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SINOREF

SINOREF HOLDINGS LIMITED

華耐控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1020)

**MAJOR TRANSACTION
IN RELATION TO THE ACQUISITION
OF THE ENTIRE ISSUED SHARE CAPITAL
OF SOARING INTERNATIONAL HOLDINGS LIMITED
INVOLVING THE ISSUE OF CONSIDERATION SHARES UNDER
SPECIFIC MANDATE AND THE ISSUE OF PROMISSORY NOTE**

Financial Adviser to the Company

AMASSE CAPITAL
寶 積 資 本

THE AGREEMENT

The Board is pleased to announce that, on 15 May 2015 (after trading hours), the Company entered into the Agreement with the Vendors, pursuant to which the Company has conditionally agreed to acquire and the Vendors have conditionally agreed to sell the Sale Shares, representing the entire issued share capital of the Target Company, at the Consideration of HK\$380,000,000, which will be satisfied by the issue of the Consideration Shares and the Promissory Note.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition exceeds 25% but all of them are below 100%, the Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules, and is therefore subject to the reporting, announcement and Shareholders' approval requirements.

In accordance with the Listing Rules, any Shareholder who has a material interest in the Acquisition shall abstain from voting on the resolution(s) to approve the Acquisition and the transactions contemplated thereunder at the EGM. Considering, as at the date of this announcement, Win All Management, a company wholly owned by Vendor 2, holds 130,000,000 Shares, representing approximately 7.49% of the total issued share capital of the Company, Win All Management will abstain from voting on the relevant resolution(s) at the EGM accordingly.

GENERAL

The EGM will be convened and held for the Shareholders to consider, and if thought fit, to approve, the Agreement and the transactions contemplated thereunder.

A circular containing, among other things, (i) further information of the Agreement and the transactions contemplated thereunder; (ii) financial information of the Group and the Target Group; (iii) pro forma financial information on the enlarged group; (iv) valuation report on the HK Subsidiary; and (v) notice of the EGM, will be despatched to the Shareholders on or before 31 July 2015 as additional time is required for the preparation of the relevant information for inclusion in the circular.

Completion is subject to the fulfillment of certain conditions precedent set out in the Agreement and therefore may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

INTRODUCTION

The Board is pleased to announce that, on 15 May 2015 (after trading hours), the Company entered into the Agreement with the Vendors, pursuant to which the Company has conditionally agreed to acquire and the Vendors have conditionally agreed to sell the Sale Shares, representing of the entire issued share capital of the Target Company.

THE AGREEMENT

The principal terms of the Agreement are summarized as follows:–

Date

15 May 2015 (after trading hours)

Parties

- (i) Purchaser: the Company
- (ii) Vendors: (a) Vendor 1; and
(b) Vendor 2

As at the date of this announcement, Win All Management, a company wholly owned by Vendor 2, holds 130,000,000 Shares, representing approximately 7.49% of the total issued share capital of the Company.

Save as disclosed above, to the best knowledge, information and belief of the Directors, having made all reasonable enquiries, the Vendors are Independent Third Parties.

Assets to be acquired

The Sale Shares, representing the entire issued share capital of the Target Company which is owned as to 50% by Vendor 1 and Vendor 2 respectively.

Consideration

The Consideration is HK\$380,000,000, which will be settled by the Company to the Vendors in the following manners:

- (i) as to HK\$213,600,000 by way of delivery to the Vendors the Promissory Note issued by the Company in favour of the Vendors (or their nominee(s)) upon Completion; and
- (ii) as to HK\$166,400,000 by way of issuance of the Consideration Shares to the Vendors (or their nominee(s)) upon Completion.

