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SINO GOLF HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

CONNECTED TRANSACTION

SUMMARY

The Company announces that on 22 December 2003, SGMCL has entered into with the Vendor the Agreement for the sale and purchase of shares in CTB whereby SGMCL has agreed to purchase and the Vendor has agreed to sell 11.5% of the ordinary share capital of CTB.

CTB is owned as to 51% and 49% by SGMCL and the Vendor respectively. Pursuant to the Agreement, the Vendor has agreed to sell 11.5% of the ordinary share capital of CTB to SGMCL at a total consideration of HK\$9,800,000. As the Vendor is a director and substantial shareholder of CTB, which is an indirect subsidiary of the Company, the Agreement and the transaction contemplated therein constitute a connected transaction of the Company under Chapter 14 of the Listing Rules and the Company is under an obligation to disclose the details of the transaction.

BACKGROUND

CTB is owned as to 51% and 49% by SGMCL and the Vendor respectively. Pursuant to the Agreement, the Vendor has agreed to sell 11.5% of the ordinary share capital of CTB to SGMCL. As the Vendor is a director and substantial shareholder of CTB, which is an indirect subsidiary of the Company, the Agreement and the transaction contemplated therein constitute a connected transaction of the Company under Chapter 14 of the Listing Rules.

Immediately after the completion of the Agreement, CTB will be owned as to 62.5% and 37.5% by SGMCL and the Vendor respectively.

THE AGREEMENT

The terms of the Agreement have been arrived at after arm's length negotiations based on normal commercial terms and are considered by the Directors (including independent non-executive Director) to be fair and reasonable and on normal commercial terms. The essential terms of the Agreement are summarized as follows:

Date: 22 December 2003

Parties:

Vendor: Mr. Chen Chien Hsiang
Purchaser: SGMCL

Assets to be acquired by SGMCL:

1,150,000 Sale Shares, representing 11.5% of the ordinary share capital of CTB.

Consideration:

The Consideration payable by SGMCL to the Vendor amounts to HK\$9,800,000 and was funded by internal resources of the Group which was settled by cash in full upon completion of the Agreement.

The Consideration is arrived at with reference to a profit guarantee to be given by the Vendor to SGMCL in the terms as set out hereinafter. The profit guarantee is given in respect of each of the accounting year commencing 1 January 2004 and ending 31 December 2004 and the four accounting years that follow (each of which being a “**Profit Guaranteed Year**”).

Profits to be guaranteed by the Vendor:

Pursuant to the Agreement, the Vendor, effectively, warrant that the audited consolidated profit after taxation but before Extraordinary Items of CTB for each of the Profit Guaranteed Year shall not be less than HK\$8,522,000 (“**Guaranteed Profits**”).

The terms of the said profit guarantee are such that, in the event that the audited consolidated profit after tax but before Extraordinary Items of CTB as shown in the audited financial statements of CTB (“**Audited Profits**”) for any Profit Guaranteed Year is less than the Guaranteed Profits, the Vendor shall indemnify and refund to SGMCL an amount equals to a sum calculated as below in cash or as SGMCL may direct (“**Refunded Amount**”).

$\text{Refunded Amount} = \text{Short Fall} \times 11.5\%$

where “Short Fall” means the difference between the Guaranteed Profit and the Audited Profit for that Profit Guaranteed Year.

In the event that the audited consolidated profit after taxation but before Extraordinary Items of CTB of any Profit Guaranteed Year (“**Relevant Profit Guaranteed Year**”) exceeds the Guaranteed Profits, SGMCL shall pay the Vendor an amount (“**Excess Reimbursement**”) equals to the lesser of the Excess Amount and the Recovered Refunds, where;–

“Recovered Refunds” means the difference between (i) the aggregate of all Refunded Amounts received by SGMCL pursuant to the above in respect of all Profit Guaranteed Years prior to the Relevant Profit Guaranteed Year; and (ii) the aggregate of all Excess Reimbursement received by the Vendor pursuant to the above in respect of the Profit Guaranteed Years prior to the Relevant Profit Guaranteed Year; and–

“Excess Amount” means the difference between the Audited Profits and the Guarantee Profits of the Relevant Profit Guaranteed Year.

INFORMATION OF CTB

CTB was incorporated in Hong Kong on 1 August 2001. CTB is principally engaged in the manufacturing and trading of sporting bags (including golf bags) and currently employs approximately 500 workers and has more than 50 existing customers. The turnover of CTB for the seventeen months ended 31 December 2002 (being the first and the only audited report) and for the six months ended 30 June, 2003 (unaudited) was approximately HK\$80.6 million and HK\$44.3 million respectively.

Based on the audited consolidated accounts of CTB for the seventeen months ended 31 December 2002, the profit before tax, profit attributable to shareholders and the net tangible assets of CTB was HK\$7.2 million, HK\$7.0 million and HK\$15 million, respectively. Pursuant to the unaudited management accounts for the six months ended 30 June 2003, both unaudited profit before tax and profit attributable to shareholders of CTB had already achieved approximately HK\$2.8 million. And its net tangible assets was approximately HK\$17.9 million as at 30 June 2003.

REASONS FOR AND BENEFIT OF THE ACQUISITION

The principal activities of the Group consist of the manufacturing and trading of golf equipment and accessories. The Directors consider that it will be beneficial to the interest of the Group to invest in business ventures which have businesses that are in line with and are able to facilitate the development of the Group. The Company, through SGMCL, is already holding 51% of the equity interest of CTB.

After taking into consideration that (1) the continued growth of the golf bag segment; (2) extended production capacity of CTB by establishing new factory which is targeted to commence production by the end of March 2004; and (3) the Consideration is arrived at with reference to a profit guarantee to be given by the Vendor as explained above for each of Profit Guaranteed Year, the Directors (including the independent non-executive director) believe that the Acquisition is in the interest of the Company and the Shareholders as a whole.

DEFINITIONS

Unless the context otherwise requires, the following terms shall have the meanings set out below:

“Acquisition”	the acquisition of 11.5% of the ordinary share capital of CTB from the Vendor by SGMCL
“Agreement”	the agreement in relation to the Acquisition dated 22 December 2003 entered into between the Vendor and SGMCL
“Associates”	shall have the same meaning as ascribed to it under the Listing Rules
“Company”	Sino Golf Holdings Limited, an exempted company incorporated in Bermuda with limited liability
“Consideration”	the consideration for the Acquisition
“CTB”	CTB Golf (HK) Limited, a company incorporated in Hong Kong with limited liability and has an issued share capital of HK\$12,730,000 divided into 10,000,000 ordinary shares of HK\$1.00 each and 2,730,000 preference shares of HK\$1.00 each (held by an independent third party), all of which having been fully paid-up
“Directors”	the directors of the Company
“Extraordinary Items”	means income or expenses that arise from events or transactions that are clearly distinct from the ordinary activities of the enterprise and therefore are not expected to recur frequently or regularly

“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Sale Share(s)”	ordinary share(s) of HK\$1.00 each in the share capital of CTB
“SGMCL”	Sino Golf Manufacturing Company Limited, an indirect wholly-owned subsidiary of the Company
“Shareholder(s)”	Holder(s) of share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Mr. Chen Chien Hsiang, a director and substantial shareholder of CTB

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

Hong Kong, 23 December 2003

“Please also refer to the published version of this announcement in The Standard”