

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

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

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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  
NON-EXEMPT  
CONTINUING CONNECTED TRANSACTIONS  
AND  
GENERAL MANDATE TO ISSUE AND REPURCHASE SHARES  
AND  
NOTICE OF SPECIAL GENERAL MEETING**

**Independent Financial Adviser to  
the Independent Board Committee and the Independent Shareholders**



**Core Pacific – Yamaichi Capital Limited**

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A letter from Core Pacific – Yamaichi (as defined herein) containing its recommendation to the Independent Board Committee (as defined herein) and the independent Shareholders (as defined herein) and a letter from the Independent Board Committee are set out on pages 13 to 23 of this circular.

A notice of a special general meeting of Sino Golf Holdings Limited (the “Company”) to be held at Kowloon Room I, M Floor, Kowloon Shangri-La Hong Kong, 64 Mody Road, Kowloon, Hong Kong on Friday, 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 the same venue and on the same date at 2:30 p.m., if later) is set out on pages 33 to 34 of this circular. Whether or not you are able to attend the special general meeting in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to our Company’s share registrar, Tengis Limited at G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not less than 48 hours before the time fixed for holding the meeting.

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## DEFINITIONS

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

“AGM”	the annual general meeting of the Company;
“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;
“Board”	the board of Directors;
“Company”	Sino Golf Holdings Limited, an exempted company and incorporated in Bermuda with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange;
“Consideration”	the consideration for the Disposal;
“Core Pacific – Yamaichi”	Core Pacific – Yamaichi Capital Limited, a corporation licensed in respect of Types 1 and 6 regulated activities under the SFO, which has been appointed as the independent financial adviser to the Independent Board Committee and the independent Shareholders in relation to the Disposal and the Continuing Connected Transactions;
“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;
“HK\$”	Hong Kong dollars, the lawful currency for the time being in Hong Kong;
“Independent Board Committee”	an independent board committee comprising the 3 independent non-executive Directors to advise the independent Shareholders as to the fairness and reasonableness of the Discloseable and Connected Transaction and Continuing Connected Transactions;

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## DEFINITIONS

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“Latest Practicable Date”	27 April 2005, being the latest practicable date prior the printing of this circular for ascertaining certain information contained herein;
“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;
“Nikko Bussan (Japan)”	Nikko Bussan Co., Ltd., a company incorporated in Japan and controlled by Mr. Takanori Matsuura, a Director and Shareholder;
“Purchaser”	Global Sourcing and Distribution Limited;
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“SGMCL”	Sino Golf Manufacturing Company Limited, an indirect wholly-owned subsidiary of the Company;
“Share(s)”	ordinary share(s) of HK\$0.10 each of the Company;
“Share Repurchase Rules”	the applicable provisions under the Listing Rules to regulate the repurchase by companies with primary listing on the Stock Exchange of their own securities on the Stock Exchange;
“Shareholders”	the shareholders of the Company;
“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;
“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;
“Su Founder”	Mr. Su Han Ji, the 100% beneficial owner of MI;
“Su Parties”	Mr. Su Han Jian and Mr. Su Jin Yuan, the brother and son of Mr. Su Han Ji respectively;
“Supplemental Agreement”	the supplemental agreement dated 9 April 2005 to the Agreement entered into between SGMCL and the Purchaser;
“Supply Agreement”	the agreement for the supply of golf products entered into between Sino Golf Macau and Nikko Bussan (Japan) dated 18 April 2005;
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers.



**SINO GOLF HOLDINGS LIMITED**  
**順龍控股有限公司**

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 361)

*Directors:*

Mr. Chu Chun Man, Augustine

Mr. Takanori Matsuura

Mr. Chu Yuk Man, Simon

Mr. Chang Hua Jung

Ms Chiu Lai Kuen Susanna#

Mr. Choy Tak Ho#

Mr. Tse Ying Man#

# independent non-executive Directors

*Registered Office:*

Clarendon House

2 Church Street

Hamilton, HM 11

Bermuda

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

1901-13, Delta House

3 On Yiu Street, Shatin

New Territories

Hong Kong

28 April 2005

*To the Shareholders*

Dear Sirs or Madams,

**DISCLOSEABLE AND CONNECTED TRANSACTION  
AND  
NON-EXEMPT  
CONTINUING CONNECTED TRANSACTIONS  
AND  
GENERAL MANDATE TO ISSUE AND REPURCHASE SHARES**

**I. INTRODUCTION**

The purpose of this circular is to provide you with information relating the ordinary resolutions to be proposed at the AGM and SGM both to be held on 27 May 2005 regarding (i) the approval of the Agreement and the Supplemental Agreement in relation to the Disposal; (ii) the approval of the Supply Agreement and the respective caps in relation to the Continuing Connected Transactions and (iii) the approval of the proposal to grant the Board a Share Issue Mandate and Repurchase Mandate.

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## LETTER FROM THE BOARD

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### II. DISCLOSABLE AND CONNECTED TRANSACTION

The Board announced that on 31 December 2004, SGMCL and the Purchaser entered into the Agreement pursuant to which SGMCL has agreed to sell 62.5% of the equity capital of SHL, an indirect subsidiary of the Company, which is owned as to 62.5% and 37.5% by SGMCL and MI respectively, to the Purchaser. 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.

The Board further announced that on 9 April 2005 that SGMCL and the Purchaser has entered into the Supplemental Agreement pursuant to which the Consideration for the Disposal was determined to 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 an expected 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 discloseable 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 and in the ordinary and usual course of business. 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.