Conditions precedent

Completion is conditional upon the satisfaction of the following conditions precedent:

- (i) the Company being satisfied with the results of the due diligence review of the Target Group;
- (ii) all necessary consents and approvals required to be obtained on the part of the Vendors and the Company in respect of the Agreement and the transactions contemplated thereby having been obtained;
- (iii) all necessary waiver, consent, approval, licence, authorisation, permission, order and exemption (if required) from the relevant governmental or regulatory authorities or other third parties which are necessary in connection with the Agreement and the transactions contemplated thereby having been obtained;
- (iv) the passing by the Shareholders at the EGM of an ordinary resolution to approve the Agreement and the transactions contemplated thereunder, including but not limited to the issue of the Consideration Shares (of and to such extent required);
- (v) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Consideration Shares;
- (vi) the obtaining of a PRC legal opinion (in form and substance reasonably satisfactory to the Company) in relation to the transactions contemplated under the Agreement;
- (vii) the obtaining of a valuation report on the HK Subsidiary prepared by an independent valuer appointed by the Company in form and substance satisfactory to the Company; and
- (viii) the warranties provided by the Vendors under the Agreement remaining true and accurate in all material respects.

If the above conditions have not been satisfied on or before the Long Stop Date, the Agreement shall cease and determine and thereafter neither party shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof.

As at the date of this announcement, none of the above conditions have been fulfilled.

EBITDA Guarantee

The Vendors irrevocably and unconditionally guarantee to the Company that the audited consolidated earnings before interest, taxes, depreciation and amortization of the Target Group, as calculated from its audited consolidated statements to be prepared in accordance with HKFRS (the “**Audited Statements**”), for the financial year ended 31 March 2016 (the “**Actual EBITDA**”) shall be not less than HK\$10,000,000 (the “**Guaranteed EBITDA**”);

In the event that the Actual EBITA is less than the Guaranteed EBITDA, the Vendors shall pay a compensation amount (the “**Compensation**”) to the Company as calculated below: –

$$(\text{Guaranteed EBITDA} - \text{Actual EBITA}) \times 38 \text{ (Note)}$$

Note: The EBITDA Multiple of 38 times is calculated by dividing the Consideration by the Guaranteed EBITDA.

Where:

For the avoidance of doubt, if the Actual EBITDA is a negative figure, it should be considered as zero. The maximum amount of the Compensation payable by the Vendors shall not exceed the amount of the Consideration.

The Actual EBITDA shall be determined according to the Audited Statements which shall be prepared and reported on by the auditor nominated by the Company within 3 months after the said period or any other date as agreed by the Vendors and the Company.

The Compensation shall be settled by the Vendors with the Company within seven (7) Business Days after determination of the Actual EBITDA firstly by setting off all accrued and unpaid interest under the Promissory Note; then secondly, by setting off the outstanding principal amount of the Promissory Note; and, lastly, in cash.

Completion

Completion shall take place on the Completion Date.

BASIS FOR DETERMINING THE CONSIDERATION

The Consideration of HK\$380,000,000 is determined based on arm’s length negotiations between the Company and the Vendors with reference to, among others, the preliminary valuation of the HK Subsidiary (the “**Preliminary Valuation**”), of HK\$392,000,000, as at 30 April 2015 prepared by Steinberg Appraisal and Consulting (Hong Kong) Limited, an independent valuer. Accordingly, the Directors consider that the Consideration is fair and reasonable and in the interests of the Group and the Shareholders as a whole.

The Preliminary Valuation is prepared using discounted cash flow method under the income approach. Therefore, the Preliminary Valuation is regarded as a profit forecast under Rule 14.61 of the Listing Rules. Information in compliance with Rule 14.62 of the Listing Rules in respect of the said profit forecast will be contained in the circular to be issued by the Company in relation to the Acquisition.

CONSIDERATION SHARES AND THE ISSUE PRICE

The Consideration Shares will be allotted and issued at the Issue Price of HK\$0.32 each, which represents:

- (i) a discount of approximately 31.91% to the closing price of HK\$0.47 per Share as quoted on the Stock Exchange on the date of the Agreement; and
- (ii) a discount of approximately 23.99% to the average closing price of HK\$0.421 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Agreement.

The Issue Price was determined after arm's length negotiation between the Company and Vendors with reference to the placing price of HK\$0.31 per Share as announced by the Company on 16 April 2015. The Directors consider that the Issue Price is fair and reasonable.

