Web Proof Information Pack of

SINOREF

華耐控股有限公司
SINOREF HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

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CONTENTS

This Web Proof Information Pack contains the following information relating to the Company extracted from the draft document:

YOU SHOULD READ THE SECTION HEADED ''WARNING'' ON THE COVER OF THIS INFORMATION PACK.

This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all of the information which may be important to you.

OVERVIEW

We are engaged in the manufacture of advanced steel flow control products which are used in the continuous casting process to protect, control and regulate the flow of molten steel. Our products include Ladle Shrouds, Stoppers, Tundish Nozzles and Subentry Nozzles. A prominent feature of our products is that they are consumables and must be regularly replaced. The life cycle of our products ranges from 2 to 15 hours depending on the practice and design of the production facilities of our customers. As at the Latest Practicable Date, most of our customers were members of major steel manufacturing groups in the PRC, including Baosteel Group, Hebei Steel Group, Wuhan Steel Group and Shandong Steel Group. We commenced our business with Baosteel Group and Wuhan Steel Group in 2007, and with Hebei Steel Group and Shandong Steel Group in 2009. For the three years ended 31 December 2009, sales to Baosteel Group amounted to approximately RMB14.6 million, RMB11.3 million and RMB27.0 million respectively, while sales to Wuhan Steel Group amounted to approximately RMB13.3 million, RMB11.9 million and RMB16.8 million respectively. For the year ended 31 December 2009, sales to Shandong Steel Group amounted to approximately RMB12.0 million while sales to Hebei Steel Group amounted to approximately RMB1.9 million. We have well-established relationships with our customers. As at the year ended 31 December 2009, we had maintained two years of relationship with our top five largest customers on average. We do not have long term sales contracts with our customers, but we generally enter into one-year framework contracts with them.

Continuous casting is the process whereby molten steel is continuously fed into a water-cooled crystalliser and cast into a semi-finished slabs or billets for subsequent rolling in the rolling mills into various kinds of steel products. Our products, which play a critical part in the continuous casting process, are made with unique mixtures of specialised materials and are customised to meet the specific requirements of each customer.

According to the ACRI Report, steel flow control products for continuous casting process can be broadly grouped into "high-end" and "average" products. Products which do not fall into the "high-end" category are grouped as "average" products.

Quantitative parameters used by ACRI in determining whether a steel flow control product is "high-end" are set out below:

Product		Specifications
Ladle shrouds	:	Bore size of 80 mm or above with alumina content of 60% or above
Stoppers	:	Length of 1,100 mm or above with alumina content of 59% or above
Tundish nozzles	:	Ratio of outside diameter in the seat end over the outside diameter in the opposite end should be less than 1, and with a sliding plate with modulus of rupture of not less than 10 MPa with alumina content of not less than 80%
Subentry nozzles	:	The end closest to the tundish bottom should have an outside diameter of not less than 150 mm and the zirconia and hafnia content of the slagline should not be less than 80%

"High-end" steel flow control products are mainly used by steel manufacturing companies for slab casters while "average" steel flow control products are mainly used for billet casters. Slab casters require steel flow control products which are larger in size and more complicated in design as higher molten steel flow rate is involved and more modern tube changer systems are adopted. On the other hand, billet casters typically require steel flow control products which are smaller in size, simpler in design, and relatively easier to be manufactured. According to the ACRI Report, the aforementioned classification of "high-end" and "average" steel flow control products is widely accepted and recognised in the PRC industry. However, there is currently no national standard or requirement which is applicable to such classification.

All of our products, namely Ladle Shrouds, Stoppers, Tundish Nozzles and Subentry Nozzles, are classified as "high-end" products according to the specifications of "high-end" products defined by ACRI. They have the characteristics of high erosion resistance and high stability and they usually have a longer life cycle when compared to the "average" products. All of our products are mainly used by our customers for their slab casters.

According to the ACRI Report, we have a market share of approximately 19% in the "high-end" steel flow control products market in the PRC in 2009 based on our actual annual production volume. We are the second largest "high-end" steel flow control products manufacturer in the PRC while Vesuvius Advanced Ceramics (Suzhou) Co. Ltd. is the largest.

We manufacture our advanced steel flow control products in our wholly-owned production plant situated on a parcel of land with a total site area of approximately 37,704.3 sq.m., located in Yixing, Jiangsu Province, the PRC. In 2007, 2008 and 2009, we produced approximately 1,081 tonnes, 1,688 tonnes and 4,254 tonnes respectively of advanced steel flow control products. As at the Latest Practicable

Date, we had an annual production capacity of approximately [•••] tonnes of advanced steel flow control products and we had reached our full capacity. Our production capabilities are supported by our advanced equipment and specialised techniques designed to produce consistently high quality products. We develop our own moulds, which are made from a specialised resin, to manufacture our products to ensure better quality and enhance production efficiency. We have also developed some tooling sets for special shapes to meet our customers' specific demands and a new mixture of raw materials to improve anti-oxidation behaviour.

We have a research and development team that focuses on five main areas, namely to (i) improve and enhance the efficiency of our manufacturing processes; (ii) develop new mixtures of raw materials to enhance product quality; (iii) design better or new products and technologies for our customers; (iv) gather market intelligence and closely monitor the technology trend in our industry globally; and (v) provide technical services and on-site training for our sales staff. In addition, we collaborate with leading research institutions and universities, such as IMUST including its Metallurgy School (冶金學院), and Shanghai University (上海大學), in the research and development of our products and the improvements of our manufacturing techniques.

China has been the world's leading producer of crude steel since 1996. In 2007, 2008 and 2009, China's annual production of crude steel amounted to approximately 489 Mt, 500 Mt and 568 Mt, respectively, representing about 36.3%, 37.6% and 46.6% of the world's total production of crude steel. According to Steel Statistical Yearbook 2009 published by the World Steel Association on 3 March 2010, among the crude steel products produced in China in 2007 and 2008, approximately 474 Mt and 484 Mt, representing over 96.9% and 96.8%, respectively were continuously cast slabs and billets.

It is noted that the total crude steel production volume in the PRC was in a trend similar to that of the steel price movement during the Track Record Period. Further details of the monthly production volume of crude steel in the PRC and China steel plate spot average price are set out in the paragraph headed "Sales and marketing" in the section headed "Business" in this document.

Despite the steel price movement in the PRC, our sales revenue and sales volume increased during the Track Record Period. The increase in sales volume of our products was mainly due to the increase in the number of our customers from 7 in 2007 to 11 in 2008 and to 18 in 2009, and the increase in total sales to our existing customers. The sales to our existing customers (those 7 customers as of 31 December 2007) increased from approximately RMB40.0 million in 2007 to approximately RMB51.6 million in 2008. The sales to our existing customers (those 11 customers as of 31 December 2008) increased from approximately RMB67.2 million in 2008 to approximately RMB117.9 million in 2009.

On 26 September 2009, the State Council of the PRC (國務院) issued 《國務院批轉發展改革委等部門關於抑制部分行業產能過剩和重複建設引導產業健康發展若干意見的通知》(國發[2009]38號) (Circular of the State Council on the Approval on Some Opinions Given by the National Development and Reform Commission and Other Departments on Containing Surplus Production Capacity and Repetitive Construction in Certain Industries and Facilitating Healthy Industrial Development (Guo Fa [2009] No.38)) (the "**State Council No.38 Circular**"). Certain major principles were put forward, including restricting additional capacity and optimising existing capacity, growing emerging industries and upgrading traditional industries and adopting market orientation and macro controls. The State Council No.38 Circular also required a restriction on the overall production capacity and constrained surplus production capacity, encouraged the development of new industries and products that are of high-technology level, high value-added, low resources consumption and low emission, enhanced merger and corporate restructuring as well as industry consolidation, expedited the retirement of technologically laggard plants, emphasised technology advancement, improved existing capacity, adjusted product mix and pursued an efficient, quality and sustainable industrial development.

The principles set out in the State Council No.38 Circular aimed at consolidating the resources of steel manufacturing companies by merging and reorganising the small-medium companies and eliminating old and outdated production facilities so as to maintain the sustainable development of the steel manufacturing industry. These principles required the steel manufacturing companies to refine their product structure and aimed to eliminate the outdated products and production facilities.

Based on the latest data extracted from Bloomberg, notwithstanding the issuance of the State Council No.38 Circular, monthly production volume of our customers maintained at a steady trend after September 2009. Hebei Steel Group even experienced an increase in monthly production in October 2009, December 2009, and January 2010 as compared to their monthly production in September 2009. Further details of the monthly production volume of the major steel manufacturing groups in the PRC from January 2009 to February 2010 are set out in the paragraph headed "Industry related regulations" in the section headed "Industry overview" in this document.

As the demand for our products depends on the production volume of the steel manufacturing companies, and most of our customers are members of major steel manufacturing groups in the PRC which would unlikely to be adversely affected by the State Council No.38 Circular, our Directors believe the issuance of the State Council No.38 Circular has limited immediate impact on our business.

With our market position and solid customer base, we believe that we are well-positioned to further expand into the PRC market and to capture new business opportunities. We aim to continue to build on our leading position in the PRC and to expand our business to overseas markets such as Western Europe, Korea and Taiwan. We currently have one production line with an annual production capacity of approximately 8,200 tonnes of advanced steel flow control products which we currently operate at full capacity. In view of the orders we have already received in 2010 and the anticipated growth in demand for our products, we plan to construct a new production plant to expand our production capacity. The new production plant will house an additional production line and will increase our production capacity by an additional 8,600 tonnes. This new production plant is expected to be completed by the end of 2011 and will commence production in 2012. The proposed additional annual production capacity is expected to be utilised to meet the future demand of our existing and potential future customers in the PRC, and the potential future customers in the overseas markets. As stated in paragraph headed "Business strategies" in the section headed "Business" in this document, we will continue to promote our advanced steel flow control products by broadening our customer base and expanding overseas markets. For expanding our PRC market, we will continue to strengthen our marketing efforts and promote our products to potential customers in other potential markets in the PRC not yet covered by our network. [Our customer base has grown from 18 as at 31 December 2009 to 20 as at the Latest Practicable Date in the PRC.] For expanding our overseas market, we have entered into a memorandum of understanding ("**Carboref MOU**") with Carboref GMBH ("**Carboref**") to sell our products in Europe and a framework agreement ("**Sinosteel Agreement**") with Sinosteel Shanghai Company ("**Sinosteel**") to market and sell our products in Taiwan and Korea. Prior to completion of the aforesaid new production plant, we plan to expand our business by utilising our existing production capacity and by targeting to sell products with higher profit margins.

During the Track Record Period, all of our products were sold in the PRC. The following table shows our turnover and average selling price by product type during the Track Record Period:

	Year ended 31 December								
	2007			2008			2009		
	RMB (million)	*%*	**Average selling price** *RMB*	*RMB (million)*	*%*	**Average selling price** *RMB*	*RMB (million)*	*%*	**Average selling price** *RMB*
Subentry Nozzles	16.3	40.8	1,511	28.3	42.1	1,610	69.0	44.0	1,664
Stoppers	11.6	29.0	1,098	19.1	28.4	1,098	45.7	29.1	1,192
Tundish Nozzles	6.3	15.8	1,128	14.1	21.0	1,328	33.0	21.0	1,361
Ladle Shrouds	5.8	14.4	1,151	5.7	8.5	1,187	9.2	5.9	1,174
Total	**40.0**	**100.0**		**67.2**	**100.0**		**156.9**	**100.0**	

Since the commencement of our Group's business operations in 2007, we have achieved significant revenue and earnings growth during the Track Record Period. Our turnover grew from approximately RMB40.0 million for the year ended 31 December 2007 to approximately RMB156.9 million for the year ended 31 December 2009, representing a CAGR of approximately 98.1%. Our net profit grew from approximately RMB13.4 million for the year ended 31 December 2007 to approximately RMB70.1 million for the year ended 31 December 2009, representing a CAGR of approximately 128.7%. The increase in our turnover and net profit during the Track Record Period were primarily due to (i) our increased marketing efforts to solicit new customers, (ii) increase in our sales volume to both recurring and new customers (from approximately 1,081 tonnes in 2007 to approximately 4,254 tonnes in 2009); (iii) change in product mix and the increase in sales volume of Subentry Nozzles, from approximately 40.8% of total revenue in 2007 to approximately 44.0% of total revenue in 2009, that had gross profit margins of approximately 60.5% in 2007, approximately 61.8% in 2008 and approximately 69.6% in 2009, which were one of the highest among the Group's products; (iv) higher operating efficiencies achieved through economies of scale resulting from the increase in sales volume. The source of the increase in demand for our products came from both recurring and new customers. Our number of customers increased from 7 in 2007 to 18 in 2009 and [20] as at the Latest Practicable Date. The number of recurring customers in 2008 and 2009 was 7 and 11 respectively, while the number of recurring customers as at the Latest Practicable Date was [18].

COMPETITIVE STRENGTHS

– Leading manufacturer of highly customisable advanced steel flow control products in the PRC with high turnover and competitive pricing

– Commitment to produce high quality products

– High gross profit margin

– Commitment to enhance research and development capability

– Strong relationships with key customers supported by personalised on-site services and timely technical support

– Experienced and dedicated management team

BUSINESS STRATEGIES

We have attained a strong market position and were ranked second in the "high-end" steel flow control products market in the PRC in 2009 in terms of our actual production volume. We will continue to build on our established market position and other competitive strengths to grow our business in the PRC as well as to expand our business into the overseas markets, including Taiwan, Korea and Western Europe. Other than increasing the sales of our existing steel flow control products, it is also one of our growth strategies to expand the range of our products offered to our customers and they include steel flow distributors and side dams for use in the thin strip casting process and monolithic materials, which are not steel flow control products. Monolithic materials can have a variety of applications in different steel casting processes, including in steelmaking furnaces, ladles and tundishes.

Our business strategies include:

– Expand production capacity to increase market penetration

– Broaden customer base and expand to overseas markets

– Develop new products via acquisition and construction of new production facilities to increase our product range

– Enhance our expertise and technical know-how on the development of new products

SUMMARY FINANCIAL INFORMATION

The following is a summary of our Group's combined results for the three years ended 31 December 2009 extracted from "Appendix I – Accountants' Report" to this document. The results were prepared on the basis of the presentation as set out in the Accountants' Report. The summary financial information should be read in conjunction with the combined financial statements set out in "Appendix I – Accountants' Report" to this document.

Combined statements of comprehensive income

	Year ended 31 December		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	40,006	67,206	156,896
Cost of sales	(17,739)	(27,815)	(51,508)
Gross profit	22,267	39,391	105,388
Other income	39	95	72
Selling and distribution costs	(3,915)	(6,654)	(13,109)
Administrative expenses	(4,457)	(5,588)	(6,263)
Other expenses	–	–	(2,000)
Finance costs	(529)	(1,062)	(195)
Profit before taxation	13,405	26,182	83,893
Taxation	–	(1,211)	(13,817)
Profit for the year and total comprehensive income for the year	13,405	24,971	70,076
Earnings per share			
Basic *(RMB)*	0.01	0.03	0.08

Combined statements of financial position

	At 31 December		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets			
Property, plant and equipment	53,120	49,054	45,344
Prepaid land lease payments	11,036	10,801	10,566
	64,156	59,855	55,910
Current assets			
Inventories	5,133	6,133	8,604
Trade receivables	12,573	8,910	46,490
Bills receivable	200	7,890	12,625
Other receivables and prepayments	680	792	141
Prepaid land lease payments	235	235	235
Bank balances and cash	5,793	20,005	65,500
	24,614	43,965	133,595
Current liabilities			
Trade payables	426	525	1,602
Other payables and accruals	10,460	3,193	16,028
Amount due to a director	10,000	–	–
Amounts due to related companies	7,208	–	–
Secured bank borrowings			
– due within one year	9,000	9,000	–
Discounted bills with recourse	–	6,390	9,012
Tax liabilities	–	–	4,995
	37,094	19,108	31,637
Net current (liabilities) assets	(12,480)	24,857	101,958
Total assets less current liabilities	51,676	84,712	157,868
Capital and reserves			
Paid-in capital	40,187	47,041	47,041
Reserves	11,489	36,460	106,536
Net assets attributable to owners of the Company	51,676	83,501	153,577
Non-current liability			
Deferred taxation	–	1,211	4,291
	51,676	84,712	157,868

Combined statements of cash flows

	Year ended 31 December		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Net cash from operating activities	6,919	25,156	53,600
Net cash used in investing activities	(18,698)	(5,918)	(1,532)
Net cash from (used in) financing activities	17,239	(5,026)	(6,573)
Cash and cash equivalents at beginning of the year(1)	333	5,793	20,005
Cash and cash equivalents at end of the year(1)	5,793	20,005	65,500

(1) The balances represented our bank balances and cash as of each of the year-end dates during the Track Record Period.

DIVIDEND POLICY

We intend to distribute at least 30% of the distributable profits attributable to shareholders of our Company for the financial year ending 31 December 2010 as dividends. Such intention does not amount to any guarantee or representation or indication that our Company must or will declare and pay dividend in such manner or declare and pay any dividend at all. We did not declare or pay any dividends during the Track Record Period.

Going forward, we may distribute dividends by way of cash or by other means that our Directors consider appropriate. A decision to distribute any interim dividend or recommend any final dividend will be at the discretion of our Board. In addition, any final dividend will be subject to Shareholders' approval. Our Board will review our Company's dividend policy from time to time in light of the following factors in determining whether dividends are to be declared and paid:

- financial results of our Company;
- shareholders' interests;
- general business conditions, strategies and future expansion needs;
- our Company's capital requirements;
- the payment by our subsidiaries of cash dividends to our Company;
- possible effects on liquidity and financial position of our Company; and
- other factors our Board may deem relevant.

RISK FACTORS

Our operations and the industry in which we operate and the [•••] involve certain risks, a summary of which is set forth in the section headed "Risk factors" in this document. These risks can be classified as follows:

Risks relating to our Group

– Risks associated with customers

  (a) Our business and prospects depend heavily on the performance of the steel industry in China

  (b) Our business currently relies on members of certain major steel manufacturing groups in the PRC

  (c) We do not have long term sales contracts with our customers, but we generally enter into one-year framework contracts with them

  (d) We may face difficulties in sourcing and developing new customers

– Our short operating history and rapid growth may make it difficult for investors to evaluate our business and growth

– We had net current liabilities as at 31 December 2007

– We may not be able to maintain our profit margin in the future and the increasing trend of profit margin may attract competition

– Our business could be adversely and materially affected if we fail to adequately protect our proprietary technology and technical know-how

– Reliance on key management personnel may impose risks on our Group

– Our business depends on reliable supply of quality raw materials

– We require significant capital investments and a high level of working capital to sustain our operations and overall growth

– We manufacture our products in a single location, and any material disruption of our operations could adversely affect our business

– Our expansion plans may not be successful

– Our production capacity might not be able to meet with growing market demand or changing market conditions

– We manufacture and sell only "high-end" steel flow control products

– We may not be able to develop new products or expand into new markets

– We may be subject to product liability claims

– We may be subject to liability in connection with industrial accidents at our production facilities

– Lack of business insurance coverage may incur substantial costs for our Group

– We are subject to foreign exchange exposure

– The interests of our Controlling Shareholders may differ from those of our other Shareholders

Risks relating to the industry

– Our business depends very much on the continuous casting method in the steel manufacturing industry. Industry-wide adoption of other existing or new technologies that do not require steel flow control products in the future might seriously affect our business

– We cannot assure that we will be able to renew all necessary licences, certificates, approvals and permits for our production. Changes in licensing requirements applicable to our industry may adversely affect us

– The PRC Government may adopt measures to slow down growth in the steel manufacturing industry and other steel consuming industries, thereby adversely affecting the demand for our products

– Our industry is subject to global economic and market conditions

– We operate in a highly competitive industry

Risks relating to conducting business in the PRC

– Political and economic policies of the PRC government and social conditions and legal developments of the PRC could affect our business

– The government control of currency conversion could affect our business operations

– Uncertainties regarding interpretation and enforcement of the PRC laws and regulations may impose adverse impact on our business, operations and profitability

– The implementation of the new labour contract law and increase in labour costs in the PRC may adversely affect our business and financial conditions

- Under the Enterprise Income Tax Law (中華人民共和國企業所得稅法) and the related implementation regulations, which became effective on 1 January 2008, dividends from our subsidiary in the PRC may be subject to withholding tax or we may be subject to PRC tax on our worldwide income

- Dividends payable by us to our foreign investors and gain on the sale of our Shares may be subject to the PRC tax

- We cannot assure that we will continue to enjoy preferential tax treatments or financial incentives in the future

- We are a holding company and rely on dividend payments from our operating subsidiary

- Uncertainties on the PRC withholding tax rate on dividends payable by our subsidiary in the PRC

- PRC regulations relating to acquisitions of the PRC companies by foreign entities may limit our ability to acquire the PRC companies and adversely affect the implementation of our strategy as well as our business and prospects

- PRC regulations relating to the establishment of offshore special purpose companies by the PRC residents may subject our PRC resident shareholders or our PRC subsidiary to liability or penalties, limit our ability to inject capital into our PRC subsidiary, limit our PRC subsidiary's ability to increase their registered capital or distribute profit to us, or may otherwise adversely affect us.

- A shortage of electricity and water supply in the PRC would affect our production and affect our business and financial performance

In this document, unless the context otherwise requires, the following expressions shall have the following meanings.

"ACRI"	The Association of China Refractories Industry (中國耐火材料行業協會) is a national association representing the refractory materials industry, with members including researchers, research institutions, entrepreneurs and enterprises from the refractory materials industry; the association was set up in 1990 and is supervised by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC. The association is also a member of China Iron and Steel Association
"ACRI Report"	連鑄用鋁碳等靜壓功能性耐火材料市場綜述 (Description of the market of alumina carbon isostatic functional refractory materials used in the continuous casting process) published by ACRI in March 2010 and any supplements thereto
"Articles"	the articles of association of our Company adopted on 7 June 2010, as amended from time to time
"associate(s)"	has the meaning ascribed to it under [•••]
"Baosteel Group"	Baosteel Group Corporation (寶鋼集團有限公司) and/or its subsidiaries and associated companies from time to time, including but not limited to Meishan Iron & Steel Company (梅山鋼鐵公司) and Ningbo Iron & Steel Company (寧波鋼鐵公司), our customer during the Track Record Period and an Independent Third Party
"Board"	our board of Directors
"Business Day(s)"	any day(s) (excluding Saturday(s) and Sunday(s)) in Hong Kong on which licensed banks in Hong Kong are open for banking business throughout their normal business hours
"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate
"Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"Companies Ordinance"	Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time

"Company"	Sinoref Holdings Limited (華耐控股有限公司), an exempted company incorporated in the Cayman Islands on 4 February 2010 under the Companies Law with limited liability
"Controlling Shareholders"	has the meaning ascribed to it under [•••] and unless the context requires otherwise, refers to Mr. Xu and Dr. Zhang
"Directors"	director(s) of our Company
"Dr. Zhang"	Dr. Zhang Lanyin (張蘭銀), a co-founder of our Group, an executive Director, our chief technical officer and one of our Controlling Shareholders
"EUR"	the Euro, the lawful currency of the European Union and is currently in use in 16 out of the 27 member states
"Group", "we", "our" and "us"	our Company and its subsidiaries or, where the context otherwise requires, in respect of the period prior to our Company becoming the holding company of our present subsidiaries, the present subsidiaries of our Company, or some or any of them
"Hangzhou Steel Group"	Hangzhou Iron and Steel Group Company (杭州鋼鐵集團有限公司) and/or its subsidiaries and associated companies from time to time, including but not limited to 杭州鋼鐵集團物資供應分公司 (Hangzhou Iron and Steel Group Material Supply Branch Company), our customer during the Track Record Period and an Independent Third Party
"Hebei Steel Group"	Hebei Iron & Steel Group Co., Ltd (河北鋼鐵集團有限公司) and/or its subsidiaries and associated companies from time to time, including but not limited to Handan Iron & Steel Company (邯鄲鋼鐵公司), our customer during the Track Record Period and an Independent Third Party
"HK$" and "cents"	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Share Registrar"	Tricor Investor Services Limited, the Hong Kong branch share registrar of our Company

"Hunan Valin Group"	Hunan Valin Steel Group Limited Liability Company (湖南華菱鋼鐵集團有限責任公司) and/or its subsidiaries and associated companies from time to time, including but not limited to Lianyuan Steel Group Company Limited (漣源鋼鐵集團有限公司), our customer during the Track Record Period and an Independent Third Party
"IMUST"	Inner Mongolia University of Science and Technology (內蒙古科技大學), including its Metallurgy School (冶金學院), our cooperation partner in research and development and an Independent Third Party
"Independent Third Party(ies)"	a person(s) or company(ies) which is/are independent of and not connected with any Directors, chief executive or Substantial Shareholders of our Company or any of our subsidiaries and their respective associates
"Latest Practicable Date"	[•••], being the latest practicable date prior to the printing of this document for ascertaining certain information in this document
"Maanshan Steel"	Maanshan Iron & Steel Company Limited (馬鞍山鋼鐵股份有限公司) and/or its subsidiaries and associated companies from time to time, including but not limited to Maanshan Iron & Steel Company Limited Refractory Materials Company (馬鞍山鋼鐵股份有限公司耐火材料公司), our customer during the Track Record Period and an Independent Third Party
"Mr. Xu"	Mr. Xu Yejun (徐 葉 君), a co-founder of our Group, our chairman, chief executive officer, an executive Director and one of our Controlling Shareholders
"NDRC"	National Development and Reform Committee
"PRC" or "China"	the People's Republic of China which, for the purposes of this document only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"PRC Legal Advisers"	Jingtian & Gongcheng Attorneys at Law, a qualified PRC law firm acting as the PRC legal advisers to our Company in connection with [•••]
"Reorganisation"	the corporate reorganisation of our Group in preparation for the [•••] as described under the section headed "Reorganisation" in this document

DEFINITIONS

"RMB"	Renminbi, the lawful currency of the PRC
"SAFE"	the State Administration of Foreign Exchange (國家外匯管理局)
"Shandong Steel Group"	Shandong Steel Group (山東鋼鐵集團) and/or its subsidiaries and associated companies from time to time, including but not limited to Jinan Iron & Steel Company (濟南鋼鐵公司), our customer during the Track Record Period and an Independent Third Party
"Share(s)"	the ordinary share(s) of HK$0.10 each in the share capital of our Company
"Shareholder(s)"	holder(s) of the Share(s)
"Sino Super"	Sino Super (Hong Kong) Limited (華鉅(香港)有限公司), a company incorporated in Hong Kong on 19 January 2006 and wholly-owned by Dr. Zhang. Sino Super owned 5% of equity interest in Sinoref (Yixing) prior to the Reorganisation
"Sinoref (BVI)"	Sinoref (BVI) Limited, a company incorporated in the BVI on 12 January 2010, and a direct wholly-owned subsidiary of our Company
"Sinoref (HK)"	Sinoref (Hong Kong) Limited (華耐科技(香港)有限公司), a company incorporated in Hong Kong on 17 February 2010, and an indirect wholly-owned subsidiary of our Company
"Sinoref International"	Sinoref International Limited (華耐國際有限公司), a company incorporated in the BVI on 28 April 2005 and was owned as to approximately 40% by Mr. Xu, approximately 10% by Dr. Zhang, approximately 25% by Mr. Gao Zhilong, a Director, approximately 16% by Mr. Chai Xishu, an Independent Third Party, approximately 4% by Mr. Gu Aoxing, a Director, approximately 2% by Mr. Wang Zhizhong, our senior management staff, and approximately 3% by Mr. Fu Chengzheng, an Independent Third Party, as at the Latest Practicable Date
"Sinoref (Yixing)"	華耐國際(宜興)高級陶瓷有限公司 (Sinoref International (Yixing) Co., Ltd.), a wholly foreign owned enterprise established in the PRC with limited liability on 20 July 2005, and an indirect wholly-owned subsidiary of our Company

DEFINITIONS

"subsidiary(ies)"	has the meaning ascribed to it under the Companies Ordinance
"Track Record Period"	the three financial years ended 31 December 2009
"US" or "United States"	the United States of America
"US$" or "USD"	United States dollars, the lawful currency of the US
"Wuhan Steel Group"	Wuhan Iron and Steel (Group) Corp. (武漢鋼鐵(集團)公司) and/or its subsidiaries and associated companies from time to time, including but not limited to Wuhan Iron and Steel Group Refractory Materials Company Limited (武漢鋼鐵集團耐火材料有限責任公司), Yunan Kunming Iron and Steel Company (雲南昆明鋼鐵公司) and Yuxi Xin Xing Iron and Steel Co., Ltd. (玉溪新興鋼鐵有限公司), our customer during the Track Record Period and an Independent Third Party
"Mt"	million tonnes
"sq.m." or "m^2"	square metres
"tonne"	metric tonne, which equals to 1,000 kilogrammes
"%"	per cent.

Unless otherwise specified, amounts denominated in RMB and US$ have been converted into Hong Kong dollars and vice versa in this document for the purpose of illustration only at the rates set out below:

HK$1.14 : RMB1.00
HK$7.75 : US$1.00

No representation is made that any amounts in RMB, US$ or HK$ can be or could have been converted at the relevant dates at the above rates or any other rates or at all.

If there is any inconsistency between the Chinese name of the PRC laws and regulations or the PRC entities mentioned in this document and their English translation, the Chinese version shall prevail. Translated English names of Chinese natural persons, legal persons, governmental authorities, institutions or other entities for which no official English translation exist are unofficial translations for reference only.

Certain amounts and percentage figures included in this document have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be the arithmetic sum of the figures preceding them.

GLOSSARY OF TECHNICAL TERMS

This glossary contains definitions and other terms as they relate to our Group and as they are used in this document, which may not correspond to the standard industry definitions.

"argon"	a chemical element designated by the symbol "Ar" and atomic number 18, the third most abundant gas and the most frequently used inert gas during chemical synthesis
"body"	the main part of each of our steel flow control products
"calcia stablised zirconia"	a kind of raw material used in our products which was electrically melted to incorporate calcia into the lattice of zirconia to reach stability at all temperature before melting
"calcined alumina"	a kind of very fine raw material used in our products to reach a high density in our products
"Compact Strip Process Subentry Nozzles" or "CSP Subentry Nozzles"	subentry nozzles for the thin slab casting process (such casting process was invented by SMS GmbH, a company specialising in making metallugical equipment)
"continuously cast slabs and billets"	semi-finished products cast into different shapes by the continuous casting process; they are called slabs and billets according to the shape of their cross-sections
"continuous casting process"	the process whereby molten steel is continuously fed into a water-cooled crystalliser and cast into steel of specific sectional shapes and dimensions
"crude steel"	steel at its first stage of solidification, i.e. ingots and continuously cast semi-finished products
"fused alumina"	a kind of raw material used in our products which was electrically melted to reach high density for better erasion and erosion resistance
"graphite"	the most stable form of carbon under standard conditions
"hafnia"	a chemical compound typically co-exists with zirconia which is used as a raw material in our products
"ingot casting"	the process whereby molten steel is poured into moulds to produce steel ingots and it was a casting method generally used in the steel manufacturing industry prior to its being replaced by the continuous casting process
"isostatic pressing"	a pressing technique using a fluid media to exert forces to an object with uniform pressure on all directions.

