Transactions are in the interest of the Group and are fair and reasonable insofar as the interest of the independent Shareholders are concerned, provided that such transactions are carried out on an arm's length basis and on normal commercial terms.

2. Terms of the On-going Connected Transactions

In the following paragraphs, the emphasis of our discussion is on whether the annual cap and the conditions of the waiver of each of the NB On-going Transactions and the GS On-going Transactions are fair and reasonable.

(i) *The NB On-going Transactions*a. *Amount of the NB On-going Transactions*

The total amount of revenue generated from the NB On-going Transactions for each of the three years ended 31 March 2002 are set out below:

For the year ended 31 March	2000 HK\$'000	Percentage of the Group's turnover (%)	2001 HK\$'000	Percentage of the Group's turnover (%)	2002 HK\$'000	Percentage of the Group's turnover (%)
Sales to Nikko Bussan (Japan)	35,077	16.58	35,056	11.68	31,856	12.62

As shown from the above table, the revenue generated from the NB On-going Transactions was close to the 2000 NB Annual Cap of 15% for the past two financial years ended 31 March 2002. Indeed, the relevant percentage for the year ended 31 March 2000 exceeded the 2000 NB Annual Cap. Given the thin buffer of the 2000 NB Annual Cap and the Directors' expectation that the sales in Japan would increase, we consider that increasing the annual cap from the 2000 NB Annual Cap of 15% to the 2002 NB Annual Cap of 20% is reasonable.

b. *Proposed New NB Waiver*

The New NB Waiver is subject to a number of conditions, details of which have been set out on pages 8 to 11 in the letter from the Board. In particular, the New NB Waiver requires that the NB On-going Transactions be conducted in the ordinary and usual course of business of the Group and on normal commercial terms, and they are fair and reasonable insofar as the interest of the independent Shareholders are considered as a whole. The Directors have confirmed that the NB On-going Transactions will be conducted in accordance with the New NB Waiver's conditions. In addition, the auditor of the Company shall review the NB On-going Transactions annually and confirm to the Directors in writing, a copy of which shall be provided to the Stock Exchange, that the Group has carried them out in accordance with the principal conditions of the New NB Waiver. We consider the conditions of the New NB Waiver are reasonable arrangements to help ensure that the NB On-going Transactions will be carried out on normal commercial terms and are fair and reasonable as insofar interests of the independent Shareholders, taken as a whole, are concerned.

Having considered the above reasons, we are of the view that the proposed terms and conditions of the New NB Waiver are fair and reasonable insofar as the independent Shareholders are concerned.

(ii) *The GS On-going Transactions*a. *Amount of the GS On-going Transactions*

The total amount of revenue generated from the GS On-going Transactions for each of the three years ended 31 March 2002 are set out below:

For the year ended 31 March	Percentage of the Group's turnover		Percentage of the Group's turnover		Percentage of the Group's turnover	
	2000 HK\$'000	(%)	2001 HK\$'000	(%)	2002 HK\$'000	(%)
Sales to Global						
Sports	1,863	0.88	8,262	2.75	13,828	5.48

As shown from the above table, the GS On-going Transactions have experienced substantial growth from approximately 0.88% to approximately 5.48% of the Group's turnover for the past three years ended 31 March 2002. Given this substantial growth trend, together with the fact that Global Sports has become a strategic partner of Sino CTB (a subsidiary of the Company), the Directors are optimistic towards the future growth of the GS On-going Transactions. The Directors consider that it would be beneficial to the Group to get a waiver large enough to accommodate the upcoming GS On-going Transactions so as to minimize repetitive disclosures and approvals seeking on GS On-going Transactions, which may be overly resource-consuming and onerous for the Company and thus not in the interest of the Company nor its Shareholders. Therefore, the 2002 GS Annual Cap of 10% has been applied for under the GS Waiver.

Having considered the above reasons, we are of the opinion that it is in the interest of the Group to continue and maintain the present business relationship with Global Sports, in respect of the GS On-going Transactions. In addition, we consider that the 2002 GS Annual Cap of 10% is reasonable.

b. *The GS Waiver*

The GS Waiver is subject to a number of conditions, details of which have been set out on pages 13 to 15 in the letter from the Board. In particular, the GS Waiver requires that the GS On-going Transactions be conducted in the ordinary and usual course of business of the Group and on normal commercial terms, and they are fair and reasonable insofar as the interest of the independent Shareholders are considered as a whole. The Directors have confirmed that the GS On-going Transactions will be conducted in accordance with the conditions to which the GS Waiver is subject. In addition, the auditor of the Company shall review the GS On-going Transactions annually and confirm to the Directors in writing, a copy

of which shall be provided to the Stock Exchange, that the Group has carried out the GS On-going Transactions in accordance with the principal conditions of the GS Waiver. We consider the conditions of the GS Waiver are reasonable arrangements to help ensure that the GS On-going Transactions will be carried out on normal commercial terms and are fair and reasonable insofar as the interests of the independent Shareholders, taken as a whole, are concerned.

Having considered the above reasons, we are of the view that the proposed terms and conditions of the GS Waiver are fair and reasonable insofar as the independent Shareholders are concerned.

RECOMMENDATION

Having considered the above-mentioned principal factors, we are of the opinion that the terms of each of the NB On-going Transactions and the GS On-going Transactions are fair and reasonable insofar as the independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend the independent Shareholders to vote in favour of the NB On-going Transactions and GS On-going Transactions to be proposed respectively at the SGM.