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## LETTER FROM THE BOARD

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### 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 over 62.5% of the Audited Net Asset Value of SHL as at 31 December 2004 (i.e. HK\$2,581,090) 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 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 utilised by SGMCL for its general working capital. The Agreement is expected to be completed immediately after the approval from the Shareholders at the special general meeting (“SGM”) which is scheduled 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 each of 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:

	<b>2004</b>	<b>2003</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
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 in investments and investment holding activity, which is wholly owned by the Su Parties and was set up to enter into this Agreement with SGMCL.

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## LETTER FROM THE BOARD

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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 percentage of sales to domestic customers was relatively insignificant until recent years when Su Founder and Su Parties started to adopt a more aggressive approach to develop domestic market. 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 centralise the related management; (ii) there may be potential conflict of interest with MI when it continues to develop domestic market 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.

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.

An independent board committee comprising the three independent non-executive Directors has been formed to advise the independent Shareholders as to the fairness and reasonableness of the Disposal. Core Pacific – Yamaichi has been appointed as the independent financial adviser to advise the Independent Board Committee and the independent Shareholders in relation to the Disposal.

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

#### **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.



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## LETTER FROM THE BOARD

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**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 Agreement 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 31 December 2002 and the two years ended 31 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 Transactions for each of the three years ending 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 ending 31st December, 2007 shall not exceed HK\$30,000,000 in any financial year.

### **REASON FOR THE CONTINUING CONNECTED TRANSACTIONS**

The Directors consider that it would be: (i) burdensome administratively to have numerous agreements between the 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 Agreement 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.

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## LETTER FROM THE BOARD

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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 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;

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## LETTER FROM THE BOARD

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- (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; 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;
  - (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; and
  - (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.

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, Core Pacific – Yamaichi has been appointed as the independent financial adviser to advise the Independent Board Committee and independent Shareholders.

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## LETTER FROM THE BOARD

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### IV. GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES

At the forthcoming AGM to be held on Friday, 27 May 2005, a resolution, amongst others, will be proposed to grant to the Directors a general mandate to issue Shares and to exercise the powers of the Company to undertake repurchases of its own Shares on the Stock Exchange.

#### 1. General mandate to issue Shares

At the AGM, an ordinary resolution will be proposed to grant the Board a general and unconditional mandate to allot, issue, grant, distribute and otherwise deal with additional Shares not exceeding 20 per cent. of the Company's issued share capital as at the date of such resolution (as adjusted in accordance with the resolution) for the period until the conclusion of the next AGM of the Company (or such earlier period as stated in the resolution) ("**Share Issue Mandate**").

#### 2. General mandate to repurchase Shares

At the AGM, an ordinary resolution will also be proposed to grant the Board a general and unconditional mandate to exercise all the powers of the Company to purchase Shares not exceeding 10 per cent. of the Company's issued share capital as at the date of such resolution for the period until the conclusion of the next AGM of the Company (or such earlier period as stated in the resolution) ("**Repurchase Mandate**").

In accordance with the Listing Rules, an explanatory statement is set out in Appendix A of this circular to provide you with requisite information reasonably necessary to enable you to make an informed decision on whether to vote for or against the proposed ordinary resolution for the grant of the Repurchase Mandate at the AGM.

### V. SGM

The notice convening the SGM to be held at Kowloon Room I, M Floor, Kowloon Shangri-La Hong Kong, 64 Mody Road, Kowloon, Hong Kong on Friday, 27 May 2005 at 4:00 p.m. (or immediately after the conclusion or, as the case may be, adjournment of the AGM, if later) is set out on pages 33 to 34 of this circular for the purpose of considering and, if thought fit, passing by way of a poll, among others, the resolutions in respect of:

- (i) the approval of the Agreement and the Supplemental Agreement in relation to the Disposal; and
- (ii) the approval of the Supply Agreement and the respective caps in relation to the Non-exempt Continuing Connected Transactions.

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## LETTER FROM THE BOARD

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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 SGM in respect of the resolution to approve the Supply Agreement and the respective caps in relation to the Continuing Connected Transactions.

The Board is not aware of any Shareholders who has a material interest in the Disposal and who is required to abstain from voting in respect of the resolution to approve the Agreement and the Supplemental Agreement in relation to the Disposal.

A form of proxy for use by the Shareholder at both the AGM and 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 G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, 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 resolutions put to the vote at the SGM on the business day following such meeting.

### **Procedure for demanding a poll**

Pursuant to the bye-laws of the Company, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded:–

- (a) by the chairman of such meeting; or
- (b) by at least three Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or
- (c) by a Shareholder or Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all the Shareholders having the right to vote at the meeting; or
- (d) by a Shareholder or Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

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## LETTER FROM THE BOARD

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### VI. RECOMMENDATIONS

Having regard to the advice of Core Pacific – Yamaichi, the Independent Board Committee is of the opinion that terms and conditions of (i) the Disposal under the Agreement and the Supplemental Agreement and (ii) the Supply Agreement and the respective caps in relation to the Continuing Connected Transactions are fair and reasonable and in the interest of the Company and the Shareholders as a whole. The Independent Board Committee therefore recommends the independent Shareholders to:

- (i) approve the Agreement and the Supplemental Agreement in relation to the Disposal;
- (ii) approve the Supply Agreement and the respective caps in relation to the Continuing Connected Transactions; and
- (iii) approve the proposal to grant the Board a Share Issue Mandate and Repurchase Mandate.