GLOSSARY OF TECHNICAL TERMS

"Ladle Shroud"	one of our steel flow control products which connects the steel ladle with the tundish
"liner"	the inner part of each of our steel flow control products (except for Stopper)
"magnesia"	a kind of raw material used in our products to counter erosion from molten steel during application
"monolithic materials"	monolithic materials are generally referred to as unshaped refractory materials and they are not a kind of steel flow control product. Monolithic materials are a mixture of refractory grains, fine powders and binders with additives. Monolithic materials are generally loosely mixed with required ingredients and shipped in bulk or in bags or pre-cast shapes. Application of these materials will have to be carried out on site to make these materials into usable solid shapes. Monolithic materials are used as lining in typical steelmaking furnaces, ladles and tundishes in conventional continuous casting, thin slab casting and thin strip casting and as maintenance materials once the lining for the aforementioned parts is eroded.
"MPa"	Megapascal, which is equivalent to 10^6 pascals. Pascal (symbol: "Pa") is the measurement unit of pressure
"resin binder"	a binding chemical which is able to provide necessary strength and density for our products at temperatures up to 1,600 degree celsius
"seat"	the joining part of each of our steel flow control products (except for Stopper)
"side dams"	a ceramic part for the thin strip casting process to hold molten steel during casting operations. Side dams are not steel flow control products. They are manufactured through very high temperature and pressure sintering process which is different from steel flow control products manufacturing process
"slagline"	the part of our products in contact with the slag on the surface of molten steel during application
"slide plate"	the part of our products which is a flat sliding surface in contact with another flat sliding surface
"steel flow control products"	products used to protect, control and regulate molten steel flow in the continuous casting process; and they are typically manufactured through isostatic pressing

"steel flow distributors"	steel flow control products which distributes molten steel uniformally in between the twin-roll of the thin strip caster. They are manufactured through the same process as ordinary steel flow control products
"steel ladle"	a container used to transport and pour out molten steel
"Stopper"	one of our steel flow control products which regulates molten steel flowing into a mould
"Subentry Nozzle"	one of our steel flow control products which controls the flow of molten steel
"thin strip casting process"	one kind of continuous casting process carried out by steel manufacturing companies whereby molten steel is directly cast into strip, which requires advanced steel flow control products, monolithic materials, and side dams. When compared to conventional continuous casting process, it has smaller production scale, can produce specific types of products; and it is currently used by certain steel manufacturing companies as a niche production process. It can also save costs as the amount of rolling required is minimised
"tundish"	a container which is used to feed molten steel into a mould
"Tundish Nozzle"	one of our steel flow control products which connects the Stopper and the Subentry Nozzle
"tundish powder"	a covering powder which is placed on top of molten steel in the tundish, which has the functions of acting as a thermal insulator, a barrier between air and molten steel to prevent reoxidation and assimilating the inclusions that separate from the steel during casting; and which is mainly divided into two categories, namely acid and basic
"zirconia"	a chemical used in our products to resist slag erosion during application

You should consider carefully all the information set out in this document and, in particular, should evaluate the following risks associated with an investment in our Company. You should pay particular attention to the fact that our Company is incorporated in the Cayman Islands and all of our operations are conducted in the PRC and are governed by a legal and regulatory environment which in some respects may differ from that in Hong Kong. Any of the risks and uncertainties described below could have a material adverse effect on our business, results of operations, financial condition or on the trading price of our Shares.

RISKS RELATING TO OUR GROUP

Risks associated with customers

(a) Our business and prospects depend heavily on the performance of the steel industry in China

We are primarily engaged in the manufacturing of advanced steel flow control products used by steel manufacturing companies for protection, control and regulation of the molten steel flow. During the Track Record Period, all of our customers are steel manufacturing companies in the PRC.

Our business and prospects depend heavily on the performance of the steel industry in China, as well as industries that consume steel in China, including construction and manufacture of heavy machineries and equipment, aircraft, ships and automobiles. A significant slowdown or downturn of any of these industries or a change of production plans and decline in level of capital spending in any of them, in particular the steel industry, could significantly reduce demand for our advanced steel flow control products, which could depress prices for our products and sales volume and adversely affect our performance and profitability. In addition to the potential impact of these developments on our financial condition and results of operations, they may also affect our expansion plans and adversely affect our ability to make acquisitions.

(b) Our business currently relies on members of certain major steel manufacturing groups in the PRC

During the Track Record Period, our revenue was derived entirely from steel manufacturing companies in the PRC. For each of the three years ended 31 December 2009, our five largest customers accounted for approximately 95.5%, 74.2% and 48.0% of our total sales respectively. Sales to our largest customer, Baosteel Group, accounted for approximately 36.4%, 16.8% and 12.3% of our total sales respectively. If one or more major customers were to cease to conduct business with us or we were unable to expand our business with existing customers or attract new customers, our business, financial condition and results of operations would be materially and adversely affected.

(c) We do not have long term sales contracts with our customers, but we generally enter into one-year framework contracts with them

We do not have long term sales contracts with any of our customers but we generally enter into one-year framework contracts with them. Our business with our customers has been, and we expect it will continue to be, conducted on the basis of actual purchase orders received from our customers on a monthly basis based on the framework contract with such customers.

We cannot guarantee that our major customers will continue to do business with us at the same or increased levels or at all. If one or more major customers were to cease to conduct business with us and we were unable to expand our business with existing customers or attract new customers, our business, financial condition and results of operations would be materially and adversely affected. A decision made by a major customer, whether motivated by competitive considerations, economic conditions or otherwise, to reduce its purchases from us or any other adverse change in our business relationship with our customer could also have a material adverse effect on our business, financial condition and results of operations.

(d) We may face difficulties in sourcing and developing new customers

Our total number of customers amounted to 7, 11, 18 and [20] for the three years ended 31 December 2009 and as at the Latest Practicable Date.

Our products are specifically designed for use by each customer and every of them has its own supplier selection process which typically includes mould designing, manufacturing and trial. During the Track Record Period, it took us, on average, one to three months from identifying a potential client to becoming one of its qualified suppliers. However, there is no assurance that we will be successfully selected as a qualified supplier by the potential customers that we approach in the future; and we also cannot guarantee that they will make any order for purchase of our products even if we are their qualified supplier.

If we are unable to extend our customer base by adding new customers at desired levels or at all, it could have a material adverse effect on our business, financial condition and results of operations.

Our short operating history and rapid growth may make it difficult for investors to evaluate our business and growth

We commenced our business operations in 2007 and have since experienced rapid growth. Our revenue and net profit increased from approximately RMB40.0 million and RMB13.4 million in 2007 to approximately RMB156.9 million and RMB70.1 million respectively in 2009, representing a CAGR of approximately 98.1% and 128.7% respectively. Due to our limited operating history, there may not be an adequate basis on which to evaluate our future operating results and prospects based on our short historical financial performance. Moreover, the rate of our future growth may not continue at the same level as the growth we have experienced in the past. As our past results may not be indicative of our results in the future, investors may have difficulties evaluating our business and prospects.

We had net current liabilities as at 31 December 2007

Our Group recorded net current liabilities as at 31 December 2007 which amounted to approximately RMB12.5 million, with amount due to a director of approximately RMB10.0 million, amounts due to related companies of approximately RMB7.2 million and secured one-year bank borrowings of approximately RMB9.0 million, part of which was used to finance the construction of our plant and our purchases of fixed assets.

Our business, financial position and development plans may be adversely affected if our Group does not generate sufficient cash in-flow from operations to meet our financial obligations. As the operations of our Group expand, more cash is expected to be required to fund our operation. Hence, our Group may need to raise funds through debt or other forms of financing to finance its operations and/or to refinance our debts. The finance costs may as a result increase significantly and affect our profitability. If our Group is unable to repay our loans when they fall due, the relevant creditor may take action to enforce the loans which would adversely affect the operations and operating results of the Group.

If our Group fails to raise necessary funding by borrowings from banks to finance our business operations and capital expenditure (when required), our business and financial position may be adversely affected. The failure of our Group to generate current assets to the extent that the aggregate amount of the current assets on a particular date exceeds the aggregate current liabilities on the same day, our Group may record net current liabilities in the future.

We may not be able to maintain our profit margin in the future and the increasing trend of profit margin may attract competition

We achieved gross profit margin in an increasing trend of approximately 55.7%, 58.6% and 67.2% for each of the three years ended 31 December 2009, respectively. For the same period, our net profit was approximately RMB13.4 million, RMB25.0 million and RMB70.1 million, respectively, representing net profit margin of approximately 33.5%, 37.2% and 44.7%, respectively. There is no assurance that we will be able to maintain or improve such gross profit margins or net profit margins as in the Track Record Period and such increasing trend of profit margins may attract competition and thus may adversely affect our financial condition. It is one of our growth strategies to expand the range of our products offered to our customers and they include steel flow distributors and side dams for use in the thin strip casting process and monolithic materials which can have a variety of applications, including in steelmaking furnaces, ladles and tundishes in different steel casting processes. There is no assurance that the gross profit margins or net profit margins of these new products will be similar or higher than what we have attained with our existing products during the Track Record Period in the future subsequent to our expansion of product range.

Our business could be adversely and materially affected if we fail to adequately protect our proprietary technology and technical know-how

We rely substantially on proprietary technology, technical know-how and research data to conduct our business and to attract and retain customers. In particular, certain formulas of mixes and special designs for our products are involved in our production process. The success of our business depends on our ability to protect our technical know-how and our intellectual property portfolio, and to obtain patents without infringing the proprietary rights of others. If we do not effectively protect our technical know-how and intellectual property, our business and operating results could be adversely affected.

Reliance on key management personnel may impose risks on our Group

Our performance and success is, to a significant extent, attributable to the vision and leadership of our founders, Mr. Xu and Dr. Zhang and the contribution of our other executive Directors and senior management team. Competition for senior management and key personnel in our industry is intense and the pool of qualified candidates is limited. Hence, we may not be able to retain the services of our Directors and members of senior management or other key personnel, or attract and retain high-quality personnel in the future. If any of these persons or any other member of the senior management team leaves us, and we were not able to engage a suitable replacement on a timely basis, our business, operations and financial condition may be materially adversely affected.

Our business depends on reliable supply of quality raw materials

The principal raw materials used in our production are fused alumina, calcined alumina, calcia stablised zirconia, graphite and resin binder. We obtain these materials from both domestic and overseas suppliers.

For the three years ended 31 December 2009, purchases from our five largest suppliers represented approximately 44.6%, 42.0% and 58.0%, respectively, of our total purchases of raw materials. During the same period, purchases from our largest supplier accounted for approximately 12.1%, 12.1% and 18.6%, respectively, of our total purchases of raw materials. During the same period, our purchases of principal raw materials from overseas suppliers accounted for about 14.7%, 19.6% and 8.3% respectively, of our total purchases of raw materials.

We have not entered into long term supply agreements with all of our suppliers for our principal raw materials. If any of our major suppliers fails to meet our purchase orders on a timely basis or supply us with raw materials of the quality that we require or terminates their business relationship with us, and we are unable to source raw materials from alternative suppliers on a timely basis and acceptable terms, our business, financial condition and results of operations could be materially and adversely affected.

If we are unable to obtain sufficient quantities of our principal raw materials, we may be unable to maintain our production schedules and meet our commitments to our customers. The cost of raw materials consumed amounted to approximately RMB11.2 million, RMB19.8 million and RMB42.7 million for each of the three years ended 31 December 2009, representing approximately 63.3%, 71.3% and 82.8% of our total cost of sales. If the prices of these principal raw materials increase, and we were not able to increase the price of our products accordingly on a timely basis, our gross profit margin, result of operations and operating cash flows could be materially and adversely affected.

We require significant capital investments and a high level of working capital to sustain our operations and overall growth

We require significant capital investments to sustain our operations and pursue future expansion plans. We also depend on cash generated from our operations as well as access to external financing to operate and expand our business. Our future funding requirements will depend, to a large extent, on our working capital requirements and the nature of our capital expenditures. We need substantial capital expenditures to maintain and continuously upgrade and expand our production facilities, research and development functions, and distribution and marketing networks to keep pace with the competitive landscape, technological advances and changing requirements in our industry.

We intend to fund a portion of our future capital expenditures, working capital needs and other funding requirements from cash flows generated from our operating activities and from external sources of financing. If we are unable to generate sufficient cash flows or raise sufficient external financing on attractive terms to fund these activities, we may not be able to manage our existing operations, achieve our desired operating scale or expansion plans, which in turn may adversely impact our competitiveness and, therefore, our results of operations.

We manufacture our products in a single location, and any material disruption of our operations could adversely affect our business

Our operations are subject to uncertainties and contingencies beyond our control that could result in material disruptions in our operations and adversely affect our business. These include industrial accidents, fires, floods, droughts, storms, earthquakes, natural disasters and other catastrophes, equipment failures or other operational problems, strikes or other labour difficulties.

During the Track Record Period, all of our products were manufactured in our production facilities in Yixing, the PRC. If there is any damage to our production facilities, we may not be able to remedy such situations in a timely and proper manner, and our production could be materially and adversely affected. Any breakdown or malfunction of any of our equipment could cause a material disruption of our operations. Any such disruption in our operations could cause us to reduce or halt our production, prevent us from meeting customer orders, adversely affect our business reputation, increase our costs of production or require us to make unplanned capital expenditures, any one of which could materially and adversely affect our business, financial condition and results of operations.

Our expansion plans may not be successful

We plan to expand our production capacity by constructing a new production plant which is expected to start construction during 2011. The new production plant will house an additional production line and is expected, upon full operation, to add an additional annual production capacity of 8,600 tonnes of advanced steel flow control products. We expect to incur significant costs in connection with the expansion of our business, and any failure to successfully implement our expansion plans may materially and adversely affect our business, financial condition and results of operations.

Our production capacity might not be able to meet with growing market demand or changing market conditions

We cannot give assurance that our production capacity will be able to meet our obligations and the growing market demand for our products in the future. Furthermore, we may not be able to expand our production capacity in response to the changing market conditions. If we fail to meet demand from our customers, we may lose our market share.

We manufacture and sell only "high-end" steel flow control products

Our Group is solely engaged in the manufacture of advanced steel flow control products which are used in the continuous casting process to protect, control and regulate the molten steel flow. All of our existing products, namely Ladle Shrouds, Stoppers, Tundish Nozzles and Subentry Nozzles, are classified as "high-end" products according to the specifications of "high-end" products defined by ACRI. If we are unable to sustain or increase the sales of our "high-end" steel flow control products to our customers, our business, financial condition, and operating results would be adversely affected.

We may not be able to develop new products or expand into new markets

We intend to develop and produce monolithic materials, side dams, and steel flow distributors to be used in the thin strip casting process after [•••]. Monolithic materials, side dams, and steel flow distributors are new products which we have not manufactured on a commercial scale in the past and we may not be able to launch or develop such materials or products successfully.

The launch and development of new products involve considerable time and commitment which may exert a substantial strain on our ability to manage our existing business and operations. We cannot ensure our research and development capacity and capability is sufficient to develop any marketable new products or any income will be generated from such new products. If we are not able to develop and introduce new products successfully, or if our new products fail to generate sufficient revenues to offset our research and development costs, our business, financial condition and operating results could be adversely affected. Failure of such could lead to wasted resources.

An element of our strategy for growth also envisages us selling existing or new products into new markets other than the PRC market. There is no guarantee that we will be successful to execute our strategy for growth and if we should fail to execute our growth strategy successfully, it may have a material and adverse effect on our future revenue and profitability.

We may be subject to product liability claims

[As at the Latest Practicable Date, as far as our Directors are aware and after making all reasonable enquiries, no legal claim was made against our Group arising from product defects and we are advised by our PRC Legal Advisers that it is not a mandatory requirement for our Group to maintain third party liability and product liability insurance under the PRC laws.] Our Directors believe that, however, if the products manufactured by us contain defects which adversely affect our customers, our Group may incur additional costs in curing such defects or defending any legal proceedings or claims brought against us and may result in negative publicity. There is no assurance that there will not be any product liabilities claims against our Group in the future. If any of our customers make any claim against us due to the defects of our products, our profitability, business and reputation may be adversely affected.

We may be subject to liability in connection with industrial accidents at our production facilities

Our business involve the operation of heavy machinery that could result in industrial accidents which may cause injuries or deaths. We cannot assure you that industrial accidents, whether due to malfunctions of machinery or other reasons, will not occur in the future at our production facilities.

In such an event, we may be liable for loss of life and property, medical expenses, medical leave payments and fines and penalties for violation of applicable PRC laws and regulations. In addition, we may experience interruptions in our operations and may be required to change the manner in which we operate as a result of governmental investigations or the implementation of safety measures as a result of such industrial accidents. Any of the foregoing could adversely affect our business, financial condition and results of operations.

Lack of business insurance coverage may incur substantial costs for our Group

We can give no assurance that the present insurance coverage is sufficient to meet any claims to which we may be subject and that we will in the future be able to obtain or maintain insurance on acceptable terms or at appropriate levels or that any insurance maintained will provide adequate protection against potential liabilities. In addition, defending ourselves against such claims may strain management resources, affect our reputation and require us to spend significant sums on legal costs.

To the best knowledge of our Directors, insurance companies in the PRC offer limited business insurance products, and do not offer business liability insurance. As a result, we do not have any business liability insurance coverage for our business operations. Any business disruption, litigation or natural disaster might result in substantial costs and diversion of our resources.

We are subject to foreign exchange exposure

Substantially all our costs are denominated in RMB, USD and EUR, while our sales are mainly denominated in RMB. For the three years ended 31 December 2009, approximately 12.4%, 14.4% and 6.7% of our direct material purchases were denominated in USD respectively; and approximately 0%, 2.2% and 1.5% of our direct material purchases were denominated in EUR respectively.

As at the Latest Practicable Date, we had not engaged in exchange rate hedging activities. Any fluctuation in the RMB exchange rates may have an adverse effect on our results of operations and financial condition. In addition, any future exchange rate volatility relating to RMB may give rise to uncertainties in the value of net assets, profits and dividends. Appreciation of the value of RMB may subject us to increased competition from foreign competitors, and depreciation in the value of RMB may adversely affect the value of our net assets and earnings and dividends from our PRC subsidiaries.

The interests of our Controlling Shareholders may differ from those of our other Shareholders

Our Controlling Shareholders will control the exercise of 37.5% voting rights in the general meeting of our Company after [•••]. The interests of our Controlling Shareholders may differ from the interests of our other Shareholders. If the interests of our Controlling Shareholders conflict with the interests of our other Shareholders, or if our Controlling Shareholders choose to cause our business to pursue strategic objectives that conflict with the interests of our other Shareholders, those Shareholders could be disadvantaged by the actions that our Controlling Shareholders choose to cause us to pursue.

Our Controlling Shareholders could have significant influence in determining the outcome of any corporate transaction or other matter submitted to our Shareholders for approval, including mergers, consolidations and the sale of all, or substantially all, of our assets, election of directors, and other significant corporate actions. Our Controlling Shareholders have no obligation to consider our interests or the interests of our other Shareholders.

RISKS RELATING TO THE INDUSTRY

Our business depends very much on the continuous casting method in the steel manufacturing industry. Industry-wide adoption of other existing or new technologies that do not require steel flow control products in the future might seriously affect our business

We are engaged in the manufacture of advanced steel flow control products which are used in the continuous casting process to protect, control and regulate the molten steel flow. In the event that other casting processing methods, instead of the continuous casting process, are adopted by steel manufacturing companies, our business, financial condition and results of operations would be adversely affected. Our advanced steel flow control products may not be applicable to such new technologies and we may not be able to develop appropriate products successfully to cater for the industry-wide adoption of other existing or new technologies which do not require our products.

We cannot assure that we will be able to renew all necessary licences, certificates, approvals and permits for our production. Changes in licensing requirements applicable to our industry may adversely affect us

As at the Latest Practicable Date, we have obtained all necessary licences, certificates, approvals and permits for the production of our existing products. There was no requirement for a particular licence, certificate, approval or permit specific for the production of steel flow control products in the PRC. The abovementioned licences, certificates, approvals and permits that were obtained refer to the government licences, approvals and permits that we have obtained from the relevant government authorities for 1) the incorporation of our subsidiary in the PRC to conduct the production of steel flow control products business and the other licences and permits, including the tax registration, that are generally required for companies to operate their businesses in the PRC; and 2) for the construction and operation of our production facility. In addition, our Group has obtained the Production Permit (全國工業產品生產許可證) from the General Administration of Quality Supervision, Inspection and Quarantine ("AQSIQ") in accordance with the Regulations on the Administration of Production Permits for Industrial Products (工業產品生產許可證管理條例) and the implementation rules promulgated by the State Council of the PRC (國務院) and AQSIQ in July and September 2005, respectively.

There is no assurance that we will be able to renew such licences, certificates, approvals and permits upon their expiration. The eligibility criteria for such licences, certificates, approvals and permits may change from time to time and may become more stringent. In addition, new requirements for licences, certificates, approvals and permits may come into effect in the future. The introduction of any new and/or more stringent laws, regulations, licenses, certificates, approvals or permits requirements relevant to our business operations and the steel flow control products industry may significantly escalate our compliance and maintenance costs or may limit our Group to continue with our existing operations or may limit or prohibit us from expanding our business. Any such event may have an adverse effect to our business, financial results and future prospects.

The PRC Government may adopt measures to slow down growth in the steel manufacturing industry and other steel consuming industries, thereby adversely affecting the demand for our products

The PRC Government has in the past adopted, and may in the future adopt from time to time, restrictive measures to curtail the growth of various industry sectors in an effort to control inflation and stabilise the value of RMB. Such measures may extend to the steel manufacturing industry and other steel consuming industries, such as construction and manufacturing of heavy equipment, automobiles, aircraft and ships. We cannot assure you that the PRC Government will not take actions in the future that would adversely affect demand and prices for our products in China. Such actions could materially and adversely affect our business, financial condition and results of operations.

On 26 September 2009, the State Council of the PRC (國務院) issued the State Council No.38 Circular. Certain major principles were put forward, including restricting additional capacity and optimising existing capacity, growing emerging industries and upgrading traditional industries and adopting market orientation and macro controls. The State Council No.38 Circular also required a restriction on the overall production capacity and constrained surplus production capacity, encouraged the development of new industries and products that are of high-technology level, high value-added, low resources consumption and low emission, enhanced merger and corporate restructuring as well as industry consolidation, expedited the retirement of technologically laggard plants, emphasised technology advancement, improved existing capacity, adjusted product mix and pursued an efficient, quality and sustainable industrial development.

The principles set out in the State Council No.38 Circular aimed at consolidating the resources of steel manufacturing companies by merging and reorganising the small-medium companies and eliminating old and outdated production facilities so as to maintain the sustainable development of the steel manufacturing industry. These principles required the steel manufacturing companies to refine their product structure and aimed to eliminate the outdated products and production facilities.

Measures adopted by the PRC Government from time to time to slow down the growth in the steel manufacturing industry and other steel consuming industries such as the State Council No.38 Circular, may adversely affect the demand of our products and our results of operation.

Our industry is subject to global economic and market conditions

Our business depends substantially on the global economic and market conditions, in particular China. A slowdown of China's economic growth or a recession could have a material and adverse effect on our business, financial condition and results of operations as well as affecting our expansion strategies. Periods of relatively slow economic growth, a recession or public perception that a slowdown of economic growth or recession may occur, may decrease the demand for our products, thereby adversely affecting our sales and profitability. For example, during periods of a slowdown of economic growth or recession, the construction and manufacturing industries may experience significant cutbacks in production, which could adversely affect demand for steel and, in turn, adversely affect the demand of our products which are advanced steel flow control products used by steel manufacturing companies.

We operate in a competitive industry

The steel flow control products industry in China is competitive with a number of providers throughout the country. Some products used by steel manufacturing companies in China are also imported from overseas.

During the Track Record Period, we primarily competed with international industry players in the PRC, but we may also face competition from existing manufacturers in the PRC and new entrants to the market, some of which may have a lower cost structure than ours due to lower capital expenditures. Some of our competitors may have greater financial and other resources than we do. Our products also compete with imported products. Thus, further appreciation of RMB may have the effect of lowering the cost of imported products and intensify the competition between our products and the imported products. We cannot assure you that we will be able to compete successfully in our existing markets or in the new markets where we are expanding into. Any increase in competition may adversely affect our business, financial condition and results of operations.

In addition, we compete with other existing manufacturers in terms of product quality and the ability to recruit experienced and talented employees. If we are not able to maintain our competitiveness in respect of the foregoing, our business operations, market share and financial condition may be adversely affected.

There are no assurances that the competitiveness of our competitors will not improve or that we will be successful in expanding our market share against our competitors. Our competitors may be able to respond more quickly to new or emerging technologies and changes in client requirements and/or demands. Existing and/or increased competition could adversely affect our market share and materially affect our business, financial condition and operating results. If competitive pressure should intensify, it may force us to reduce the price of our products, which could adversely affect our business, financial condition and operating results.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

Political and economic policies of the PRC government and social conditions and legal developments of the PRC could affect our business

Our results, financial condition and prospects are to a significant degree subject to the economic, political and legal developments of the PRC, as all of our assets are located in the PRC and all of our revenue is derived from operations that take place in the PRC. The economic, political and social conditions, as well as government policies, including taxation policies, of the PRC, could affect our business. The PRC economy differs from the economies of other countries in many respects. The PRC economy has historically been a planned economy and has been in a transitional stage to a more market-driven economy. Although the PRC government has implemented measures emphasising the use of market forces for economic reform in recent years, there can be no assurance that economic, political or legal systems of the PRC will not develop in a way that is detrimental to our business, results of operations and prospects.

The government control of currency conversion could affect our business operations

During the Track Record Period, all of our revenue was received in RMB. At present, RMB is not freely convertible to other currencies. Under the current foreign exchange regulations, RMB is convertible without approvals from SAFE only with regard to current account transactions, including trade and service related foreign exchange transactions and payment of dividends to foreign investors, while the foreign exchange transactions in respect of capital account items including the foreign currency capital in any foreign investment enterprise in the PRC, the repayment of foreign currency loans and the payment pursuant to foreign currency guarantees, continue to be subject to significant foreign exchange controls and require the prior approval of the SAFE. There can be no assurance that the PRC government will not impose more stringent restrictions on the convertibility of RMB, especially relating to foreign exchange transactions.

Uncertainties regarding interpretation and enforcement of the PRC laws and regulations may impose adverse impact on our business, operations and profitability

Although many laws and regulations have been promulgated and amended in the PRC since 1978, the PRC legal system is still not sufficiently comprehensive when compared to the legal systems of certain developed countries. The interpretation of the PRC laws and regulations may be influenced by momentary policy changes reflecting domestic political and social changes. In addition, it may also be difficult to enforce judgments and arbitration awards in the PRC.

Many laws and regulations in the PRC are promulgated in broad principles and the PRC government has gradually laid down implementation rules and has continued to refine and modify such laws and regulations. As the PRC legal system develops, the promulgation of new laws or refinement and modification of existing laws may affect foreign investors. There can be no assurance that future changes in legislation or the interpretation thereof will not have an adverse effect upon our business, operations or profitability.

The implementation of the new labour contract law and increase in labour costs in the PRC may adversely affect our business and financial conditions

A new labour contract law became effective on 1 January 2008 in the PRC. It imposes more stringent requirements on employers in relation to entry into fixed term employment contracts and dismissal of employees. In addition, under the newly promulgated "Regulations on Paid Annual Leave for Employees" (職工帶薪年休假條例), which became effective on 1 January 2008, employees who have worked continuously for more than one year are entitled to a paid vacation ranging from 5 to 15 days, depending on the length of the employees' work time. Employees who consent to waive such vacation at the request of employers shall be compensated an amount equal to three times their normal daily salaries for each vacation day being waived. As a result of the new law and regulations, our labour costs may increase. It cannot be assured that any disputes, work stoppages or strikes will not arise in the future. Increases in our labour costs and future disputes with our employees could adversely affect our business, financial condition or results of operations.

Under the Enterprise Income Tax Law (中華人民共和國企業所得稅法) (the "New Tax Law") and the related implementation regulations, which became effective on 1 January 2008, dividends from our subsidiary in the PRC may be subject to withholding tax or we may be subject to the PRC tax on our worldwide income

Under the PRC tax laws effective prior to 1 January 2008, dividend payments to foreign investors made by foreign-invested enterprises, such as dividends distributed to our Company from our subsidiary in the PRC, were exempted from the PRC withholding tax. In 2007, the PRC Government adopted its New Tax Law and the related implementation regulations, which became effective on 1 January 2008. Under such income tax law and its implementation regulations, all domestic companies are subject to a uniform enterprise income tax at the rate of 25% and dividends from the PRC companies to their foreign shareholders are subject to a withholding tax generally at a rate of 10%, unless it is entitled to reduction or elimination of such tax under tax treaties. In addition, under this New Tax Law, enterprises organised under the laws of jurisdictions outside China with their "de facto management bodies" located within China may be considered as the PRC resident enterprises and therefore be subject to the PRC enterprise income tax at the rate of 25% on their worldwide income. Dividends from the PRC companies to their foreign shareholders which are also qualified as the PRC tax residents are tax exempt. Under the implementation regulations of the New Tax Law, "de facto management bodies" are defined as the bodies that have material and overall management and control over the production, business, personnel, accounts and properties of the enterprise. As a majority of the members of our management team continue to be located in China after the effective date of the New Tax Law, we may be treated as a PRC tax resident for enterprise income tax purposes. The tax consequences of such treatment are currently unclear, as they will depend on how tax authorities apply or enforce the New Tax Law or its implementation regulations. See also paragraph headed "Dividends payable by us to our foreign investors and gain on the sale of our Shares may be subject to the PRC tax" below.

