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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)

DISCLOSEABLE TRANSACTION
IN RELATION TO
THE ACQUISITION OF 90% OF THE ISSUED SHARE CAPITAL
IN TIME CREDIT LIMITED

Financial Adviser to the Company

AMASSE CAPITAL
寶 積 資 本

THE AGREEMENT

The Board is pleased to announce that, on 3 November 2014 (after trading hours), the Company entered into the Agreement with the Vendor, pursuant to which the Company has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares, representing 90% of the issued share capital of the Target Company, at the Consideration of HK\$140,000,000, which will be satisfied by cash and the issue of the Promissory Note.

LISTING RULES IMPLICATIONS

As certain of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Agreement and the transactions contemplated thereunder exceed 5% but are less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to notification and announcement requirements under Chapter 14 of the Listing Rules.

Shareholders and potential investors should note that Completion is subject to the satisfaction of the conditions set out under the paragraph headed “Conditions precedent” of the section headed “THE AGREEMENT” of this announcement. As the transactions contemplated by the Agreement may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

INTRODUCTION

The Board is pleased to announce that, on 3 November 2014 (after trading hours), the Company entered into the Agreement with the Vendor, pursuant to which the Company has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares, representing 90% of the issued share capital of the Target Company.

The principal terms of the Agreement are summarized as follows:

THE AGREEMENT

Date

3 November 2014 (after trading hours)

Parties

- (i) Purchaser: the Company; and
- (ii) Vendor: Ms. Lam Wai Ha

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, the Vendor is an Independent Third Party.

Assets to be acquired

Pursuant to the Agreement, the Company has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares, representing 90% of the issued share capital of the Target Company.

Consideration

The Consideration is HK\$140,000,000 (subject to adjustment), which will be settled in the following manners:

- (i) payment of a cash deposit of HK\$70,000,000 (the “**Deposit**”) upon signing of the Agreement;
- (ii) payment of HK\$37,000,000 in cash upon Completion; and
- (iii) issue of the Promissory Note with a principal sum of HK\$33,000,000 by the Company in favour of the Vendor (or her nominee) upon Completion.

The cash portion of the Consideration will be settled by internal resources of the Group.

The Consideration is determined based on arm’s length negotiations between the Company and the Vendor with reference to, among others, the estimated value of 100% issued share capital of the Target Company (the “**Valuation**”), of HK\$159,800,000 as at 30 September 2014 prepared by an independent professional valuer, International Valuation Limited (“**IVL**”).

Adjustment to the Consideration

The Consideration assumes that the Target Company has net assets of at least HK\$4,000,000 (the “**Net Assets**”) upon Completion and the Consideration shall be adjusted to reflect any shortfall. The value of the Net Assets will be established by an auditor nominated by the Company at the cost of the Company, who will undertake a post Completion audit on the Target Company in accordance with the Hong Kong Financial Reporting Standards (“**Completion Statement**”) within three (3) months from Completion.

In the event that the value of Net Assets shown on the Completion Statement is less than HK\$4,000,000, the Vendor shall pay to the Company ninety cents for every dollar of the shortfall. Any adjustment for shortfall shall be settled between the parties within five (5) Business Days from the day of issue of the Completion Statement. No adjustment to the Consideration is required if the value of Net Assets shown on the Completion Statement amounts to HK\$4,000,000 or more.

Conditions precedent

Completion is subject to and conditional upon:

- (i) the Licence (a) having been renewed by the Licensing Court without conditions or with conditions which are customary to grant of licences by the Licensing Court to money lenders in general; and (b) not having been revoked or otherwise ceasing to have effect; and
- (ii) the Vendor providing an undertaking to grant credit facilities of up to HK\$100,000,000 to the Target Company for a term of at least two (2) years from Completion at the prime rate announced by HSBC from time to time subject to that the Company will indemnify and hold harmless the Vendor for any losses, costs or damages arising from or in connection with the Target Company’s default on its obligations under the credit facilities provided by the Vendor.

The Vendor shall use her best commercial efforts in procuring the fulfilment of the above Conditions which shall not be waived in any event.

If the above Conditions have not been fulfilled by the Long Stop Date, the Agreement shall thereupon become null and void and the Vendor shall return the Deposit within fourteen (14) days from the expiry of the Long Stop Date or the revocation of the License or the Licence ceasing to have effect, whichever is earlier.

Completion

Completion shall take place on the Completion Date.

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

Promissory Notes

The principal terms of the Promissory Notes are as follows:

Issuer:	The Company
Principal amount:	HK\$33,000,000
Issue date:	Completion Date
Maturity date:	the day falling on the second anniversary of the date of issue of the Promissory Note (the “ Maturity Date ”)
Interest:	3% 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.

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.

The Target Company is principally engaged in the money lending business.

Whilst the Group remains focused on developing its existing businesses, the Directors consider that it is beneficial for the Group to seek suitable investment opportunities from time to time to develop its existing business portfolio and engage in a new line of business with growth potential and broaden its source of income. The Directors are of the view that the Acquisition provides a prime opportunity for the Group to enter into the money lending business 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.