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

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## LETTER OF ADVICE FROM CORE PACIFIC – YAMAICHI

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*The following is the letter of advice from Core Pacific - Yamaichi, the independent financial adviser, to the Independent Board Committee and the independent Shareholders in respect of the Disposal and the Continuing Connected Transactions for inclusion in this circular.*



Core Pacific - Yamaichi  
Capital Limited  
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28 April 2005

*To the Independent Board Committee and the independent Shareholders*

**Sino Golf Holdings Limited**

Suites 1901-13, 19th Floor

Delta House

3 On Yiu Street

Shatin

New Territories

Hong Kong

Dear Sirs,

### **DISCLOSEABLE AND CONNECTED TRANSACTION AND NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS**

#### **INTRODUCTION**

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the independent Shareholders in respect of the Disposal and the Continuing Connected Transactions. Details of the terms of the Disposal and the Continuing Connected Transactions are set out in the letter from the Board as contained in the circular of the Company to the Shareholders dated 28 April 2005 (the "Circular"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

In our capacity as the independent financial adviser to the Independent Board Committee and the independent Shareholders, our role is to give an independent opinion and recommendation as to whether the terms of the Disposal and the Continuing Connected Transactions are fair and reasonable so far as the independent Shareholders are concerned.

In formulating our opinion and recommendation, we have relied on the information and representations contained in the Circular and provided to us by the Directors and the management of the Company, and have assumed that all such information and representations contained in the Circular and provided to us by the Directors and the management of the Company were true, accurate and complete at the time when they were made and continued to be true, accurate and complete as at the date of the Circular. We have also assumed that all statements of belief, opinion and intention made by the Directors and contained in the Circular were reasonably made by them after their due enquiry and careful consideration. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the management of the Company and have been advised by the Directors that there are no other facts the omission of which would make any statement in the Circular misleading in any material aspect.

We consider that we have reviewed sufficient information to reach a reasonably informed view to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We have not, however, conducted any independent verification of the information and representations contained in the Circular and provided to us by the Directors and the management of the Company nor have we conducted any form of in-depth investigation into the business and affairs of the Group.

## **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In formulating our opinion on the terms of the Disposal and the Continuing Connected Transactions, we have taken the following principal factors and reasons into consideration:

### **A. THE DISPOSAL**

#### **1. Background**

Pursuant to the Agreement and the Supplemental Agreement entered into between SGMCL and the Purchaser on 31 December 2004 and 9 April 2005 respectively, SGMCL agreed to dispose of and the Purchaser agreed to purchase 62.5% of the equity capital of SHL at the Consideration.

As stated in the letter from the Board of the Circular, SHL is owned as to 62.5% by SGMCL, which is an indirect wholly owned subsidiary of the Company, and 37.5% by MI, which is beneficially owned by Su Founder. By virtue of the fact that Su Parties are the beneficial owners and directors of the Purchaser as well as Associates of Su Founder, the Disposal contemplated under the Agreement and the Supplemental Agreement constitutes a connected transaction of the Company under chapter 14A of the Listing Rules.

Whilst, under rule 14.07 of the Listing Rules, the asset ratio and the profit ratio in respect of the Disposal exceed 5% but are less than 25% and each of the other applicable percentage ratios is less than 5%, the Disposal also constitutes a discloseable transaction of the Company under chapter 14 of the Listing Rules.



**2. Reasons for and benefits of the Disposal**

(a) *The Group's strategy to enhance and strengthen its forging production capacity and to centralise the related management*

We note that, as at the Latest Practicable Date, the Company held an indirect interest in 62.5% of the equity capital of SHL. The Directors have advised us that, although the Company is the controlling shareholder of SHL, the daily operation of SHL is managed by Su Founder and Su Parties.

As stated in the letter from the Board of the Circular, the Group will adopt a strategy to enhance and strengthen its forging production capability and centralise the related management. The Directors have advised us that SHL has been engaged in the forging production of golf equipment for the Group and the Group is considering constructing its own forging production line to carry out the production of golf equipment. The Directors believe that such arrangement would enable the Group to centralise its management of forging production.

Having considered the existing day-to-day management of SHL and the business strategy of the Group, we concur with the view of the Directors that the Disposal is in line with the overall business strategies of the Group.

(b) *Potential conflict of interests with MI*

We note from the unaudited interim report of the Company for the six months ended 30 June 2004 (the "Interim Report") that North America is the largest geographical segment of the sales of the Group, representing approximately 76.54% of the unaudited turnover of the Group during the six months ended 30 June 2004. As stated in the Interim Report, the Directors consider that Japan is the potential market for the Group's development and expansion and, thus, the management of the Group has resolved to actively expand and develop the golf equipment and accessories market in Japan.

On the other hand, as stated in the letter from the Board of the Circular, SHL has principally been engaged in producing golf equipment for the overseas markets of the Group since its establishment. In recent years, Su Founder and Su Parties adopt a more aggressive approach to develop domestic market for SHL and, as a result, the proportion of domestic sales to overseas sales of SHL has been increasing. The Directors have advised us that the domestic sales increased from approximately 35% of total turnover of SHL for the year ended 31 December 2003 to approximately 59% for the year ended 31 December 2004.

Whilst the Group targets for overseas markets and Su Founder and Su Parties strive to develop domestic market, the Directors consider that there may be potential conflict of interests between the Group and Su Founder and Su Parties in the operation of SHL.

Having considered that the business strategy of the Group and that of Su Founder and Su Parties are different, we concur with the view of the Directors that there may be potential conflict of interests between the Group and MI when Su Founder and Su Parties continue to expand the domestic market of SHL.

(c) *Opportunity to realise a gain from the Disposal*

The Consideration is determined with reference to 62.5% of the Audited Net Asset Value of SHL as at 31 December 2004. Based on the Consideration of HK\$14.9 million, the Disposal represents an opportunity for the Group to realise its investment in SHL at a premium of approximately HK\$2.58 million over the attributable Audited Net Asset Value of SHL as at 31 December 2004 of approximately HK\$12.32 million.