Dividends payable by us to our foreign investors and gain on the sale of our Shares may be subject to the PRC tax

Under the New Tax Law and its implementation regulations, a PRC withholding tax at the rate of 10% is applicable to dividends payable to investors that are "non-resident enterprises" (and that do not have an establishment or place of business in the PRC, or that have such establishment or place of business but the relevant income is not effectively connected with such establishment or place of business) to the extent such dividends have their source within the PRC unless there is an applicable tax treaty between the PRC and the jurisdiction in which an overseas holder resides which reduces or exempts the relevant tax. Similarly, any gain realised on the transfer of shares by such investors is subject to a 10% PRC income tax if such gain is regarded as income derived from sources within the PRC. Since it is uncertain whether our Company will be considered a PRC "resident enterprise," dividends payable to our foreign investors with respect to our Shares, or the gain our foreign investors may realise from the transfer of our Shares, may be treated as income derived from sources within the PRC and be subject to the PRC tax.

We cannot assure that we will continue to enjoy preferential tax treatments or financial incentives in the future

Sinoref (Yixing) enjoyed preferential tax treatments, in the form of reduced tax rates and/or tax holidays, provided by the PRC government or its local authorities or bureaus during the Track Record Period. According to the New Tax Law and the Notice in relation to the Implementation of the Transitional Preferential Policy of Enterprise Income Tax issued by the State Council (國務院關於實施企業所得稅過渡優惠政策的通知), Sinoref (Yixing) could enjoy enterprise income tax exemption for a period of two years starting from the first profit making year, followed by a 50% enterprise income tax reduction for a period of three years. Sinoref (Yixing) was exempted from paying the enterprise income tax for 2007 and 2008 and has been entitled to paying the enterprise income tax at a reduced rate of 12.5% in 2009. Assuming that the relevant policies in the PRC remain unchanged, Sinoref (Yixing) will be entitled to paying the enterprise income tax at a reduced rate of 12.5% in 2010 and 2011. However, no assurance can be given that the current policies in the PRC with respect to such preferential tax treatment will not be abolished or unfavorably amended, or that the approval for such preferential tax treatment will be granted to Sinoref (Yixing) in a timely manner, or at all.

We are a holding company and rely on dividend payments from our operating subsidiary

We are a holding company and conduct substantially all of our business through our operating subsidiary in China. As a result, our ability to pay dividends depends on dividends and other distributions received from our operating subsidiary. If our subsidiary incurs debt or losses, it may impair its ability to pay dividends or other distributions to us, which could adversely affect our ability to pay dividends to our Shareholders.

Under current the PRC laws, dividends of the PRC companies can be paid only once a year and only out of the net profit calculated according to the PRC accounting principles, which differ in many respects from generally accepted accounting principles in other jurisdictions. Furthermore, the PRC law requires foreign invested enterprises, such as our subsidiary in China, to set aside part of their net profit as statutory reserves. Our PRC subsidiary is required to set aside each year at least 10% of its after-tax profits for such year, as reported in its PRC statutory financial statements, to the statutory surplus reserve of such PRC subsidiary. Such reserve may not be discontinued until the accumulated amount has reached 50% of the registered capital of the PRC subsidiary. These statutory reserves are not available for distribution to us, except in liquidation. The calculation of distributable profits under the PRC Accounting Standards and Regulations differs in many aspects from the calculation under International Financial Reporting Standards ("**IFRSs**"). As a result, our subsidiary in the PRC may not be able to pay any dividend in a given year to us if it does not have distributable profits as determined under the PRC Accounting Standards and Regulations, even if it has profits for that year as determined under IFRSs.

Limitations on the ability of our PRC subsidiary to remit its entire after-tax profits to us in the form of dividends or other distributions could adversely affect our ability to grow, make investments that could be beneficial to our business, pay dividends and otherwise fund and conduct our business. We cannot assure you that our subsidiary will generate sufficient earnings and cash flows to pay dividends or otherwise distribute sufficient funds to us to enable us to pay dividends to our Shareholders.

In addition, restrictive covenants in bank credit facilities, joint venture agreements or other arrangements that we or our subsidiary may enter into in the future may also restrict the ability of our subsidiary to pay dividends or make distributions to us. These restrictions could reduce the amount of dividends or other distributions we receive from our subsidiaries, which in turn would restrict our ability to pay dividends to our Shareholders.

Uncertainties on the PRC withholding tax rate on dividends payable by our subsidiary in the PRC

Under the Arrangement for the Avoidance of Double Taxation on Income and Prevention of Fiscal Evasion between the PRC and HK (中國內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排), Sinoref (HK) should be entitled to a 5% preferential rate on the PRC withholding tax on dividend distribution from Sinoref (Yixing) provided that Sinoref (HK) is qualified as a Hong Kong resident and the beneficial owner of the income. The State Administration of Taxation released a circular in relation to How to Understand and Determine "Beneficial Owners" under Tax Conventions (國家稅務總局關於如何理解和認定稅收協定中"受益所有人"的通知) on 27 October 2009. The circular stipulates that a beneficial owner is a person who has both ownership and right of control over the income or the assets or rights generating the income and generally must be engaged in substantive business. If Sinoref (HK) is not considered as a beneficial owner, 10% PRC withholding tax should be applicable. It is unclear about the application of this circular to our Group.

PRC regulations relating to acquisitions of the PRC companies by foreign entities may limit our ability to acquire the PRC companies and adversely affect the implementation of our strategy as well as our business and prospects

The Rules on the Acquisition of Domestic Enterprises by Foreign Investors (2006 Revision) (關於外國投資者併購境內企業的規定) ("**M&A Rules**"), which were promulgated in August 2006 and were effective from 8 September 2006, provide the rules with which foreign investors must comply if they are seeking to acquire shares in a domestic enterprise, whether through a purchase agreement with existing shareholders or through a direct subscription from a company, that would result in that company becoming a foreign-funded enterprise. The M&A Rules further require that the business scope of the resultant foreign-funded enterprise conform to the Foreign Investment Industrial Guidance Catalogue (外商投資產業指導目錄). The M&A Rules also provide the takeover procedures for the acquisition of equity interests in domestic enterprises.

There are uncertainties as to how the M&A Rules will be interpreted or implemented. If we decide to acquire a PRC company in the future, there is no assurance that we or the owners of such PRC company can successfully complete all necessary approval requirements under the M&A Rules. This may restrict our ability to implement our expansion and acquisition strategy and could materially and adversely affect our future growth.

PRC regulations relating to the establishment of offshore special purpose companies by the PRC residents may subject our PRC resident shareholders or our PRC subsidiary to liability or penalties, limit our ability to inject capital into our PRC subsidiary, limit our PRC subsidiary's ability to increase their registered capital or distribute profits to us, or may otherwise adversely affect us

The SAFE has promulgated several regulations, including the Notice on Issues Relating to the Administration of Foreign Exchange in Fund-Raising and Round-trip Investment Activities of Domestic Residents Conducted via Offshore Special Purpose Companies (關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知), (the "**SAFE Circular No.75**") issued on 1 November 2005 and its implementation rules issued on 24 November 2005 and 29 May 2007, respectively, that require the PRC residents and the PRC corporate entities to register with and obtain approval from local branches of the SAFE in connection with their direct or indirect offshore investment activities. These regulations apply to our shareholders who are the PRC residents and may apply to any offshore acquisitions that we make in the future.

Under these foreign exchange regulations, the PRC residents who make, or have previously made prior to the implementation of these foreign exchange regulations, direct or indirect investments in offshore companies will be required to register those investments. In addition, any PRC resident who is a direct or indirect shareholder of an offshore company is required to update the previously filed registration with the local branch of the SAFE, with respect to that offshore company, to reflect any material change involving its round-trip investment, capital variation. If any PRC shareholder fails to make the required registration or update the previously filed registration, the PRC subsidiaries of that offshore parent company may be prohibited from distributing their profits and the proceeds from any reduction in capital, share transfer or liquidation to their offshore parent company, and the offshore parent company may also be prohibited from injecting additional capital into its PRC subsidiaries. Moreover, failure to comply with the various foreign exchange registration requirements described above could result in liability under the PRC laws for evasion of applicable foreign exchange restrictions.

Currently our PRC resident Shareholders have filed and completed the necessary registration for previous offshore investment activities as required under SAFE Circular No. 75 and related rules. However, we cannot provide any assurance that all of our shareholders who are the PRC residents will make, obtain or update any applicable registrations or approvals required by these foreign exchange regulations. The failure or inability of our PRC resident Shareholders to comply with the registration procedures set forth in these regulations may subject us to fines and legal sanctions, restrict our cross-border investment activities, limit our PRC subsidiary's ability to distribute dividends to, or obtain foreign-exchange-dominated loans from, our company, or prevent us from being able to make distributions or pay dividends, as a result of which our business operations and our ability to distribute profits to you could be materially and adversely affected.

A shortage of electricity and water supply in the PRC would affect our production and affect our business and financial performance

Our revenue is dependent on the continued operations of our production facilities in Yixing, the PRC. A disruption in the supply of utilities including electricity and water supply, typhoons, floods or other calamities resulting in a prolonged power outage, could result in an interruption or delay of, or require us to curtail, our operations. Any such disruption in our operations could cause us to reduce or halt our production, prevent us from meeting customer orders, adversely affect our business reputation, increase our costs of production or require us to make unplanned capital expenditures, any one of which could materially and adversely affect our business, financial condition and results of operations.

DIRECTORS

Name	Residential Address	Nationality
Executive Directors		
Xu Yejun (徐葉君)	No.21-18, Duifang Road Yicheng District, Yixing Jiangsu, China 214200	Chinese
Zhang Lanyin (張蘭銀)	Room 117 No.800 Gaojing Road Qingpu District Shanghai, China 201702	Canadian
Gu Aoxing (顧敖行)	No.38, Wuzhuang Yangzhu Village Dapu Town, Yixing Jiangsu, China 214226	Chinese
Non-executive Director		
Gao Zhilong (高志龍)	Room 603, No.19, District 10 Alley 3118, Yindu Road Minhang District Shanghai, China 201100	Chinese
Independent non-executive Directors		
Yao Enshu (姚恩澍)	No. 301, 2nd Door #11 Building No.47 Ande Road Dongcheng District Beijing, China 100011	Chinese
Yang Fuqiang (楊富強)	No. 402, 4th Door #3 Building, South Lane Tian Ning Si Qian Street Xuanwu District Beijing, China	Chinese
Cheng Yun Ming Matthew (鄭潤明)	Flat B, 9th Floor, Block 8 Aegean Coast 2 Kwun Tsing Road Tuen Mun, New Territories Hong Kong	Chinese

Auditors and reporting accountants	Deloitte Touche Tohmatsu *Certified Public Accountants* 35th Floor, One Pacific Place 88 Queensway Hong Kong
Property valuer	Colliers International (Hong Kong) Ltd. 5701 Central Plaza 18 Harbour Road Wanchai Hong Kong

CORPORATE INFORMATION

Registered Office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Head office and principal place of business in the PRC	East Qingyuan Ave. Yixing EDZ, Jiangsu China 214200
Principal place of business in Hong Kong	40th Floor, Jardine House 1 Connaught Place Central Hong Kong
Company website	www.sinoref.com.hk (information on the website does not form part of this document)
Internal Control Adviser	Deloitte Touche Tohmatsu 35th Floor, One Pacific Place 88 Queensway Hong Kong
Company secretary	Tam Chi Ming, George *HKCPA, ACIS, ACS*
Cayman Islands share registrar and transfer office	Codan Trust Company (Cayman) Limited Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Hong Kong branch share registrar and transfer office	Tricor Investor Services Limited 26th Floor, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Principal bankers	Bank of Communications No. 98 Renmin Road Yixing, Jiangsu China 214200

We have derived certain facts and other statistics in this document relating to the global steel industry, the PRC economy, the PRC steel industry and the PRC steel flow control products industry in the continuous casting process from various government publications or various organisations, including World Steel Association, National Bureau of Statistics of China and ACRI, that we believe to be reliable. We have no reason to believe that such information is false or misleading or that any fact had been omitted that would render such information false or misleading. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable to official statistics produced for other economies and you should not place undue reliance on them.

Further, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In all cases, you should consider carefully how much weight or importance you should attach to or place on such facts or statistics.

In this section, information regarding the relevant industries has been recited or extracted from certain articles, reports or publications, and their preparations were not commissioned or funded by us.

INTRODUCTION

We are engaged in the manufacture of advanced steel flow control products which are used in the continuous casting process to protect, control and regulate the flow of molten steel. The steel manufacturing industry imposes direct impact on our Group. Relevant information and data in relation to each of the global and national crude steel and continuous cast steel industries are set out below.

CONTINUOUS CASTING PROCESS AND STEEL FLOW CONTROL PRODUCTS

Continuous casting process has been widely used since 1960s. Steel products produced from this process has accounted for more than 90% of the total production of crude steel globally and domestically in the PRC today. It is a process which transforms molten metal into solid form on a continuous basis. Such casting method includes a variety of important commercial processes. These processes are the most efficient way to solidify large volume of metal into simple shapes for subsequent processing.

Continuous casting is distinguished from other solidification processes by its steady state nature. In addition, relative to ingot casting process, continuous casting generally has a lower capital and operating cost and is a more cost-and-energy-efficient method to produce semi-finished metal products with consistent quality in a variety of sizes and shapes.

The use of steel flow control products in the continuous casting process and its advantages

In the continuous casting process, molten steel flows from a ladle, through a tundish into moulds. The tundish holds enough metal to provide a continuous flow to the moulds, even during an exchange of ladles, which are supplied periodically from the steel making process. To produce higher quality product, molten steel must be protected from exposure to air by a slag cover over the liquid surface in each vessel and by using ceramic nozzles between vessels. Otherwise, oxygen in the air will react to form detrimental oxide inclusions in the steel.

Hence, as molten steel flows from the ladle into the mould via the tundish, it is crucial that the rate and timing of flow of molten steel must be carefully controlled and clinically precise throughout the entire continuous casting process in order for the quality of the steel produced to meet the required standards of its end use. Correspondingly, the steel flow control products (such as stoppers, ladle shrouds, and nozzles), which essentially protect and determine the rate and timing of the molten steel flow, play a crucial role in the continuous casting process in ensuring that the quality of the steel being manufactured satisfies the stringent requirements of its end uses.

If the steel flow control products fail to adequately control the rate and timing of steel flow or sufficiently protect the steel from contamination such as exposure to oxygen, the entire batch of steel will be rendered unfit for sale resulting in significant delays and monetary losses to the steel manufacturing companies. Hence, a typical ladle shroud, stopper, subentry nozzle and tundish nozzle can be used for only a few hours depending on the practice of the individual steel plants and the design of their respective steel ladle and tundish. Technological or manufacturing defects in the steel control products may also cause industrial accidents resulting in losses of life and damage to the affected plants and equipments.

Therefore, steel manufacturing companies generally place a high level of emphasis on the quality and reliability of the steel flow control products used in their production plants, which are normally ascertained by examining the track records of the steel flow control products manufacturers, and through a stringent selection and testing of the products of the potential suppliers.

Thin strip casting process

Thin strip casting process is currently the latest continuous casting process carried out by steel manufacturing companies whereby molten steel is directly cast into strip, which requires components such as, advanced steel flow control products including ladle shrouds and stoppers, monolithic materials, steel flow distributors, and side dams. This process requires two tundishes and thus more advanced steel flow control products are required. The steel cast through this process is called ultra thin cast steel. It has better mechanical properties than traditional hot coils and is very close to the properties of cold rolled steel. When compared to conventional continuous casting and thin slab casting processes, thin strip casting has smaller production scale and can be used to produce specific types of products, with lower investment, operation cost, energy consumption and carbon dioxide emission.

However, ultra thin cast steel currently can only be applied in the manufacturing of a limited range of products that requires thin steel sheets such as frames and racks, while the conventional continuous cast billets and slabs can be applied in the manufacturing of steel products used in various industries, such as building construction, machinery and automobile. Therefore, thin strip casting process is not expected to replace conventional continuous casting process in the near future. It is currently only adopted by certain steel manufacturing companies as a niche production process producing ultra thin steels to complement their existing product mix, which can include steel billets, slabs, or ingots.

The concept of thin strip casting was developed by Sir Henry Bessemer approximately 150 years ago. However, it is only in the past decade that the thin strip casting has become a commercially viable technology due to advancements in high speed computing, advanced materials and industrial casting know-how.[1] According to ACRI, there are already a few small scale thin strip casting production lines in China, but they are limited in production type and scale.

Reference:

1 The CASTRIP Process – An Update on Process Development at Nucor Steel's First Commercial Strip Casting Facility, by M. Schueren, P. Campbell from Nucor Steel Indiana and W. Blejde, R. Mahapatra from Castrip LLC

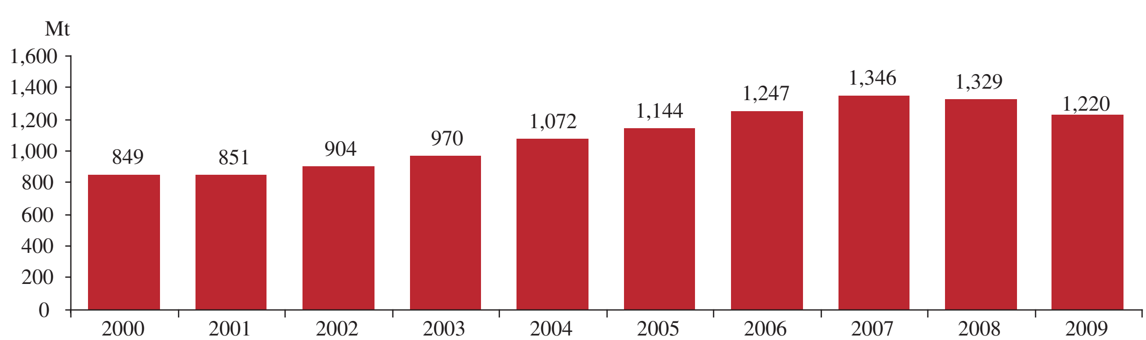
GLOBAL CRUDE STEEL MANUFACTURING INDUSTRY

Global crude steel production

According to the Steel Statistical Yearbook 2009 and the most updated World Crude Steel Production issued by the World Steel Association, the global crude steel production volume increased constantly from 2000 to 2007, with drops in 2008 and 2009. The global crude steel production in 2000 and 2007 amounted to approximately 849 Mt and 1,346 Mt respectively. The global crude steel production decreased to approximately 1,329 Mt in 2008 and 1,220 Mt in 2009.

The following chart sets out the amount of the global crude steel production from 2000 to 2009:

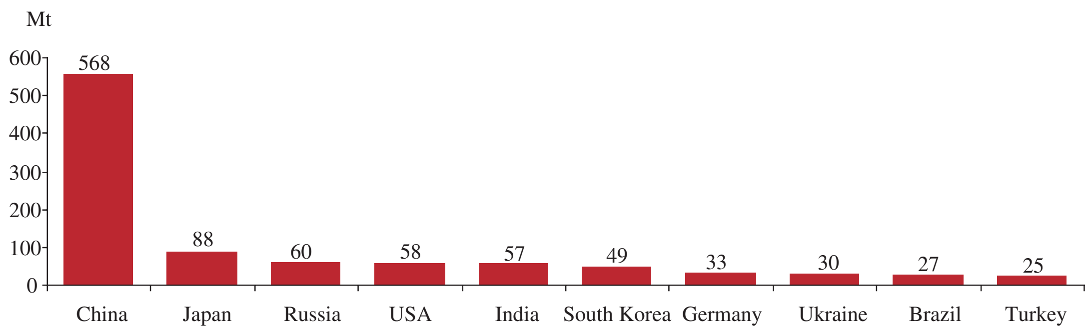
Global crude steel production from 2000 to 2009



Source: World Steel Association

China has been the world's leading producer of crude steel since 1996. In 2007, 2008, and 2009, China's annual production of crude steel amounted to approximately 489 Mt, 500 Mt, and 568 Mt respectively, representing about 36.3%, 37.6% and 46.6% of the world's total production of crude steel. As illustrated in the chart below, China, Japan and Russia had the highest crude steel production amount around the world in 2009. The other countries with large crude steel production volume include the USA, India and South Korea.

Top 10 crude steel production countries in 2009



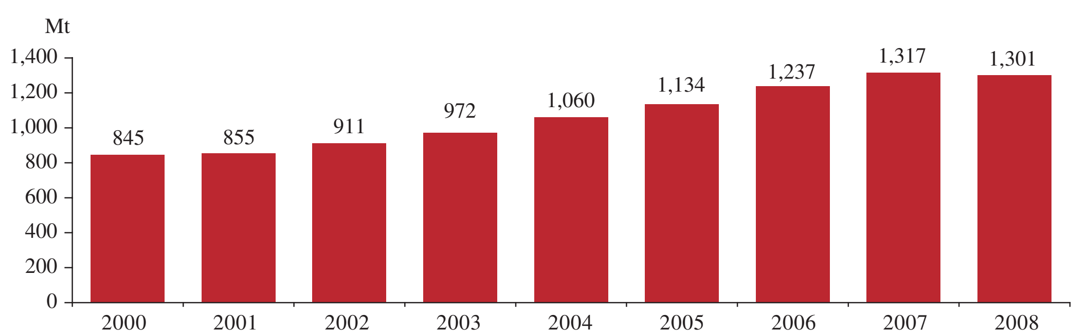
Source: World Steel Association

Global crude steel consumption

In line with the trend of the global crude steel production, the global consumption of crude steel also increased constantly from 2000 to 2007, with a slight decrease in 2008. The global crude steel consumption amounted to approximately 845 Mt and 1,317 Mt in 2000 and 2007 respectively, while such consumption dropped to approximately 1,301 Mt in 2008.

The following chart illustrates the amount of the global consumption of crude steel from 2000 to 2008:

Global crude steel consumption from 2000 to 2008



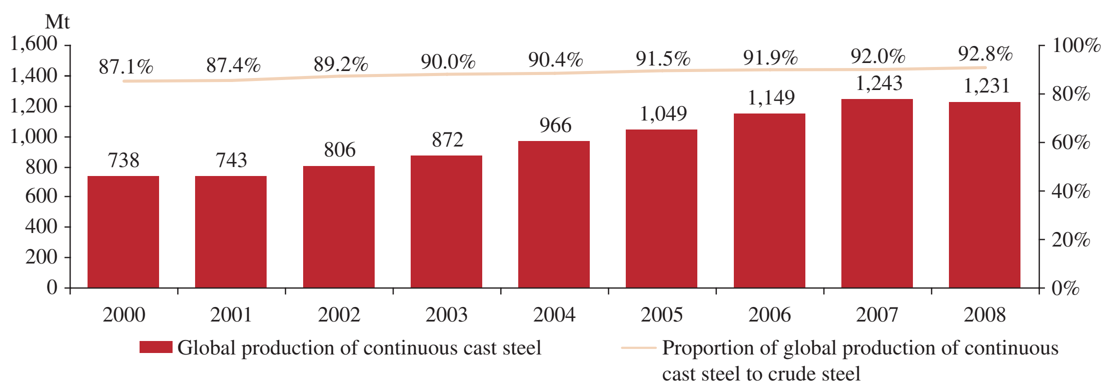
Source: World Steel Association

Global continuous cast steel production

According to the Steel Statistical Yearbook 2009 issued by the World Steel Association, the global production of continuous cast steel increased constantly from 2000 to 2007, with a slight decrease in 2008. The global production of continuous cast steel increased from approximately 738 Mt in 2000 to approximately 1,243 Mt in 2007 and decreased slightly to approximately 1,231 Mt in 2008. From 2003 to 2008, production of continuous cast steel accounted for approximately 90% or more of the total production of crude steel globally.

The following chart illustrates the trend of the global production of continuous cast steel from 2000 to 2008 and the proportion of global production of continuous cast steel to crude steel:

Global production of continuous cast steel from 2000 to 2008



Source: World Steel Association

PRC STEEL MANUFACTURING INDUSTRY

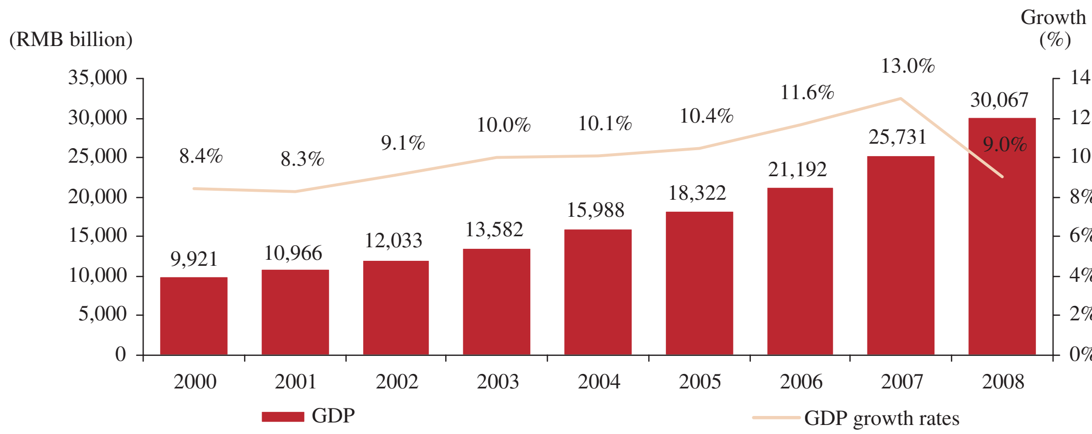
PRC economy

Gross domestic product

China is one of the world's fastest growing economies over the past decade. According to the National Bureau of Statistics of China, the gross domestic product of the PRC grew from approximately RMB9,921 billion in 2000 to approximately RMB30,067 billion in 2008, with the per capita gross domestic product increased from approximately RMB7,858 to approximately RMB22,698 during the same period.

The following chart sets out the gross domestic product of the PRC from 2000 to 2008 and the growth rates:

Gross domestic product of the PRC from 2000 to 2008

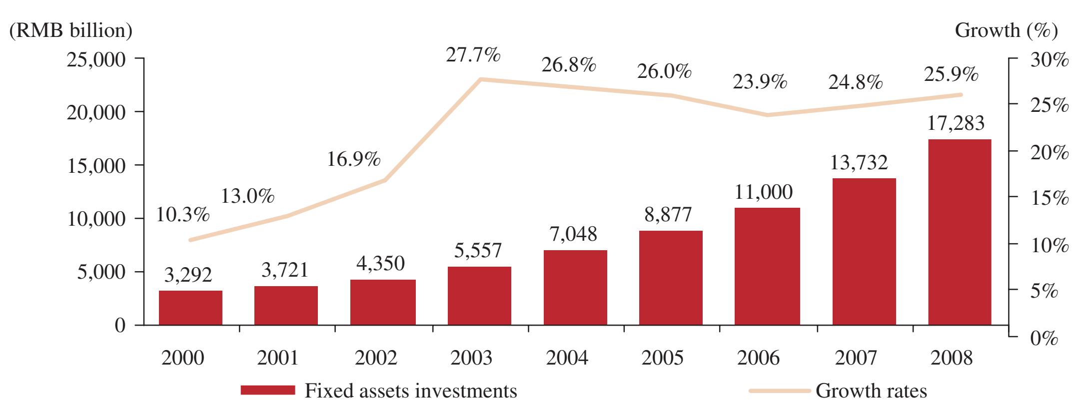


Source: National Bureau of Statistics of China

Fixed asset investments

As indicated in the National Bureau of Statistics of China, the total amount of fixed assets investments in China increased from approximately RMB3,292 billion in 2000 to approximately RMB17,283 billion in 2008. From 2003 to 2008, the growth rate of the fixed assets investment in the PRC maintained at a relatively steady pace. The following chart sets out the total amount of fixed assets investments in China from 2000 to 2008 and the growth rates thereof:

Fixed assets investments in the PRC from 2000 to 2008

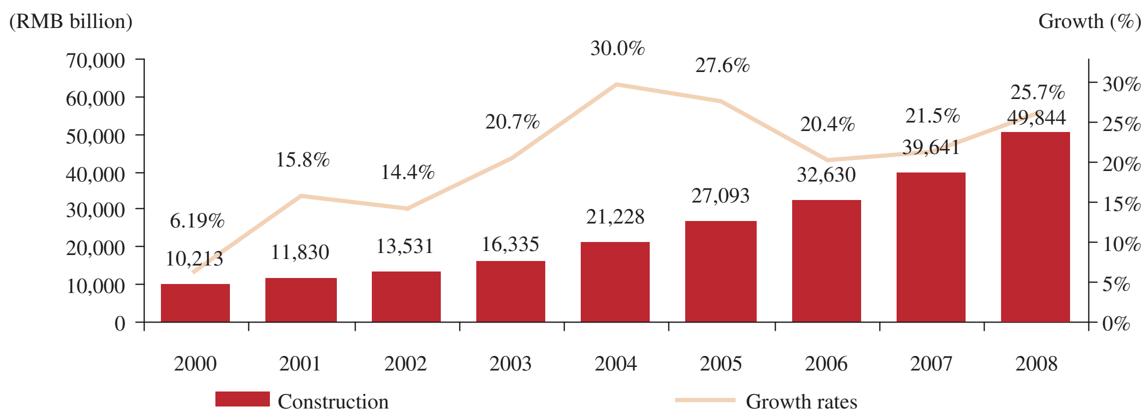


Source: National Bureau of Statistics of China

Investment in Construction

According to the National Bureau of Statistics of China, the total investment in construction in China increased from approximately RMB10,213 billion in 2000 to approximately RMB49,844 billion in 2008. The growth rate of the investment in construction in the PRC was more than 20% throughout 2003 to 2008. The following chart sets out the total investment amount of construction in China from 2000 to 2008 and the growth rates:

Total investment in Construction in China from 2000 to 2008



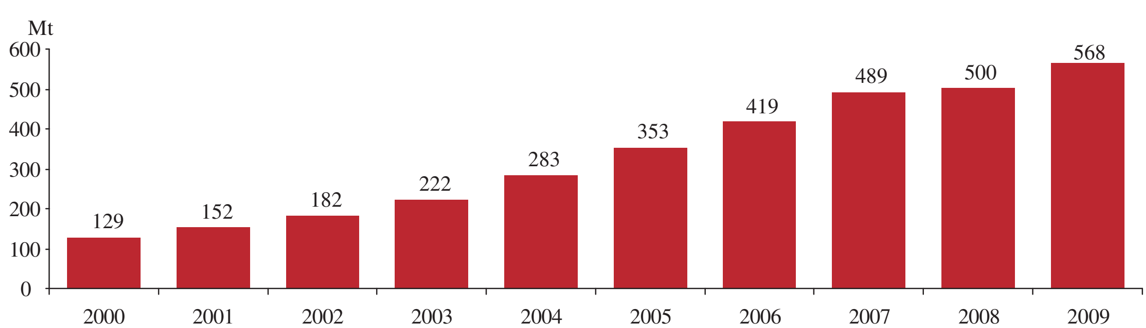
Source: National Bureau of Statistics of China

PRC crude steel production

Based on the Steel Statistical Yearbook 2009 and the most updated World Crude Steel Production issued by the World Steel Association, the production volume of crude steel in the PRC increased constantly from 2000 to 2009; with the production of crude steel in the PRC increased from approximately 129 Mt in 2000 to approximately 568 Mt in 2009. Among the crude steel products produced in China in 2007 and 2008, approximately 494 Mt and 484 Mt, representing over 96.9% and 96.8% respectively, were continuously cast slabs and billets.

