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# **SINO GOLF HOLDINGS LIMITED**

## **順龍控股有限公司**

*(a company incorporated in Bermuda with limited liability)*  
(Stock Code: 361)

### **NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS**

The Group is principally engaged in the manufacture and trade of golf equipment and accessories and golf bags. The Group has been engaging since 1990, and will continue to engage in the transactions involving the sales of certain golf products to Nikko Bussan (Japan) which constitute continuing connected transactions of the Group under Chapter 14A of the Listing Rules.

Nikko Bussan (Japan) is a connected person (as defined in the Listing Rules) of the Company by virtue of the fact that it is a company owned as to 58.75% by Mr. Takanori Maturra, a Director. Transactions between Nikko Bussan (Japan) and the Group therefore constitute connected transaction for the Group under the Listing Rules.

The Continuing Connected Transactions will be subject to reporting, announcement and independent Shareholders' approval requirements under Rule 14A.35 of the Listing Rules.

An Independent Board Committee, comprising the three independent non-executive Directors, has been established to advise the independent Shareholders in relation to the terms of the Supply Agreement and the Continuing Connected Transactions contemplated. An independent financial adviser has been appointed to advise the Independent Board Committee and independent Shareholders.

The Circular will also contain the letter of advice from the independent financial adviser to the Independent Board Committee and independent Shareholders in relation to the terms of the Supply Agreement and the Continuing Connected Transactions contemplated, as well as the letter of advice from the Independent Board Committee to the Shareholders in relation to the same.

Reference is made to (i) the announcement of the Company dated 11 July 2002 and (ii) the circular of the Company dated 16 July 2002.

#### **I. BACKGROUND**

The Group is principally engaged in the manufacture and trade of golf equipment and accessories and golf bags. The Group has been engaging since 1990, and will continue to engage in the transactions involving the sales of certain golf products to Nikko Bussan (Japan) which constitute continuing connected transactions of the Group under Chapter 14A of the Listing Rules.

## **DETAILS OF THE CONTINUING CONNECTED TRANSACTIONS**

### **The Supply Agreement**

Date: 18 April 2005

Parties: (i) Sino Golf Macau  
(ii) Nikko Bussan (Japan)

Subject: Pursuant to the Supply Agreement, Sino Golf Macau will supply golf products to the Nikko Bussan (Japan) as required.

Term: The Supply Agreement has a fixed term of not exceeding 3 years and will be effective as from the date of approval by the independent Shareholders at the SGM and will continue until 31 December 2007 (both dates inclusive).

Price: The prices of purchases will be arrived at through arm's length negotiations taking into account (i) costs; (ii) selling prices of sales of similar products to other customers who are independent and not connected persons of the Company; and (iii) selling prices of similar products previously sold to Nikko Bussan (Japan) on a case-by-case basis to reflect the fair market value.

The transactions contemplated under the Supply Agreements are referred to as the "Continuing Connected Transactions".

Transactions in respect of the purchase of golf products by Nikko Bussan (Japan) from the Group were disclosed in the announcement and the circular of the Company dated 11 July 2002 and 16 July 2002 respectively, and were approved by the then independent Shareholders at the SGM held on 7 August 2002. A waiver from strict compliance with the disclosure and independent Shareholders' approval requirements under Chapter 14 of the Listing Rules (this refers to the Listing Rules in force immediately prior to 31 March 2004) for the three financial years ending 31 March 2005 was granted by the Stock Exchange to the Company on 20 August 2002 in respect of such transactions.

The total amount of revenue generated from the Continuing Connected Transactions for the nine months ended 31st December, 2002 and the two years ended 31st December, 2004 was approximately HK\$21.1 million, HK\$55.5 million and HK\$19.4 million respectively, representing approximately 9.2%, 13.9% and 4.9% of the Group's total turnover.

The Directors expect that the revenue from and payable by Nikko Bussan (Japan) to the Group under the Continuing Connected Transactions for each of the three years ending 31st December, 2007 will be higher than those of 2004 but will not exceed HK\$30,000,000 for each relevant financial year. This expectation is founded on (i) the indications the Directors have received from Nikko Bussan (Japan) that potential and existing customers of Nikko Bussan (Japan) may place more orders for golf products manufactured by the Group; and (ii) the level of existing orders from Nikko Bussan (Japan).

On the basis of the Directors' anticipation that the revenue from the Continuing Connected Transaction for each of the three years ended 31st December, 2007 will be higher than that of 2004 but will not exceed the amount of HK\$30,000,000 for each of the financial years up to 31st December, 2007, the Company proposes that the cap amounts of the purchase of golf products by Nikko Bussan (Japan) under the Supply Agreement for each of the three financial years ended 31st December, 2007 will not exceed HK\$30,000,000 in any financial year.

## II. REASON FOR THE CONTINUING CONNECTED TRANSACTIONS

The Directors consider that it would be: (i) burdensome administratively to have numerous agreements between Sino Golf Macau and Nikko Bussan (Japan); and (ii) too costly and impractical to make regular disclosure of each of the relevant transactions and obtain the prior approval from the independent Shareholders, where it is required under the Listing Rules. Hence, the Directors are of view that the Supply Agreements will not be prejudicial to the Shareholders and the Group as a whole since the benefits would be enhanced from both the perspective of the Shareholders and the Group.