**3. Basis of the Consideration**

As stated in the letter from the Board of the Circular, the Consideration was arrived at after arm's length negotiations between the parties to the Agreement. The Consideration is determined with reference to 62.5% of the Audited Net Asset Value of SHL as at 31 December 2004. The Consideration payable by the Purchaser to SGMCL will be settled as follows:

- (a) an amount of HK\$9,972,436, equivalent to the sum of (i) the excess amount of the Consideration over 62.5% of the Audited Net Asset Value of SHL as at 31 December 2004 (i.e. HK\$2,581,090), and (ii) 60% of the amount of 62.5% of the Audited Net Asset Value of SHL as at 31 December 2004 (i.e. HK\$7,391,346) by cash upon completion of the Disposal; and
- (b) an amount of HK\$4,927,564, equivalent to 40% of the amount of 62.5% of the Audited Net Asset Value of SHL as at 31 December 2004 by a promissory note with maturity of one year after completion of the Disposal.

On the basis of the Consideration of HK\$14.9 million, the value of the entire equity capital of SHL amounts to HK\$23.84 million. As stated in the letter from the Board of the Circular, the audited profit attributable to shareholders of SHL for the year ended 31 December 2004 was approximately HK\$3.4 million. Accordingly, the Consideration represents a price-to-earnings multiple of SHL of approximately 7.01 times. To evaluate the fairness and reasonableness of such price-to-earnings multiple, we have performed an analysis of those companies listed on the Stock Exchange and the Taiwan Stock Exchange Corporation and identified five companies (the "Comparables") which have similar business to that of SHL and recorded profit for their latest available audited results for comparison. The information on the Comparables is summarised as follows:

# LETTER OF ADVICE FROM CORE PACIFIC – YAMAICHI

Name of the Comparables	Approximate market capitalisation as at 8 April 2005 (being the last trading day immediately before the Consideration is finalised)	Approximate price-to-earnings multiple based on their latest available audited results and their closing prices on 8 April 2005 (being the last trading day immediately before the Consideration is finalised)
<i>Listed in Hong Kong</i>		
The Company (Stock code: 361)	HK\$344.51 million	7.95
<i>Listed in Taiwan</i>		
Advanced International Multitech Co., Ltd. (Stock code: 8938)	NTD 5.71 billion (equivalent to HK\$1.41 billion) <i>(Note 1)</i>	7.63
Dynamic Precision Industry Corp. (Stock code: 8928)	NTD 468.73 million (equivalent to HK\$115.74 million) <i>(Note 1)</i>	5.17
Fu Sheng Industrial Co., Ltd. (Stock code: 1520)	NTD 28.63 billion (equivalent to HK\$7.07 billion) <i>(Note 1)</i>	8.00
O-TA Precision Industry Co., Ltd. (Stock code: 8924)	NTD 5.89 billion (equivalent to HK\$1.45 billion) <i>(Note 1)</i>	8.86
SHL	HK\$23.84 million <i>(Note 2)</i>	7.01

*Notes:*

1. The exchange rate of HK\$1.00 = NTD 4.05 has been used for currency translation. This is for illustration purpose only and does not constitute a representation that any amounts in HK\$ or New Taiwan dollars (“NTD”), the lawful currency of Taiwan, have been, could have been, or may be converted, at these or such other rates.
2. It represents the value of the entire equity capital of SHL which is calculated on the basis of the Consideration.

Based on their respective closing prices on the Stock Exchange or the Taiwan Stock Exchange Corporation as at 8 April 2005 (being the last trading day immediately before the Consideration is finalised) and their respective latest available audited results, the historical price-to-earnings multiples of the Comparables range from approximately 5.17 times to 8.86 times. The price-to-earnings multiple of SHL of approximately 7.01 times in respect of the Consideration is within this range. Accordingly, we are of the view that the Consideration is fair and reasonable so far as the independent Shareholders are concerned.

Besides, we note that part of the Consideration in an amount of approximately HK\$4.93 million, being approximately 33.07% of the total Consideration, will be settled by a promissory note with maturity of one year after completion of the Disposal. The Directors have advised us that such promissory note is non-interest bearing and the payment terms have been arrived at after arm's length negotiations based on normal commercial terms. The Directors have further advised us that, upon completion of the Disposal, the Group may consider subcontracting certain forging production process of golf equipment to SHL before the Group's own forging production facilities commence operation. Having considered the above, we concur with the view of the Directors that the payment terms of the Consideration is fair and reasonable.

#### **4. Effects on the financial position of the Group**

##### *(a) Profit and loss account*

As stated in the letter from the Board of the Circular, the Group will record a gain from the Disposal of approximately HK\$2.58 million, representing the difference between the Consideration and 62.5% of the Audited Net Asset Value of SHL as at 31 December 2004.

Prior to the completion of the Disposal, the Group was entitled to 62.5% of the net profit of SHL. For the year ended 31 December 2003, the audited net profit of SHL attributable to the Group amounted to approximately HK\$1.94 million, representing approximately 4.49% of the total net profit of the Group attributable to the Shareholders. Subsequent to the completion of the Disposal, the Group will not have any interests in SHL and will not entitle to the net profit of SHL. The Directors consider that the profit contribution from SHL is not significant in terms of the total net profit of the Group and, therefore, the Disposal should not have material impact on the financial results of the Group.

##### *(b) Net asset value*

As stated in the Interim Report, the unaudited net asset value of the Group as at 30 June 2004 was approximately HK\$181.33 million.

As discussed under the paragraph headed "Profit and loss account" above, the Group will record a one-off gain on the Disposal of approximately HK\$2.58 million. As a result, upon completion of the Disposal, the net asset value of the Group will be increased by approximately HK\$2.58 million.

##### *(c) Gearing ratio*

Based on the unaudited financial figures of the Group as set out in the Interim Report, the gearing ratio (being the long term debt divided by the equity) of the Group as at 30 June 2004 was approximately 52.18%.