The following chart sets out the total amount of the PRC crude steel production from 2000 to 2009:

PRC crude steel production from 2000 to 2009



Source: World Steel Association

Based on the information of the World Steel Association, major steel producers in the PRC include Baosteel Group, Hebei Steel Group and Wuhan Steel Group, all of which possess an annual production capacity of over 25 Mt and rank among the top ten steel manufacturing groups in the PRC.

The following table sets out the production volume for the major steel manufacturing groups in China in 2008:

Major steel manufacturing groups in the PRC in 2008 in terms of annual production volume

Company name	*Mt*
Baosteel Group	35.4
Hebei Steel Group	33.3
Wuhan Steel Group	27.7
Jiangsu Shagang Group	23.3
Shandong Steel Group	21.8
Anshan Steel	16.0
Maanshan Steel	15.0
Shougang Group	12.2
Hunan Valin Group	11.3
Baotou Steel	9.8

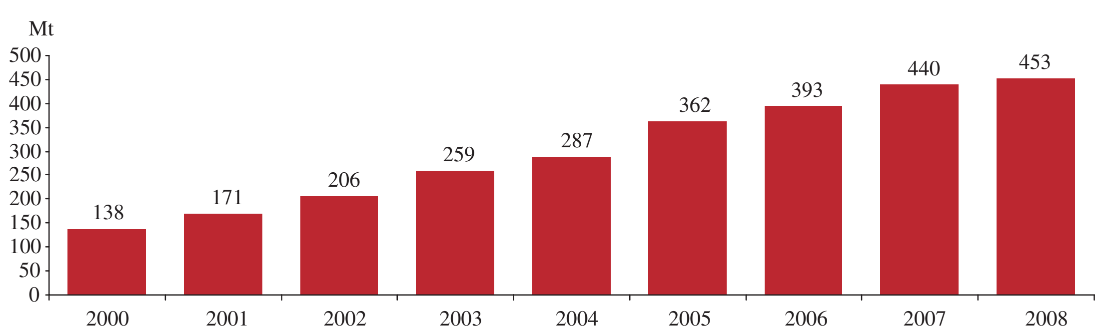
Note: *[Other than Jiangsu Shagang Group, Anshan Steel and Shougang Group, members of the other major steel manufacturing groups in the PRC mentioned above were our customers as at the Latest Practicable Date.]*

Source: World Steel Association

PRC crude steel consumption

According to the World Steel Association, the PRC consumption of crude steel increased constantly from 2000 to 2008. The consumption of crude steel in China amounted to approximately 138 Mt in 2000 and increased to approximately 453 Mt in 2008. The following chart sets out the total amount of the PRC consumption of crude steel from 2000 to 2008:

PRC crude steel consumption from 2000 to 2008



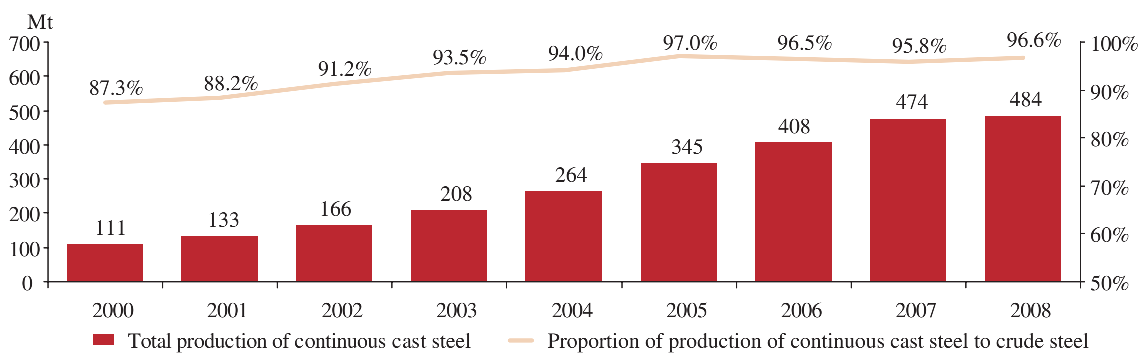
Source: World Steel Association

PRC continuous cast steel production

According to the Steel Statistical Yearbook 2009, the PRC production of continuous cast steel increased constantly from 2000 to 2008. The production of continuous cast steel increased from approximately 111 Mt in 2000 to approximately 484 Mt in 2008. Since 2002, the production of continuous cast steel has accounted for more than 90% of the total production of crude steel in China.

The following chart sets out the trend of the PRC production of continuous cast steel from 2000 to 2008 and the proportion of production of continuous cast steel to crude steel:

PRC production of continuous cast steel from 2000 to 2008



Source: World Steel Association

PRODUCERS OF STEEL FLOW CONTROL PRODUCTS

Global producers of steel flow control products

In respect of the consumption of steel flow control products, the ACRI Report focuses on various regions around the world, including China, Europe (including Germany, Italy, Spain and the United Kingdom), North America (including the United States, Canada and Mexico), India, Korea and Taiwan. The following table shows the consumption of steel flow control products in these regions from 2006 to 2008:

Region	**2006**	**2007**	**2008**
	(tonnes)	*(tonnes)*	*(tonnes)*
China	43,600	50,720	51,870
Europe	19,700	19,800	19,000
North America	18,100	18,300	17,200
India	4,900	5,300	5,500
Korea and Taiwan	9,630	9,930	10,300

Source: ACRI Report

According to the ACRI Report, the global leading producers of steel flow control products currently include Vesuvius Group, RHI AG, Krosaki Harima Corporation, Shinagawa Refractories Co., Ltd. and Chosun Refractories Chemical Industry Co., Ltd.

PRC producers of high-end steel flow control products

As compared with other countries, China has a high consumption volume of steel flow control products. According to the ACRI Report, the leading producers of steel flow control products in the PRC currently include Vesuvius Advanced Ceramics (Suzhou) Co., Ltd. ("Vesuvius Suzhou") and our Group.

Information related to the leading producers of high-end steel flow control products in the PRC are set out below:

Producer	**Year of commencement of production**	**Annual production capacity** *(tonnes)*	**Market share in the "high-end" steel flow products market in the PRC**[7]
Vesuvius (China)[1]	1998	12,000	50% to 55%
Our Group	2006	8,200	19%
Wuxi Krosaki Sujia Refractories Co. Ltd.[2]	2003	3,000	4% to 5%
Shinagawa Rongyuan Continuous Casting Refractories Co., Ltd.[3]	2005	2,000	4% to 5%
RHI Refractories (Dalian) Co.,Ltd.[4]	2006	4,000	3%
Puyang Refractories Group Co., Ltd.[5]	2002	5,000	5%
Wuhan Chosun Refractories Co., Ltd.[6]	2006	3,000	2%

Source: ACRI Report

Notes:

1. Vesuvius (China) includes Vesuvius Suzhou and other members of Cookson Group Plc operated in the PRC. Vesuvius Suzhou is the subsidiary of Vesuvius Group which is a member of the Cookson Group Plc group of companies. Cookson Group Plc is based in the United Kingdom and operates on a worldwide basis in ceramics, electronics and precious metals markets.

2. Wuxi Krosaki Sujia Refractories Co., Ltd. is a member of the Krosaki Harima Corporation group of companies. Krosaki Harima Corporation is based in Japan and is engaged in manufacturing and marketing of refractory products, fine ceramics and life space ceramics.

3. Shinagawa Rongyuan Continuous Casting Refractories Co., Ltd. is a member of the Shinagawa Refractories Co., Ltd. group of companies. Shinagawa Refractories Co., Ltd. is based in Japan and is engaged in manufacturing of refractory materials for steel, non-ferrous metal, ceramic, gas and electric power industries.

4. RHI Refractories (Dalian) Co. Ltd. is a member of the RHI AG group of companies. RHI AG is based in Austria and is engaged in manufacturing of high-grade ceramic refractory materials which are used for high-temperature processes.

5. Puyang Refractories Group Co., Ltd. is based in the PRC and is engaged in production of refractory products for steel, non-ferrous metal and electricity industries.

6. Wuhan Chosun Refractories Co., Ltd. is a member of the Chosun Refractories Co. Ltd. group of companies. Chosun Refractories Co., Ltd. is based in Korea and is engaged in manufacturing of refractory products including special alumina bricks, monolithic materials and other related refractory products for the steel industry.

7. Based on the sales volume of the producer to the consumption of steel flow control products in the PRC in 2009.

According to the ACRI Report, steel flow control products for the continuous casting process can be broadly grouped into "high-end" and "average" products. Quantitative parameters used by ACRI in determining whether a steel flow control product is "high-end" are:

Product		**Specifications**
Ladle shrouds	:	Bore size of 80 mm or above with alumina content of 60% or above
Stoppers	:	Length of 1,100 mm or above with alumina content of 59% or above
Tundish nozzles	:	Ratio of outside diameter in the seat end over the outside diameter in the opposite end should be less than 1, and with a sliding plate with modulus of rupture of not less than 10 MPa with alumina content of not less than 80%
Subentry nozzles	:	The end closest to the tundish bottom should have an outside diameter of not less than 150 mm and the zirconia and hafnia content of the slagline should not be less than 80%

"High-end" steel flow control products are those generally larger in size and of complicated shapes. They also have the characteristics of high erosion resistance and high stability and they usually have a longer life cycle when compared to the "average" products. Products which do not fall into the "high-end" category can be grouped as "average" products.

"High-end" steel flow control products are mainly used by steel manufacturing companies for slab casters while "average" steel flow control products are mainly used for billet casters. Slab casters require steel flow control products which are larger in size and more complicated in designs as higher molten steel flow rate is involved and more modern tube changer systems are adopted. On the other hand, billet casters typically require steel flow control products which are smaller in size, simpler in designs, and are relatively easier to be manufactured. Our products are within the category of "high-end" steel flow control products and are mainly used by our customers for their slab casters. According to the ACRI Report, the classification of "high-end" and "average" steel flow control products is widely accepted and recognised in the PRC industry. However, there is currently no national standard or requirement which is applicable to such classification.

The following table sets out the consumption of steel flow control products in China by "high-end" and "average" products for years 2007 to 2009 and our Group's market share in "high-end" products and steel flow control products during the period.

	2007 *(tonnes)*	2008 *(tonnes)*	2009 *(tonnes)*
Steel flow control products			
"High-end" products	18,080	18,440	22,940
"Average" products	32,640	33,430	36,120
	50,720	51,870	59,060
Our Group's annual production volume	1,080	1,690	4,250
Our Group's market share in "high-end" products	6%	9%	19%
Our Group's market share in steel flow control products	2%	3%	7%

Source: ACRI Report

Our Group's market share in "high-end" products was approximately 6%, 9% and 19% for 2007, 2008 and 2009 respectively according to the actual annual production volume of our Group and ACRI.

INDUSTRY RELATED REGULATIONS

On 26 September 2009, the State Council of the PRC (國務院) issued the State Council No.38 Circular. Certain major principles were put forward, namely, restricting additional capacity and optimising existing capacity, growing emerging industries and upgrading traditional industries, adopting market orientation and macro controls. The State Council No.38 Circular also required a restriction on the overall production capacity and constrained surplus production capacity, encouraged the development of new industries and products that are high-tech, high value-added, low consumption and low emission, enhanced merger and corporate restructuring as well as industry consolidation, expedited the retirement of technologically laggard plants, emphasised technology advancement, improved existing capacity, adjusted product mix and pursued an efficient, quality and sustainable industrial development.

The principles set out in the State Council No.38 Circular aimed at consolidating the resources of steel manufacturing companies by merging and reorganising the small-medium companies and eliminating old and outdated production facilities so as to maintain the sustainable development of the steel manufacturing industry. These principles required the steel manufacturing companies to refine their product structure and aimed to eliminate the outdated products and production facilities.

[Based on the latest data extracted from Bloomberg, the table below shows the monthly production volume of several major PRC steel manufacturing groups which are our customers as at the Latest Practicable Date.] Notwithstanding the issuance of the State Council No.38 Circular, monthly production volume of our customers as shown in the table below maintained a steady trend after September 2009. Hebei Steel Group even experienced an increase in monthly production in October 2009, December 2009, and January 2010 as compared to their monthly production in September 2009.

Monthly production volume of the major steel manufacturing groups in the PRC

For the month ended	Hebei Steel Group	Baosteel Group	Wuhan Steel Group	Shandong Steel Group	Maanshan Steel	Hunan Valin Group
	(Mt)	*(Mt)*	*(Mt)*	*(Mt)*	*(Mt)*	*(Mt)*
28 February 2010	3.5	3.4	2.8	1.8	1.2	1.0
31 January 2010	3.8	3.8	2.7	1.9	1.2	1.1
31 December 2009	3.8	3.7	2.8	2.0	1.3	1.0
30 November 2009	3.4	3.6	2.6	1.9	1.3	1.0
31 October 2009	3.6	3.6	3.0	2.0	1.3	1.1
30 September 2009	3.5	3.5	2.9	1.9	1.3	1.0
31 August 2009	3.7	3.6	2.7	2.0	1.4	1.0
31 July 2009	3.5	3.5	2.5	1.8	1.3	1.1
30 June 2009	3.2	3.3	2.4	1.7	1.2	1.0
31 May 2009	3.1	3.1	2.4	1.8	1.2	1.0
30 April 2009	2.7	2.7	2.3	1.6	1.2	0.9
31 March 2009	2.8	3.1	2.3	1.6	1.2	0.9
28 February 2009	2.6	2.4	2.2	1.5	1.1	0.9
31 January 2009	2.8	2.3	2.3	1.6	1.1	0.9

Source: Bloomberg

As the demand for our products depends on the production volume of the steel manufacturing companies, and most of our customers were members of major steel manufacturing groups in the PRC which would unlikely to be adversely affected by the State Council No.38 Circular, our Directors believe the issuance of the State Council No.38 Circular has limited immediate impact on our business.

SUMMARY OF PRC LAWS AND REGULATIONS REGARDING FOREIGN INVESTMENTS

Foreign Investment Laws on Wholly Foreign Owned Enterprises ("WFOE")

WFOEs are governed by the Law of the PRC Concerning Enterprises (中華人民共和國外資企業法), which was promulgated on 12 April 1986 and amended on 31 October 2000, and its Implementation Regulations promulgated on 12 December 1990 which was amended on 12 April 2001 (collectively the "**WFOE Law**").

Investment in the PRC conducted by foreign investors and foreign-invested enterprises shall comply with the Foreign Investment Industrial Guidance Catalogue (外商投資產業指導目錄) (the "**Catalogue**"), which was amended and promulgated by the Ministry of Commerce ("**MOFCOM**") and the NDRC on 31 October 2007. The Catalogue, as amended, became effective on 1 December 2007 and contains specific provisions guiding market access of foreign capital, stipulating in detail the areas of entry pertaining to the categories of encouraged foreign-invested industries, restricted foreign-invested industries and prohibited foreign investment. Any industry no listed in the Catalogue is a permitted industry.

(a) Procedures for establishment of a WFOE

The establishment of a WFOE will have to be approved by the MOFCOM (or its delegated authorities). If two or more foreign investors jointly apply for the establishment of a WFOE, a copy of the contract between the parties must also be submitted to MOFCOM (or its delegated authorities) for its record. A WFOE must also obtain a business license from State Administration For Industry & Commerce ("**SAIC**") (or its delegated authorities) before it can commence business.

(b) Nature

A WFOE is a limited liability company under the WFOE Law. It is a legal person which may independently assume civil obligations, enjoy civil rights and has the right to own, use and dispose of property. It is required to have a registered capital contributed by the foreign investor(s). The liability of the foreign investor(s) is limited to the amount of registered capital contributed. A foreign investor may make its contributions by installments and the registered capital must be contributed within the period as approved by MOFCOM (or its delegated authorities) in accordance with relevant PRC laws and regulations.

(c) Profit distribution

Pursuant to the WFOE Law, a WFOE is required to set aside at least 10% of its after-tax profit calculated in accordance with the PRC accounting standards and regulations each year as its general reserves until the cumulative amount of such reserves reaches 50% of its registered capital. These reserves are not distributable as cash dividends. The board of directors of a WFOE has the discretion to allocate a portion of its after-tax profits to its staff welfare and bonus funds, which is likewise not distributable to its equity owners except in the event of a liquidation of the WFOE.

(d) Project approval

In accordance with Decision of the State Council on Reforming the Investment System (國務院關於投資體制改革的決定) and the Interim Measures for the Administration of Examining and Approving Foreign Investment Projects (外商投資項目核准暫行管理辦法), a foreign-invested enterprise is required to obtain the approval from the NDRC or its local counterparts as applicable before it starts project. We have obtained the relevant approval in respect of our proposed plant construction and increase in our annual production capacity. Furthermore, the foreign-invested enterprise shall apply for a change of approval for the project if, (i) the construction place is changed; (ii) its investor or shareholding is changed; (iii) material construction content or product is changed; (iv) the total investment amount exceeds the approved total investment amount by 20%; and (v) other changes which are regulated by relevant rules and industry policies. Non-compliance with the above rules may subject the foreign-invested enterprise to restrictions on use of foreign exchange, import of equipments, and acquirement of new land use right and etc.

Enterprise Income Tax

Our primary operating subsidiary, Sinoref (Yixing) was subject to the PRC Enterprise Income Tax Law Concerning Foreign Invested Enterprises and Foreign Enterprises (中華人民共和國外商投資企業和外國企業所得稅法) prior to 1 January 2008. Foreign-invested enterprises engaged in production and scheduled to operate for a period of not less than 10 years shall be entitled to an exemption from enterprise income tax for a period of two years starting from the first profit-making year, followed by a reduction of enterprise income tax by 50% for a period of three years. Sinoref (Yixing) has obtained approval from the relevant PRC tax authorities to enjoy preferential tax treatment in accordance with such laws and regulations. As a result, Sinoref (Yixing) was exempt foreign enterprise income tax in 2007 and 2008 and 50% reduction in 2009, 2010 and 2011.

On 16 March 2007, the PRC National People's Congress enacted the Enterprise Income Tax Law (中華人民共和國企業所得稅法) (the "**New Tax Law**"), and on 6 December 2007, the State Council of the PRC (國務院) issued the Implementation Regulations of the Enterprise Income Tax Law (中華人民共和國企業所得稅法實施細則), both of which became effective on 1 January 2008. The New Tax Law imposes a uniform tax rate of 25% on all PRC enterprises, including foreign-invested enterprises, and eliminates or modifies most of the tax exemptions, reductions and preferential treatments available under previous tax laws and regulations. According to the Notice of the State Council on the Implementation of the Transitional Preferential Policies in respect of Enterprise Income Tax (國務院關於實施企業所得稅過渡優惠政策的通知) which was promulgated and came into effect on 26 December 2007, enterprises that were established before 16 March 2007 and already enjoy preferential tax treatments shall, (i) in the case of preferential tax rates, continue to enjoy the preferential tax rates which will be gradually increased to the new tax rates within five years from 1 January 2008 or (ii) in the case of preferential tax exemption or reduction for a specified term, continue to enjoy the preferential tax holiday until the expiration of such term; for those enterprises whose preferential tax treatment had not commenced before due to lack of profit, such preferential tax treatment shall commence on 1 January 2008. Sinoref (Yixing) should be exempt from enterprise income tax in 2008 and the applicable tax rate for 2009, 2010 and 2011 should be 12.5%.

Value Added Tax

The Amended Provisional Regulations of the PRC Concerning Value Added Tax (中國增值税暫行條例) (the "**VAT Regulations**") was amended by the State Council of the PRC (國務院) on 10 November 2008 and came into effect on 1 January 2009. Under the VAT Regulations and its implementation regulations, value added tax is imposed on the sales of goods and provision of processing, repair and replacement services within the PRC and the importation of goods into China. The rate of value added tax for a general tax payer is 17% except for certain products. For a small-scale tax payer, the applicable tax rate is 3%.

Business Tax

The Provisional Regulations of the PRC Concerning Business Tax (中國營業税暫行條例) (the "**Business Tax Regulations**") was amended by the State Council of the PRC (國務院) on 10 November 2008 and came into effect on 1 January 2009. Under the Business Tax Regulations, businesses that provide services (including entertainment business), assign intangible assets or sell immovable property inside the PRC are liable to business tax at a rate ranging from 3.0% to 20.0%.

PRC Customs Duties

According to the Customs Law of the PRC (中華人民共和國海關法), the consignee of the imports, the consignor of exports and the owner of the imports and the exports are the persons obligated to pay customs duties (generally speaking, exports are not subject to customs duties). The General Administration of Customs is the authorities in charge of the collection of customs duties.

The customs duties in the PRC mainly fall under ad valorem duties, i.e. the price of import/export commodities is the basis for the calculation of the duties. When calculating the customs duties, import/export commodities shall be classified under appropriate tax items in accordance with the category provisions of the Customs Import and Export Tariff and shall be subject to tax levies pursuant to relevant tax rates.

As from 1 January 1998, according to the Notice of the State Council of the PRC (國務院) regarding the Adjustment of Taxation Policy of Import Equipment (國務院關於調整進口設備税收政策的通知), in respect of the foreign investment projects that fall under Encouraging Category of the Industrial Guidance Catalogue of Foreign Investment and also involve the transfer of technology, the equipment imported for its own use within the total investment can be exempt from the customs duties, except for the commodities listed in the Catalogue of the Non-tax-exemption Import Commodity of Foreign Investment Projects.

Tax on dividends from PRC Enterprise with foreign investment

According to the circular, Ministry of Finance and the State Administration of Taxation Concerning Several Preferential Policies Relevant to Enterprise Income Tax (財政部、國家税務總局關於企業所得税若干優惠政策的通知), the undistributed profits earned by foreign investment enterprises prior to 1 January 2008 and distributed to foreign investors later shall be exempt from PRC withholding tax, whereas the profits earned and distributed after 1 January 2008 shall be subject to PRC withholding tax pursuant to the New Tax Law.

The New Tax Law prescribes a standard withholding tax rate of 20% on dividends and other China-sourced passive income of non-resident enterprises. The Implementation Regulations reduced the rate from 20% to 10% effective from 1 January 2008. The PRC and Hong Kong signed Arrangement between the Mainland of the PRC and Hong Kong for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (中國內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) on 21 August 2006. According to the arrangement, no more than 5% withholding tax rate applies to dividends paid by a PRC company to a Hong Kong tax resident, provided that the recipient is a company that holds at least 25% of the capital of the PRC company in any time for the past 12 months before the dividend distribution. The 10% withholding tax rate applies to dividends paid by a PRC company to a Hong Kong resident if the recipient is a company that holds less than 25% of the capital of the PRC company.

In accordance with the circular issued by the State Administration of Taxation in relation to How to Understand and Determine "Beneficial Owners" under Tax Conventions (國家稅務總局關於如何理解和認定稅收協定中"受益所有人"的通知), a beneficial owner is a person who has both ownership and right of control over the income or the assets or rights generating the income and generally must be engaged in substantive business. A Hong Kong resident entity also needs to be a beneficial owner so as to enjoy the preferential tax treatment.

Foreign Exchange Control

Foreign exchange regulation in China is primarily governed by the following rules:

- Foreign Currency Administration Rules (中華人民共和國外匯管理條例), as amended, or the Exchange Rules; and

- Administration Rules of the Settlement, Sale and Payment of Foreign Exchange (結匯、售匯及付匯管理規定), or the Administration Rules.

Under the Exchange Rules, the RMB is convertible for current account items, including the distribution of dividends, interest and royalties payments, trade and service-related foreign exchange transactions. Conversion of RMB for capital account items, such as direct investment, loan, securities investment and repatriation of investment, however, is still subject to the approval of SAFE. Under the Administration Rules, foreign-invested enterprises may only buy, sell and/or remit foreign currencies at those banks authorised to conduct foreign exchange business after providing valid commercial documents and, in the case of capital account item transactions, obtaining approval from the SAFE. Capital investments by foreign-invested enterprises outside of China are also subject to limitations, including approval by the MOFCOM, the SAFE and the National Development and Reform Commission or their local counterparts.

On 29 August 2008, SAFE issued the Circular on the Relevant Operating Issues Concerning the Improvement of the Administration of the Payment and Settlement of Foreign Currency Capital of Foreign-Invested Enterprises (關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知), or Circular No. 142. Pursuant to Circular No. 142, the RMB fund from the settlement of foreign currency capital of a foreign-invested enterprise must be used within the business scope as approved by the examination and approval department of the government, and cannot be used for domestic equity investment unless it is otherwise provided for.

Domestic resident SAFE registration

Pursuant to the SAFE's Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Financing and Inbound Investment via Overseas Special Purpose Vehicles (關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知), (the "**SAFE Circular No. 75**"), issued on 21 October 2005, (i) a PRC citizen residing in the PRC, who is referred to as a PRC resident in SAFE Circular No. 75, shall register with the local branch of the SAFE before it establishes or controls an overseas special purpose company, for the purpose of overseas equity financing (including convertible debts financing); (ii) when a PRC resident contributes the assets of or its equity interests in a domestic enterprise into an overseas special purpose company, or engages in overseas financing after contributing assets or equity interests into an special purpose company, such PRC resident shall register his or her interest in the special purpose company and the change thereof with the local branch of the SAFE; and (iii) when the special purpose company undergoes a material event outside of China, such as change in share capital or merger and acquisition, the PRC resident shall, within 30 days from the occurrence of such event, register such change with the local branch of the SAFE.

Under SAFE Circular No. 75, failure to comply with the registration procedures set forth above may result in the penalties, including imposition of restrictions on a PRC subsidiary's foreign exchange activities and its ability to distribute dividends to the overseas special purpose company. Currently our PRC resident shareholders have filed and completed the necessary registration for previous offshore investment activities as required under SAFE Circular No. 75 and related rules.

Product Quality

The principal legal provisions governing product liability are set out in the Product Quality Law of the PRC (中華人民共和國產品質量法) (the "**Product Quality Law**"), which was promulgated on 22 February 1993 and becoming effective on 1 September 1993 and amended on 8 July 2000, which amendment became effective on 1 September 2000.

The Product Quality Law is applicable to all activities of production and sale of any product within the territory of the PRC, and the producers and sellers shall be liable for product quality in accordance with the Product Quality Law.

Production Permit by the General Administration of Quality Supervision, Inspection and Quarantine (the "AQSIQ")

According to the Regulations on the Administration of Production Permits for Industrial Products (工業產品生產許可證管理條例) and the implementation rules promulgated by the State Council of the PRC (國務院) and the AQSIQ in July and September 2005, respectively, any entities engaged in the production of those which are listed in the implementation rules promulgated by the AQSIQ are required to obtain a Production Permit (全國工業產品生產許可證) from AQSIQ before it commences production. According to our PRC Legal Advisers, the PRC subsidiary of our Group has obtained the permit for its operations.

LABOUR LAW

We are subject to the Labour Law of the PRC (中華人民共和國勞動法), pursuant to which companies must enter into employment contracts with their employees, based on the principles of equality, consent and agreement through consultation. Companies must establish and effectively implement a system of ensuring occupational safety and health, educate employees on occupational safety and health, preventing work-related accidents and reducing occupational hazards. Companies must also pay for their employees' social insurance premium.

The principal regulations governing the employment contract is the PRC Employment Contracts Law (中華人民共和國勞動合同法) (the "**Employment Contracts Law**"), which was promulgated by the Standing Committee of the NPC on 29 June 2007 and came into effect on 1 January 2008. Pursuant to the Employment Contracts Law, employers shall establish employment relationship with employees on the date that they start employing the employees. To establish employment, a written employment contract shall be concluded, or employers will be liable for the illegal actions. Furthermore, the probation period and liquidated damages shall be restricted by the law to safeguard employees' rights and interests.

Pursuant to the Regulations on Occupational Injury Insurance (工傷保險條例) promulgated on 27 April 2003 and effective on 1 January 2004 and the Interim Measures concerning the Maternity Insurance for Enterprise Employees (企業職工生育保險試行辦法) promulgated on 14 December 1994 and effective on 1 January 1995, PRC companies shall pay occupational injury insurance premiums and maternity insurance premiums for their employees. Pursuant to the Interim Regulations on the Collection and Payment of Social Insurance Premiums (社會保險費徵繳暫行條例) promulgated and effective on 22 January 1999 and the Interim Measures concerning the Administration of the Registration of Social Insurance (社會保險登記管理暫行辦法) promulgated and effective on 19 March 1999, basic pension insurance, medical insurance and unemployment insurance are collectively referred to as social insurance. Each of the PRC companies and their employees are required to contribute to the social insurance plan. Pursuant to the Regulations on the Administration of Housing Fund (住房公積金管理條例) promulgated and effective on 3 April 1999, as amended on 24 March 2002, PRC companies must register with the applicable housing fund management center and establish a special housing fund account in an entrusted bank. Each of the PRC companies and their employees are required to contribute to the housing fund.

ENVIRONMENTAL PROTECTION REGULATIONS

Pursuant to the Environmental Protection Law of the PRC (中華人民共和國環境保護法) adopted by the Standing Committee of the NPC on 26 December 1989, the Administration Supervisory Department of Environmental Protection of the State Council of the PRC (國務院) sets the national guidelines for the discharge of pollutants. The provincial and municipal governments of provinces, autonomous regions and municipalities may also set their own guidelines for the discharge of pollutants within their own provinces or districts in the event that the national guidelines are inadequate.

Any company or enterprise which causes environmental pollution and discharges polluting materials that endanger the public should implement environmental protection methods and procedures into their business operations. This may be achieved by setting up a system of accountability within the company's business structure for environmental protection; adopting effective procedures to prevent environmental hazards such as waste gases, water and residues, dust powder, radioactive materials and noise arising from production, construction and other activities from polluting and endangering the environment. The environmental protection system and procedures should be implemented simultaneously with the commencement of and during the operation of construction, production and other activities undertaken by the company. Any company or enterprise which discharges environmental pollutants should report and register such discharge with the Administration Supervisory Department of Environmental Protection and pay any fines imposed for the discharge. A fee may also be imposed on the company for the cost of any work required to restore the environment to its original state. Companies which cause severe pollution to the environment are required to restore the environment or remedy the effects of the pollution within a prescribed time limit.

