



**THE STOCK EXCHANGE OF HONG KONG LIMITED**  
(A wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited)

12 July 2006

**The Listing Committee of The Stock Exchange of Hong Kong Limited (the “Listing Committee”) criticises the following parties for breaching the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Exchange Listing Rules”):**

- 1. Sino Golf Holdings Limited (the “Company”);**
- 2. Mr Chu Chun Man, Augustine, an executive director of the Company (“Mr A Chu”);**
- 3. Mr Chu Yuk Man, Simon, an executive director of the Company (“Mr S Chu”);**
- 4. Mr Takanori Matsuura, an executive director of the Company (“Mr Matsuura”);**  
**and**
- 5. Mr Chang Hua Jung, an executive director of the Company (“Mr Chang”).**

On 4 April 2006, the Listing Committee conducted a hearing into the conduct of the Company and Mr A Chu, Mr S Chu, Mr Matsuura and Mr Chang (collectively, the “Relevant Directors”) in relation to the obligations under Rule 13.09 of the Exchange Listing Rules and the Declaration and Undertaking with regard to Directors given by each of the Relevant Directors to the Exchange in the form set out in Appendix 5B to the Exchange Listing Rules (the “Director’s Undertaking”).

Pursuant to Rule 13.09(1) of the Exchange Listing Rules, an issuer shall keep the Exchange, members of the issuer and other holders of its listed securities informed as soon as reasonably practicable of any information relating to the group (including information on any major new developments in the group’s sphere of activity which is not public knowledge) which:

- (a) is necessary to enable them and the public to appraise the position of the group;
- (b) is necessary to avoid the establishment of a false market in its securities; or
- (c) might be reasonably expected materially to affect market activity in and the price of its securities.

**Facts**

On 17 September 2004, the Company published its interim report for the six months ended 30 June 2004 (the “2004 Interim Report”) which showed a growth in turnover and profits. The 2004 Interim Report also contained the statement that, *“Based on the current order book status and market projections, the directors remain cautiously optimistic about the business of the second-year half of 2004.”*

On 18 April 2005, the Company's final results for the year ended 31 December 2004 (the "2004 Final Results") were released which showed shrinkage in turnover and the Company had made almost no profits for the second half of 2004. One of the reasons given by the Company for the poor performance was "*the incurrence of a bad debt provision of approximately HK\$9.5 million made against one of our overseas customers who filed for bankruptcy protection under Chapter 11 in the United States in late 2004,....*". The "overseas customer" was Huffly Corporation ("Huffly"), a company based in the United States, which filed for Chapter 11 Reorganisation on 20 October 2004. The value of the outstanding amount owed by Huffly to the Company amounted to 7.27 per cent of the net asset value of the Company as at 31 December 2004.

The release of the 2004 Final Results at 4 p.m. on 18 April 2005 sent the Company's share prices down by 22.7 per cent on 19 April 2005. The fall was against the background that the share market rose slightly from 18 to 19 April 2005.

The Company learnt about Huffly's filing of Bankruptcy Protection under Chapter 11 on or about 20 October 2004.

The Division was of the view that the following facts constituted price-sensitive information which should have been disclosed to the public by an announcement on 20 October 2004 or as soon as practicable thereafter:

1. the Company knew about the fact that Huffly filed for Bankruptcy Protection under US law on 20 October 2004; and
2. the Company was owed HK\$11,869,000 by Huffly as at the date of Huffly's filing of Bankruptcy Protection.

The Listing Division alleged that, by failing to do so, the Company breached Rule 13.09 of the Exchange Listing Rules.

The Listing Division further alleged that the Relevant Directors in office at the material times had failed to use their best endeavours to procure that the Company comply with the Exchange Listing Rules in that they: (i) caused or failed to prevent the breach of Rule 13.09 by the Company; and (ii) failed to ensure that the Company had in place at the material time, any or any adequate internal controls to ensure the performance of the Company of its continuing disclosure obligations under the Exchange Listing Rules.

## **Decision**

The Listing Committee concluded that:

- (i) the Company breached Rule 13.09 of the Exchange Listing Rules; and
- (ii) Each of the Relevant Directors breached the Director's Undertaking for failing to use his best endeavours to procure that the Company complied with the Exchange Listing Rules.

The Listing Committee decided to impose a public statement which involves criticism on the Company and each of the Relevant Directors for their respective breaches mentioned in (i) and (ii) above.

Head of Listing, Richard Williams said, “The decision in this case gives me the opportunity to remind issuers and their senior management as to their obligations concerning this very important topic. While the commercial implications of a particular event in the business affairs of a listed company are obviously very important, directors of listed companies are also obliged to consider the wider disclosure and compliance implications of a relevant event and to take appropriate action. Non public information about a change in the company’s financial condition; the performance of its business; or senior management’s expectation as to its performance which if made public would be likely to lead to a material movement in market activity in and the price of its securities is information which readily falls under the general obligation of disclosure set out in Rule 13.09(1).

This case demonstrates that failure on the part of the directors to give due consideration to their obligation to disclose price-sensitive information to shareholders and the market and to act on their decision may result in disciplinary action. This is particularly so, as in this case, where statements have been made as to the expected financial performance of the Company and the relevant event may lead to a reassessment of the accuracy of those historical statements.

To facilitate the decision-making process directors are urged to ensure that appropriate mechanisms are put in place to alert directors to their obligations and to ensure that disclosure is made to the Exchange and the market in the prescribed manner.

The directors of listed issuers are also encouraged to consider the guidance provided by the Exchange as to our expectations in this regard to be found in “*The Guide on Disclosure of Price-sensitive Information*”. This publication states clearly the guiding principles as to when price-sensitive information should be disclosed: “*Information which is expected to be price-sensitive should be announced promptly after it becomes known to a director or senior management of the issuer. “Promptly” means as soon as reasonably practicable after the senior management of the issuer learns that the information is both material and non-public.*” The Guide is available on the Exchange’s web-site in both English and Chinese.”