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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)

## **DISCLOSEABLE AND CONNECTED TRANSACTION AND REFUND OF SHORT FALL IN GUARANTEED PROFIT**

### **SUMMARY**

Reference is made to the announcement of the Company dated 23 December 2003 regarding the connected transaction of the Company whereby SGMCL, entered into a sale and purchase agreement with the Vendor for the acquisition of 11.5% of the ordinary share capital of CTB whereby after the acquisition, CTB is owned as to 62.5% and 37.5% by SGMCL and the Vendor respectively.

#### *Discloseable and Connected Transaction*

The Company announces that on 19 July 2005, SGMCL entered into the Agreement with the Vendor for the sale and purchase of shares in CTB whereby SGMCL has agreed to purchase and the Vendor has agreed to sell the remaining 37.5% of the ordinary share capital of CTB.

Pursuant to the Agreement, the Vendor has agreed to sell the remaining 37.5% of the ordinary share capital of CTB to SGMCL at a total consideration of HK\$2,625,000. As the Vendor is a 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 14A of the Listing Rules which is subject to the reporting and announcement requirements pursuant to rule 14A.32 of the Listing Rules. The transaction also constitutes a discloseable transaction, pursuant to Chapter 14 of the Listing Rules, as the relevant percentage ratios, calculated pursuant to rule 14.07 of the Listing Rules, exceed 5% but below 25%.

Immediately after the completion of the Agreement, CTB will be wholly owned by SGMCL and an indirectly wholly owned subsidiary of the Company.

### *Refund of Shortfall in Guaranteed Profit*

Pursuant to the sale and purchase agreement dated 22 December 2003 in respect of the acquisition of 11.5% of the ordinary share capital of CTB by SGMCL, the Vendor guaranteed that the Actual Profit for each of the Profit Guaranteed Year shall not be less than HK\$8,522,000 (the "Guaranteed Profit"). Any shortfall between the Actual Profit and the Guaranteed Profit, as multiplied by 11.5%, should be refunded to SGMCL on demand by the Vendor within 14 days after issue of the audited consolidated financial statements of CTB.

### **DISCLOSEABLE AND CONNECTED TRANSACTION**

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Immediately after the completion of the Agreement, CTB will be wholly owned by SGMCL and an indirectly wholly owned subsidiary of the Company.

### *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 and the Agreement is in the interest of the Company and the Shareholders as a whole. The essential terms of the Agreement are summarised as follows:

**Date:** 19 July 2005

**Parties:**

Vendor: Mr. Chen Chien Hsiang

Purchaser: SGMCL

**Assets acquired by SGMCL:**

3,750,000 Sale Shares, representing 37.5% of the ordinary share capital of CTB. SGMCL is not subject to any restriction on the subsequent sale of the 37.5% interest in CTB.

**Consideration:**

The Consideration paid by SGMCL to the Vendor upon signing of the Agreement was HK\$2,625,000 and was funded by internal resources of the Group.

The Consideration was determined with reference to the net asset value attributable to the entire issued ordinary shares of CTB based on the audited accounts of CTB for the year ended 31 December 2004, which amounted to approximately HK\$6.73 million (or approximately HK\$2.52 million attributable to the 3,750,000 Sale Shares).

*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 600 workers and has more than 40 existing customers. The consolidated turnover of CTB for the year ended 31 December 2004 was approximately HK\$75.5 million.

Based on the audited consolidated accounts of CTB for the two years ended 31 December 2004, the profit/(loss) before tax, profit/(loss) attributable to shareholders and the net tangible assets of CTB attributable to the entire issued ordinary share capital are summarised as follows:

	<b>2004</b>	<b>2003</b>
	<i>HK\$</i>	<i>HK\$</i>
Profit/(Loss) before tax	(786,443)	1,374,244
Profit/(Loss) attributable to shareholders	(61,074)	848,875
Net tangible assets attributable to the entire issued ordinary share capital	6,727,070	6,788,144

*Reasons for and Benefits of the Acquisition*

The principal activities of the Group and SGMCL consist of the manufacturing and trading of golf equipment and accessories. The Directors consider that it will be beneficial to and in the interest of the Group to invest in business ventures with businesses that are in line with and are able to facilitate the development of the Group. The Company, through SGMCL, is already holding 62.5% of the equity interest of CTB.

CTB was not profitable in 2004 mainly due to the delay with the start-up of its new factory in August 2004 and the costs and expenses associated with the relocation of its production to the new factory. The Directors anticipate that when the new factory operates at its targeted volume, CTB shall generate higher revenue and regain profitability. The Directors are of the opinion that it is desirable to acquire the remaining 37.5% of the ordinary share capital of CTB at fair and reasonable terms.

After taking into consideration the benefits and contribution that may be derived from (1) the anticipated continuing growth of the golf bag segment; (2) the enhanced production capacity of the new factory which has commenced production since August 2004, the Directors (including the independent non-executive Directors) believe that the terms of Acquisition are fair and reasonable and the Agreement is in the interests of the Company and the Shareholders as a whole because it enables the Company to gain a full control over the golf bag business of CTB.

## **REFUND OF SHORTFALL IN GUARANTEED PROFIT**

Pursuant to the sale and purchase agreement dated 22 December 2003 in respect of the acquisition of 11.5% of the ordinary share capital of CTB by SGMCL, the Vendor guaranteed that the Actual Profit for each of the Profit Guaranteed Year shall not be less than HK\$8,522,000 (the “Guaranteed Profit”). Any shortfall between the Actual Profit and the Guaranteed Profit, as multiplied by 11.5%, should be refunded to SGMCL on demand by the Vendor within 14 days after issue of the audited consolidated financial statements of CTB.

The Actual Profit for the year ended 31 December, 2004 is at a loss of HK\$61,074, which is less than the Guaranteed Profit by an amount of HK\$8,583,074. Pursuant to the agreement dated 22 December 2003, the Vendor has fulfilled his obligations under that agreement and refunded HK\$987,053 to SGMCL in July 2005.

The Directors (including the independent non-executive Directors) are of the opinion that the Vendor had fulfilled his obligations in relation to his guarantee of the profit of CTB for the year ended 31 December, 2004.

## **DEFINITIONS**

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

“Acquisition”	the acquisition of 37.5% of the ordinary share capital of CTB from the Vendor by SGMCL
“Actual Profit”	audited consolidated profit after taxation but before the Extraordinary Items of CTB
“Agreement”	the agreement in relation to the Acquisition dated 19 July 2005 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 non-voting preference shares of HK\$1.00 each (held by an independent third party of the Company), all of which having been fully paid-up
“Directors”	the directors of the Company
“Extraordinary Items”	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
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Profit Guaranteed Year”	the five accounting years commencing from 1 January 2004
“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 substantial shareholder of CTB

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

Hong Kong, 27 July 2005

*As at the date hereof, the board of Directors of the Company 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.