If a company fails to report and/or register the environmental pollution caused by it, it will receive a warning or be penalised. Companies which fail to restore the environment or remedy the effects of the pollution within the prescribed time will either be penalised or have their business licenses terminated. Companies or enterprises which have polluted and endangered the environment must bear the responsibility for remedying the danger and effects of the pollution, as well as to compensate for any losses or damages suffered as a result of such environmental pollution.

According to the "Administrative Regulations on Levy and Utilisation of Sewage Charge" (排污費徵收使用管理條例), enterprises which discharge water, air, noise pollutants and the solid wastes shall pay discharge fees pursuant to the types and volume of pollutants discharged. The discharge fees are calculated by the local environmental protection authority which shall review and verify the types and volume of pollutants discharged. Once the discharge fees have been calculated, a notice on payment of discharge fees shall be issued to the relevant enterprises. Our local environmental protection authority, namely the Yixing Environment Protection Bureau, issued a confirmation letter on 22 April 2010 confirming that we do not discharge water, air, noise pollutants and the solid wastes, and no need to declare or pay the discharge fees according to the "Administrative Regulations on Levy and Utilisation of Sewage Charge". Since our business will remain the same after the [•••], we believe that the "Administrative Regulations on Levy and Utilisation of Sewage Charge" will not have material impact on our business in the future.

The Environmental Impact Appraisal Law (中華人民共和國環境影響評價法) promulgated by the Standing Committee of the NPC on 28 October 2002 which became effective on 1 September 2003 and the Administration Rules on Environmental Protection of Construction Projects (建設項目環境保護管理條例) promulgated by the State Council of the PRC (國務院) on 29 November 1998 which became effective on 29 November 1998, require enterprises planning construction projects to engage qualified professionals to provide assessment reports on the environmental impact of such projects. The assessment report must be filed with, and approved by, the local environmental protection bureau, prior to commencement of any construction work. We had obtained the approval before the construction of our current production project. For the construction of the proposed new production plant and the increase of the production capability, we will conduct the environmental impact assessment and file with the authority prior to the construction.

ENERGY SAVING

The Energy Saving Law of the PRC (中華人民共和國節約能源法) was revised on 27 October 2007 and came into effect on 1 April 2008. The Energy Saving Law implements an energy saving appraisal and examination system with respect to fixed asset investment projects in the PRC. In cases where a particular project fails to comply with the compulsory energy saving standards, the authorities in charge of the examination and approval or verification of projects shall not approve or certify the construction; the construction unit shall not begin construction on the project; or if completed, the completed construction project shall be prohibited from commencing production or use. The Energy Saving Law also implements a compulsory retirement system for superseded or outdated products, facilities and production techniques that consume excessive amounts of energy. [As at the Latest Practicable Date, the combined energy consumption for our production of advanced steel flow control products meets the energy consumption level of a newly incorporated enterprise.]

TRADEMARK LAW

The PRC Trademark Law (中華人民共和國商標法) which was promulgated on 23 August 1982, amended on 22 February 1993 and on 27 October 2001, seeks to improve the administration of trademarks, protect the right to exclusive use of trademarks and encourage producers and operators to guarantee the quality of their goods and services and maintain the reputation of their trademarks, so as to protect the interests of consumers and of producers and operators.

Under this law, any of the following acts shall be an infringement upon the right to exclusive use of a registered trademark:

- using a trademark which is identical with or similar to the registered trademark on the same kind of commodities or similar commodities without a license from the registrant of that trademark;
- selling the commodities that infringe upon the right to exclusive use of a registered trademark;
- forging, manufacturing without authorisation the marks of a registered trademark of others, or selling the marks of a registered trademark forged or manufactured without authorisation;
- changing a registered trademark and putting the commodities with the changed trademark into the market without the consent of the registrant of that trademark; and
- causing other damage to the right to exclusive use of a registered trademark of another person.

In the event of any above mentioned acts which infringe upon the right to the exclusive use of a registered trademark, the infringer would be imposed a fine, ordered to stop the infringement acts immediately, and give the infringed party compensation.

PRC PATENT LAW

According to the PRC Patent Law (中華人民共和國專利法) last amended on 27 December 2008, patent protection is divided into three categories: invention patents, utility patents and design patents. Invention patents are intended to protect new technology or measures for a product, method or its improvement. Utility patents are intended to protect new technology or measures to increase the utility of a product's shape, structure or combination. Design patents are intended to protect new designs of a product's shape, graphic or colour with aesthetic and industrial application value. As at the Latest Practicable Date, we held [one registered utility patent and eight pending patent applications in China].

Invention Patents

Products seeking invention patent protection must possess novel and innovative characteristics, and the grant of an invention patent is subject to disclosure and publication. Normally, the patent administrative authority publishes the application 18 months after it is filed, which period may be shortened upon request by the applicant. After the application is published, the patent administrative authority conducts a substantive review upon request by the applicant and makes a decision. The protection period for an invention patent is 20 years from the date of application.

During the protection period, unless otherwise permitted by law, no individual or entity is permitted to engage in the manufacture, use, sale or import of the product protected by such patent or otherwise engage in the manufacture, use, sale or import of the product directly derived from applying the production technology or method protected by such patent without the consent of the patent holder.

Utility Patents

Products seeking utility patent protection must also possess novel and innovative characteristics. Utility patents are granted and registered upon application unless there are reasons for the patent administrative authority to reject the application after preliminary review. Utility patents are also subject to disclosure and publication upon application. The protection period for a utility patent is ten years from the date of application.

During the protection period, unless otherwise permitted by law, no individual or entity is permitted to engage in the manufacture, use, sale or import of the product protected by such patent or otherwise engage in the manufacture, use, sale or import of the product directly derived from applying the production technology or method protected by such patent without the consent of the patent holder.

Design Patents

Products seeking design patent protection must not be the same as or similar to those previously released in domestic or overseas publications, publicly used in the country or infringe upon third parties' legal rights. The application procedures and protection period are the same as utility patents.

During the protection period, no individual or entity is permitted to engage in the manufacture, use, sale or import of the product protected by such patent without the consent of the patent holder.

We have received acceptance confirmation for all of our applications of patent registration listed in the paragraph headed "Intellectual property rights of our Group" of Appendix VI to this document. Based on our experience, we expect to obtain certificates for our patent rights by the end of 2012.

OUR CORPORATE HISTORY

Our principal operating entity is Sinoref (Yixing), a wholly-owned subsidiary of Sinoref (HK). Sinoref (HK) is a wholly-owned subsidiary of Sinoref (BVI) which is in turn wholly-owned by our Company. We underwent certain reorganisation steps for the purpose of [•••], further information on which is set forth in the section headed "Reorganisation" in this document.

Sinoref International

Sinoref International was incorporated on 28 April 2005 in the BVI with an authorised share capital of US$50,000 divided into 50,000 ordinary shares of US$1.00 each. Sinoref International is an investment holding company, it does not carry on any business other than holding its interests in Sinoref (Yixing) in the past.

As at 29 April 2005, Sinoref International was held by Mr. Xu as to 35%, Dr. Zhang as to 30%, Mr. Xu Yexin (Mr. Xu's brother) as to 20%, Mr. Gu Aoxing as to 5%, Mr. Fu Chengzheng as to 5% and another PRC individual (Mr. Wu Weiqun) as to 5%.

As at 8 June 2006, Sinoref International was held by Mr. Xu as to 45%, Dr. Zhang as to 10%, Mr. Xu Yexin (Mr. Xu's brother) as to 27%, Mr. Gu Aoxing as to 6%, Mr. Fu Chengzheng as to 6% and another PRC individual (Mr. Wu Weiqun) as to 6%.

As at 5 January 2007, Sinoref International was held by Mr. Xu as to approximately 53%, Dr. Zhang as to approximately 6%, Mr. Xu Yexin (Mr. Xu's brother) as to approximately 35% and Mr. Fu Chengzheng as to approximately 6%.

As at 19 November 2007, Sinoref International was held by Mr. Xu as to approximately 58%, Dr. Zhang as to approximately 6%, Mr. Fu Chengzheng as to approximately 6%, Mr. Gu Aoxing as to approximately 8%, Mr. Wang Zhizhong as to approximately 2%, a PRC individual (Mr. Liu Caijun) as to approximately 7% and another PRC individual (Mr. Cui Junrui) as to approximately 13%.

As at 1 August 2008, Sinoref International was held by Mr. Xu as to approximately 42%, Dr. Zhang as to approximately 5%, Mr. Fu Chengzheng as to approximately 3%, Mr. Gu Aoxing as to approximately 4%, Mr. Wang Zhizhong as to approximately 2%, Mr. Gao Zhilong as to 27% and Mr. Chai Xishu as to 17%.

As at the Latest Practicable Date, Sinoref International was held by Mr. Xu as to approximately 40%, Dr. Zhang as to approximately 10%, Mr. Fu Chengzheng as to approximately 3%, Mr. Gu Aoxing as to approximately 4%, Mr. Wang Zhizhong as to approximately 2%, Mr. Gao Zhilong as to 25% and Mr. Chai Xishu as to 16%.

Sinoref (Yixing)

Our history began with the establishment of Sinoref (Yixing) on 20 July 2005. Based on the articles of association of Sinoref (Yixing) dated 18 July 2005, the registered capital of Sinoref (Yixing) of US$6,000,000 would be contributed by Sinoref International and the principal business activities of Sinoref (Yixing) included manufacture of advanced steel flow control products.

On 19 July 2005, the said articles of association of Sinoref (Yixing) and its establishment by Sinoref International were approved by the relevant PRC regulatory authorities. Each of the Certificate of Approval for Establishment of Enterprises with Foreign Investment in the PRC (the **"Certificate of Approval"**) and the business licence was granted to Sinoref (Yixing) on 19 July 2005 and 20 July 2005 respectively. As at 25 July 2005, the paid-up capital of Sinoref (Yixing) amounted to US$2,000,000. As at 23 January 2006, its paid-up capital increased to US$4,000,000. All such capital was contributed by Sinoref International.

On 12 December 2006, Sinoref International and Sino Super entered into an equity transfer agreement pursuant to which Sinoref International agreed to transfer its 22% equity interest in Sinoref (Yixing) (i.e. paid-up capital of US$1,320,000) to Sino Super at a consideration of US$1,320,000 which was determined based on the then paid-up capital. Sino Super was incorporated on 19 January 2006 in Hong Kong with an authorised and issued share capital of HK$10,000 divided into 10,000 ordinary shares of HK$1.00 each. Sino Super was set up by Dr. Zhang as his investment vehicle holding interests in Sinoref (Yixing). Sino Super has been wholly owned by Dr. Zhang since its incorporation. Other than holding its interests in Sinoref (Yixing), Sino Super does not carry on any business. Approval for such transfer was obtained on 14 May 2007 from the relevant PRC regulatory authorities. The Certificate of Approval in respect of transfer and the updated business licence was granted to Sinoref (Yixing) in May 2007 and on 6 August 2007, respectively.

As at 18 July 2007, the paid-up capital of Sinoref (Yixing) amounted to US$5,000,000, of which each of Sinoref International and Sino Super contributed US$3,680,000 and US$1,320,000 respectively. As at 3 July 2008, the registered capital of Sinoref (Yixing) of US$6,000,000 was fully paid up, out of which each of Sinoref International and Sino Super contributed US$4,680,000 (representing 78%) and US$1,320,000 (representing 22%), respectively.

In August 2009, Dr. Zhang, being the sole shareholder of Sino Super, required financial resources due to personal reasons while the then shareholders of Sinoref International were interested to increase their investment in Sinoref (Yixing). On 22 August 2009, Sinoref International and Sino Super entered into an equity transfer agreement pursuant to which Sino Super agreed to transfer its 17% equity interest in Sinoref (Yixing) (i.e. paid-up capital of US$1,020,000) to Sinoref International at a consideration of US$1,020,000 which was determined based on the then paid-up capital. Approval for such transfer was obtained on 23 September 2009 from the relevant PRC regulatory authorities. The articles of association of Sinoref (Yixing) were amended accordingly to reflect such change in shareholding. Each of the updated Certificate of Approval and the updated business licence was granted to Sinoref (Yixing) on 23 September 2009 and 9 October 2009, respectively.

On 2 February 2010, as part of the Reorganisation and to streamline the structure of Sinoref (Yixing), Sinoref International and Sino Super entered into an equity transfer agreement pursuant to which Sino Super agreed to transfer its 5% equity interest in Sinoref (Yixing) (i.e. paid-up capital of US$300,000) to Sinoref International at a consideration of and in exchange for which Sinoref International allotted and issued 263,158 shares of US$0.01 each in its share capital to Dr. Zhang (as directed by Sino Super), such consideration was determined with reference to the 5% shareholding of Dr. Zhang in Sinoref (Yixing) through Sinoref International. Approval for such transfer was obtained on 23 February 2010 from the relevant PRC regulatory authorities. Each of the updated Certificate of Approval and the updated business licence was granted to Sinoref (Yixing) on 23 February 2010 and 9 March 2010 respectively.

On 8 March 2010, Sinoref International and Sinoref (HK) entered into an equity transfer agreement pursuant to which Sinoref (HK) agreed to acquire the entire equity interest in Sinoref (Yixing) in consideration of and in exchange for which Sinoref (HK) procured Sinoref (BVI) to allot and issue one share of HK$1 in the share capital of Sinoref (BVI) to Sinoref International. Approval for such transfer was obtained on 22 March 2010 from the relevant PRC regulatory authorities. Each of the updated Certificate of Approval and the updated business licence was granted to Sinoref (Yixing) on 22 March 2010 and 25 March 2010 respectively.

As at the Latest Practicable Date, the registered capital of Sinoref (Yixing) was entirely owned by Sinoref (HK). The principal business activities of Sinoref (Yixing) include manufacture of advanced steel flow control products.

Sinoref (HK)

On 17 February 2010, Sinoref (HK) was incorporated under the Companies Ordinance in Hong Kong for the purpose of acting as the intermediate company of our Group with an authorised share capital of HK$10,000 divided into 10,000 shares of HK$1 each. On the same date, Sinoref (HK) allotted and issued one share to Sinoref (BVI). Sinoref (HK) had been a wholly-owned subsidiary of Sinoref (BVI) since its incorporation and up to the Latest Practicable Date.

Sinoref (BVI)

On 12 January 2010, Sinoref (BVI) was incorporated in BVI for the purpose of acting as the intermediate company of our Group with an authorised share capital of US$50,000 divided into 50,000 shares of US$1 each. On the same date, Sinoref (BVI) allotted and issued one share to Sinoref International.

Pursuant to the Reorganisation, Sinoref (BVI) further allotted and issued, credited as fully paid, one share in its capital to Sinoref International on 25 March 2010. Pursuant to a share purchase agreement dated 7 June 2010 and entered into by, among other parties, Sinoref International as vendor and our Company as purchaser for the acquisition of the entire issued share capital in Sinoref (BVI), being two shares of US$1.00, in consideration of and in exchange for which our Company (i) credited as fully paid at par the 1,000,000 nil-paid Shares then held by the shareholders of Sinoref International; and (ii) allotted and issued, at the direction of Sinoref International, 1,000,000 Shares credited as fully paid to the shareholders of Sinoref International in proportion to their respective shareholdings in Sinoref International. Sinoref (BVI) was a wholly-owned subsidiary of our Company as at the Latest Practicable Date.

Our Company

For the purspose of [•••], our Company was incorporated on 4 February 2010 in the Cayman Islands as an exempted company with limited liability, which became the ultimate holding company of our Group as a result of the Reorganisation. Details of the Reorganisation are set out in the section headed "Reorganisation" in this document.

OUR BUSINESS HISTORY

In 2005, Mr. Xu and Dr. Zhang, who have extensive experience in the advanced steel flow control products industry of more than 25 years, founded our Group by setting up Sinoref (Yixing) to engage in the advanced steel flow control products business.

Soon after the setting up of Sinoref (Yixing), we commenced the design and construction of our production plant in the Zhuqiao Industrial Zone, Yixing, Jiangsu Province, the PRC. The construction of our plant and installation and trial-run of our production equipment was completed in about one year in 2006. During the period, we formulated our sales and marketing strategies and built our core management team. We established customer relationship with our targeted medium-size steel manufacturing companies as our pioneer customers from the past working and business experiences of our founders. We then tailored-made our products for use in their production facilities.

In December 2006, trial production of our products was completed and they were test-run in our target customers' steel plants in January 2007. Our products successfully passed the various tests required by our target customers and we began to supply our products to two steel manufacturing companies in the first quarter of 2007.

In November 2007, we began our technological cooperation with IMUST for the development of products and CSP Subentry Nozzles (開發CSP浸入式水口項目) (the "**CSP Project**"). At the end of 2007, the number of our customers grew from two to seven.

We have continued to expand our sales and marketing effort and diversified our product range to meet the requirements of different steel manufacturing companies. By the end of 2009, the number of our customers had grown to 18 and as at the Latest Practicable Date, our customer base further grew to 20, many of which are members of prominent steel manufacturing groups in the PRC.

We have our in-house research and development team. As at the Latest Practicable Date, we had obtained patent registration (in respect of utility) for our new product 薄板坯浸入式水口 (Subentry Nozzle for thin slab casting process) developed under the CSP Project. We had also made applications for patent registration for the same product 薄板坯浸入式水口 (Subentry Nozzle for thin slab casting process) developed under the CSP Project (in respect of invention), another three new products (in respect of utility and invention) and one product (in respect of utility) developed by us during the Track Record Period.

Below are the milestones in our business development since our establishment in 2005 and up to the Latest Practicable Date:

Time	Event
July 2005	Establishment of Sinoref (Yixing)
November 2005-2006	Construction of our production plant
December 2006	Commenced trial production
February 2007	Commenced supply of our products to the Yunan Kunming Iron and Steel Company (who becomes a member of Wuhan Steel Group)
March 2007	Commenced supply of our products to the Baosteel Group
May 2007	Commenced supply of our products to the Hangzhou Steel Group
October 2007	Entered into a framework cooperation agreement with IMUST for the development of our products
November 2007	Began cooperation with IMUST for the CSP Project
December 2007	– Number of customers grew to seven
	– Sales volume amounted to 1,027 tonnes of our products
December 2008	– Cooperation with IMUST in a project to improve the Meishan #2 Casting Machine Subentry Nozzles (梅山#2鑄機浸入式水口優化項目)
	– Number of customers grew to 11
	– Sales volume amounted to 1,713 tonnes of our products

January 2009	Accredited as an Environmental Advanced Unit (環境創優先進單位) in 2008 by Chinese Communist Jiangsu Yixing Economic Development Zone Working Committee (中共江蘇宜興經濟開發區工作委員會) and Jiangsu Yixing Economic Development Zone Administrative Committee (江蘇宜興經濟開發區管理委員會)
April 2009	Applied for patent registration (in respect of both invention and utility) in respect of the new product 薄板坯浸入式水口 (Subentry Nozzle for thin slab casting process) developed under the CSP Project
June 2009	Exhibited our products in an international conference for thin slab casting in Nanjing to international steel manufacturing companies
July 2009	Applied for patent registration (in respect of both invention and utility) in respect of a new product 可控制流入氣體的整體式塞棒 (Mono block Stopper with controlled gas flow)
September 2009	Accredited with ISO 9001 quality management system certification by the Beijing BTIHEA Certification Co., Ltd. (北京博天亞認証有限公司) in respect of our manufacture and service of alumina carbon isostatic products (being the formal name of our products) (in permission scope)
October 2009	Commenced supply of our products to the Wuhan Steel Group
December 2009	– Number of customers grew to 18 – Sales volume amounted to 3,972 tonnes of our products – Casco (USA) Inc. entered into a cooperation agreement with us regarding thin strip casting technology
January 2010	– Obtained patent registration (in respect of utility) for our new product 薄板坯浸入式水口 (Subentry Nozzle for thin slab casting process) developed under the CSP Project

	–	Entered into a memorandum of understanding with Carboref GMBH ("Carboref"), an established global player in the trading of steel flow control products, in respect of the sale of our products into Europe, details of which are disclosed in the paragraph headed "Business strategies" in the section headed "Business" in this document. Order has been placed by Carboref for our products for trial purposes.
February 2010	–	Entered into a framework agreement with Sinosteel Shanghai Company ("Sinosteel") in respect of the sale of our products into Korea and Taiwan, details of which are disclosed in the paragraph headed "Business strategies" in the section headed "Business" in this document.
	–	Entered into an agreement with Shanghai University (上海大學) for the joint research and development of steel flow distributors and side dams for the thin strip casting process
March 2010	–	Applied for patent registration (in respect of utility) in respect of a new product 一種內裝浸入式水口 (A built-in Subentry Nozzle)
	–	Applied for patent registration (in respect of both invention and utility) in respect of a new product 複合式棒頭結構塞棒 (Compound-head structured Stopper)

INTRODUCTION

Members of our Group have undergone certain restructuring steps whereby a coherent corporate structure of our Group has been established. The Reorganisation involved the following principal steps:–

(1) acquisition of 5% equity interest in Sinoref (Yixing) by Sinoref International;

(2) incorporation of Sinoref (BVI) and Sinoref (HK);

(3) acquisition of entire equity interest in Sinoref (Yixing) by Sinoref (HK);

(4) incorporation of our Company; and

(5) acquisition of entire issued share capital in Sinoref (BVI) by our Company.

DETAILED PROCEDURES

Prior to the Reorganisation, Sinoref (Yixing) was held by Sinoref International and Sino Super as to 95% and 5% respectively. For the purpose of [•••], the following Reorganisation steps have been implemented:

(1) Acquisition of 5% equity interest in Sinoref (Yixing) by Sinoref International

On 2 February 2010, Sino Super and Sinoref International entered into an equity transfer agreement, pursuant to which Sino Super transferred its 5% equity interest in Sinoref (Yixing) to Sinoref International in consideration of Sinoref International allotting and issuing 263,158 shares of US$0.01 each in its share capital credited as fully paid to Sino Super. Sino Super had directed such shares to be issued to Dr. Zhang, being the sole shareholder of Sino Super, on 5 March 2010 (after the share subdivision as referred to in the paragraph below). Upon completion of the above procedures, Sinoref (Yixing) has become a wholly-owned subsidiary of Sinoref International. As at the Latest Practicable Date, the shareholding of Sinoref International was as follows:

Shareholder	Approximate shareholding %
Mr. Xu	40
Mr. Gao Zhilong	25
Dr. Zhang	10
Mr. Gu Aoxing	4
Mr. Wang Zhizhong	2
Mr. Fu Chengzheng *(Note 1)*	3
Mr. Chai Xishu *(Note 2)*	16

Notes:

1. Mr. Fu Chengzheng is an investment shareholder in Sinoref International. He has been a shareholder of Sinoref International since its incorporation.

2. Mr. Chai Xishu is an investment shareholder in Sinoref International and has been a shareholder of Sinoref International since 1 August 2008. He is a personal friend of Mr. Xu and he was engaged in the business of sales of detergent and other cleaning agents. Mr. Xu introduced our business to him and he invested in Sinoref International due to his personal interest in the business.

On 4 March 2010, each of the then issued shares of Sinoref International having a par value of US$1.00 each was subdivided into 100 subdivided shares having a par value of US$0.01 each, thereby the number of the then issued shares was increased from 50,000 shares of US$1.00 each to 5,000,000 shares of US$0.01 each. On the same date, the authorised share capital of Sinoref International was increased from US$50,000 divided into 5,000,000 shares of US$0.01 each to US$55,000 divided into 5,500,000 shares of US$0.01 each.

(2) Incorporation of Sinoref (BVI) and Sinoref (HK)

On 12 January 2010, Sinoref (BVI) was incorporated in the BVI for the purpose of acting as the intermediate company of our Group with an authorised share capital of US$50,000 divided into 50,000 shares of US$1.00 each. On the same date, Sinoref (BVI) allotted and issued one share to Sinoref International.

On 17 February 2010, Sinoref (HK) was incorporated under the Companies Ordinance in Hong Kong for the purpose of acting as the intermediate company of our Group with an authorised share capital of HK$10,000 divided into 10,000 shares of HK$1.00 each. On the same date, Sinoref (HK) allotted and issued one share to Sinoref (BVI).

(3) Acquisition of the entire equity interest in Sinoref (Yixing) by Sinoref (HK)

On 8 March 2010, Sinoref International and Sinoref (HK) entered into an equity transfer agreement, pursuant to which Sinoref International transferred its entire equity interest in Sinoref (Yixing) to Sinoref (HK) in consideration of Sinoref (HK) procuring Sinoref (BVI) allotting and issuing one share of US$1.00 each in its share capital credited as fully paid to Sinoref International. Upon completion of the equity transfer agreement, Sinoref (Yixing) has become a wholly-owned subsidiary of Sinoref (HK).

(4) Incorporation of our Company

On 4 February 2010, our Company was incorporated under the Companies Law as an exempted company with an authorised share capital of HK$100,000 divided into 1,000,000 shares of HK$0.10 each. On 4 February 2010, our Company allotted and issued one nil-paid Share to Codan Trust Company (Cayman) Limited, which was transferred to Sinoref International on the same date. Our Company also allotted and issued another 999,999 nil-paid Shares to Sinoref International on the same date. The said 1,000,000 Shares were transferred to the shareholders of Sinoref International in proportion to their respective shareholdings in Sinoref International, at nil consideration, immediately prior to completion of the share purchase agreement referred to in paragraph (5) below and were subsequently paid up in the manner described therein.

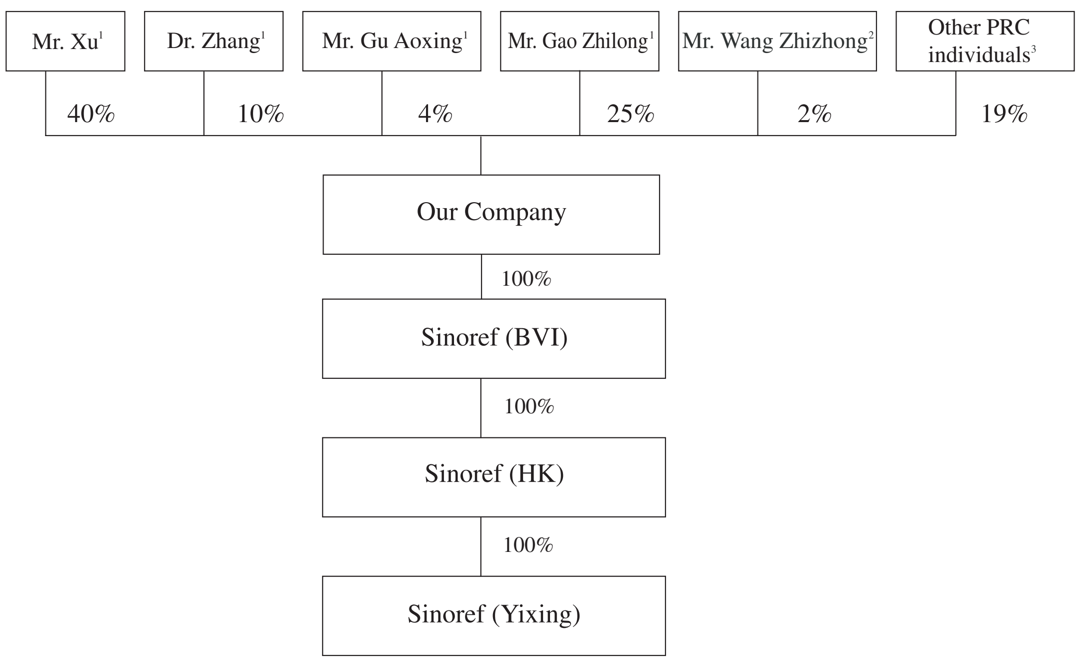
On 11 February 2010, the name of our Company changed from Sinoref Holdings Ltd. to Sinoref Holdings Limited 華耐科技控股有限公司. On 11 May 2010, the name of our Company changed from Sinoref Holdings Limited 華耐科技控股有限公司 to Sinoref Holdings Ltd., and from Sinoref Holdings Ltd. to Sinoref Holdings Limited 華耐控股有限公司, which is our current company name.

(5) Acquisition of the entire issued share capital in Sinoref (BVI) by our Company

On 7 June 2010, the authorised share capital of our Company was increased from HK$100,000 to HK$300,000,000. Pursuant to a share purchase agreement dated 7 June 2010 and entered into by, among other parties, Sinoref International as vendor and our Company as purchaser for the acquisition of the entire issued share capital of Sinoref (BVI), being two shares of US$1.00 each, in consideration of and in exchange for which our Company (i) credited as fully paid at par the 1,000,000 nil-paid Shares then held by the shareholders of Sinoref International; and (ii) allotted and issued, at the direction of Sinoref International, 1,000,000 Shares credited as fully paid to the shareholders of Sinoref International in proportion to their respective shareholdings in Sinoref International.

CORPORATE STRUCTURE

Set out below is the shareholding structure of our Group after the Reorganisation:



Notes:

1. Each of Mr. Xu, Dr. Zhang, Mr. Gu Aoxing and Mr. Gao Zhilong is our Director.

2. Mr. Wang Zhizhong is one of our senior management staff.

3. To the best knowledge of our Directors, these two PRC individuals (i.e. Mr. Fu Chengzheng who held 3% of the total issued share capital of our Company and Mr. Chai Xishu who held 16% of the total issued share capital of our Company) were Independent Third Parties.

4. The percentage shareholdings shown in this chart are rounded up to the nearest integral number, where applicable.

OVERVIEW

We are engaged in the manufacture of advanced steel flow control products which are used in the continuous casting process to protect, control and regulate the flow of molten steel. Our products include Ladle Shrouds, Stoppers, Tundish Nozzles and Subentry Nozzles. During the Track Record Period, the revenue generated from the sales of our advanced steel flow control products, amounted to approximately RMB40.0 million, RMB67.2 million and RMB156.9 million, respectively.

Our products are specifically designed for use at the stage of continuous casting. Continuous casting is the process whereby molten steel is continuously fed into a water-cooled crystalliser and cast into a semi-finished slabs or billets for subsequent rolling in the rolling mills into various kinds of steel products.

According to the ACRI Report, steel flow control products for the continuous casting process can be broadly grouped into "high-end" and "average" products. Products which do not fall into the "high-end" category are grouped as "average" products. Quantitative parameters used by ACRI in determining whether a steel flow control product is "high-end" are set out below:

Product		**Specifications**
Ladle shrouds	:	Bore size of 80 mm or above with alumina content of 60% or above
Stoppers	:	Length of 1,100 mm or above with alumina content of 59% or above
Tundish nozzles	:	Ratio of outside diameter in the seat end over the outside diameter in the opposite end should be less than 1, and with a sliding plate with modulus of rupture of not less than 10 MPa with alumina content not less than 80%
Subentry nozzles	:	End closest to the tundish bottom should have an outside diameter of not less than 150 mm and the zirconia and hafnia content of the slagline should not be less than 80%

According to the ACRI Report, the classification of "high-end" and "average" steel flow control products is widely accepted and recognised in the PRC industry. However, there is currently no national standard or requirement which is applicable to such classification.