Assuming that (i) the total amount of non-current bank borrowings which amounted to HK\$94.5 million as at 30 June 2004 is unchanged; (ii) the net asset of the Group have a positive effect of approximately HK\$2.58 million after the Disposal as discussed under the paragraph headed “Net asset value” above; and (iii) other financial, accounting and business factors remain constant, the gearing ratio of the Group will decrease slightly from approximately 52.18% to 51.45% upon completion of the Disposal.

*(d) Working capital*

Based on the Consideration of HK\$14.9 million to be settled in cash, the Disposal will generate cash inflow of approximately HK\$2.58 million to the Group. As stated in the letter from the Board of the Circular, the proceeds from the Disposal will be utilised by SGMCL for its general working capital. This will improve the current cash position of the Group.

Having considered the principal factors and reasons as discussed above, we are of the view that the terms of the Disposal are fair and reasonable and on normal commercial terms and in the interest of the Company and the Shareholders as a whole.

## **B. CONTINUING CONNECTED TRANSACTIONS**

### **1. Background**

As stated in the letter from the Board of the Circular, the Group has been engaging, and will continue to engage, in the Continuing Connected Transactions involving the sales of golf products to Nikko Bussan (Japan) since 1990. In 2002, the Company applied to the Stock Exchange for, and was granted, a waiver (the “Existing Waiver”) from strict compliance with the disclosure and approval requirements under chapter 14A of the Listing Rules in respect of the Continuing Connected Transactions, subject to, amongst other things, the aggregate amount receivable from, and payable by, Nikko Bussan (Japan) under the Continuing Connected Transactions not exceeding 20% of the total turnover of the Group in each of the financial years up to 31 March 2005.

Whilst the Existing Waiver was expired on 31 March 2005, the Company seeks the approval of the independent Shareholders for the Continuing Connected Transactions such that the aggregate amount receivable from, and payable by, Nikko Bussan (Japan) under the Continuing Connected Transactions will not exceed HK\$30 million (the “New Annual Cap”) in each of the financial years up to 31 December 2007.

### **2. Reasons for the Continuing Connected Transactions**

As mentioned in the Interim Report, the Directors consider that Japan is the potential market for the Group’s development and expansion and, thus, the management of the Group has resolved to expand and develop the golf equipment and accessories market in Japan.

## LETTER OF ADVICE FROM CORE PACIFIC – YAMAICHI

We note that the Group has established business relationship with Nikko Bussan (Japan) for more than 14 years. As stated in the letter from the Board of the Circular, the Group has been engaging, and will continue to engage, in the Continuing Connected Transactions involving the sales of golf products to Nikko Bussan (Japan) since 1990. The Directors consider that Nikko Bussan (Japan) is a long-term strategic partner of the Group and maintaining a sound business relationship with Nikko Bussan (Japan) is important to the Group, particularly the Continuing Connected Transactions.

As mentioned in the letter from the Board of the Circular, the Directors consider that it would be (i) administratively burdensome to have numerous agreements between the Company and Nikko Bussan (Japan) in respect of the sales of golf products; and (ii) too costly and impractical to make regular disclosure of each of the relevant transactions and to obtain prior approval from the independent Shareholders as required under the Listing Rules. In this regard, we consider that the Continuing Connected Transactions are in the interest of the Group and the independent Shareholders as a whole.

### 3. Basis of the New Annual Cap

The revenue of the Group generated from the Continuing Connected Transactions for the nine months ended 31 December 2002 and each of the two years ended 31 December 2004 are set out as follows:

	For the year ended 31 December 2004 <i>HK\$'000</i>	Percentage of the Group's turnover (%)	For the year ended 31 December 2003 <i>HK\$'000</i>	Percentage of the Group's turnover (%)	For the nine months ended 31 December 2002 <i>HK\$'000</i>	Percentage of the Group's turnover (%)
Sales to						
Nikko Bussan (Japan)	19,396	4.90	55,540	13.90	21,119	9.16

As shown in the table above, the sales of the Group to Nikko Bussan (Japan) increased from approximately HK\$21.12 million for the nine months ended 31 December 2002 to HK\$55.54 million for the year ended 31 December 2003. The Directors have advised us that such increase was mainly due to the results of the aggressive sales promotion programmes implemented by the Group for the Japan market during the year. The sales of the Group to Nikko Bussan (Japan) decreased to approximately HK\$19.40 million for the year ended 31 December 2004. The Directors have advised us that such decrease was mainly due to the market adjustment after a significant quantity of the Group's products was sold in the Japan market under the abovementioned sales promotion programmes in 2003.

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## LETTER OF ADVICE FROM CORE PACIFIC – YAMAICHI

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As stated in the letter from the Board of the Circular, 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 31 December 2007 will be higher than that for the year ended 31 December 2004 but will not exceed HK\$30 million. We note that the average annualised sales by the Group to Nikko Bussan (Japan) for the nine months ended 31 December 2002 and the two years ended 31 December 2004 amount to approximately HK\$34.93 million, which is close to the New Annual Cap. The Directors have advised us that such expectation is founded on (i) the track record of the sales to Nikko Bussan (Japan); (ii) the level of existing orders from Nikko Bussan (Japan) for the golf products manufactured by the Group; and (iii) the indications received by the Directors from Nikko Bussan (Japan) in respect of the business prospects of Nikko Bussan (Japan) in the coming years.

Having considered the basis of the New Annual Cap as discussed above, we are of the view that the New Annual Cap is reasonable.

