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SINO GOLF HOLDINGS LIMITED

順龍控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 361)

CONNECTED AND DISCLOSABLE TRANSACTION

SUMMARY

Reference is made to the announcement of the Company dated 28 February 2005 regarding the connected and notifiable transaction of the Company whereby SGMCL entered into the Agreement with the Purchaser for the disposal of the 62.5% of the equity capital of SHL.

The board of Directors announces that the parties to the Agreement have entered into a Supplemental Agreement whereby the parties have agreed amongst other things, that, with reference to the Audited Net Asset Value of SHL as at 31 December 2004, the Consideration for the Disposal shall be HK\$14,900,000.

Reference is made to the announcement of the Company dated 28 February 2005 regarding the connected and notifiable transaction of the Company whereby SGMCL has entered into the Agreement with the Purchaser for the disposal of the 62.5% of the equity capital of SHL.

BACKGROUND

The Group is principally engaged in the manufacture and trading of golf equipment and accessories and golf bags. SHL, an indirect subsidiary of the Company, is owned as to 62.5% and 37.5% by SGMCL and MI respectively. Pursuant to the Agreement, SGMCL has agreed to sell 62.5% of the equity capital of SHL to the Purchaser.

The board of Directors announces that the parties to the Agreement have entered into a Supplemental Agreement whereby the parties have agreed amongst other things, that, with reference to the Audited Net Asset Value of SHL as at 31 December 2004, the Consideration for the Disposal shall be HK\$14,900,000. The Audited Net Asset Value of SHL as at 31 December 2004 was HK\$19,710,256 and in relation to the 62.5% interest for the Disposal, the attributable Audited Net Asset Value of SHL as at 31 December 2004 was HK\$12,318,910, representing a gain of HK\$2,581,090. Based on this Consideration and that under Chapter 14 of the Listing Rules, the asset and profit ratios exceed 5% and are below 25% and each of the other applicable ratios is below 5%, the Disposal constitutes a disclosable transaction under the requirements of Chapter 14 of the Listing Rules.

As Su Parties are the directors and beneficial owners of the Purchaser and Associates of Su Founder who indirectly holds 37.5% of equity capital of SHL, the Agreement and the Disposal contemplated therein constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

Immediately after the completion of the Agreement, SHL will be owned as to 62.5% and 37.5% by the Purchaser and MI respectively. The Group will then have no shareholding in SHL.

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 Directors) to be fair and reasonable and on normal commercial terms. The essential terms of the Agreement are summarised as follows:

Date: 31 December 2004

Parties:

Vendor: SGMCL, an indirectly wholly owned subsidiary of the Company
Purchaser: GLOBAL SOURCING AND DISTRIBUTION LIMITED

Assets to be disposed of by SGMCL:

62.5% of the equity capital of US\$1,380,000 of SHL.

Consideration:

Pursuant to the Supplemental Agreement, the Consideration for the Disposal shall be HK\$14,900,000, which was determined with reference to the Audited Net Asset Value of SHL as at 31 December 2004.

The Directors have fulfilled their fiduciary duties by taking into account all relevant factors relating to the Disposal which are described in more detail under the section headed "Reasons for and Benefit of the Disposal" below.

Pursuant to the Supplemental Agreement, the settlement term under the Agreement is amended such that the Purchaser shall pay upon Completion an amount of HK\$9,972,436 equal to the sum of (i) the amount representing the excess of the Consideration (i.e. HK\$2,581,090) over 62.5% of the Audited Net Asset Value of SHL as at 31 December 2004 and (ii) 60% of the amount equivalent to 62.5% of the Audited Net Asset Value of SHL as at 31 December 2004 (i.e. HK\$7,391,346). The Purchaser shall settle the remaining 40% of the amount equivalent to 62.5% of the Audited Net Asset Value of SHL as at 31 December 2004 (i.e. HK\$4,927,564) by delivering to SGMCL a promissory note which is to be matured one year after Completion.

Expected gain on disposal of the equity capital in SHL by SGMCL

As the Audited Net Asset Value of SHL as at 31 December 2004 was HK\$19,710,256 and in relation to the 62.5% interest for the Disposal, the attributable Audited Net Asset Value of SHL as at 31 December 2004 was HK\$12,318,910, the expected gain on the Disposal is approximately HK\$2,581,090. The proceeds from the Disposal will be utilized by SGMCL for its general working capital. The Agreement is expected to be completed immediately after the approval from the Shareholders at the SGM which is expected to be held on 27 May 2005.