"High-end" steel flow control products are mainly used by steel manufacturing companies for slab casters while "average" steel flow control products are mainly used for billet casters. Slab casters require steel flow control products which are larger in size and more complicated in design as higher molten steel flow rate is involved and more modern tube changer systems are adopted. On the other hand, billet casters typically require steel flow control products which are smaller in size, simpler in design, and relatively easier to be manufactured.

All of our products, namely Ladle Shrouds, Stoppers, Tundish Nozzles and Subentry Nozzles, are classified as "high-end" products according to the specifications of "high-end" products defined by ACRI. They have the characteristics of high erosion resistance and high stability and they usually have a longer life cycle when compared to the "average" products. All of our products are mainly used by our customers for their slab casters.

According to the ACRI Report, we have a market share of approximately 19% in the "high-end" steel flow control products market in the PRC in 2009 based on our actual annual production volume. We are the second largest "high-end" steel flow control products manufacturer in the PRC while Vesuvius Advanced Ceramics (Suzhou) Co. Ltd. is the largest.

As at the Latest Practicable Date, we had an annual production capacity of approximately [8,200] tonnes of advanced steel flow control products and the utilisation rate of our production plant had reached [100]%. Our production capabilities are supported by our advanced production equipment and specialised production techniques designed to produce consistently high quality products. We develop our own tooling sets, which are made from specialised resin, for our products to ensure better quality and enhance our production efficiency. We also develop tooling sets for special shapes to meet our customers' specific demands and new mixtures of raw materials to improve anti-oxidation behaviour.

During the Track Record Period, all of our products were sold in the PRC. As at the Latest Practicable Date, most of our customers were members of major steel manufacturing groups in the PRC, including Baosteel Group, Hebei Steel Group, Wuhan Steel Group and Shandong Steel Group. We commenced our business with Baosteel Group and Wuhan Steel Group in 2007, and with Hebei Steel Group and Shandong Steel Group in 2009. For the three years ended 31 December 2009, sales to Baosteel Group amounted to approximately RMB14.6 million, RMB11.3 million and RMB27.0 million respectively, while sales to Wuhan Steel Group amounted to approximately RMB13.3 million, RMB11.9 million and RMB16.8 million respectively. For the year ended 31 December 2009, sales to Shandong Steel Group amounted to approximately RMB12.0 million while sales to Hebei Steel Group amounted to approximately RMB1.9 million. We have well-established relationships with our customers. As at the year ended 31 December 2009, we had maintained two years of relationship with our top five largest customers on average.

Since 2007, we have enjoyed a rapid growth. Our turnover has grown from approximately RMB40.0 million for the year ended 31 December 2007 to approximately RMB156.9 million for the year ended 31 December 2009, representing a CAGR of approximately 98.1%. Our net profit has grown from approximately RMB13.4 million for the year ended 31 December 2007 to approximately RMB70.1 million for the year ended 31 December 2009, representing a CAGR of approximately 128.7%. The increase in our turnover and net profit during the Track Record Period were primarily due to (i) our increased marketing efforts to solicit new customers, (ii) increase in our sales volume to both recurring and new customers (from approximately 1,027 tonnes in 2007 to approximately 3,972 tonnes in 2009); (iii) change in product mix and the increase in the sales volume of Subentry Nozzles, from approximately 40.8% of total revenue in 2007 to approximately 44.0% of total revenue in 2009, that had gross profit margins of approximately 60.5% in 2007, approximately 61.8% in 2008 and approximately 69.6% in 2009 which were one of the highest among the Group's products; and (iv) higher operating efficiencies achieved through economies of scale resulting from the increase in sales volume. Our number of customers increased from 7 in 2007 to [20] as at the Latest Practicable Date. The number of recurring customers in 2008 and 2009 was 7 and 11 respectively, while the number of recurring customers as at the Latest Practicable Date was [18].

China has been the world's leading producer of crude steel since 1996. In 2007, 2008 and 2009, China's annual production of crude steel amounted to approximately 489 Mt, 500 Mt and 568 Mt, respectively, representing about 36.3%, 37.6% and 46.6% of the world's total production of crude steel. According to Steel Statistical Yearbook 2009 published by the World Steel Association on 3 March 2010, among the crude steel products produced in China in 2007 and 2008, approximately 474 Mt and 484 Mt, representing over 96.9% and 96.8%, respectively, were continuously cast slabs and billets.[1,2,3]

With our market position and solid customer base, we are confident in further penetrating the existing domestic steel flow control products market and increasing our market share in the PRC. We believe we are also well-positioned to capture new business opportunities within the expanding PRC market and to expand our business to overseas markets such as Western Europe, Korea and Taiwan. We currently have one production line with an annual production capacity of approximately 8,200 tonnes of advanced steel flow control products which is currently operated at full capacity. In view of the orders we have already received in 2010 and the anticipated growth in demand for our products, we plan to construct a new production plant to expand our production capacity. The new production plant will house an additional production line and will increase our production capacity by an additional 8,600 tonnes. This new production plant is expected to be completed by the end of 2011 and will commence production in 2012. The proposed additional annual production capacity is expected to be utilised to meet the future demand of our existing and potential future customers in the PRC, and the potential future customers in the overseas market. As stated in paragraph headed "Business strategies" in the section headed "Business" in this document, we will continue to promote our advanced steel flow control products by broadening our customer base and expanding overseas market. For expanding our PRC market, we will continue to strengthen our marketing efforts and promote our products to potential customers in other potential markets in the PRC not yet covered by our network. Our customer base has grown from 18 as at 31 December 2009 to [20] as at the Latest Practicable Date in the PRC. For expanding our overseas market, we have entered into the Carboref MOU with Carboref to sell our products in Europe and the Sinosteel Agreement with Sinosteel to market and sell our products in Taiwan and Korea. Prior to completion of the aforesaid new production plant, we plan to expand our business by utilising our existing production capacity and targeting product mix with higher profit margins.

Sources:

1 Steel Statistical Yearbook 2008, World Steel Association.

2 World Steel in Figures 2009, World Steel Association.

3 World Crude Steel Production, World Steel Association.

COMPETITIVE STRENGTHS

We believe that our success to date and potential for future long-term growth can be attributed to our following strengths:

Leading manufacturer of highly customisable advanced steel flow control products in the PRC with high turnover and competitive pricing

We are currently one of the leading manufacturers of the advanced steel flow control products based in the PRC. As the production plants of steel manufacturing companies are different from each other and vary significantly in accordance with their scale of operation and end usage of steel, all of our products are customised to the exact requirements of our customers to suit their specific needs and precise parameters of their respective production equipment. To cater for such level of sophistication and customisation for our customers, we have fitted our production facilities with custom-made equipment, with the key equipment imported from Germany. We have also employed specialised production techniques based on our proprietary know-how to ensure the timely delivery of high quality steel flow control products on a consistent basis.

In order to maintain and enhance our level of technological capability and efficiency, we are committed to invest in advanced production equipment and machineries and improve our technological know-how. During the Track Record Period, we had invested a total of approximately RMB6.6 million on our machineries and the upgarding of our production techniques. The revenue generated from the sale of our advanced steel flow control products amounted to approximately RMB156.9 million in 2009. We have a market share of approximately 19% in the "high-end" steel flow control products in the PRC in 2009 based on our actual annual production volume.

In addition, a key feature of steel flow control products in general is that they are "consumable" in nature. For example, a typical ladle shroud usually can only be used for 3 to 10 hours depending on the practice of the relevant steel plants and the design of the relevant steel ladle and tundish; while a typical stopper, a typical tundish nozzle and a typical subentry nozzle can be used for 2 to 15 hours. To the best of our knowledge, the pricing of our products is also generally more competitive than that of our competitors who are selling similar types of products of comparable quality due to our ability to control costs effectively and employ the latest production techniques to improve our efficiency. As a result, we believe that we are able to secure a high and consistent level of demand for our products from our existing and new customers who demand high quality products with competitive pricing as our reputation as an established and reliable supplier of high quality advanced steel flow control products grows.

In view of the above factors, we are confident that our Group is well positioned to supply to those customers who require high quality advanced steel flow control products. Our advanced production capabilities, extensive experience and leading market position in the manufacturing of advanced steel flow control products would provide us with a strong foundation to further develop our products and expand our customer base.

Commitment to produce high quality products

We are committed to producing high quality and customised products for our customers and have placed strong emphasis on product quality in our production process by implementing comprehensive quality control procedures at each stage of our main production process. In September 2009, we have been accredited with ISO 9001 quality management system certification by the Beijing BTIHEA Certification Co., Ltd. (北京博天亞認証有限公司) in respect of our manufacture and service of alumina carbon isostatic products (being the formal name of our products) (in permission scope), which is valid until September 2012. Beijing BTIHEA Certification Co., Ltd. (北京博天亞認証有限公司) was established by China Household Electric Appliance Research Institute with the approval of the Certification and Accreditation Administration of the PRC and China National Accreditation Service for Conformity Assessment. It is a third party certification organisation which possesses independent legal entity qualification. We believe that our stringent quality control standards can enhance our market reputation and strengthen our customers' confidence in our products. Our quality control department will conduct regular internal audits to ensure compliance with the above standard.

We develop our own moulds, which is made of a kind of specialised resin, for our products. Usually, moulds are made of rubber or plastic materials, which are less costly than resin. However, we use resin to develop our moulds to ensure better quality and enhance our production efficiency in addition to ensuring more detailed specifications of our products as mentioned above. Resin, which is more elastic than rubber and plastic materials, could be used to develop various kinds of moulds, in particular moulds suitable for products which require detailed specifications. By using moulds with higher elasticity, fewer fractures would occur resulting in less processing procedures for our products. This enhances the efficiency of our production process and the quality of our products. Besides, resin is more resistant to wear-and-tear and thus more durable than mould made of other materials. Hence, our moulds could be used for a longer period of time and which in turn would be cost-saving.

High profit margin

For the three years ended 31 December 2009, our Group's net profit margins were approximately 33.5%, 37.2%, and 44.7%, respectively. This is calculated after taking into account the depreciation arising from our capital expenditures of property, plant and equipment, which amounted to RMB4.2 million, RMB4.5 million and RMB4.6 million for the three years ended 31 December 2009, respectively, which are expected to be relatively higher at the initial stages of our Group's development. With a low cost structure, our Group has a significant degree of flexibility in determining its market strategy in the event of increased competition or unforeseeable market changes in the future. Further, our Group specialises in producing only one type of refractory products, i.e. "high-end" steel flow control products. Due to the unique importance of "high-end" steel flow control products in the steel casting process and the higher technology requirements of their production, the gross profit margin for producing "high-end" steel flow control products is relatively higher.

Commitment to enhance research and development capability

Apart from maintaining the quality of our products, we have also demonstrated our ability to improve our existing products and introduce new products to satisfy customers' needs. We have set up a research and development team to design new products and improve our existing products and develop production technologies that will enable us to improve our production efficiency and enhance our product quality. We also cooperate with academic institutions for research and development of our products.

In October 2007, we entered into a framework cooperation agreement with IMUST for the development of our products. Pursuant to the development agreement entered into between the School of Metallurgy of IMUST and Sinoref (Yixing) in November 2007, IMUST agreed to cooperate with Sinoref (Yixing) in the development of CSP Subentry Nozzles (CSP浸入式水口) (the "**CSP Project**"). In accordance with such agreement, Sinoref (Yixing) would provide relevant information to IMUST for preparation of the design of the CSP Subentry Nozzles at a fee of RMB200,000. Sinoref (Yixing) would enjoy the exclusive right to the intellectual property rights of the new product.

In January 2010, we obtained the patent registration (in respect of utility) for the new product, Subentry Nozzle for thin slab casting process (薄板坯浸入式水口) developed under the CSP Project. Improvements have been successfully made to our Subentry Nozzles and the new product further stabilises the molten steel flow and enhances the quality of steel produced by our customers. Such new product is well received by our customers and we successfully marketed them to customers in Jiuquan, Baotou, Lianyuan, Wuhan and Maanshan in the PRC.

Towards the end of 2009, we applied for registration for two other patents (in respect of both invention and utility) on a new design of thin slab casting Subentry Nozzle. This new design, which has been developed under another project between IMUST and us, could enhance the consistency of temperature of molten steel in the mould, improve the performance of our products and better regulate the molten steel flow for the production of slabs with better quality.

In March 2010, we applied for registration for a new product 複合式棒頭結構塞棒 (Compound-head structured Stopper). This new design enabled our products to have stronger resistance to scrubbing and molten steel erosion during the continuous casting process. We also applied for registration of a new product 一種內裝浸入式水口 (A built-in Subentry Nozzle) (in respect of utility). This new design can prevent oxidation of the neck of the Subentry Nozzle and provide stronger erosion resistance.

Pursuant to another development agreement entered into between IMUST and Sinoref (Yixing) in December 2008, IMUST agreed to cooperate with Sinoref (Yixing) in a project to improve the Meishan #2 Casting Machine Subentry Nozzles (梅山#2鑄機浸入式水口優化項目). In accordance with such agreement, Sinoref (Yixing) would provide relevant information to IMUST for preparation of the design of a new product at a fee of RMB150,000. Sinoref (Yixing) would enjoy the exclusive right to the intellectual property rights of such new product.

We believe that the thin strip casting technology, currently the latest continuous casting process, may shape the future development of the continuous casting industry. Steel manufacturing companies in China would increasingly employ this technology in their manufacturing processes. To strengthen our research and development capability in this area, we entered into a cooperation agreement with Shanghai University in February 2010 for the joint research and development of steel flow distributors and side dams, which are two of the major new products for this casting process. Our steel flow control products, Ladle Shrouds and Stoppers, are also components required for thin strip casting process. To the best of our knowledge, Shanghai University has a team of scientists and engineers who have been working in this field for a substantive period of time and they have developed and obtained at least five relevant patents. Pursuant to the agreement with Shanghai University, Shanghai University is responsible for product design and laboratory tests, while we are responsible for pilot scale manufacturing and field tests. Shanghai University and us will each bear their own costs incurred in relation to this cooperation agreement. According to such agreement, intellectual property rights derived from the project will be jointly owned by both parties. We have also agreed to pay 10% of the sales revenue of the relevant products developed under the project to Shanghai University. The term of engagement of Shanghai University and our Company will end in October 2010 and April 2011 respectively. We believe that we are the forerunner in the development and production of this category of products and the successful development and sales of these products will add to our competitive edge.

Strong relationships with key customers supported by personalised on-site services and timely technical support

Our management focuses on maintaining good relationships with our customers. Our customers are members of major steel manufacturing groups in the PRC and they include Baosteel Group, Hebei Steel Group, Wuhan Steel Group and Shandong Steel Group, which are prominent players in the steel industry in China and worldwide. We have maintained well-established relationships with our customers, some of which have been doing business with us since we commenced our business operations in 2007.

One of our business strategies is to assign our customer services manager to station at the production plant of each of our customers to provide personalised on-site after-sale services and technical assistance to them. As at 31 December 2009, our sales team consisted of 17 customer services managers, and they are broadly divided into three groups based on different regions in China, namely, the Northern region, the Eastern region and the South Western region; and each region is headed by a regional manager. Through our customer services managers who possess specialised technical knowledge, we can provide immediate and direct responses to our customers on-site and address most of their concerns and technical enquiries. Where there are enquiries that they could not address on-site, our customer services managers can easily and quickly access our chief technical officer or other members of our research and development team to provide the relevant solutions to our customers in a timely manner. Further, by assigning our staff to station at our customers' production plants, we can be more familiar with our customers' production facilities and equipment as well as their needs so that more practical solutions or suggestions on improvements to their production process could be made.

We believe that with our quality products and pragmatic and responsive customer services, we have successfully built up and maintained strong relationships with our customers. Our established customer base is a clear demonstration of our capabilities and enhances our ability to attract new customers.

With a solid customer base and close relationships with our customers, we are also able to gain further insights into our customers' requirements as well as the development trend of the steel industry, which in turn can help us develop our products and design our expansion plans more effectively.

Experienced and dedicated management team

The founders of our Group, Mr. Xu and Dr. Zhang, have been engaging in the advanced steel flow control products business for more than 25 years. Their combined experience and knowledge of the industry have been fundamental to our Group in building a solid foundation for the subsequent development of our advanced steel flow control products business. Mr. Xu, our chairman, chief executive officer and executive Director, was trained in 洛陽耐火材料研究院 (Luoyang Institute of Refractories Research*), the largest research institution under the then Ministry of Metallurgical Industry. He had also been a plant technical manager for 10 years before he started his own business in 1995. Mr. Xu has extensive experience in the areas of production, technical management, sales management as well as financial management. Dr. Zhang, our chief technical officer and executive Director, has been working on steel flow control products since 1982 after his graduation from 武漢鋼鐵學院 (Wuhan Institute of Steel and Iron Technology), the former Wuhan University of Science and Technology. Through his research experiences in 洛陽耐火材料研究院 (Luoyang Institute of Refractories Research*), and his working experiences in Vesuvius International Inc. and a member of Minerals Technologies Inc., both being international recognised companies in the industry of steel flow control products and monolithic products for steel industry respectively, Dr. Zhang has gained extensive technical knowledge and management experience in the industry. The other members of our management team also possess extensive operating experience and industry knowledge of steel flow control products business. Most of our senior management team members have joined us since the establishment of our Company. We believe that our management team's in-depth knowledge of the steel flow control products industry can enable us to respond efficiently to various challenges from the changing market conditions and consolidate our Group's position in the industry.

BUSINESS STRATEGIES

With our market position and solid customer base, we believe we are well-positioned to further expand into the PRC market and to capture new business opportunities. We aim to continue to build on our leading position in the PRC and to expand our business to overseas markets such as Western Europe, Korea and Taiwan. Other than increasing the sales of our existing steel flow control products, it is also one of our growth strategies to expand the range of our products offered to our customers and they include steel flow distributors and side dams for use in the thin strip casting process and monolithic materials, which are not steel flow control products. Monolithic materials can have a variety of applications in different steel casting processes, including in steelmaking furnaces, ladles and tundishes.

To achieve this, we plan to implement the following business strategies:

Expand production capacity to increase market penetration

We currently have one production line with an annual production capacity of approximately 8,200 tonnes of advanced steel flow control products the utilisation rate of our production plant had reached [100]%. In view of the orders we have already received in 2010 and the anticipated growth in demand for our products, we plan to expand our production capacity by constructing a new production plant which is expected to start construction during 2011. The new production plant will house an additional production line and is expected to be completed by the end of 2011. This new plant will provide an additional annual production capacity of 8,600 tonnes of advanced steel flow control products. With the expected increase of our production capacity, we target to further extend our sales coverage in the PRC market as well as to the overseas market.

Broaden customer base and expand to overseas market

We will continue to promote our advanced steel flow control products and broaden our customer base. We believe that reputation and image is essential to our business and a strong and reputable customer base is also important as it demonstrates our capabilities and distinguishes us from other suppliers in the market. We will continue to build up our reputation and image for hi-tech, quality and safe products and will maintain and continue to develop our customer base. We will continue to strengthen our marketing efforts in the PRC and promote our products to potential customers in other potential markets in the PRC not yet covered by our network. We currently plan to expand our sales team by hiring 10 more sales managers in 2010 and 2011 to cover newly developed customers and two more technical managers in 2010 to assist the customer services managers. We also target to establish two new representative offices in the south western China region and northern China region respectively. On-the-job training programs in technical institutions for our sales team will be enhanced. Further, we also plan to advertise in industry-wide newsletters, magazines and participate in industry exhibitions and conferences in China and overseas.

Other than the PRC market, we are also actively looking at opportunities to expand our business to other countries. As part of our expansion strategy, we have entered into the Carboref MOU on 13 January 2010 to appoint Carboref as our sales agent for all types of our products in Europe. Pursuant to the Carboref MOU, Carboref will promote and sell our products to major steel manufacturing companies in Europe, starting with Germany and the United Kingdom, and we will manufacture the advanced steel flow control products according to the specifications of Carboref and deliver such products in accordance with the schedule required by each individual purchase order. The sales agent status of Carboref is not exclusive, but we have agreed to appoint Carboref as an exclusive sales agent in Germany and the United Kingdom for a period of one year commencing from the date of the Carboref MOU. We have agreed to give better trade terms to Carboref. There are no specific clauses in relation to profit sharing arrangement and termination in the Carboref MOU. The Carboref MOU is not legally binding on both parties. An order has been placed by Carboref for our products for trial purposes in January 2010.

In addition, we have also entered into the Sinosteel Agreement with Sinosteel on 13 February 2010 to market and sell all types of our products in Taiwan and Korea. Pursuant to the Sinosteel Agreement, we will use best endeavours not to appoint other sales agent for sales in Taiwan and Korea for a period of one year commencing from the date of the Sinosteel Agreement. However, if we can locate a sales agent which is proved to be more capable than Sinosteel, we are entitled to appoint that sales agent provided that we have notified Sinosteel two months in advance and the business obtained by Sinosteel before the appointment of the new sales agent belongs to Sinosteel. We have agreed to give better trade terms to Sinosteel, the details of which shall be set out in individual purchase orders. If Sinosteel received price quotations or orders from regions other than Taiwan and Korea, we have agreed to give Sinosteel better trade terms on such orders provided that there shall be no conflicts with other sales agent of us. There are no specific clauses in relation to profit sharing arrangement and termination in the Sinosteel Agreement. The Sinosteel Agreement is not legally binding on the parties.

[As at the Latest Practicable Date, no commercial order had been placed under the Carboref MOU or the Sinosteel Agreement.] The trading terms under these agreements are subject to discussion and negotiation between our Group and the respective counterparties when orders are placed. Going forward, it is our intention to continue engaging overseas major traders or agents to promote and market our products to oversea markets. We will also pro-actively looking for partnership or suppliership opportunities with overseas steel manufacturing companies to directly penetrate the oversea markets. At the same time, we will strengthen our relationship with Carboref and Sinosteel, and our cooperation with Casco (USA) Inc. for trials on their thin strip casters. We also plan to establish representative offices in Taiwan, Korea and Western Europe in 2010 and 2011 to expand our business to the overseas markets.

Develop new products via acquisition or construction of new production facilities to increase our product range

We intend to increase the product range by developing monolithic materials via acquisition of production plant or side dams via construction of new production plant.

We intend to acquire a plant for the production of monolithic materials. Monolithic materials are refractory products but not steel flow control products. They are essential materials used in steelmaking furnaces, ladles and tundish applications in conventional continuous casting, thin slab casting and thin strip casting. Our Group had been focusing on the production of steel flow control products in the Track Record Period and we did not engage in the production of monolithic materials. Our Directors believe that as monolithic materials can be used in a broad spectrum of applications; the production of these materials will increase our Group's range of product offerings. Further, as monolithic materials can also be used by our Group's existing customers, our Group can further strengthen our businesses with our existing customers by providing a wider range of products to them.

We also intend to acquire land and construct a new plant for the production of side dams for the use of thin strip casting process. Thin strip casting process is currently the latest continuous casting process with lower investment, lower operation cost, lower energy consumption and lower carbon dioxide emission as compared to conventional continuous casting and thin slab casting. The steel cast through this process, namely ultra thin cast steel, has better mechanical properties than traditional hot coils and is very close to the properties of cold rolled steel. Such casting process requires two tundishes resulting in the utilisation of more advanced steel flow control products, which is advantageous to our Group's sales. Our Directors believe that there is a substantial growth potential for the thin strip casting process which will translate into an increasing demand for the related advanced steel flow control products.

We have entered into a cooperation agreement with Casco (USA) Inc., the non-exclusive agent of marketing and selling CASTRIP Technology licences in China and related matters for Castrip LLC in the PRC in relation to the supply of products for CASTRIP Technology. CASTRIP Technology is a thin strip casting process. Pursuant to such cooperation agreement, Casco (USA) Inc. agreed to form a strategic partnership with us by procuring exclusively from us the monolithic materials, steel flow distributors and side dams.

Enhance our expertise and technical know-how on the development of new products

We intend to invest additional resources to further strengthen our research and development capabilities and to improve our expertise and technical know-how in relation to product knowledge and production techniques of advanced steel flow control products. The primary focus of our research and development will be placed on enhancing the quality of our products whilst improving the production techniques and efficiency and reducing costs of our production process.

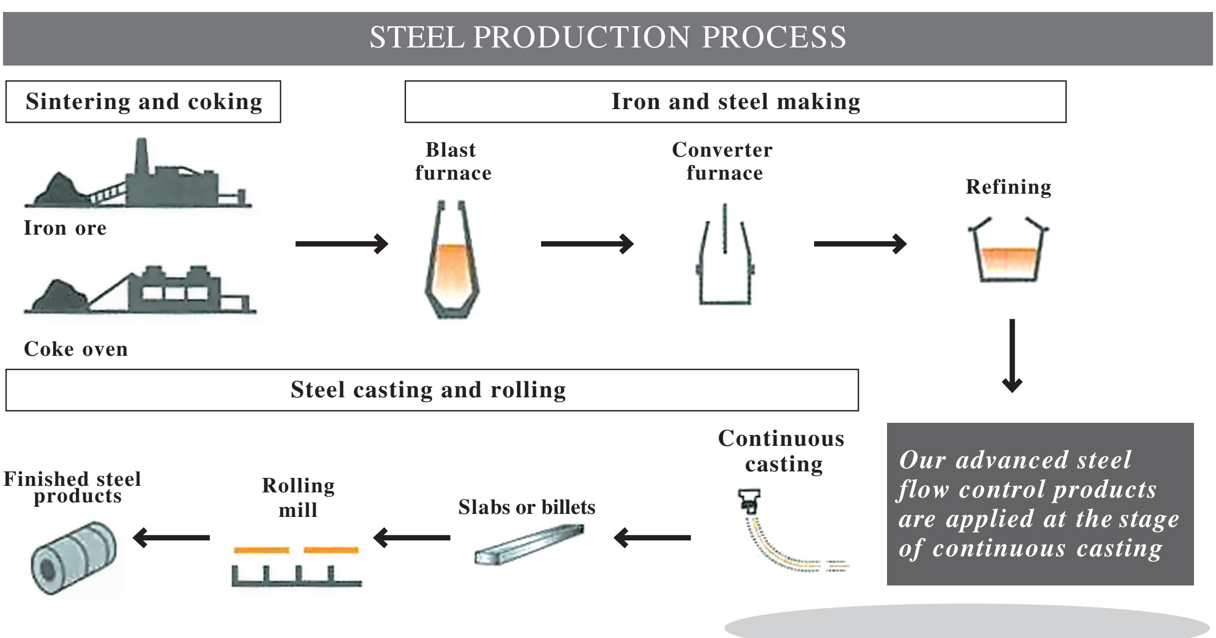
We will continue to cooperate with universities and other academic and research institutions to keep abreast of the latest technical know-how and expertise. In respect of the conventional casting process, we will focus on improving the thermal shock resistance and anti erosion properties of our products to further improve the life-span and purity of steel. In respect of advanced continuous casting process, we will further work with our customers to develop optimised solutions to their CSP (Compact Strip Casting Process) and BSP (Benxi Strip Casting Process) processes in terms of both geometric design and material development. In respect of thin strip casting, we have entered into a cooperation agreement with Casco (USA) Inc., the non-exclusive agent of marketing and selling CASTRIP Technology licences in China and related matters for Castrip LLC in China. Pursuant to such cooperation agreement, Casco (USA) Inc. agreed to form a strategic partnership with us by procuring exclusively from us the monolithic materials, steel flow distributors and side dams.

In February 2010, we have also entered into a cooperation agreement with the Shanghai University for the joint research and development of steel flow distributors and side dams, being two of the key new products for the thin strip casting process, which is currently the latest continuous casting technology. We plan to produce steel flow distributors at our existing production plant and acquire land to construct a new plant for the production of side dams if suitable opportunities arise. To the best of our knowledge, Shanghai University has a team of scientists and engineers who have been working in this field for a substantive period of time and the team has developed and obtained at least five relevant patents. In the agreement with Shanghai University, we will work with their team in product development and to manufacture these products to be used in the thin strip casters of the steel manufacturing companies.

PRODUCTS

Our products are specifically designed for use during the stage of continuous casting of steel production for steel oxidation protection and control of steel flow and are one of the most crucial components to be used in the continuous casting process.

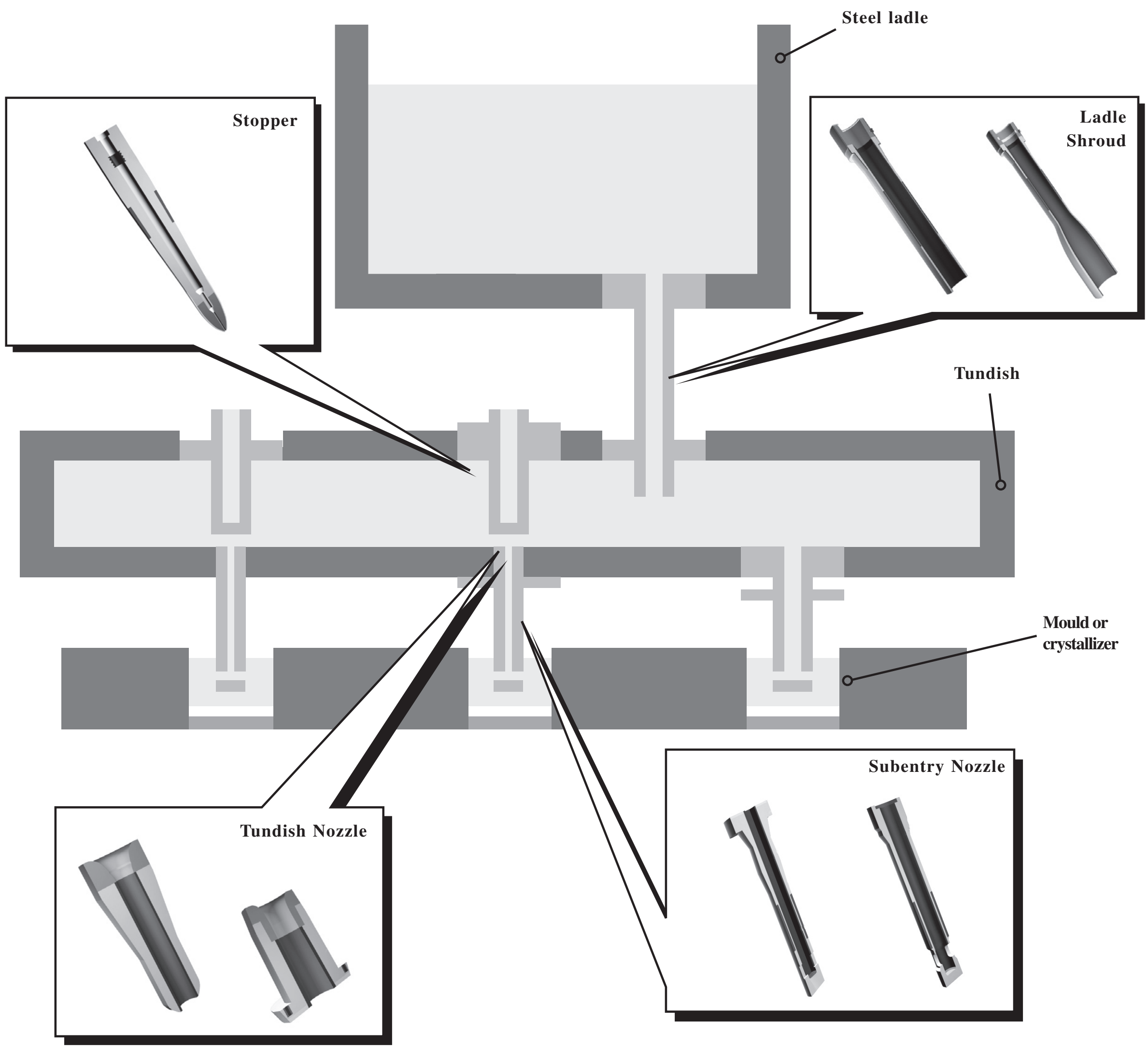
As illustrated in the diagram below, the major processing stages of steel production include sintering and coking, iron and steel making, and steel casting and rolling. Continuous casting is the process whereby molten steel is continuously fed into a water-cooled crystalliser and cast into a semi-finished slabs or billets for subsequent rolling in the rolling mills into various kinds of steel products.