### RECOMMENDATIONS

Having considered the principal factors and reasons as discussed above, we are of the opinion that the terms of the Disposal and the Continuing Connected Transactions are fair and reasonable so far as the independent Shareholders are concerned and the Disposal and the Continuing Connected Transactions are in the interest of the Company and the independent Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the special general meeting (the “SGM”) of the Company to be held to approve (i) the Disposal under the Agreement and the Supplemental Agreement and (ii) the Supply Agreement and the New Annual Cap in relation to the Continuing Connected Transactions. We also recommend the independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve (i) the Disposal under the Agreement and the Supplemental Agreement and (ii) the Supply Agreement and the New Annual Cap in relation to the Continuing Connected Transactions.

Yours faithfully,  
for and on behalf of  
**Core Pacific-Yamaichi Capital Limited**  
**Griffin Tse**  
*Director*



**SINO GOLF HOLDINGS LIMITED**  
**順龍控股有限公司**

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 361)

28 April 2005

*To the independent Shareholders*

Dear Sir or Madam,

As the Independent Board Committee, we have been appointed by the Board to advise you in connection with the Disposal and Continuing Connected Transactions, details of which are set out in the letter from the Board contained in the circular of the Company dated 28 April 2005 (the “Circular”), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to consider the Disposal and Continuing Connected Transactions. and to advise you as to whether or not it would be fair and reasonable and in the best interests of the Company and the independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve (i) the Disposal under the Agreement and the Supplemental Agreement and (ii) the Supply Agreement and the respective caps in relation to the Continuing Connected Transactions. Core Pacific – Yamaichi has been appointed to advise the Independent Board Committee and the independent Shareholders in relation to the Disposal and Continuing Connected Transactions.

We wish to draw your attention to the letter from the Board, and the letter from Core Pacific – Yamaichi to the Independent Board Committee and the independent Shareholders which contains its advice to us in relation to the Disposal and Continuing Connected Transactions, as set out in the Circular.

Having considered the terms and conditions of the Disposal and Continuing Connected Transactions and the advice of Core Pacific – Yamaichi in relation thereto as set out on pages 13 to 21 of the Circular, we are of the opinion that the terms and conditions of (i) the Disposal under the Agreement and the Supplemental Agreement and (ii) the Supply Agreement and the respective caps in relation to the Continuing Connected Transactions are fair and reasonable to the Company and are in the best interests of the



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## LETTER OF ADVICE FROM INDEPENDENT BOARD COMMITTEE

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Company and the independent Shareholders as a whole. We therefore recommend the independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve (i) the Disposal under the Agreement and the Supplemental Agreement and (ii) the Supply Agreement and the respective caps in relation to the Continuing Connected Transactions respectively.

Yours faithfully,

For and on behalf of the

Independent Board Committee

**Ms Chiu Lai Kuen Susanna, Mr. Tse Ying Man, Mr. Choy Tak Ho**

*Independent Non-Executive Directors*

**SHARE REPURCHASE RULES**

The Share Repurchase Rules provide that all proposed repurchases of securities by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of its shareholders in general meeting, either by way of a general mandate or by a specific approval of a particular transaction. A maximum of 10 per cent. of the fully paid-up securities of a company as at the date of the passing of the relevant resolution may be repurchased on the Stock Exchange.

**SHARE CAPITAL**

As at the Latest Practicable Date, the authorised share capital of the Company comprised 1,000,000,000 Shares of HK\$0.1 each and the number of Shares in issue was 302,200,000 Shares of HK\$0.1 each.

Subject to the passing of the relevant ordinary resolution and on the basis that no further Shares will be issued or repurchased prior to the AGM, the Company would be allowed under the Repurchase Mandate to repurchase a maximum of 30,220,000 Shares during the period in which the Repurchase Mandate remains in force. Any Shares repurchased pursuant to the Repurchase Mandate must be fully paid-up.

**MARKET PRICES**

The highest and lowest prices at which Shares have traded on the Stock Exchange in each of the twelve months preceding the Latest Practicable Date are as follows:

	<b>Highest</b> <i>HK\$</i>	<b>Lowest</b> <i>HK\$</i>
<b>2004</b>		
April	1.66	1.52
May	1.59	1.35
June	1.51	1.35
July	1.48	1.40
August	1.43	1.38
September	1.45	1.38
October	1.44	1.12
November	1.40	1.21
December	1.29	1.12
<b>2005</b>		
January	1.21	1.10
February	1.31	1.18
March	1.32	1.17

**REASONS FOR REPURCHASE**

The Directors believe that the ability to repurchase Shares is in the interests of the Company and the Shareholders. Repurchases may, depending on the circumstances, result in an increase in net assets and/or earnings per Share. The Directors are seeking the Repurchase Mandate to give the Company the flexibility to do so if and when appropriate. The number(s) and class(es) of shares to be repurchased on any occasion and the price and other terms upon which the same are repurchased will be decided by the Directors at the relevant time having regard to the circumstances then pertaining.

**FUNDING OF REPURCHASES**

Repurchases must be made out of funds which are legally available for such purpose in accordance with the memorandum and the bye-laws of the Company and the laws of Bermuda. It is envisaged that the funds required for any repurchase would be derived from the distributable profits of the Company.

There may be an adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in the audited accounts contained in the annual report of the Company for the financial year ended 31 December 2004) in the event that the proposed share repurchases were to be carried out in full at any time during the proposed repurchase period. However, the Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital of the Company or its gearing level which in the opinion of the Directors is from time to time appropriate for the Company.

**DIRECTORS' DEALING**

There are no Directors or (to the best of the knowledge of the Directors, having made all reasonable enquiries) any associates (as defined in the Listing Rules) of the Directors who have a present intention, in the event that the general mandate is granted by the Shareholders, to sell Shares to the Company.

**DIRECTORS' UNDERTAKING**

The Directors will undertake to the Stock Exchange to exercise the power of the Company to make purchases pursuant to the Repurchase Mandate only in accordance with the Listing Rules and the laws of Bermuda.