The Consideration Shares represent approximately 29.95% of the existing issued share capital of the Company as at the date of this announcement and represent approximately 23.05% of the issued share capital of the Company as enlarged by the allotment and issue of Consideration Shares.

THE SPECIFIC MANDATE

The Consideration Shares will be allotted and issued pursuant to the Specific Mandate to be sought at the EGM.

An application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares. The Consideration Shares, when issued upon Completion, will rank *pari passu* in all respects with the existing Shares in issue.

PROMISSORY NOTE

The principal terms of the Promissory Note are as follows:

Issuer:	The Company
Principal amount:	HK\$213,600,000
Maturity date:	the day falling on the third anniversary of the date of issue of the Promissory Note (the " Maturity Date ")
Interest:	2% per annum
Early Redemption:	The Company may redeem in whole or in part the outstanding principal of the Promissory Note at any time prior to the Maturity Date. Any redemption of the outstanding principal of the Promissory Note shall be made together with interest accrued on the redeemed amount up to the redemption date.

The Directors are of the view that the terms of the Promissory Note are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE TARGET GROUP

The Target Company is a company incorporated in the BVI with limited liability and an authorised share capital of US\$50,000 divided into 50,000 ordinary shares of US\$1.0 each, of which 2 ordinary shares have been issued as at the date of this announcement. Its principal activity is investment holding.

The HK Subsidiary, a wholly-owned subsidiary of the Target Company, is a company incorporated in Hong Kong with limited liability which has issued 10,000 ordinary shares with total amount of paid up capital of HK\$10,000 as at the date of this announcement.

The PRC Subsidiary, a wholly-owned subsidiary of the HK Subsidiary, is an enterprise incorporated in the PRC with limited liability and with a registered capital of RMB500,000.

Business model of the Target group

The Target Group is principally engaged in the business of e-commerce and information technology.

E-Commerce

Under this segment, the Target Group operates its own buying office, which is located in Shenzhen of the PRC, to source products, covering a wide range of products such as cell phone and gaming accessories, home and garden products and computer and peripheral products, from the manufacturers in the PRC and resell to the overseas distributors and retail customers through e-commerce platform. The sales of the Target Group are mainly made to overseas countries, including but not limited to the United States, the United Kingdom, Canada and Australia.

Since the establishment in 2007, the Target Group is principally focused on the cross border e-commerce business as the Target Group sources products from the manufacturers in the PRC and resell to the worldwide distributors and retail customers through several popular e-commerce platforms, including but not limited to Ebay, Amazon and Alibaba. With approximate 8 year experiences on the said business, the Target Group has attracted interested customers from over 180 countries and developed a large customer base by accumulating over 2.50 million customer contacts.

In addition to the aforesaid third party platforms, to further capture the potential growth in e-commerce industry, the Target Group has been establishing its own e-commerce platform and the platform is expected to be launched in early 2017, which could serve as another sale channel for the Target Group while provides additional source of income to the Target Group.

Information Technology

Under this segment, the Target Group provides e-commerce solutions and related support services and sell information technology products. The main product of the Target Group is an enterprise resource planning system which connects the real time sales of different e-commerce platforms with the user's supply chain management system.

Financial information of the Target Group

Set out below are financial information of the HK Subsidiary as extracted from its unaudited consolidated financial statements prepared in accordance with the HKFRS for the two years ended 31 March 2014 and 2015:

	For the year ended 31 March 2014 <i>HK\$'000</i> <i>(unaudited)</i>	For the year ended 31 March 2015 <i>HK\$'000</i> <i>(unaudited)</i>
Net profit before taxation and extraordinary items	Approximately 80	Approximately 3,093
Net profit after taxation and extraordinary items	Approximately 80	Approximately 2,934

The total assets and the total liabilities of the HK Subsidiary as at 31 March 2015 according to its unaudited consolidated financial statement were approximately HK\$17 million and HK\$16 million respectively.

Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company and the consolidated financial results of the Target Company will be consolidated into the Group's financial statement.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in the manufacture and sale of advanced steel flow control products and the manufacture and sale of paper converting equipment and other relating equipment.