A prominent feature of our products is that they are consumables and must be regularly replaced. A typical ladle shroud can be used for 3 to 10 hours depending on the practice and design of the customer's production facility; while a typical stopper, a typical tundish nozzle and a typical subentry nozzle can be used for 2 to 15 hours. Although the life span of advanced steel flow control products are short, they form a critical part in the steel production process. During casting process, molten steel has to go through these products, which help to protect, control and regulate steel flow.

Our products have different mixtures of materials and specifications, such as porosity and density. We normally design each of the Ladle Shroud, Stopper, Tundish Nozzle and Subentry Nozzle for a majority of our customers so that they can combine to use all of our products in their continuous casting process.

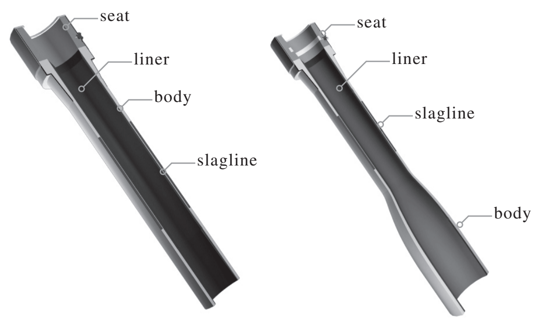
The following diagram illustrates the part of the continuous casting process where our advanced steel flow control products are applied:



Category of our products

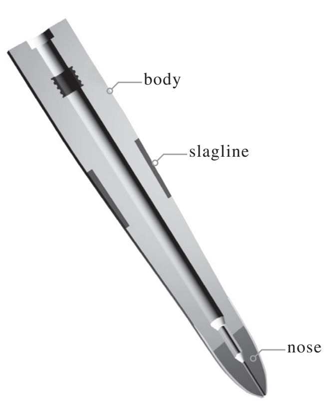
Our products are broadly categorised as follows:

1. Ladle Shrouds



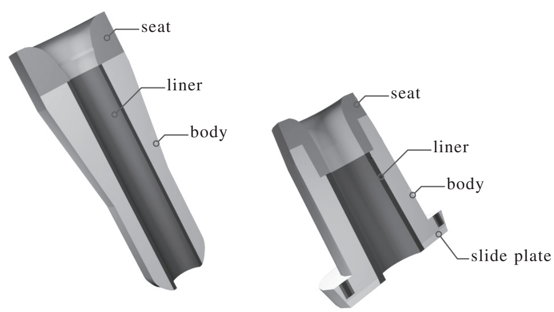
A Ladle Shroud mainly comprises four parts, namely the seat, the liner, the body and the slagline. The main function of a Ladle Shroud is to protect the steel stream from splashing and oxidation as it flows from the steel ladle to the tundish. We manufacture different types of Ladle Shroud with customised argon sealing and/or bell design for our customers. To enhance durability of our Ladle Shrouds, we apply specialised materials at the seat which has high exposure to oxygen burning. We also utilise a special mixture of materials for the liner to prevent gouging. A mixture of zirconia or magnesia is used for the slagline to protect our Ladle Shrouds from chemical corrosion caused by tundish powder. As at the Latest Practicable Date, our Group had developed more than [10] patterns of Ladle Shrouds to suit different designs of steel ladle and tundish of our customers.

2. Stoppers



A Stopper, mainly comprises three parts, namely the body, the slagline and the nose, is one of the important steel flow regulation components. As a Stopper regulates molten steel flowing into the mould, it is exposed to vigorous thermal shock. The nose of a Stopper has to be specially designed to avoid molten steel erosion. As a Stopper is immersed in the tundish, its slagline has to be strong enough to withstand possible chemical corrosion caused by tundish powder. Further, in order to prevent oxygen ingression, argon has to be introduced to a Stopper. Our Group manufactures different types of Stoppers with customised specifications for our customers to suit the different designs of their tundish. During our manufacturing process, different mixtures of aluminia or magnesia are applied to the nose of our Stoppers for our customers to cast various types of steel. As at the Latest Practicable Date, our Group had developed more than [30] patterns of Stoppers.

3. Tundish Nozzles



A Tundish Nozzle mainly comprises four parts, namely the seat, the liner, the body and/or the slide plate. Tundish Nozzles are placed at the bottom of the tundish, being a linkage between a Stopper and a Subentry Nozzle and some are used for slab casters which have tube changers. Similar to the nose of a Stopper, the seat of a Tundish Nozzle has to be specially designed to prevent erosion caused by molten steel. Besides, argon has to be introduced to the body of the Tundish Nozzle to avoid aluminum in molten steel from clogging. Our Group manufactures different types of Tundish Nozzle with customised specifications for our customers. As at the Latest Practicable Date, our Group had developed more than [20] patterns of Tundish Nozzle.

4. Subentry Nozzles

Among our advanced steel flow control products, Subentry Nozzle is one of the most complicated and important parts within the continuous casting process and it is employed between the tundish and the mould. Subentry Nozzle mainly comprises four parts, namely the seat, the liner, the body and the slagline. Generally, a Subentry Nozzle is installed to prevent oxidation in the continuous casting process.

The commercialisation of the thin slab casting technology in the steel casting process has led to an increase in the demand for subentry nozzles with better specifications and designs of Subentry Nozzles. Our Group manufactures a wide variety of Subentry Nozzles with customised specifications for our customers. As at the Latest Practicable Date, our Group had developed more than [50] patterns of Subentry Nozzles.

Comparison among our products

The following table sets out some general information about our advanced steel flow control products as at 31 December 2009:

	Ladle Shroud	Stopper	Tundish Nozzle	Subentry Nozzle
Number of patterns	10	35	25	55
Average life-span *(hours)*	3 to 10	2 to 15	2 to 15	2 to 15

The following table shows our turnover and average selling price by product type during the Track Record Period:

	Year ended 31 December								
	2007			2008			2009		
Turnover	*RMB (million)*	*%*	**Average selling price** *RMB*	*RMB (million)*	*%*	**Average selling price** *RMB*	*RMB (million)*	*%*	**Average selling price** *RMB*
Subentry Nozzle	16.3	40.8	1,511	28.3	42.1	1,610	69.0	44.0	1,664
Stopper	11.6	29.0	1,098	19.1	28.4	1,098	45.7	29.1	1,192
Tundish Nozzle	6.3	15.8	1,128	14.1	21.0	1,328	33.0	21.0	1,361
Ladle Shroud	5.8	14.4	1,151	5.7	8.5	1,187	9.2	5.9	1,174
Total	**40.0**	**100.0**		**67.2**	**100.0**		**156.9**	**100.0**	

During the Track Record Period, the proportion in the sales of our Subentry Nozzles, Stoppers, Tundish Nozzles and Ladle Shrouds changed from representing approximately 40.8%, 29.0%, 15.8% and 14.4% of our total sales for the year ended 31 December 2007 to approximately 44.0%, 29.1%, 21.0% and 5.9% of the total sales for the year ended 31 December 2009. Our Directors decided to increase the proportion of Subentry Nozzles in our product mix because this product has a higher gross profit margin and a higher average selling price.

PRODUCTION

We believe that our ability to produce high quality products is crucial to maintaining our competitiveness. We also believe that by placing emphasis on our research and development and by using advanced production equipment and machineries during our production process, we can ensure consistency and quality of our products. We have implemented stringent quality control procedures to ensure high quality of our advanced steel flow control products.

Production facilities and capacities

We manufacture our advanced steel flow control products in our wholly-owned production plant situated on a parcel of land with a total site area of approximately 37,704.3 sq.m., located at Zhuqiao Industrial Zone, Yixing, Jiangsu Province, the PRC.

Operating at full capacity, our production line is able to operate on a continuous basis, with three work shifts per day, subject to regular inspection and maintenance work that last for about two days in aggregate each month and an annual maintenance lasting for approximately 24 days. As at 31 December 2007, 2008 and 2009, we had 62, 67 and 102 production and supporting staff to support our manufacturing operation. Details of our production line are set out as follows:

	For the year ended 31 December		
	2007	**2008**	**2009**
Annual production capacity *(tonnes)*	6,400	6,700	8,200
Actual annual production volume *(tonnes)*	1,081	1,688	4,254
Average capacity utilisation rate *(%)*	16.9	25.2	51.9

Notes:

1. The designed production capacity for our production line is calculated on the basis of 330 days per year and the figures are estimates based on equipment manufacturers' specifications, historical figures and other data we believe to be reliable. However, actual production capacity may differ from estimated capacity due to variation in product mix and other factors.

2. Our average capacity utilisation rate for each of the three years ended 31 December 2009 is calculated based on the actual production volume of our products for each of the three years ended 31 December 2009 divided by the production capacity of our production line as at 31 December 2007, 2008 and 2009 respectively.

For the year ended 31 December 2009, our annual average utilisation rate was approximately 51.9%. The number of customers increased from 11 as of 31 December 2008 to 18 as of 31 December 2009 and [20] as at the Latest Practicable Date. The sales to our existing customers (those 11 customers as of 31 December 2008) increased from approximately RMB67.2 million in 2008 to approximately RMB117.9 million in 2009. In order to meet the increasing customers' demand from our new customers and existing customers, the actual annual production volume steadily increased throughout 2009 and our average utilisation rate increased to above 90% as of 31 December 2009. With the new sales orders from the 2 new customers in 2010 and the increasing demand from our existing customers, as at the Latest Practicable Date, the utilisation rate of our production plant had reached [100]%. In anticipation of the growing demand for our products, we plan to expand our production capacity by constructing a new production plant which is expected to start construction during 2011. The new production plant will house an additional production line and is expected to add to us an additional annual production capacity of 8,600 tonnes of advanced steel flow control products. As at the Latest Practicable Date, our Group had not entered into any contract in relation to the construction of such new production plant.

Our Group’s annual actual production volume grew from approximately 1,081 tonnes in 2007 to 1,688 tonnes in 2008, and grew further to approximately 4,254 tonnes in 2009 and the utilisation rate of our production plant had reached [100]% as at the Latest Practicable Date. Our Group was able to meet at least 95% of the agreed sales amount in all the framework contracts for the three years ended 31 December 2009. Moreover, as at the Latest Practicable Date, our Group had already received sales order through the framework contracts of approximately RMB[340] million for 2010, the sales volume of which amounted to approximately [8,200] tonnes.

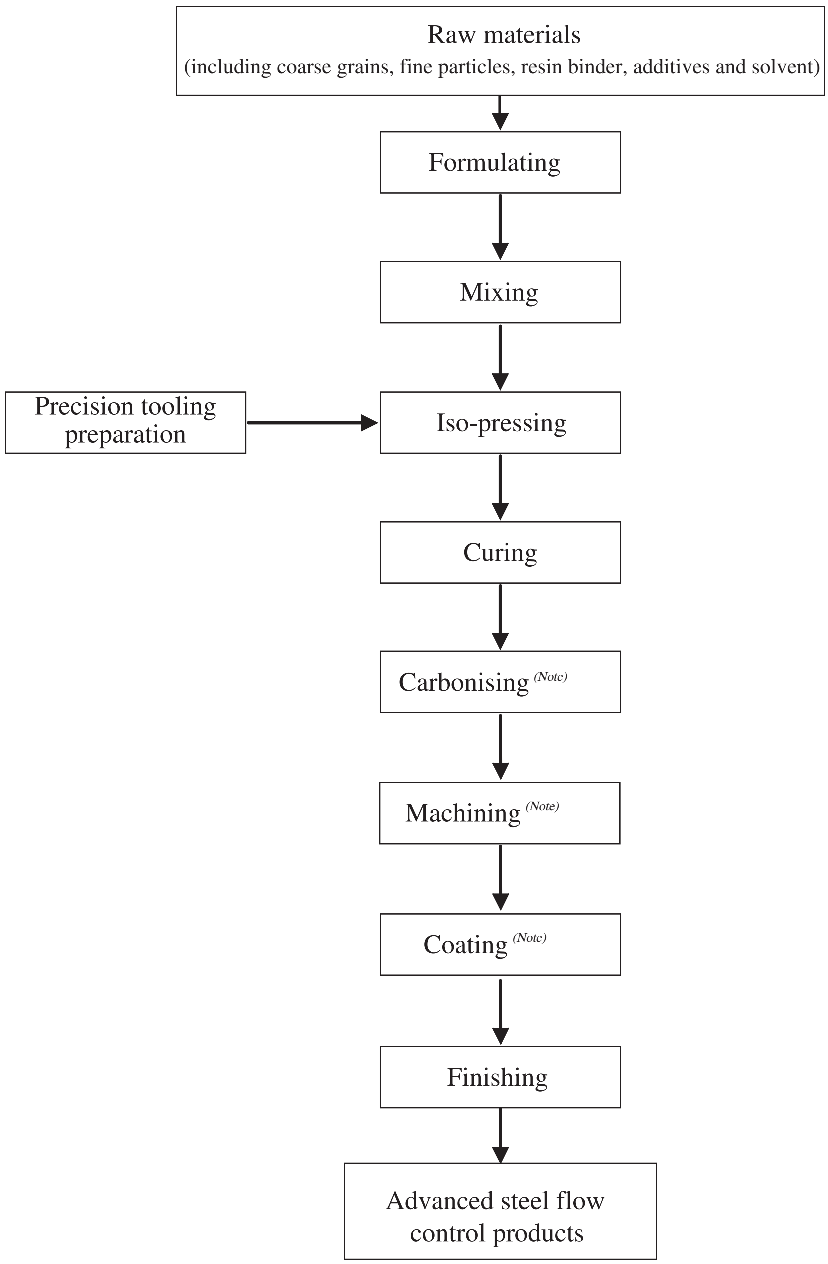
Some of the major equipment used in our production is as follows:

Production area	**Equipment**	**Principal specifications**	**Place of manufacture**
Mixer area	Mixing system	10,000 tonnes/year	China
Press area	Iso pressing system	8,100 tonnes/year	Germany
After press area	Carbonisation kiln	8,300 tonnes/year	China
After press area	Precision lathe	8,200 tonnes/year	China

We have a comprehensive maintenance system for our production plant and equipment, including scheduled downtimes for maintenance and repairs, and regular inspection of our production facilities and equipment in order to ensure our production line runs smoothly and operates at optimal levels. Our production line is subject to on-going maintenance checks. We had not experienced any material or prolonged interruptions to our facilities due to equipment or machinery failure during the Track Record Period.

Production process

Our production process complies with international quality control standards. The following flow chart illustrates the typical production process of our advanced steel flow control products:



Note: For Stoppers and Ladle Shrouds, the coating process will take place prior to the carbonising process as these products usually do not need to go through the machining process.

Materials sorting and formulating

As one of the initial steps in preparation for our production process, different kinds of materials are gathered for our production staff to prepare various mixtures according to different formulations. Chemical components, quality, quantity and appearance of each type of materials will be examined to ensure certifiable standards.

Raw materials could, to a very large extent, determine the physical and chemical behaviour of our final products. We perform extensive inspection of our raw materials. We use our testing equipment to check the particle size distribution, moisture content and perform chemical analysis of our raw materials before they are sent to our warehouse. For some raw materials, further checking of the PH value, free flowing density and tapped densities will be performed.

Each mix used in the production of our products has a different mixture of chemicals according to its application environment. Extensive work has been done to optimise the specifications of a mix to meet the requirements of relevant physical and chemical properties required by our customers.

Mixing

Appropriate mixtures of materials formulated by our production staff are placed into the mixer for mixing. Mixing is a process whereby raw materials, including special additives and resin binder particles, are evenly dispersed around bigger particles to form a homogenious microstructure.

During the mixing process, solvent will be added and the mixture mass is further pelletised to form a final mix. Our automated mixing system will control the mixing process, which includes feeding pre-weighed raw materials, controlling the temperature and humidity of the environment, and adding solvent and the final mix to ensure all the batches of materials are mixed according to the same set of parameters. As a safety precaution, we have installed an alarm system in the mixing system so that a mix will be discharged automatically if the temperature of solvent the reaches the flash point.

After the mixes are prepared, a period of not less than ten days of aging is necessary to ensure the homogeneous distribution of solvent via capillary action. This is to further improve the consistency of each individual pellet.

The core equipment of our mixing system is assembled in China. Our mixing facility has an annual capacity of 10,000 tonnes of mixes.

All mixes will have to pass through various quality control tests, such as tests on moisture content, particle size distribution and compression ratio. Only mixes which match with our specifications will be used in the next stages of our processing.

Precision tooling preparation

A tooling set has to be prepared to fit the design of our products. Our tooling set typically involves several parts, the bag (typically made of a form of resin), the mandrel and the filling devices. The bag is a core part of a tooling set. Our bag is made with high precision to avoid fractures in our products. The mandrel is the part that will form the space where steel flow through when the products are used. The filling devices are designed to allow the correct amount of mixes to be placed in the right position. Normally, we will have different tooling sets for various models of our products.

Iso-pressing

The iso-pressing process involves several sequential processes which include further blending of the aged mixes, filling of the mixes into the tooling sets, pressing and demoulding.

Further blending of the aged mixes is critical as it ensures that different batches of mixes are further homogenised to ensure the consistency of quality of our final products. Our filling operation is highly automatic. The mixes which are filled into our tooling sets are processed precisely at the same magnitude, frequency and time duration. Pressing is performed in an isostatic manner where every point of the mixes is under the same pressure in order to form uniform and identical products. Demoulding is the process where all the parts of a tooling set is taken away carefully from the body of the mould for further processing.

At this stage of the processing, the mixes are very sensitive to temperature and humidity, and fluctuation in temperature or humidity may affect the physical and chemical properties of our end products, such as lower strength, higher porosities and poorer microstructure. Hence, our iso-pressing process is performed in an enclosed workshop with precisely controlled constant temperature and humidity.

All of our semi-finished products are checked to make sure that they are within the required dimension.

Curing

Our semi-finished products will then have to be cured, through heating in an enclosed oven, to enhance their strength. Temperature, ramp speed and time are precisely controlled through our automated system.

Curing at elevated temperatures, through a series of chemical reactions, transforms the resin binder in our semi-finished products into a three-dimensionally cross-linked, insoluble and infusible state and the carbonisation process can be initiated later on.

Carbonising

Cured semi-finished products are treated under controlled atmosphere at high temperature to allow various chemical reactions to further take place. During this process, if the atmosphere is not well controlled, the semi-finished products may be oxidised or poorly carbonised. Temperature, ramp speed and time are also factors that may influence the final properties of our products and therefore, all such factors have to be controlled precisely according to our production procedures. After carbonisation, the residual carbon left by the resin binder forms an interwoven continuous three dimensional carbon link binding all the other particles into one product body.

Carbonising at high temperature removes hydrogen from the resin binder in our products to achieve a solid structure with desired physical and chemical properties for the steel making applications. Strength, density and porosities are tested for these semi-finished products after carbonising to ensure they are within our specifications.

Machining

For Tundish Nozzles and Subentry Nozzles, dimensional precision has to be maintained to fit into our customers' mechanical systems at their site. Since our tooling design can guarantee a near net shape forming, the process of machining in our production process is minimised.

Coating

Protective materials is applied to our semi-finished products during coating to make sure the three dimensional carbon structure in our composite products is not oxidised at high temperature when our products are in contact with molten steel. The coating material is a highly complicated slurry mixture of mainly borosilicates. At the appropriate temperature and concentration, the coating material is applied to the semi-finished products through flooding or dipping depending on the type of products. Our semi-finished products are dried to remove all water that remains after coating.

For Stoppers and Ladle Shrouds, the coating process will take place prior to the carbonising process as these products usually do not need to go through the machining process.

Finishing

Several steps are involved in this process. For Ladle Shrouds, canning is necessary to make sure argon can flow freely into the bore where molten steel flows through when they are installed in our customers' plants. For Stoppers, a further coating of non-sticking nature at high temperature will be applied to the nose part to make sure it is not stuck with the tundish bottom when used in our customers' plants.

For Subentry Nozzles, a blanket of thermal insulating layer is applied onto their coated surface to keep them warm for a short period of time after preheating and before used in the casting process. This will help eliminate potential thermal shock when molten steel is poured into the tundish.

Final dimensions of our products have to be checked precisely so that they will fit the different specifications required by our customers.

After the above steps, our products will be packed with shock reducing packaging materials into rigid boxes and ready for delivery.

PROCUREMENT

Raw materials and suppliers

The principal raw materials used in our production are fused alumina, calcined alumina, calcia stablised zirconia, graphite and resin binder. We obtain these materials from both domestic and overseas suppliers. Further, we develop our own moulds for our advanced steel flow control products. The principal raw material used in the manufacture of our moulds is a specialised resin which is sourced from the United States.

We strive to obtain high quality raw materials for the production of our advanced steel flow control products, and we believe that this differentiates our products from those of our competitors. During the Track Record Period, to ensure we have a stable supply of quality raw materials, we sourced some of our principal raw materials from suppliers overseas although the procurement costs for such materials were higher when compared to sourcing from local suppliers in the PRC. For the three years ended 31 December 2009, approximately 14.7%, 19.6% and 8.3% of our raw materials, in terms of total procurement costs for raw materials, were sourced from overseas suppliers.

Our procurement standards are determined by our stringent quality control procedures. Raw materials will be tested and inspected when they are delivered to us and for those that do not pass our standards will be returned to the suppliers. Moreover, we also have supplier investigation and evaluation procedures in place to ensure the quality of our suppliers and to constantly monitor their performance. A supplier evaluation checklist, which includes background information, production capacity and volume, product quality and relevant experience, will have to be completed for each potential supplier before they are included in our qualified suppliers. For existing qualified suppliers, they are also subject to ongoing evaluation and a supplier evaluation checklist has to be completed annually or semi-annually for reviewing their performance and quality. We have developed stable relationships with most of our key suppliers. As at the Latest Practicable Date, we had maintained business relationships with some of our major suppliers for over three years.

To ensure a stable supply of our raw materials, it is our practice to maintain at least two qualified suppliers for each of our principal raw materials. During the Track Record Period, we had a total of 26, 30 and 35 suppliers, respectively. During the Track Record Period, our five largest suppliers accounted for approximately 44.6%, 42.0% and 58.0%, respectively of the total purchase of raw materials and our largest supplier accounted for approximately 12.1%, 12.1%, and 18.6% respectively, of the total purchase of raw materials. We consider that there is no over-reliance on any individual supplier.

We do not have long term supply agreements with all of our suppliers. We usually enter into annual purchasing agreements with our suppliers and make purchase orders for each type of raw materials from time to time. Payments to our suppliers are made by cash before delivery, by cash against delivery or are settled with a credit term of up to 30 days. Delivery and related transportation is usually arranged by our suppliers who will bear the risks associated with the delivery of our raw materials, such as transportation accidents, delivery delays or losses.

As at the Latest Practicable Date, we had not any outstanding material disputes with our existing suppliers.

Inventory control

Our inventory mainly consists of finished products and raw materials, which are stored in our warehouses located within our production plant. Our policy is to maintain a safety inventory level of raw materials of approximately 30 days' production volume to avoid disruption of production in case of any delays in delivery of raw materials by our suppliers.

It is our policy to keep our inventory level at low level while keeping a safety inventory level of approximately 30 days' sales volume, and hence we rarely face the problem of obsolete stock. No provision for obsolete inventories was made during the Track Record Period. Nevertheless, stock control procedures have been implemented by us to keep the occurrence of obsolete stock to the minimum level.

QUALITY CONTROL

We have a strict quality control system covering each of our production processes as illustrated in the paragraph headed "Production process" above, from procurement of raw materials to the delivery of products to our customers. If the raw materials supplied to our Group do not meet our internal standards, they will be returned to our suppliers.

In September 2009, we have been accredited with ISO 9001 quality management system certification by the Beijing BTIHEA Certification Co., Ltd. (北京博天亞認証有限公司) in respect of our manufacture and service of alumina carbon isostatic products (being the formal name of our products) (in permission scope), which is valid until September 2012. Beijing BTIHEA Certification Co., Ltd. (北京博天亞認証有限公司) was established by China Household Electric Appliance Research Institute with the approval of the Certification and Accreditation Administration of the PRC and China National Accreditation Service for Conformity Assessment. It is a third party certification organisation which possesses independent legal entity qualification.

ISO 9001 is a set of standards and guidelines relating to quality management systems, and represents an international consensus on good quality management practices. ISO 9001 is maintained by International Organisation for Standardisation, and is administered by accreditation and certification bodies. Our quality control department will conduct regular internal audits to ensure compliance with the above standard. Our certification to ISO 9001 standard certifies that consistent business process are being applied, and provides an objective standard against which third parties can assess the quality of our management and production process. Our quality management system meets both the domestic and international standards of quality assurance and attests to the superior quality of our products.

For each of the three years ended 31 December 2009, our quality control team comprised two, two, and four employees, respectively. Our quality control team closely monitors our production process. We perform regular inspections and examinations to ensure that our end products achieve our targeted quality standards and to avoid sub-standard products being delivered to customers.

During the Track Record Period, we had not failed in any external inspection carried out by independent third parties, nor received any complaints from our customers regarding the quality of our products.

SALES AND MARKETING

Customers

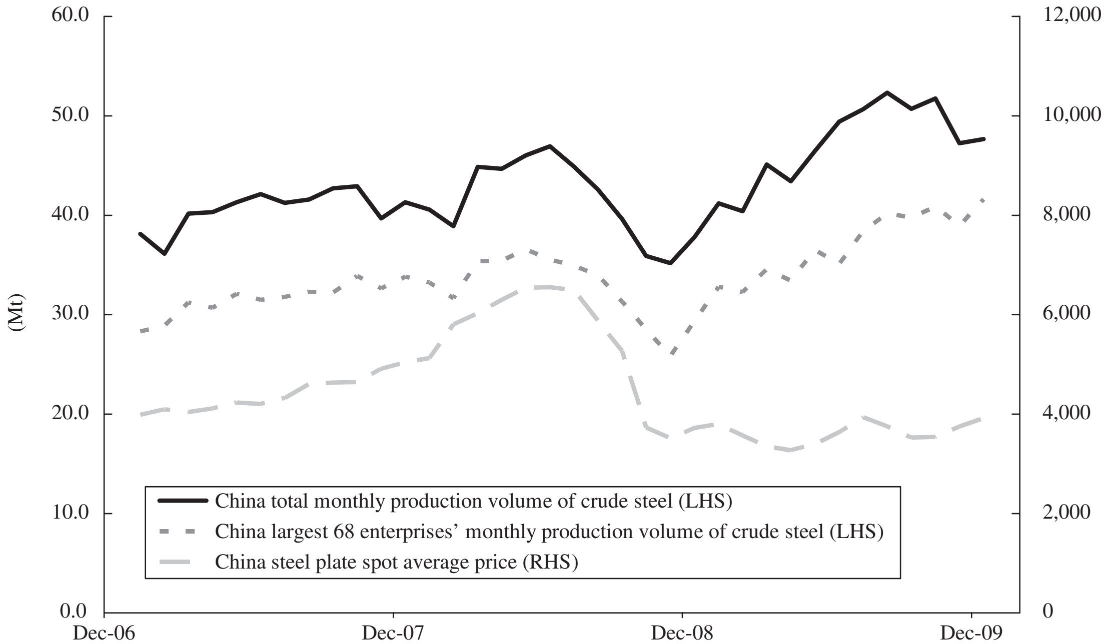
For each of the three years ended 31 December 2009, our total turnover amounted to approximately RMB40.0 million, RMB67.2 million and RMB156.9 million, respectively, representing a CAGR of approximately 98.1% from 2007 to 2009. During the Track Record Period, all of our advanced steel flow control products were sold in the PRC. Many of our customers are members of major steel manufacturing groups in the PRC, including Baosteel Group, Hebei Steel Group, Wuhan Steel Group and Shandong Steel Group. The number of our customers increased from 7 in 2007 to 18 in 2009 and [20] as at the Latest Practicable Date. Our Group's total sales to the selected major steel manufacturing groups in the PRC during the Track Record Period are set out below:

RMB ('million)	**For the year ended 31 December**		
Customer name	**2007**	**2008**	**2009**
Baosteel Group	14.6	11.3	27.0
Wuhan Steel Group	13.3	11.9	16.8
Shandong Steel Group	–	–	12.0
Hebei Steel Group	–	–	1.9

Sales to our top five largest customers amounted to approximately RMB38.2 million, RMB49.9 million and RMB75.3 million, representing approximately 95.5%, 74.2% and 48.0% of our total revenue for each of the three years ended 31 December 2009 respectively. During the same period, our largest customer accounted for approximately 36.4%, 16.8% and 12.3%, respectively of our total revenue. Our sales are denominated in RMB.

As the cost for steel flow control products only forms an insignificant part of the total costs for steel manufacturing companies, steel manufacturing companies generally opt to source their required steel flow control products only from reliable and reputable suppliers. Further, as such advanced steel flow control products are an essential part used in the steel casting process while their cost in the whole steel production process is relatively insignificant, our Directors are of the view that steel price movement during the Track Record Period did not have a strong correlation with demand for our products from our customers.