**EFFECT OF THE TAKEOVERS CODE**

As at the Latest Practicable Date, CM Investment Company Limited was beneficially interested in 171,543,775 Shares representing approximately 56.76 per cent. in the issued share capital of the Company. If, as a result of a share repurchase, a shareholder's proportionate interest in the voting capital of the Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code and, if such increase results in a change in control, may in certain circumstances give rise to an obligation to make a general offer for shares under the Takeovers Code. The Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any purchases made pursuant to the Repurchase Mandate.

**SHARE REPURCHASE MADE BY THE COMPANY**

No purchase has been made by the Company of Shares in the six months prior to the date of this circular.

**CONNECTED PERSONS**

No connected person (as defined in the Listing Rules) of the Company has notified it of a present intention to sell Shares to the Company and no such person has undertaken not to sell any such Shares to the Company in the event that the Repurchase Mandate is granted by the Shareholders.

## RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually 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 and belief, there are no other facts not contained in this circular, the omission of which would make any statement herein misleading.

## DISCLOSURE OF INTERESTS

### (a) Disclosure of interests by the Directors

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive in the shares and underlying shares of the Company and its associated corporation (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

- (i) Long positions in shares and underlying Shares of the Company and the share options granted by the Company

Name of directors	Number of shares held, capacity and nature of interest			No. of share options held	Total	Percentage of the Company's issued share capital
	Directly beneficially owned	Through spouse or minor children	Through controlled corporations	Directly beneficially owned		
<i>Executive Directors:</i>						
CHU Chun Man, Augustine	263	1,000,000	171,543,775	3,000,000	175,544,038	58.09%
Takanori MATSUURA	1,155,400	-	-	3,000,000	4,155,400	1.38%
CHU Yuk Man, Simon	636,237	-	-	3,000,000	3,636,237	1.20%
CHANG Hua Jung	456,793	-	-	-	456,793	0.15%
	<u>2,248,693</u>	<u>1,000,000</u>	<u>171,543,775</u>	<u>9,000,000</u>	<u>183,792,468</u>	

*Note:*

The shares of the Company are held by CM Investment Company Limited, a company incorporated in the British Virgin Islands, of which, approximately 67.46% of its issued share capital are owned by A & S Company Limited, approximately 26.32% of its issued share capital are owned by Takanori Matsuura, approximately 4.18% of its issued share capital are owned by Chu Chun Man, Augustine and approximately 1.21% of its issued share capital are owned by Chu Yuk Man, Simon. A & S Company Limited is a company incorporated in the British Virgin Islands and owned as to approximately 64.00% by Chu Chun Man, Augustine, approximately 21.7% by Chu Yuk Man, Simon and 14.29% by another family member. The interests of Chu Chun Man, Augustine, Takanori Matsuura and Chu Yuk Man, Simon, in the 171,543,775 shares of the Company therefore duplicate with those of CM Investment Company Limited and A&S Company Limited.

## (ii) Long positions in shares and underlying shares of an associated corporation

Name of directors	Name of associated corporation	Relationship with the Company	Shares/equity derivatives	Numbers of shares/equity derivatives held	Capacity and nature of interest	Percentage of the associated corporation's issued non-voting deferred share capital
CHU Chun Man, Augustine	Sino Golf Manufacturing Company Limited	Company's subsidiary	Non-voting deferred shares	1,190,607	Directly beneficially owned	30.98%
Takanori MATSUURA	Sino Golf Manufacturing Company Limited	Company's subsidiary	Non-voting deferred shares	1,841,323	Directly beneficially owned	47.92%
CHU Yuk Man, Simon	Sino Golf Manufacturing Company Limited	Company's subsidiary	Non-voting deferred shares	414,297	Directly beneficially owned	10.78%
CHANG Hua Jung	Sino Golf Manufacturing Company Limited	Company's subsidiary	Non-voting deferred shares	3,600	Directly beneficially owned	0.09%

**(b) Particulars of Directors' Service Contracts**

As at the Latest Practicable Date, no Director had a service contract with any member of the Group which is not determinable by the Company within one year without the payment other than statutory compensation.

**(c) Save as disclosed above, as at the Latest Practicable Date:**

- (i) none of the Directors and chief executive hold any interest or short position in the shares and underlying shares of the Company or any of its associated corporation (within the meaning of the SFO) notifiable to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules, to be notified to the Company and the Stock Exchange;
- (ii) none of the Directors had any direct or indirect interest in any assets which have been, other than as disclosed in the latest published audited accounts of the Group were made up, acquired or disposed of by, or leased to the Company or any of its subsidiaries, or are proposed to be acquired or disposed of by, or leased to, the Company or any of its subsidiaries; and
- (iii) none of the Directors is materially interested in any contract or arrangement entered into by the Company or any of its subsidiaries which contract or arrangement is subsisting at the date of this circular and which is significant in relation to the business of the Group.

**(d) Directors' interests in competing businesses**

As at the Latest Practicable Date, the interests of the Directors in the businesses (other than those businesses where the Directors were appointed as directors to represent the interests of the Company and/or any member of the Group) which are considered to compete or are likely to compete, either directly or indirectly, with the businesses of the Group were as follows:

<b>Name of Director</b>	<b>Name of entity whose businesses are considered to compete or likely to compete with the businesses of the Group</b>	<b>Description of businesses of the entity which are considered to compete or likely to compete with the businesses of the Group</b>	<b>Nature of interest of the Director in the entity</b>
NIL	NIL	NIL	NIL

## SUBSTANTIAL SHAREHOLDERS

- (a) As at the Latest Practicable Date, according to the register kept by the Company under Section 336 of the SFO, the following persons and companies were interested in 5% or more in the Shares or underlying Shares which fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