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.

INFORMATION ON THE TARGET COMPANY

The Target Company is a company incorporated in Hong Kong with limited liability with an authorised share capital of HK\$2,000,000 divided into 2,000,000 ordinary shares of HK\$1.00 each, of which 2,000,000 ordinary shares have been issued as at the date of this announcement.

Set out below are financial information of the Target Company as extracted from (i) its audited financial statements prepared in accordance with Hong Kong Financial Reporting Standard for Private Entities for the period from 30 December 2011, being the date of incorporation of the Target Company, to 30 June 2013 and (ii) its unaudited management accounts for the year ended 30 June 2014:

	For the period from 30 December 2011, being the date of incorporation of the Target Company, to 30 June 2013 (audited)	For the year ended 30 June 2014 (unaudited)
Net (loss)/profit before taxation and extraordinary items	(HK\$230,472)	HK\$848,052
Net (loss)/profit after taxation and extraordinary items	(HK\$230,472)	HK\$708,124

The unaudited total assets and the total liabilities of the Target Company as at 30 September 2014 according to its unaudited management accounts are approximately HK\$56,289,316 and HK\$52,114,926 respectively.

PROFIT FORECAST

According to the Valuation, the estimated value of 100% issued share capital of the Target Company is HK\$159,800,000 which is prepared using discounted cash flow method under the income approach. Therefore, the Valuation is regarded as a profit forecast under Rule 14.61 of the Listing Rules.

The Valuation has been prepared based on the following major assumptions:–

- (i) The financial projections provided by the Target Company are reasonable, reflecting market conditions and economic fundamentals.
- (ii) The financial projections provided by the Target Company will be materialized.
- (iii) There will be sufficient supply of technical staff in the industry in which the Target Company operates.
- (iv) The Target Company will retain competent management, key personal and technical staff to support its ongoing operations and developments.
- (v) Interest rates and exchange rates in the localities for the operation of the Target Company will not differ materially from those presently prevailing.

- (vi) There will be no major changes in the current taxation laws in the localities in which the Target Company operates or intends to operate and that the rates of tax payable shall remain unchanged and that all applicable laws and regulations will be complied with.
- (vii) There will be no major changes in the political, legal, economic or financial conditions in the localities in which the Target Company operates or intends to operate, which would adversely affect the revenues attributable to and the profitability of the Target Company.
- (viii) All relevant legal approvals and business certificates or licenses to operate the business localities in which the Target Company operates or intends to operate would be officially obtained, and renewed upon expiry.

The reporting accountant of the Company, Elite Partners CPA Limited (“**Elite**”), has reported on the calculations of the discounted future estimated cash flows on which the valuation is based. Amasse Capital Limited (“**Amasse**”), the financial adviser in connection with the profit forecast in respect of the Valuation, has confirmed that the Valuation has been made after due and careful enquiry by the Board.

A letter from each of Elite and Amasse has been submitted to the Stock Exchange, and is included in the Appendix I and II respectively to this announcement pursuant to Rule 14.60A and 14.62 of the Listing Rules.

The following is the qualification of each expert who has provided its conclusion or advice, which is contained in this announcement:

Name	Qualification
IVL	Professional valuer
Elite	Certified Public Accountants
Amasse	A licenced corporation to carry on Type 6 (advising on corporate finance) regulated activities as defined under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

As at the date of this announcement, none of IVL, Elite or Amasse has any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate person(s) to subscribe for the securities in any member of the Group.

Each of IVL, Elite and Amasse has given and has not withdrawn its consent to the publication of this announcement with inclusion of its report and references to its name in the form and context in which it respectively appears in this announcement.

IMPLICATIONS UNDER THE LISTING RULES

As certain of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Agreement and the transactions contemplated thereunder exceed 5% but are less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to notification and announcement requirements under Chapter 14 of the Listing Rules.

Shareholders and potential investors should note that Completion is subject to the satisfaction of the conditions set out under the paragraph headed “Conditions precedent” of the section headed “THE AGREEMENT” of this announcement. As the transactions contemplated by the Agreement may or may not proceed, Shareholders and potential investors are reminded 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 3 November 2014 and entered into by the Company and the Vendor in respect of the Acquisition
“Board”	the board of Directors
“Business Day(s)”	a day (other than a Saturday or Sunday) on which banks in Hong Kong are generally open for business
“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”	the third Business Day after the fulfillment of the Conditions or such other date as the Company and the Vendor may agree in writing
“Condition(s)”	the condition(s) set out under the paragraph headed “ Conditions precedent ” in this announcement
“Consideration”	an aggregate of HK\$140,000,000 for the Acquisition (subject to adjustment)
“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
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	a party independent of and not connected with the Company and its connected persons