According to the annual report (the "**2014 Annual Report**") of the Company for the year ended 31 December 2014 ("**FY2014**"), the production and operation of steel manufacturers were under tremendous pressure and challenges amidst the deteriorating global market and the fluctuating iron ore prices, which in turn lowered the average selling price of the products and the profitability of the Group. As a result of the challenging conditions, the Group's loss and total comprehensive expense for FY 2014 was approximately RMB173.7 million, compared to approximately RMB56.8 million for the previous year. The loss was mainly due to, among others, the significant drop of the average product price. Aiming at enhancing the Group's profitability and in view of the steel industry has been delivering disappointing performances and is still under uncertainties, the Group will evaluate other potential business opportunities.

According to the “measuring the information society report 2014” published by International Telecommunications Union, an United Nations specialized agency for information and communication technologies, the number of worldwide internet users grew from approximately 2 billion in 2011 to 3 billion in 2014, which covered around 40% of the world population in 2014, representing a compounded annual growth rate (“CAGR”) of 14.47%. Further, according to the statistics and estimates published by the eMarketer, a research company covering digital marketing, media and commerce, in July 2014, (i) the worldwide business to customer ecommerce sales were expected to be increased from approximately US\$1.23 trillion in 2013 to US\$2.36 trillion in 2018, representing an CGAR of 13.92%; and (ii) the worldwide digital buyer penetration rate over the internet users was expected to be increased from 41.3% in 2013 to 47.3% in 2017. Accordingly, the Board is of the view that the e-commerce business is in a steady growth phase.

In addition, according to <<關於落實《政府工作報告》重點工作部門分工的意見>> (Opinions on the implementation of division of work under the report on the work of the government*) issued by the State Council of the PRC on 25 March 2015, the PRC government planned to, among others, (i) formulate the “Internet Plus” action plan; (ii) promote the integration of modern manufacturing industry and mobile internet, cloud computing, big data and internet of things; (iii) encourage the development of e-commerce business; and (iv) guide the expansion of internet enterprises into international market.

Taking into consideration of the potential growth in the e-commerce business and the favourable support from the PRC government, the Board is optimistic about the future development of e-commerce business and the industry in which the Target Group operates.

The Directors are of the view that the Acquisition provides a prime opportunity for the Group to enter into the e-commerce industry and diversify the revenue stream of the Group which is expected to increase the Shareholders’ value and benefit the Company and the Shareholders as a whole.

Taking into consideration of the above, the Directors consider that the terms of the Acquisition are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

EFFECT ON THE SHAREHOLDING STRUCTURE

The following table illustrates the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately following Completion (assuming that there is no change in the issued share capital of the Company from the date of this announcement and up to Completion other than the issue of the Consideration Shares):

	As at the date of this announcement		Immediately following Completion	
	No. of Shares	approximate %	No. of Shares	approximate %
Fully Wealthy Inc.	205,012,000	11.81%	205,012,000	9.09%
Vendor 1	–	–	260,000,000	11.52%
Vendor 2 (Note)	130,000,000	7.49%	390,000,000	17.29%
Sub-total	130,000,000	7.49%	650,000,000	28.81%
Public Shareholders	<u>1,401,216,000</u>	<u>80.70%</u>	<u>1,401,216,000</u>	<u>62.10%</u>
Total	<u>1,736,228,000</u>	<u>100.00%</u>	<u>2,256,228,000</u>	<u>100.00%</u>

Note: Win All Management, a company wholly owned by Vendor 2, is the legal and beneficial owner of 130,000,000 Shares, representing approximately 7.49% of the total issued share capital of the Company as at the date of this announcement.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition exceeds 25% but all of them are below 100%, the Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules, and is therefore subject to the reporting, announcement and Shareholders' approval requirements.