Yours faithfully,
For and on behalf of
Platinum Securities Company Limited
Jeny Lau
Managing Director

NOTICE OF SPECIAL GENERAL MEETING



SINO GOLF HOLDINGS LIMITED

順龍控股有限公司 #

(incorporated in Bermuda with limited liability)

NOTICE IS HEREBY GIVEN that the Special General Meeting (the “**Meeting**”) of the Company will be held at The Macro Polo Hongkong Hotel, Jade Room, 6/F, Harbour City, 3 Canton Road, Kowloon, Hong Kong on 7 August 2002 at 3:00 p.m. (or immediately after the conclusion or, as the case may be, adjournment of the annual general meeting of the Company to be held at 2:30 p.m. on the same date and at the same venue, if later); for the following purposes:

1. to consider and, if thought fit, pass with or without amendment(s) the following resolution as Ordinary Resolution:

“**THAT** conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited approving the share option scheme (the “**New Scheme**”) (a copy of which marked “**A**” is produced to the Meeting and signed for the purpose of identification by the chairman of the Meeting and the principal terms of which have been summarised in Appendix A to the circular of the Company dated 16 July 2002) and the granting of options to subscribe for new ordinary shares of HK\$0.10 each (the “**Shares**”) in the capital of the Company under the New Scheme, and granting the listing of, and permission to deal in, any new Shares which may fall to be issued pursuant to the exercise of the subscription rights under the options that may be granted under the New Scheme:

- (a) the New Scheme be and is hereby approved and adopted;
- (b) the Directors of the Company be authorised to grant options to subscribe for Shares under the New Scheme, to allot, issue and deal with Shares pursuant to the exercise of options that may be granted under the New Scheme provided that the total number of Shares which may be issued upon exercise of the options to be granted under the New Scheme and any other share option scheme of the Company and/or its subsidiary shall not exceed 10% of the aggregate nominal value of the share capital of the Company in issue at the date of passing this Resolution, and to do all such acts and things as they consider necessary or expedient to give effect to the New Scheme; and

For identification only

NOTICE OF SPECIAL GENERAL MEETING

- (c) the existing share option scheme of the Company adopted on 5 December 2000 be and is hereby terminated in accordance with its terms.”
2. to consider and, if thought fit, pass with or without amendment(s) the following resolution as Ordinary Resolution:

“**THAT** conditional upon The Stock Exchange of Hong Kong Limited granting a waiver from the strict compliance with the requirements of Chapter 14 of the Rules Governing the Listing of Securities on the Stock Exchange in relation thereto and subject to the conditions on the basis of which the waiver is granted are all satisfied, all sale of golf products by the Group to (as defined in the circular issued by the Company on 16 July 2002) Nikko Bussan Co. Ltd. (as is described in more detail as “NB On-going Transactions” in the circular issued by the Company on 16 July 2002) are hereby approved and the directors of the Company be and are hereby authorised on behalf of the Company to (i) in their discretion, agree to variations of the relevant commercial terms such as credit and shipping terms and (ii) sign and execute such documents and do such acts and things incidental thereto as they consider necessary and expedient in connection therewith”

3. to consider and, if thought fit, pass with or without amendment(s) the following resolution as Ordinary Resolution:

“**THAT** conditional upon The Stock Exchange of Hong Kong Limited granting a waiver from the strict compliance with the requirements of Chapter 14 of the Rules Governing the Listing of Securities on the Stock Exchange in relation thereto and subject to the conditions on the basis of which the waiver is granted are all satisfied, all sale of golf products by the Group (as defined in the circular issued by the Company on 16 July 2002) to Global Sports Technology, Inc. (as is described in more detail as “GS On-going Transactions” in the circular issued by the Company on 16 July 2002) are hereby approved and the Directors of the Company be and are hereby authorised on behalf of the Company to (i) in their discretion, agree to variations of the relevant commercial terms such as credit and shipping terms and (ii) sign and execute such documents and do such acts and things incidental thereto as they consider necessary and expedient in connection therewith”

By order of the Board
Sino Golf Holdings Limited
Chu Chun Man, Augustine
Chairman

Hong Kong, 16 July 2002

NOTICE OF SPECIAL GENERAL MEETING

**Head office and principal place
of business in Hong Kong:**

19/F. Delta House
3 On Yiu Street
Shatin
New Territories
Hong Kong

Notes:

1. A form of proxy for use at the meeting is enclosed.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of any officer, attorney or other person authorised to sign the same.
3. Any member entitled to attend and vote at the meeting shall be entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a member of the Company.
4. In order to be valid, a form of proxy and the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power of authority, must be deposited at the Company's share registrar, Tengis Limited of 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong not less than 48 hours before the time fixed for holding the meeting.
5. Delivery of the form of proxy will not preclude a member from attending and voting in person at the meeting convened and in such event, the form of proxy shall be deemed to be revoked.
6. Where there are joint holders of any share of the Company, any one of such joint holder may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at the meeting, the vote of the senior who tenders a vote whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
7. For the purpose of determining the list of shareholders entitled to attend and vote at the Special General Meeting, the Company shall temporarily close the register of members from Thursday, 1 August 2002 to Wednesday, 7 August 2002 (both dates inclusive). Shareholders whose names appear on the register immediately prior to closure of the register of members shall be entitled to attend and vote at the meeting. Persons who purchase shares of the Company during the period of suspension of registration shall not be entitled to attend the meeting.
8. In accordance with Chapter 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"), Mr. Takanori Matsuura and CM Investment Company Limited and their respective associates (as defined in the Listing Rules) will, as connected persons of the Group interested in the "NB On-going Transactions" (as the term is defined in the circular issued by the Company on 16 July 2002), abstain from voting on resolution no. 2.
9. Documents including the rules of the New Scheme will be available for inspection at the office of the principal place of business of the Company in Hong Kong at 19 Floor, Delta House, 3 On Yiu Street, Shatin, New Territories, Hong Kong during normal business hours for a period of 14 days before the date of the Meeting (i.e. from 9:00 a.m. to 6:00 p.m.) and at the Meeting.