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賽伯樂國際控股

CYBERNAUT INTERNATIONAL HOLDINGS COMPANY LIMITED

賽伯樂國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1020)

**MAJOR TRANSACTION
DISPOSAL OF 100% EQUITY INTEREST IN A SUBSIDIARY**

Reference is made to the MOU Announcement in relation to the potential disposal of the Disposal Company by the Company.

THE AGREEMENT

On 1 August 2018 (after trading hours), the Company as vendor and the Purchaser (being an Independent Third Party) entered into the Agreement, pursuant to which the Purchaser has conditionally agreed to purchase, and the Company has conditionally agreed to sell, the Sale Shares at the Consideration of HK\$82.8 million in cash. The Sale Shares represents 100% of the issued share capital of the Disposal Company.

The Disposal Group is principally engaged in the manufacture and sale of advanced steel flow control products including subentry nozzle, stopper, tundish nozzle and ladle shroud. Based on the adjustments as mentioned in the paragraph headed “The Agreement – Consideration” in this announcement, the Adjusted NAV of the Disposal Group as at 30 June 2018 is approximately RMB70.2 million (equivalent to approximately HK\$80.8 million). Upon Completion, the Disposal Group will cease to be subsidiaries of the Company.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Disposal reaches or exceeds 25% but less than 75%, the Disposal constitutes a major transaction of the Company and is subject to the notification, announcement and shareholders’ approval requirements under Chapter 14 of the Listing Rules.

GENERAL

The EGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Disposal. A circular containing, among others, (i) further details of the Disposal; (ii) other information as required under the Listing Rules; and (iii) notice of the EGM will be despatched to the Shareholders as soon as practicable, which is expected to be on or before 22 August 2018.

INTRODUCTION

Reference is made to the MOU Announcement in relation to the potential disposal of the Disposal Company by the Company.

On 1 August 2018 (after trading hours), the Company as vendor and the Purchaser (being an Independent Third Party) entered into the Agreement, pursuant to which the Purchaser has conditionally agreed to purchase, and the Company has conditionally agreed to sell, the Sale Shares at the Consideration of HK\$82.8 million in cash. The Sale Shares represents 100% of the issued share capital of the Disposal Company. Details of the Agreement are set out below:

THE AGREEMENT

Date: 1 August 2018

Parties: (a) The Company, as the vendor; and
(b) The Purchaser, i.e. Unicity Investment Holdings Limited (立新投資控股有限公司), as the Purchaser.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the Purchaser and its ultimate beneficial owner is an Independent Third Party as at the date of this announcement.

Consideration

The Consideration for the sale and purchase of the Sale Shares shall be HK\$82.8 million, and shall be paid by the Purchaser in the following manner:

- (i) an refundable deposit of HK\$2.0 million to be paid by the Purchaser in cash within seven days from the date of the Agreement; and
- (ii) the remaining balance of HK\$80.8 million (subject to adjustments at the Completion) to be paid by the Purchaser in cash upon Completion.

The Consideration was determined among the Company and the Purchaser after arm's length negotiations and on normal commercial terms, with reference to the historical performance and prospects of the Disposal Group. In determining the Consideration, the Company considered the following factors: (a) the unaudited consolidated net assets of the Disposal Group of approximately RMB27.7 million (equivalent to approximately HK\$31.9 million) as at 30 June 2018; (b) the difference between the book values of the Disposal Group's plant, machinery and equipment and land and buildings and the fair market values based on draft valuation reports prepared by an independent professional valuer of approximately RMB42.5 million (equivalent to approximately HK\$48.9 million); (c) the adjusted unaudited consolidated net asset value of the Disposal Group of approximately RMB70.2 million (equivalent to approximately HK\$80.8 million) (the "**Adjusted NAV**") after taking into consideration of (a) and (b) above, plus a premium of HK\$2.0 million (the "**Premium**"); (d) the segment of the Disposal Group reporting gross losses since the year ended 31 December 2014; and (e) the poor business prospects of the Disposal Group and its industry as further explained in the section headed "Reasons for and benefits of the Disposal" in this announcement.