In accordance with the Listing Rules, any Shareholder who has a material interest in the Acquisition shall abstain from voting on the resolution(s) to approve the Acquisition and the transactions contemplated thereunder at the EGM. Considering, as at the date of this announcement, Win All Management, a company wholly owned by Vendor 2, holds 130,000,000 Shares, representing approximately 7.49% of the total issued share capital of the Company, Win All Management will abstain from voting on the relevant resolution(s) at the EGM accordingly.

GENERAL

The EGM will be convened and held for the Shareholders to consider, and if thought fit, to approve, the Agreement and the transactions contemplated thereunder.

A circular containing, among other things, (i) further information of the Agreement and the transactions contemplated thereunder; (ii) financial information of the Group and the Target Group; (iii) pro forma financial information on the enlarged group; (iv) valuation report on the HK Subsidiary; and (v) notice of the EGM, will be despatched to the Shareholders on or before 31 July 2015 as additional time is required for the preparation of the relevant information for inclusion in the circular.

Completion is subject to the fulfillment of certain conditions precedent set out in the Agreement and therefore may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Acquisition”	the acquisition of the Sale Shares by the Company pursuant to the Agreement
“Agreement”	the conditional sale and purchase agreement dated 15 May 2015 and entered into by the Company and the Vendors in respect of the Acquisition
“Board”	the board of Directors
“Business Day(s)”	a day (other than a Saturday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“BVI”	British Virgin Islands
“Company”	Sinoref Holdings Limited (華耐控股有限公司), a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Stock Exchange
“Completion”	completion of the sale and purchase of the Sale Shares in accordance with the provisions of the Agreement
“Completion Date”	third Business Day after the date of fulfillment of the conditions precedent under the Agreement (or such other date as the Company and the Vendors may agree in writing)
“Consideration”	HK\$380,000,000, being the consideration for the Acquisition
“Consideration Shares”	up to a maximum of 520,000,000 new Shares to be issued by the Company to the Vendors pursuant to the Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants

“HK Subsidiary”	VT Zero Limited, a company incorporated in Hong Kong with limited liability and a wholly owned subsidiary of the Target Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	a party(ies) independent of and not connected with the Company and its connected persons
“Issue Price”	HK\$0.32, being the issue price per Consideration Share
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	30 September 2015 (or such other date as the Company and the Vendors may agree in writing)
“Promissory Note”	the promissory note in the principal amount of HK\$213,600,000 at the interest rate of 2% per annum to be issued by the Company to the Vendors (or their nominee(s)) pursuant to the Agreement
“PRC”	The People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, Macau and Taiwan
“PRC Subsidiary”	劃時零距電子(深圳)有限公司 (VT Zero (Shenzhen) Company Limited*), an enterprise incorporated in the PRC and a wholly owned subsidiary of the HK Subsidiary
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	entire issued share capital of the Target Company
“Share(s)”	ordinary share(s) of HK\$0.1 each in the issued share capital of the Company as at the date of this announcement
“Shareholder(s)”	holder(s) of the Share(s)
“Specific Mandate”	the specific mandate for the allotment and issue of the Consideration Shares to be granted to the Directors by the Shareholders at the EGM
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Soaring International Holdings Limited, a company incorporated in the BVI with limited liability
“Target Group”	collectively, the Target Company, the HK Subsidiary and the PRC subsidiary
“US\$”	United States dollars, the lawful currency of the United States of America
“Vendor 1”	Mr. Lee Yim
“Vendor 2”	Mr. Ng Hang Fai Calvin

“Vendors”	collectively, Vendor 1 and Vendor 2
“Win All Management”	Win All Management Limited, a company incorporated in the BVI with limited liability and is wholly owned by Vendor 2
“%”	per cent

By Order of the Board
Sinoref Holdings Limited
Mr. Xu Yejun
Chairman

Hong Kong, 15 May 2015

As at the date of this announcement, the executive Directors are Mr. Xu Yejun and Mr. Sin Kwok Wai Ronald, the non-executive Directors are Mr. Chow Chi Wa and Ms. Yip Sum Yu and the independent non-executive Directors are Mr. Yao Enshu, Mr. Tong Yiu On and Mr. Li Yik Sang.

* *For identification purposes only*