Name	Notes	Capacity and nature of interest	Number of ordinary shares held	Number of share options held	Total	Percentage of the Company's issued share capital
CM Investment Company Limited		Directly beneficially owned	171,543,775	–	171,543,775	56.76%
A & S Company Limited	(a)	Through a controlled corporation	171,543,775	–	171,543,775	56.76%
Value Partners Limited		Investment manager	15,372,000	–	15,372,000	5.09%
Cheah Cheng Hye	(b)	Through a controlled corporation	15,372,000	–	15,372,000	5.09%
Hung Tze Ng Cathy	(c)	Through spouse	171,544,038	3,000,000	174,544,038	57.76%
Hung Tze Ng Cathy		Directly beneficially owned	1,000,000	–	1,000,000	0.33%
			172,544,038	3,000,000	175,544,038	58.09%

## Notes:

- (a) The interests disclosed include the shares owned by CM Investment Company Limited. CM Investment Company Limited is held directly as to 67.46% by A & S Company Limited. Accordingly, A & S Company Limited is deemed to be interested in shares owned by CM Investment Company Limited.
- (b) The interests disclosed include the shares owned by Value Partners Limited. Value Partners Limited is held directly as to 31.82% by Cheah Cheng Hye who reported the interests in shares owned by Value Partners Limited as deemed interests.
- (c) Hung Tze Nga, Cathy is the spouse of Chu Chun Man, Augustine. Accordingly, Hung Tze Nga, Cathy is deemed to be interested in shares and share options owned by Chu Chun Man, Augustine.



Save as disclosed above, so far as was known to the Directors, there was no other person (other than the Directors or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, beneficially interested in 5% or more of the issued share capital of the Company.

**LITIGATION**

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

**MATERIAL ADVERSE CHANGE**

Save as disclosed in this circular, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December, 2004, the date to which the latest published audited accounts of the company were made up.

**QUALIFICATION AND CONSENT OF EXPERT**

Core Pacific – Yamaichi has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and reference to its name in the form and context in which they appear.

The qualification of the expert who has provided its advice which is contained in this circular is set out as follows:

<b>Name</b>	<b>Qualification</b>
Core Pacific – Yamaichi	A corporation licensed in respect of Types 1 and 6 regulated activities under the SFO

Save as disclosed in this circular, Core Pacific – Yamaichi is not interested in any Shares or shares in any member of the Group nor does it have any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any Shares or shares in any member of the Group.

**MISCELLANEOUS**

- (a) The registered office of the Company is 19th Floor, Delta House, 3 On Yiu Street, Shatin, New Territories, Hong Kong.
- (b) The share registrars of the Company is Tengis Limited located at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.
- (c) The company secretary and the qualified accountant of the Company is Choi Ying, Kammy. She is a member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.
- (d) The English text of this circular will prevail over the Chinese text.

**DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection during business hours at the registered office of the Company from the date of this circular up to and including 27 May 2005:

- (a) the bye-laws of the Company;
- (b) the “Letter of advice from the Independent Board Committee” as set out in this circular;
- (c) the “Letter of advice from Core Pacific – Yamaichi” as set out on in this circular;
- (d) the written consent from Core Pacific – Yamaichi referred to in this Appendix;
- (e) the Agreement and the Supplemental Agreement; and
- (f) the Supply Agreement.



**SINO GOLF HOLDINGS LIMITED**  
**順龍控股有限公司**

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 361)

**NOTICE IS HEREBY GIVEN** that the Special General Meeting (the “SGM”) of the Company will be held at Kowloon Room I, M Floor, Kowloon Shangri-La Hong Kong, 64 Mody Road, Kowloon, Hong Kong on Friday 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) for the following purposes:-

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

“**THAT** the agreement dated 31 December 2004 and the supplemental agreement dated 9 April 2005 (the “Agreements”, details of which are described in the Company’s announcements dated 28 February 2005 and 18 April 2005 respectively and in a circular issued by the Company on 28 April 2005) entered into between Sino Golf Manufacturing Company Limited (“SGMCL”), an indirectly wholly owned subsidiary of the Company, and Global Sourcing and Distribution Limited (the “Purchaser”) in relation to the disposal by SGMCL to the Purchaser of 62.5% of equity capital of 順德市順興隆高爾夫球制品有限公司, an indirect subsidiary of the Company, be hereby unconditionally approved.”

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

“**THAT**

- (a) subject to sub-paragraph (b) of this Resolution, the agreement dated 18 April 2005 entered into between (i) Sino Golf Comercial Offshore De Macau Limitada (“Sino Golf Macau”), an indirectly wholly owned subsidiary of the Company, and (ii) Nikko Bussan Co., Ltd. (“Nikko Bussan”) for the supply of golf products (the “Supply Agreement”, details of which are described in the Company’s announcement dated 20 April 2005 and in the circular issued by the Company on 28 April 2005), be hereby approved and the directors of the Company be and are hereby authorized 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; and

- (b) The maximum aggregate annual value (“cap”) in respect of the supply of golf products from Sino Golf Macau to Nikko Bussan under the Supply Agreement pursuant to the approval in sub-paragraph (a) of this Resolution shall be set at HK\$30,000,000 for each relevant financial year and that the cap shall be limited accordingly.”

By order of the Board  
**Chu Chun Man, Augustine**  
*Chairman*

Hong Kong, 28 April 2005

The directors of the Company as at the date of this notice are as follows:

*Executive Directors*

Mr. Chu Chun Man, Augustine  
Mr. Takanori Matsuura  
Mr. Chu Yuk Man, Simon  
Mr. Chang Hua Jung

*Independent Non-executive Directors*

Mr. Choy Tak Ho  
Ms. Chiu Lai Kuen, Susanna  
Mr. Tse Ying Man