“License”	the licence granted to the Target Company on 27 August 2013 to carry on business as a money lender at the registered office of the Target Company for a period of twelve months form 27 August 2013 pursuant to the Money Lenders Ordinance or the renewed licence thereof
“Licensing Court”	A magistrate sitting along which hears and determines applications for money lenders licence under Section 10 of the Money Lenders Ordinance
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 March 2015 (or such other date as the Company and the Vendor may agree in writing)
“Promissory Note”	the promissory note of a principal amount of HK\$33,000,000 at the interest rate of 3% per annum to be issued by the Company to the Vendor or her nominee pursuant to the Agreement
“Sale Shares”	1,800,000 issued and fully-paid ordinary shares with a par value of HK\$1.00 each in the capital of the Target Company, representing 90% of the entire issued share capital of the Target Company
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company as at the date of this announcement
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Time Credit Limited, a company incorporated in Hong Kong with limited liability
“Vendor”	Ms. Lam Wai Ha, an Independent Third Party and the registered and beneficial owner of the Sale Shares
“%”	percentage

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

Hong Kong, 3 November 2014

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

In the case of inconsistency, the English text of this announcement shall prevail over the Chinese text.

The following is the text of a report received from Elite Partners CPA Limited for the purpose of inclusion in this announcement.



3 November 2014

The Board of Directors
Sinoref Holdings Limited
Unit 2004, 20/F, Harbour Centre
25 Harbour Road, Wanchai
Hong Kong

Dear Sirs

Profit Forecast for the period from 1 October 2014 to 30 September 2016

We refer to the profit forecast of Time Credit Limited (“the Company”) for the period from 1 October 2014 to 30 September 2016 on which the discounted cash flow prepared by International Valuation Limited was based, in respect of the fair value of 100% equity interest in Time Credit Limited as at 30 September 2014 (“the Profit Forecast”).

Responsibilities

The Profit Forecast has been prepared by the directors of the Company based on the audited results of the Company for the period from 30 December 2011 (date of incorporation) to 30 June 2013, the unaudited results based on the management accounts of the Company for the remaining period from 1 July 2013 to 30 September 2014.

The Company’s directors are solely responsible for the Profit Forecast. It is our responsibility to form an opinion on the accounting policies and calculations of the Profit Forecast based on our procedures.

Basis of opinion

We carried out our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 “Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness” and with reference to Hong Kong Standard on Assurance Engagements 3000 “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company’s directors have properly compiled the Profit Forecast in accordance with the assumptions made by the directors and as to whether the Profit Forecast is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Company. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the accounting policies and calculations are concerned, the Profit Forecast has been properly compiled in accordance with the bases and assumptions adopted by the directors.

Other matters

We draw your attention that we are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future cash flow are based and our work does not constitute an audit or review opinion on the valuation.

The discounted cash flow depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the future period. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

Elite Partners CPA Limited

Certified Public Accountants

Hong Kong

The following is the text of a report received from Amasse Capital Limited, the financial adviser to the Company in connection with the profit forecast included in the Valuation report, for the purpose of inclusion in this announcement.

3 November 2014

The Board of Directors
Sinoref Holdings Limited
Unit 2004, 20/F, Harbour Centre,
25 Harbour Road, Wanchai,
Hong Kong

Dear Sirs,

We refer to the valuation (the “**Valuation**”) prepared by International Valuation Limited (“**IVL**”) and dated 3 November 2014 in relation to the estimation of the value of 100% issued share capital of Time Credit Limited (“**Time Credit**”) as at 30 September 2014. The Valuation is prepared based on the discounted future cash flows and is regarded as a profit forecast (the “**Profit Forecast**”) under Rule 14.61 of the Listing Rules. Unless otherwise stated, capitalised terms used in this report should have the same meanings as those defined in the announcement of the Company dated 3 November 2014 (the “**Announcement**”).

We have reviewed the Profit Forecast upon which the Valuation has been made for which you as the Directors are responsible and discussed with you and IVL the information and documents provided by you which formed part of the bases and assumptions upon which the Profit Forecast has been prepared. We have also considered the letter from Elite dated 3 November 2014 addressed to yourselves as set out in Appendix I to the Announcement regarding the calculations upon which the Profit Forecast has been made. We noted that in the opinion of Elite, so far as the accounting policies and calculations are concerned, that the discounted future cash flows have been properly compiled in accordance with the bases and assumptions adopted by the Directors. The Profit Forecast is based on a number of bases and assumptions pertaining to the businesses of Time Credit. As the relevant bases and assumptions are about future events which may or may not occur, the actual financial performance of the businesses of Time Credit may or may not achieve as expected and the variation may be material.

On the basis of the foregoing and without giving any opinion on the reasonableness of the valuation methods, bases and assumptions adopted by IVL on the Valuation, for which IVL and the Company are responsible, we are of the opinion that the Profit Forecast upon which the Valuation has been made, for which you as the Directors are solely responsible, have been made after due and careful enquiry by you. Our opinion has been given for the sole purpose of compliance with Rule 14.62(3) of the Listing Rules and for no other purpose.

Yours Faithfully,
For and on behalf of
Amasse Capital Limited
LAM Ting Lok
Managing Director