INFORMATION OF SHL

SHL was established on 4 April 2001 as a foreign equity joint venture between SGMCL and MI. SHL is principally engaged in the manufacture and distribution of golf equipment and accessories. Based on the audited figures of SHL for the two years ended 31 December 2004, the profit before tax, profit attributable to shareholders and the net asset value of SHL are summarised as follows:

	2004 HK'000	2003 HK'000
Profit before tax	3,401	3,111
Profit attributable to shareholders	3,401	3,111
Net asset value	19,710	16,309

INFORMATION OF THE PURCHASER

The Purchaser is principally engaged investments and investment holding activity, which is wholly owned by the Su Parties and was set up to enter into this Agreement with SGMCL.

None of the Su Founder, the Su Parties or their respective associates hold any shares of the Company. The Company and the Su Parties do not have any joint investment in any companies.

REASONS FOR AND BENEFIT OF THE DISPOSAL

Since its establishment in 2001, SHL has principally been engaged in producing golf equipment to supply for the Group's export customers. The proportion of domestic customers was relatively insignificant until recent years when Su Founder and Su Parties started to adopt a more aggressive approach to develop domestic customers. Commensurate with their business strategy, Su Parties have expressed keen interest to acquire the Group's 62.5% equity interest in SHL to gain control over SHL. The Directors consider that it will be beneficial to and in the interest of the Group to enter into the Agreement with Su Parties for the disposal of the Group's equity interest in SHL.

After taking into consideration that (i) the Group will adopt a strategy to enhance and strengthen its forging production capability and centralize the related management; (ii) there may be potential conflict of interest with MI when it continues to promote domestic customers portfolio of SHL; and (iii) the Disposal gives rise to a gain, the Directors (including the independent non-executive Directors) believe that the Disposal is in the interest of the Company and its shareholders as a whole and the terms are fair, reasonable and on normal commercial terms.

FURTHER INFORMATION

As the Consideration pursuant to the Supplemental Agreement exceeds HK\$10,000,000, the Disposal contemplated under the Agreement constitutes a connected transaction which will be subject to, amongst other things, the approval from the independent Shareholders at the SGM. The board of directors is not aware of any Shareholder who is required to abstain from voting at the SGM.

An independent board committee comprising the three independent non-executive Directors will be formed to advise the independent Shareholders as to the fairness and reasonableness of the Disposal. An independent financial advisor has been appointed to advise the independent board committee and independent Shareholders in relation to the Disposal.

A circular containing, among other things, further details of the Disposal, the letter from the independent financial adviser to the independent board committee and independent Shareholders, the recommendation of the independent board committee to the independent Shareholders on the Disposal together with the notice of the SGM will be dispatched to the Shareholders within 21 days after publication of this announcement.

DEFINITIONS

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

“Agreement”	the agreement dated 31 December 2004 in relation to the Disposal entered into between SGMCL and the Purchaser;
“Associates”	shall have the same meaning as ascribed to it under the Listing Rules;
“Audited Net Asset Value”	the net asset value as audited by the Company’s auditors Ernst & Young;
“Company”	Sino Golf Holdings Limited, an exempted company incorporated in Bermuda with limited liability;
“Consideration”	the consideration for the Disposal;
“Directors”	the Directors of the Company;
“Disposal”	the disposal of 62.5% of equity capital of SHL by SGMCL to the Purchaser;
“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;
“MI”	順德市北滘鎮碧江經濟發展公司；
“Purchaser”	Global Sourcing and Distribution Limited;
“SGMCL”	Sino Golf Manufacturing Company Limited, an indirect wholly-owned subsidiary of the Company;
“Shareholders”	the shareholders of the Company;
“SGM”	special general meeting of the Shareholders;
“SHL”	順德市順興隆高爾夫球制品有限公司, an indirect subsidiary of the Company which is owned as to 62.5% by SGMCL;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

“Supplemental Agreement” the supplemental agreement dated 9 April 2005 to the Agreement entered into between SGMCL and the Purchaser;

“Su Founder” Mr. Su Han Ji, the 100% beneficial owner of MI; and

“Su Parties” Mr. Su Han Jian and Mr. Su Jin Yuan, the brother and son of Mr. Su Han Ji respectively.

By Order of the board of Directors of
Sino Golf Holdings Limited
Chu Chun Man, Augustine
Chairman

Hong Kong SAR, 18 April 2005

As at the date hereof, the board of Directors is comprised of 7 directors, of which 4 are Executive Directors, namely Messrs. CHU Chun Man, Augustine, Messrs. Takanori MATSUURA, Messrs. CHU Yuk Man, Simon and Messrs. CHANG Hua Jung, and the rest of 3 are Independent Non-executive Directors, namely Messrs. CHOY Tak Ho, Messrs. CHIU Lai Kuen, Susanna and Messrs. TSE Ying Man.

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