Pursuant to the terms of the Agreement, the Company and the Purchaser shall within three months from the date on which all of the conditions precedent to the Agreement have been fulfilled or waived (as the case may be) (the “**Cut-off Date**”) procure (i) the Disposal Group to obtain audited financial statements of the Disposal Group as at the Cut-off Date which shall include its net asset value after taking into account of (ii) below (the “**Cut-off Date NAV**”) as prepared by an auditor agreeable to the Company and the Purchaser; and (ii) the Disposal Group to obtain valuation report(s) on the Disposal Group’s land and fixed assets prepared by a valuer agreeable to the Company and the Purchaser. After determination of the Cut-off Date NAV, the final Consideration shall be adjusted to the equivalent of the Cut-off Date NAV plus the Premium.

Conditions precedent

Completion is conditional upon the satisfaction of the following conditions:

- (a) the due diligence review on the financial position, financial performance, operations and business of Disposal Group has been completed to the satisfaction of the Purchaser;
- (b) all necessary consents and approvals required to be obtained on the part of the Company, the Purchaser and the Disposal Company in respect of the sale and purchase of the Sale Shares having been obtained;
- (c) where applicable, the obtaining of all necessary waiver, consents, approvals, confirmations, permissions, authorisation, decree and exemption from the relevant government or regulatory authorities or any third parties which are required for the execution and performance of the Agreement;
- (d) the passing of an ordinary resolution by the Shareholders at a general meeting approving the Agreement and the transactions contemplated thereunder; and
- (e) the warranties given by the Company remaining true and accurate in all material respects.

Pursuant to the terms of the Agreement, if the conditions set out above are not fulfilled (or waived in respect of conditions (a) and (e) only by the Purchaser) by 5:00 p.m. on 31 December 2018 (or such other time as agreed by the Company and the Purchaser), the Company shall forthwith return all deposits to the Purchaser and the Agreement shall cease and terminate no party shall have any responsibility or liability to the other party (save for any antecedent breach of the terms thereof).

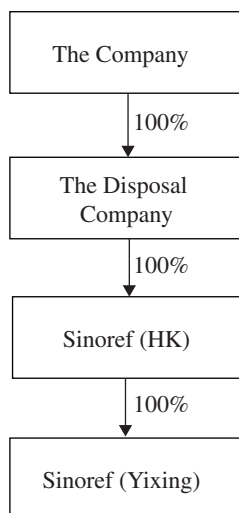
Completion

Subject to the fulfilment of all conditions precedent of the Agreement (or waiver of conditions set out in (a) and (e) thereof), Completion shall take place on the Completion Date at 4:00 p.m. or such other date as the Company and the Purchaser may agree in writing.

INFORMATION OF THE DISPOSAL GROUP

The Disposal Company

The Disposal Company is a company incorporated in the BVI with limited liability, which is principally engaged in investment holding. The Disposal Group is principally engaged in the manufacture and sale of advanced steel flow control products including subentry nozzle, stopper, tundish nozzle and ladle shroud. The group structure of the Disposal Group as at the date of this announcement is set out below:



Set out below is a summary of the unaudited consolidated financial information on the Disposal Group for the years ended 31 December 2016 and 2017:

	For the year ended	
	31 December	
	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Revenue	149,796	93,044
Net (loss) before tax	(72,842)	(105,374)
Net (loss) after tax	(72,842)	(105,374)

As at 31 December 2017, the unaudited consolidated net liabilities of the Disposal Group was approximately RMB151.1 million (equivalent to approximately HK\$173.8 million). As at 30 June 2018, the unaudited consolidated net assets of the Disposal Group was approximately RMB27.7 million (equivalent to approximately HK\$31.9 million).

INFORMATION ON THE PURCHASER

The Purchaser is a company incorporated under the laws of the BVI with limited liability and is principally engaged in investments. The entire issued share capital of the Purchaser is owned by Mr. Lyu. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the Purchaser and its ultimate beneficial owner is an Independent Third Party as at the date of this announcement.

FINANCIAL EFFECT OF THE DISPOSAL

Upon Completion, the Company will cease to have any interests in the Disposal Group, and the financial results of the Disposal Group will no longer be consolidated in the financial statements of the Company.