The Continuing Connected Transactions involve the sale by the Group of golf products to Nikko Bussan (Japan) which is owned as to 58.75% by Mr. Takanori Matsuura, a Director. Apart from Mr. Takanori Matsuura, there are 11 remaining shareholders of Nikko Bussan (Japan), many of whom are relatives of Mr. Takanori Matsuura. Nikko Bussan (Japan) and Mr. Takanori Matsuura are, therefore, connected persons of the Group with an interest in the Continuing Connected Transactions by virtue of the Listing Rules. The Continuing Connected Transactions are subject to reporting, announcement and independent Shareholders' approval requirements pursuant to Rule 14A.35 of the Listing Rules.

The Directors, including the independent non-executive Directors, are of the view that Continuing Connected 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.

The Company will therefore seek the approval by the independent Shareholders of the Supply Agreement and the respective caps in relation to the Continuing Connected Transactions for a period of three financial years ending 31 December 2007 on the following conditions:

- (a) the Continuing Connected 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 Supply Agreement;
- (b) disclosure shall be made in the Company's next and each successive annual report of the Continuing Connected Transactions containing those particulars specified in Rules 14A.45(1) to (5) 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 the Continuing 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 Continuing Connected 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 Continuing Connected Transactions have been carried out in accordance with the terms of the Supply Agreement;
  - (iv) the Continuing Connected Transactions have received the approval of the board of Directors; and
  - (v) the Continuing Connected Transactions have not exceeded the maximum amount set out in paragraph (e) below;
- (d) the auditors of the Company shall review the Continuing Connected Transactions annually and confirm to the Directors in writing, a copy of which shall be provided to the Stock Exchange, that:
- (i) the Continuing Connected Transactions have received the approval of the board of Directors;
  - (ii) the Continuing Connected Transactions have been entered into in the ordinary and usual course of business of the Group;
  - (iii) the Continuing Connected Transactions have been carried out in accordance with the terms of the Supply Agreement;
  - (iv) the transactions have not exceeded the maximum amount set out in paragraph (e) below;
- (e) the aggregate amount receivable from and payable by Nikko Bussan (Japan) to the Group for the Continuing Connected Transactions will not exceed HK\$30,000,000 in any financial year;
- (f) in the event that the maximum amount set out in paragraph (e) above is exceeded, or in the event of any material changes to the terms of the Supply Agreement, the Company must strictly comply with the relevant provisions of Chapter 14A of the Listing Rules; and
- (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

### III. SPECIAL GENERAL MEETING

A circular containing information relating to the Continuing Connected Transactions and which also contains notice to convene the special general meeting of the Company (the “Circular”) to be held at Kowloon Room I, M Floor, Kowloon Shangri-La Hong Kong, 64 Mody Road, Kowloon, Hong Kong on 27 May 2005 at 4:00 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) will be despatched to the Shareholders soon for the purpose of considering and, if thought fit, passing, among others, the resolutions in respect of the approval of the Supply Agreement and the respective caps in relation to the Continuing Connected Transactions.

As stated above, Mr Takanori Matsuura is a connected person of the Group interested in the Supply Agreement. He shall, as such, abstain from voting at the said special general meeting in respect of the resolution to approve the Supply Agreement and the respective caps in relation to the Continuing Connected Transactions.

An Independent Board Committee, comprising the three independent non-executive Directors, has been established to advise the independent Shareholders in relation to the Supply Agreement and the Continuing Connected Transactions contemplated. An independent financial adviser has been appointed as independent financial adviser to advise the Independent Board Committee and independent Shareholders.

The Circular will also contain the letter of advice from the independent financial adviser to the Independent Board Committee and independent Shareholders in relation to the terms of the Supply Agreement and the Continuing Connected Transactions contemplated, as well as the letter of advice from the Independent Board Committee to the Shareholders in relation to the same.

#### DEFINITIONS

“Company”	Sino Golf Holdings Limited
“Directors”	directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency for the time being in Hong Kong
“Independent Board Committee”	an independent board committee comprising 3 independent non-executive Directors to advise the independent Shareholders as to the fairness and reasonableness of the Continuing Connected Transactions
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Nikko Bussan (Japan)”	Nikko Bussan Co., Ltd., a company incorporated in Japan and controlled by Mr. Takanori Matsuura, a Director and Shareholder
“SGM”	special general meeting of the Company
“Shareholders”	shareholders of the Company

“Sino Golf Macau”	Sino Golf Comercial offshore De Macau Limitada, an indirectly wholly owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supply Agreement”	the agreement for the supply of golf products entered into between SG Macau and Nikko Bussan (Japan) date 18 April 2005

By Order of the board of Directors of  
**SINO GOLF HOLDINGS LIMITED**  
**Chu Chun Man, Augustine**  
*Chairman*

Hong Kong, 20 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.