It is estimated that the Company will record a gain (before tax) of approximately RMB43.2 million (equivalent to approximately HK\$49.7 million) from the Disposal, being the difference between the Consideration and the unaudited consolidated net assets of the Disposal Group of approximately RMB27.7 million (equivalent to approximately HK\$31.9 million) as at 30 June 2018, and after deducting the estimated expenses attributable to the Disposal of approximately HK\$1.2 million. The final financial effect of the Disposal on the Disposal Group will be subject to the value of assets and liabilities of the Disposal Group at Completion and therefore, may vary from the current estimate. Since the Disposal Group is loss making, it is expected the Group's results of operations will improve after Completion.

REASONS FOR AND BENEFITS OF THE DISPOSAL AND USE OF PROCEEDS

The Group is primarily engaged in the manufacturing of advanced steel flow control products used in the continuous casting steel making process to protect, control and regulate the flow of molten steel, manufacture and sale of paper converting equipment and other relating equipment, e-Commerce, e-Commerce solutions and related support services and selling of information technology products, money lending, as well as, provision of internet education services.

Followed by the reduction in crude steel production capacity in the PRC by more than 50 million tonnes in 2017, in March 2018, the Premier of the State Council of the PRC 李克強先生 (Mr. Li Keqiang) has announced that the country will cut steel capacity by 30 million tonnes to meet its target for reducing steel production capacity. Even since the announcement of such policy, the steel manufacturers in the PRC have been struggling to reduce outputs under the huge government pressure and regulatory challenges. According to the 中國鋼鐵工業協會 (China Iron and Steel Association), the PRC will further terminate more outdated steel plants and bring total capacity to less than 1 billion tonnes by 2025, adding that national demand for the metal is set to decline gradually. In light of the above, the Directors recognised that the overall steel demand in the PRC will fluctuate downwards and overcapacity is likely to persist for a relatively sustained period of time in the future.

As the majority of the Disposal Group's customers are steel manufacturing companies in the PRC, the business and prospects of the Disposal Group depend heavily on the performance of the steel industry in China. As disclosed in the Company's annual report for the year ended 31 December 2017 (the "**2017 Annual Report**"), the Disposal Group's steel flow product manufacturing plant had competed painstakingly with others to secure market share while facing various structural adjustments and transformation needs in the industry. Therefore, the Disposal Group has been facing downward pressure on pricing and great challenges in competing with other market players. Due to factors as discussed in the 2017 Annual Report, the gross loss for the manufacture and sale of advanced steel flow control products segment of the Disposal Group has deteriorated from approximately RMB19.0 million (equivalent to approximately HK\$21.9 million) in the year ended 31 December 2016 to approximately RMB42.4 million (equivalent to approximately HK\$48.8 million) in the year ended 31 December 2017, being the segment that has generated the most significant losses within the Group. Furthermore, the gross loss margin of the Disposal Group's manufacture and sale of advanced steel flow control product segment expanded from approximately 12.7% during the year ended 31 December 2016 to approximately 45.6% during the year ended 31 December 2017. In addition, considering the recent U.S. tariff on steel imports, the Directors expect the gloomy market condition of steel manufacturers in the PRC, being the main target customers of the Disposal Group, will further deteriorate in the future. The Directors currently cannot foresee the end of such unfavorable conditions for the business of the Disposal Group.

The Group has made efforts with attempt to improve the performance of the manufacture and sale of advanced steel flow control product segment of the Disposal Group by (i) managing bad and doubtful debts by controlling sales to customers; (ii) negotiating with those customers with less than ideal credit history for recovery of receivables; (iii) utilizing legal means to recovery receivables; and (iv) exploring ways to enhance existing products with more competitiveness but without success. In view of the outdated machinery of the Disposal Group, some of which has been in operation for over 10 years with significant wear and tear, the Directors consider that operating and financial performance of the Disposal Group would only continue to deteriorate without further intervention. During the six months ended 30 June 2018, the production lines of the Disposal Group only operated at around 12% of maximum capacity. In view of such dire circumstances currently faced by the Disposal Group, the management has considered alternative strategies such as voluntarily winding up the Disposal Group or disposing the Company's interest in the Disposal Group to alleviate the Group's share of the Disposal Group's consistent record of incurring significant losses in recent years.

After exploring various available means to improve operating effectiveness of the Disposal Group in the course of evaluating the overall business plan of the Group, the Company considered that the Disposal can improve its financial strength and can also effectively allocate its resources on its other existing businesses. It is expected the net proceeds from the Disposal (after deduction of relevant expenses) of approximately HK\$81.6 million (subject to adjustments at the Completion) will be used for further development of the Group's money lending segment.

In view of the above, the Board is of the opinion that the Disposal is on normal commercial terms which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Disposal exceeds 25% but less than 75%, the Disposal constitutes a major transaction of the Company and is subject to the notification, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

GENERAL

The EGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Disposal. A circular containing, among others, (i) further details of the Disposal; (ii) other information as required under the Listing Rules; and (iii) notice of the EGM will be despatched to the Shareholders as soon as practicable, which is expected to be on or before 22 August 2018.

DEFINITIONS

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

“Agreement”	the conditional sale and purchase agreement dated 1 August 2018 entered into between the Company and the Purchaser in relation to the Disposal
“Board”	the board of Directors
“Business Day(s)”	a day (other than a Saturday) on which the licensed banks in Hong Kong are generally open for business throughout their normal business hours
“BVI”	the British Virgin Islands
“Company”	Cybernaut International Holdings Company Limited (賽伯樂國際控股有限公司) (formerly known as Sinoref Holdings Limited), a company incorporated in the Cayman Islands with limited liability whose Shares are listed on the Main Board of the Stock Exchange (stock code: 1020)
“Completion”	the completion of the Disposal
“Completion Date”	the 10th Business Day after the determination of the Cut-off Date NAV
“Consideration”	the initial consideration for the Sale Shares in amount of HK\$82.8 million pursuant to the terms and conditions of the Agreement, subject to adjustments

“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Shares by the Company to the Purchaser pursuant to the terms and conditions of the Agreement
“Disposal Company”	Sinoref (BVI) Limited, a company incorporated under the laws of the BVI with limited liability, which is wholly owned by the Company as at the date of this announcement
“Disposal Group”	the Disposal Company and its subsidiaries
“EGM”	an extraordinary general meeting of the Company to be convened for the purpose of considering and approving the Agreement and the transactions contemplated thereunder
“Group”	collectively, the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	a third party who is independent of the Company and its connected persons in accordance with the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MOU Announcement”	the Company’s announcement dated 28 May 2018 issued in connection with the memorandum of understanding entered into between the Company and the Purchaser in relation to the potential disposal of the Disposal Company by the Company
“Mr. Lyu”	Mr. Lyu Yajun (呂亞軍先生), the sole shareholder of the Purchaser
“PRC”	the People’s Republic of China and for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region and Taiwan
“Purchaser”	Unicity Investment Holdings Limited (立新投資控股有限公司), a company incorporated under the laws of the BVI on 11 May 2016 with limited liability whose entire issued share capital is owned by Mr. Lyu
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	an aggregate of 2 shares, representing 100% of issued share capital of the Disposal Company beneficially owned by the Company as at the date of this announcement
“Share(s)”	share(s) of HK\$0.01 each in the share capital of the Company

“Shareholder(s)”	shareholder(s) of the Company
“Sinoref (HK)”	Sinoref (Hong Kong) Limited (華耐科技(香港)有限公司), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Disposal Company
“Sinoref (Yixing)”	Sinoref International (Yixing) Company Limited* (華耐國際(宜興)高級陶瓷有限公司), a company established in the PRC with limited liability and an indirect wholly-owned operating subsidiary of Sinoref (HK) as at the date of this announcement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“U.S.”	the United States of America

For illustrative purpose only, translations of RMB to HK\$ has been made at the exchange rate of approximately RMB1 = HK\$1.15 in this announcement. No representation has been made that any amounts in RMB or HK\$ have been, could have been or may be converted at such rate, any other rate or at all.

By order of the Board
Cybernaut International Holdings Company Limited
Mr. Zhu Min
Chairman

Hong Kong, 1 August 2018

As at the date of this announcement, the executive Directors are Mr. Zhu Min (Chairman), Mr. Sin Kwok Wai Ronald, Mr. Lu Yongchao and Mr. Xu Yejun; the non-executive Directors are Mr. Chow Chi Wa and Ms. Yip Sum Yu; and the independent non-executive Directors are Mr. Cao Ke, Mr. Tong Yiu On and Mr. Li Yik Sang.

* *For identification purposes only*