The following chart shows (i) the total monthly production volume of crude steel in the PRC; (ii) the PRC's largest 68 enterprises' monthly production volume of crude steel; and (iii) China steel plate spot average price, during the Track Record Period:



Source: Bloomberg

With reference to the chart set out above, the total crude steel production volume in the PRC was generally in a trend similar to that of the steel price movement during the Track Record Period. The China's steel price increased by approximately 35.0% year-on-year from RMB3,733 per tonne as at 31 December 2006 to RMB5,040 per tonne as at 31 December 2007, and then decreased by approximately 26.2% year-on-year to RMB3,720 per tonne as at 31 December 2008 and then increased by approximately 5.3% year-on-year to RMB 3,918 per tonne as at 31 December 2009.

Despite the steel price movement in the PRC, our sales revenue and sales volume increased during the Track Record Period. The increase in sale volume of our products was mainly due to the increase in the number of our customers from 7 in 2007 to 11 in 2008 and to 18 in 2009 and the increase in total sales to our existing customers. The sales to our existing customers (those 7 customers as of 31 December 2007) increased from approximately RMB40.0 million in 2007 to approximately RMB51.6 million in 2008. The sales to our existing customers (those 11 customers as of 31 December 2008) increased from approximately RMB67.2 million in 2008 to approximately RMB117.9 million in 2009.

During the Track Record Period, our Group had, however, experienced fluctuation in sales to two of our customers, namely, Baosteel Group and Wuhan Steel Group with a decrease of approximately 22.6% and 10.5% respectively between 2007 and 2008 and an increase approximately of 138.9% and 41.2% respectively between 2008 and 2009. Since the sales to all other customers increased during the Track Record Period and the amount of increase in revenue from other customers outweighed the amount of decrease in revenue from Baosteel Group and Wuhan Steel Group between 2007 and 2008, our Group's sales revenue increased during the Track Record Period.

Our management believes that with our solid customer base and established business relationships with these prominent players in the steel industry, we are able to gain further insights into our customers' requirements as well as the development trend of the steel industry, which in turn can help us develop our products and design our expansion plans more effectively.

Payment terms

During the Track Record Period, credit terms granted to our customers are up to 90 days. The credit term granted to each customer vary, depending on its business relationship with us, its creditworthiness and settlement record. A majority of our customers settle their payments by cash or banker's notes (銀行承兑匯票).

To ensure timely settlement of our accounts receivables, we have designated staff to follow up with our customers on outstanding payments. For customers showing slow repayment, reminder will be prepared and submitted to our sales team and appropriate course of action will be taken. During the Track Record Period, we had not provided for any significant bad debts or doubtful debts.

Sales team

Our sales team consists of 23 employees. For the purposes of effective management, we have broadly divided our sales team in China into three regions, namely, the Northern region, the Eastern region and the South Western region. We have three regional sales managers who are responsible for managing and overseeing our sales in their respective designated region. All of our regional sales managers have established experiences in sales and marketing. Within each of these three regions, we have an additional seven, five and five customer services managers, respectively.

Our customer services managers are assigned to station at the production plants of our customers to provide on-site after-sale services and technical assistance.

Our sales team will report to us our customers' requirements and collect market data for our analysis. Based on our customers' feedback and the statistics and information collected by our sales team, we are able to continuously improve and develop new products for our customers and identify suitable regions and markets for our products.

We also provide on-the-job training to our sales team from time to time to enhance their capabilities and competence. In addition, we hold technical and sales training sessions annually to enhance the product knowledge of our sales staff and their understanding of our customers' needs. We also provide information to them on the latest development and technologies in our industry during such trainings.

The following table shows the geographical division of our sales team in China and the number of our sales staff stationed in each region as at 31 December 2009:

Region	Location	Regional sales manager	Customer services manager
Northern China	Beijing, Jilin Henan, Inner Mongolia Hebei, Tianjin Shandong, Shanxi Liaoning, Xinjiang Gansu	1	7
Eastern China	Shanghai Jiangsu Zhejiang Anhui	1	5
South Western China	Hubei, Chongqing Sichuan, Fujian Yunnan, Guangdong Hunan, Guangxi Jiangxi	1	5

Our management together with our sales team will identify and approach potential customers. After the initial meeting with a potential customer, our sales team will hold meetings with such customer and conduct on-site inspection at the customer's production facilities. Various discussions will also be held on matters such as the required product-type, designs and specifications. Upon obtaining necessary information on the type of products required by a potential customer, we will enter into a framework contract with such customer. Under a typical framework contract, we will manufacture a small quantity of products according to the standards and specifications required by the potential customer and usually, a few sets of such products will be provided to the customers for trial at no cost. Typically, the trial will take around two to thirty days to complete.

Upon completion of the trial phase, the technical and production staff of the potential customer will evaluate every aspect of our products and prepare an evaluation report. If it is successful, the customer will sign a purchase contract. Typically, the first 2 to 30 sets of products are used under intensive technical supervision from our technical personnel.

The entire process from identifying a potential customer to becoming its qualified supplier usually takes, on average, one to three months. During the Track Record Period, we had not experienced any major difficulties in any of the trial phase that we did and we had been successful in being selected as a qualified supplier of each of our potential customers that we approached.

We do not enter into any long term sales contracts with any of our customers but we generally enter into a one-year framework contracts with our customers. As the framework contract is customer-specific, the terms of which differ for individual customer. Terms such as product return policy and termination also differ in each case. However, a one-year framework contract typically specifies the total amount and the unit price of products to be purchased by our customers. There are also no specific clauses in relation to renewal in a typical one-year framework contract. Our business with our customers has been, and we expect it will continue to be, conducted on the basis of actual purchase orders received from our customers on a monthly basis based on the framework contracts with them. We believe this is the commercial practice in our industry in China.

Pricing policy

The prices at which we sell our advanced steel flow control products are determined through negotiation with our customers to arrive at a price acceptable to both parties based on the market price of similar products and taking into consideration our cost structure. Based on information available, we believe that prices of our products are lower than those of our overseas competitors, but higher than those of our domestic competitors.

Products returns

During the Track Record Period, we had not experienced any material product returns or made any product recalls due to any quality defects or harmful chemicals or substances.

Marketing and promotion

We participate in exhibitions organised by industry players from time to time. For instance, we joined the "2009年薄板坯連鑄連紮國際研討會" organised by The Chinese Society for Metals (中國金屬學會) and The Chinese Academy of Engineering Production Technology Committee (中國工程院產業科技委員會) as exhibitor in May 2009. As our Group's products are solely sold to steel manufacturing companies, we do not rely heavily on public advertising and promotional activities. We build up our customer base by solid track records and reputation in the industry and through referrals from existing customers. Our sales and marketing staff is mainly responsible for the overall supervision of a sales cycle, which includes, preparing quotations, taking sales orders, coordinating workflow with production team and settling payments. We intend to participate in more promotional events organised by our industry players in the future to further enhance our reputation and customer base.

To further promote our corporate image, we joined the ACRI as a member in March 2010. ACRI is a national association representing the refractory materials industry, with members including researchers, research institutions, entrepreneurs and enterprises from the refractory materials industry. The association was set up in 1990 and is supervised by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC (國務院). This association is also a member of the China Iron and Steel Association.

In addition, we, from time to time, organise presentations with steel manufacturing companies which are our potential or existing customers. For instance, we held a technical meeting in Jiuquan, Gansu Province, the PRC in 2009. Through these technical presentations and discussions, our reputation could be promoted and customers' awareness of our Group as well as our products could be enhanced.

RESEARCH AND DEVELOPMENT

We recognise the importance of our research and development in order to provide high-quality products and we have been consistently dedicated to improve the quality of our products. Our costs for research and development mainly represents the salaries for a director of our Company, Dr. Zhang, and other staffs of the research and development team of our Group. Besides normal daily operation, Dr. Zhang spends about half of his time on the research and development work of our Group. Our total staff costs of the research and development team for 2007, 2008 and 2009 were approximately RMB638,000, RMB819,000 and RMB837,000 respectively. In addition, our Group collaborated with IMUST to carry out certain research and development work for our products and the manufacturing technique and the Group paid RMB200,000 in 2007 and RMB150,000 in 2008 to IMUST.

As at the Latest Practicable Date, our research and development team consisted of seven members, with Dr. Zhang being our chief technical officer. Among those members, Dr. Zhang holds a degree of Doctor of Philosophy awarded by the department of Materials and Metallurgical Engineering of Queen's University at Kingston, Canada, and Mr. Tang Jishan (唐繼山), one of our senior management staff, holds a master's degree in Metallury of Iron and Steel awarded by Wuhan University of Science and Technology and three members hold bachelor's degree. Our research and development team primarily focuses on five main areas, namely to (i) improve and enhance the efficiency of our manufacturing processes; (ii) develop new mixtures of raw materials to enhance product quality; (iii) design better or new products and technologies for customers; (iv) gather market intelligences and closely monitor the technology trend in our industry globally; and (v) provide technical services and on-site training for our sales staff.

During the past years, we achieved various technological developments. We have developed a special machine to reduce the alumina carbon layer thickness thus increase the thickness of zirconia layer to give longer service life-span for our Subentry Nozzles. We have also developed some tooling sets for special shapes to meet our customers' specific demands and a new mix to improve anti-oxidation behaviour.

We also cooperate with other academic institutions for research and development of our products. In October 2007, we entered into a framework cooperation agreement with IMUST, a university in the PRC, for the development of our products. Pursuant to such agreement, the parties agree to exchange ideas on a regular basis on new product development and IMUST will be responsible for the research and development of new products. Fees, duration, rights to intellectual property and other specific terms will be negotiated by the parties and will be set out in the separate development agreements to be signed for each individual project. The parties have agreed to keep the research results in strict confidence within a period to be mutually agreed by the parties.

Pursuant to the development agreement entered into between IMUST and Sinoref (Yixing) on 2 November 2007, IMUST agreed to cooperate with Sinoref (Yixing) in the development of CSP Subentry Nozzles (開發CSP浸入式水口項目) ("**CSP Project**"). In accordance with such agreement, Sinoref (Yixing) would provide relevant information to IMUST for preparation of the design of the CSP Subentry Nozzles at a fee of RMB200,000. IMUST shall complete the design of the CSP Subentry Nozzles within six months from the date of the agreement. Sinoref (Yixing) would enjoy the exclusive right to the intellectual property rights of the new product. Prior to our obtaining the patent registration, both parties shall keep the contents of the agreement in strict confidence, and shall take all necessary measures to prevent information leakage. The co-operation in the CSP Project is exclusive for both parties. There are no specific clauses in relation to termination in the agreement.

In January 2010, we obtained the patent registration (in respect of utility) for the new product Subentry Nozzle for thin slab casting process (薄板坯浸入式水口) developed under the CSP Project. Improvements have been successfully made to our Subentry Nozzle and the new product further stabilises the steel flow and enhances the quality of steel for our customers. Such new product is highly welcomed by our customers. Pursuant to another development agreement entered into between IMUST and Sinoref (Yixing) on 16 December 2008, IMUST has agreed to cooperate with Sinoref (Yixing) in a project to improve the Meishan #2 Casting Machine Subentry Nozzles (梅山#2鑄機浸入式水口優化項目). In accordance with such agreement, Sinoref (Yixing) would provide relevant information to IMUST for preparation of the design of the new product at a fee of RMB150,000. IMUST shall complete the design of the new product within six months from the date of the agreement. Sinoref (Yixing) would enjoy the exclusive right to the intellectual property rights of the new product. Prior to our obtaining of the patent registration, both parties shall keep the contents of the agreement in strict confidence, and shall take all necessary measures to prevent information leakage. The co-operation in this project is exclusive for both parties. There are no specific clauses in relation to termination in the agreement.

Through our work with IMUST, a new CSP Subentry Nozzle with improved mould surface temperature distribution was also being developed and two patent (in respect of both invention and utility) applications were submitted for approval in December 2009.

In March 2010, we applied for registration for two new products 複合式棒頭結構塞棒 (Compound-head structured Stopper) and 一種內裝浸入式水口 (A built-in Subentry Nozzle).

Our research and development team works closely with IMUST through discussions and exchanging ideas on new products and further development and improvement on existing products that meet consumers' demands. We will continue to cooperate with IMUST or other universities, academic or research institutes from time to time to further strengthen our capabilities in developing new products and enhancing our production technologies.

Our research and development manager visits our customers and provides training to our on-site sales staff. The training by our technical personnel has been proven to be valuable to our sales team and has enhanced the efficiency and effectiveness of our services.

Our research and development team also focuses on the international industry trends. Recent development of thin strip casting technology has been closely monitored. This is the latest technology in the continuous casting industry with lower investment, lower operation cost, lower energy consumption and lower carbon dioxide emission as compared with conventional continuous casting and thin slab casting. The steel cast through this process is called ultra thin cast steel. It has better mechanical properties than traditional hot coils and is very close to the properties of cold rolled steel. This process requires two tundishes and thus more advanced steel flow control products are necessary. Our steel flow control products, Ladle Shrouds and Stoppers are also components required for thin strip casting process.

We have entered into a cooperation agreement with Casco (USA) Inc., the non-exclusive agent of marketing and selling CASTRIP Technology licences in China and related matters for Castrip LLC in the PRC in relation to the supply of products for CASTRIP Technology. CASTRIP Technology is a thin strip casting process. Pursuant to such cooperation agreement, Casco (USA) Inc. agreed to form a strategic partnership with us by procuring exclusively from us the monolithic materials, steel flow distributors and side dams. We agreed to give Casco (USA) Inc. the best price comparable to the price of our products of similar quality. We also agreed tentatively that the sales amount will not exceed RMB25 million for each type of products each year under normal operating conditions. Further, we agreed to spend 3% of the sales amount derived from the cooperation with Casco (USA) Inc. on research and development activities upon commencement of business, and we will give a further 10% of such sales amount to Casco (USA) Inc. as technical supervision fee.

In order to develop our business in supplying steel flow control products to thin strip casting technology, we are working closely with Shanghai University (上海大學). We have entered into an agreement with Shanghai University on 4 February 2010 for the joint research and development of steel flow distributors and side dams for the thin strip casting process. Pursuant to such agreement, we shall prepare a task list for both parties to perform in developing a new product. In principle, Shanghai University will be responsible for product design and laboratory test while we will be responsible for pilot scale manufacturing and field tests. For a successful development, Shanghai University will provide technical support to us in the manufacture of such product. Each party will be responsible for preparing progress reports for each stage for project appraisal and patent application. Further, each party shall bear their own costs incurred for the project, and Shanghai University shall be entitled to receive 10% of the revenue generated from the sale of the product(s) jointly developed by the parties. The intellectual property rights arising from the project will be jointly owned by Shanghai University and us. Shanghai University shall finish its tasks within eight months from the date of the agreement, while we shall finish our tasks within six months from the day on which Shanghai University finished its obligations. Each party agreed that they will keep the information obtained from the other party in strict confidence, and the senior staffs and research and development team members are required to sign separate confidentiality agreement. The co-operation with Shanghai University is exclusive to both parties. There are no specific clauses in relation to termination in the agreement. We plan to produce steel flow distributors at our existing production plant and acquire land to construct a new plant for the production of side dams if suitable opportunities arise.

EMPLOYEES

As at 31 December 2007, 2008 and 2009, we had 85, 96 and 153 employees respectively. The following table shows a breakdown of our employees by department as at 31 December 2009:

Department	**Number of employees**
Management	2
Procurement	4
Sales	23
Production	102
Quality control	4
Corporate administration	7
Finance	4
Research and development	7
Total	**153**

We provide training to our staff to enhance their technical and product knowledge including industry quality standards, safety standards and sales skills. We carry out staff evaluation to assess their performance.

We contribute to social insurance scheme in accordance with PRC laws and regulations. Based on the confirmation issued by Yixing Labour and Social Protection Bureau (宜興市勞動及社會保障局), our PRC Legal Advisers confirmed that we have complied with the PRC labour law and regulations in material aspects.

We maintain good working relationships with our staff. Our Directors believe that our working environment and benefits offered to our employees have contributed to building good staff relations and retention. [As at the Latest Practicable Date, we had not experienced any strikes or any labour disputes with our staff which had any material impact on our business.]

AWARDS AND ACCREDITATION

We have received the following awards and accreditations:

Year of grant	Award/Certificate	Awarding body
2008	Wuxi Work Safety Type A Enterprise (無錫市安全生產A類企業)	Wuxi Administration of Work Safety (無錫市安全生產監督管理局) *(Note 1)*
2009	Environmental Advanced Unit (環境創優先進單位)	Chinese Communist Jiangsu Yixing Economic Development Zone Working Committee (中共江蘇宜興經濟開發區工作委員會) *(Note 1)* and Jiangsu Yixing Economic Development Zone Administrative Committee (江蘇宜興經濟開發區管理委員會) *(Note 1)*
2009	ISO 9001 quality management system certification	Beijing BTIHEA Certification Co., Ltd. (北京博天亞認証有限公司) *(Note 2)*
2010	Environmental Advanced Unit (環境創優先進單位)	Chinese Communist Jiangsu Yixing Economic Development Zone Working Committee (中共江蘇宜興經濟開發區工作委員會) *(Note 1)* and Jiangsu Yixing Economic Development Zone Administrative Committee (江蘇宜興經濟開發區管理委員會) *(Note 1)*
2010	Technology Innovation Enterprise (科技創新型企業)	Chinese Communist Jiangsu Yixing Economic Development Zone Working Committee (中共江蘇宜興經濟開發區工作委員會) *(Note 1)* and Jiangsu Yixing Economic Development Zone Administrative Committee (江蘇宜興經濟開發區管理委員會) *(Note 1)*
2010	Advanced Enterprise Award (工業先進企業)	Chinese Communist Jiangsu Yixing Economic Development Zone Working Committee (中共江蘇宜興經濟開發區工作委員會) *(Note 1)* and Jiangsu Yixing Economic Development Zone Administrative Committee (江蘇宜興經濟開發區管理委員會) *(Note 1)*
2010	Outstanding Supplier (優秀供貨商)	Anyang Steel Equity Company Limited (安陽鋼鐵股份有限公司) *(Note 3)*

Notes:

1. It is a local government body in the PRC.

2. Beijing BTIHEA Certification Co., Ltd. (北京博天亞認証有限公司) was established by China Household Electric Appliance Research Institute with the approval of the Certification and Accreditation Administration of the PRC and China National Accreditation Service for Conformity Assessment. It is a third party certification organisation which possesses independent legal entity qualification.

3. Anyang Steel Equity Company Limited (安陽鋼鐵股份有限公司) is one of our customers.

4. Other than the ISO9001 quality management system certification obtained by our Group in September 2009 which is valid until September 2012 and Wuxi Work Safety Type A Enterprise (無錫市安全生產A類企業) obtained by our Group in November 2008 which is valid until November 2010, all the above awards and accreditation are valid for one year from the respective year of grant.

INSURANCE

We maintain insurance policies which cover our production plants and equipment, and our inventories. However, we do not have insurance on third party liability or product liability with respect to the products sold by us. We believe that the product liability risk is mitigated by the quality control procedures adopted by our Group. During the Track Record Period, we had not experienced any material claims from third parties as a result of the quality of our products.

Social insurance is provided for our employees including insurance for retirement, unemployment, sickness and injury as required by the PRC social security regulations, our Directors believe that the coverage is adequate for our Group's operation. [As at the Latest Practicable Date, we had not been the subject of any insurance claims which are material to us.]

Based on the confirmation issued by Yixing Labour and Social Protection Bureau (宜興市勞動及社會保障局) on 12 March 2010, our PRC Legal Advisers confirmed that we have complied with the PRC labour law and regulations in respect of the social insurance in material aspects.

SAFETY

In November 2008, we were accredited as Wuxi Work Safety Type A Enterprise (無錫市安全生產A類企業) by Wuxi Administration of Work Safety (無錫市安全生產監督管理局). Such accreditation is valid for two years until November 2010. The factors taken into account by the Administration of Work Safety for granting the accreditation include the number of accidents happened in a production plant and the compliance of relevant safety standards of an enterprise. To ensure our production facilities comply with the applicable safety standards, our production line is regularly inspected by our safety committee. [As at the Latest Practicable Date, we had been in compliance with all applicable safety laws, rules, regulations and standards in the PRC and we had obtained all necessary licences in relation to safety in relation to our operation.]

We have set up a safety committee and it consists of 14 members, including Mr. Jiang Panyuan (蔣盤元) (one of our senior management staff) as the safety supervisor. About one to two employees are assigned to monitor the safety measures of each production area. Our safety committee is established to, among other matters, ensure all relevant safety and labour protection rules and regulations are complied with, carry out regular safety management inspection in our production plant and to formulate internal safety rules and standards for employees.

Our production staff who is responsible to operate our machineries is required to attend trainings. Training sessions are provided on production facilities on operation techniques and related requisite safety standards. During the Track Record Period, we had not experienced any material or prolonged stoppage of production due to machinery failure and there was no major accident causing death or serious bodily injury during our production process.

INTELLECTUAL PROPERTY RIGHTS

Our Group owns two trademarks for its trade names and one patent (in respect of utility) for the new product 薄板坯浸入式水口 (Subentry Nozzle for thin slab casting process) developed under the CSP Project in the PRC. We have also applied for patent registration (in respect of invention) for the same product 薄板坯浸入式水口 (Subentry Nozzle for thin slab casting process) developed under the CSP Project, two patents (in respect of both invention and utility) for a new type of Stopper, three patents (two in respect of both invention and utility and one in respect of utility) for a new design of thin slab Subentry Nozzle and another two patents (in respect of both invention and utility) for a new design of Stopper in the PRC. CSP technology ("**CSP Technology**") is the thin slab casting process which was invented by SMS GmbH. The product which our Group produces and has applied for patent registration is a type of Subentry Nozzle to be used in the CSP Technology. As our Group is not using the CSP Technology, our Directors and the PRC Legal Advisers both confirm that the production of CSP Subentry Nozzle does not infringe the right of CSP Technology.

Further details of the intellectual property rights of our Group are set out in the paragraph headed "Intellectual property rights of our Group" in Appendix VI to this document.

We have confidentiality protection arrangements in place to protect our trade secrets, including the requirement for our technical and management personnel and personnel involved in outsourced technical institutions such as IMUST to enter into confidentiality agreements to ensure that our trade secrets are not passed onto any third party. Dr. Zhang left the Vesuvius group in 2002 and founded our Group in 2005. Dr. Zhang has confirmed that the non-competition undertaking under his employment agreement with the Vesuvius group had been expired before he founded our Group. He has also provided full indemnity to cover any losses resulting from any successful claim(s) of infringement of intellectual property rights taken out by the Vesuvius group relating to his previous employment with the Vesuvius group which might arise in the future.

During the Track Record Period, our Group did not violate any third party intellectual property rights and our intellectual property rights had not been infringed by any third parties.

ENVIRONMENTAL PROTECTION

We recognise the importance of environmental protection and follow the relevant laws and regulations in the PRC in our production process. We were accredited as an Environmental Advanced Unit (環境創優先進單位) in 2009 and 2010 by Chinese Communist Jiangsu Yixing Economic Development Zone Working Committee (中共江蘇宜興經濟開發區工作委員會) and Jiangsu Yixing Economic Development Zone Administrative Committee (江蘇宜興經濟開發區管理委員會).

To comply with the applicable rules and regulations in the PRC, we have implemented measures for solid waste treatment and fume waste treatment. In respect of solid waste, we have engaged relevant waste treatment company to collect our solid waste for use as raw materials at minimal value and no cost is incurred by our Group. For fume waste treatment, we use incinerators in our production plant to turn fume into non-pollutant gas before discharge. The annual cost for our fume waste treatment amounted to approximately RMB103,000. We will continue to implement such measures of solid and fume waste treatment in the future. Our Directors expect that we will not incur any cost in relation to the solid waste treatment in the future, while we will incur approximately three times the existing annual cost of the fume waste treatment, i.e. approximately RMB309,000, owing to the expected expansion of our production capacity.

During the Track Record Period, we had not breached any environmental protection laws and regulations in the PRC and were not subject to any material claim or penalty in relation to environmental protection. Our Directors confirm that we have been in compliance with all applicable environmental protection laws and regulations in the PRC.

COMPETITION

Our Group specialises in the manufacture of advanced steel flow control products. We face competition from local, as well as foreign, steel flow control product manufactures in the PRC. Market participants in the steel flow control products market in the PRC are normally competing on product quality, price and after-sales customer services.

Although our Group has a shorter operating history than our competitors, we believe we possess advanced production facilities and stringent production and quality control procedures which distinguish us from our local competitors. We are able to manufacture products that are comparable to the quality of those of the global players in the PRC. Our Group, as domestic manufacturer, could maintain lower costs and more competitive prices for our products relative to our competitors which are global industry players within the PRC.

We provide strong after-sales services to and maintain close relationship with our customers. Our sales managers have built strong contacts with our customers at their production plants through the provision of daily on-site services, while Mr. Xu and Dr. Zhang, with more than 25 years of experiences working in this field, have maintained solid relationship with our customers at the management level.

Some of our competitors manufacture a whole spectrum of refractory products for the steel making industry. We believe that we are more focused and committed to expand and develop advanced steel flow control products to meet our customers' growing needs. With our dedication and concentration of resources, we believe that we are well-positioned to compete effectively in the PRC and that our strengths and strategies will distinguish us from our competitors. A discussion of our competitive strengths is set out in the paragraph headed "Competitive strengths" in this section.

Our products are made of the precise mixture of specialised materials and are customised to meet the specific requirements of each customer. Such level of customisation and specialisation in the steel flow control products coupled with the experience and technical knowhow of management and staff and on-site customised after-sales service are necessary in order for major steel manufacturing companies to choose us as one of their qualified suppliers for their advanced steel flow control products.

The supplier selection processes of steel manufacturing companies are relatively long and potential suppliers are required to undergo multiple product trials. The entire process for our Group from identifying a potential customer to becoming its qualified supplier usually takes, on average, one to three months. At the onset, upon obtaining the necessary information on the type of steel flow control products required by a potential customer, our Group will manufacture a small quantity of the products according to the standards and specifications required by the potential customer and usually, a few sets of such products will be provided to the customers for trial at no cost. Typically, the trial will take around two to thirty days to complete. Upon completion of the trial phase, the technical and production staff of the potential customer will evaluate every aspect of our products and prepare an evaluation report. Only upon the satisfactory conclusion of the aforesaid evaluation report, the customer will sign a purchase contract.

There is no special regulatory barrier to enter into the steel flow control products manufacturing industry as there is no particular licence or permit required for this industry in the PRC. However, with the nature of the steel flow control product industry, in particular, the high level of customisation required and the stringent supplier selection process of the steel manufacturing companies, it will not be easy for new entrants to attain a sizeable revenue and scale of operation within a short period of time while our Group has already built up the scale for our business.

Our Controlling Shareholders and our Directors do not have any interest in a business apart from the Group's business which competes or is likely to compete, directly or indirectly, with our Group's business.

PROPERTIES

As at the Latest Practicable Date, Sinoref (Yixing) owned a parcel of land (the "Land"), with a total site area of approximately 37,704.3 sq.m., located at Zhuqiao Industrial Zone, Yixing, Jiangsu Province, the PRC. The three buildings with total floor area of 10,949.49 sq.m. erected on the Land are owned by Sinoref (Yixing). [Our PRC Legal Advisers confirmed that, as at the Latest Practicable Date, we had obtained all necessary land use right certificates and building ownership right certificates for our properties.] Details of our properties are set out in Appendix IV to this document.

REGULATORY COMPLIANCE

[As advised by our PRC Legal Advisers, as at the Latest Practicable Date, we had duly obtained all approvals, permits, consents, licences and registrations relating to our incorporation and necessary for the conduction of our business and all of them are presently in force.] Our PRC Legal Advisers have also confirmed that, we do not contravene any of the material laws and regulations in the PRC. Please refer to the section headed "Regulations" in this document for the laws and regulations applicable to our operations in the PRC.

DIRECTORS

Our Board consists of seven Directors, including three executive Directors, one non-executive Director and three independent non-executive Directors.

The information of our Directors is set out as follows:

Name	Age	Position/Title
Mr. Xu Yejun (徐葉君)	46	Chairman and chief executive officer
Dr. Zhang Lanyin (張蘭銀)	48	Executive Director and chief technical officer
Mr. Gu Aoxing (顧敖行)	58	Executive Director
Mr. Gao Zhilong (高志龍)	34	Non-executive Director
Mr. Yao Enshu (姚恩澍)	77	Independent non-executive Director
Mr. Yang Fuqiang (楊富強)	66	Independent non-executive Director
Mr. Cheng Yun Ming Matthew (鄭潤明)	40	Independent non-executive Director

Executive Directors

Mr. Xu Yejun (徐葉君), aged 46, the co-founder of our Group, is the chairman, chief executive officer and our executive Director. Mr. Xu was appointed as our executive Director on 4 February 2010. He is responsible for the overall strategic planning and management of our Group. Mr. Xu has extensive experience in the advanced steel flow control products industry, and has been engaging in such business for over 25 years. Mr. Xu is the son-in-law of the brother of Mr. Gu Aoxing (顧敖行), one of our executive Directors.

Mr. Xu studied in 宜興縣大浦中學 (Yixing Dapu Secondary School*) from 1979 to 1981. Mr. Xu had been trained in 洛陽耐火材料研究院 (Luoyang Institute of Refractories Research*) from 1984 to 1986. He had worked in 宜興市鎂質耐火材料廠 (Yixing Magnena Refractory Materials Factory*) from 1981 to 1983 and from 1987 to 1989, in Yixing Wellfire Nonmetal Materials Co., Ltd. 宜興威爾發非金屬材料有限公司 from 1990 to 1995 and in 宜興中村窑業有限公司 (Yixing Zhongcun Kiln Products Co., Ltd.*) from 1996 till the establishment of Sinoref (Yixing) in 2005.

For his research item 玻璃熔窯蓄熱室系列配套優質耐火材料新產品研製 (The research and manufacture of new high quality refractory accessory materials in glass melting furnace regenerative chamber series*), Mr. Xu was awarded 中國輕工業科技進步獎 (China Light Industry Technological Advancement Award*) by 中國輕工總會 (China Light Industry Association*) in 1991, 上海市科學技術進步獎 (Science and Technology Progress Awards of Shanghai) by 上海市科學技術進步獎評審委員會 (Science and Technology Progress Awards Jury, Shanghai Municipality) in 1995 and 上海市科技成果完成者證書 (Certificate for Accomplisher of Technological Advancement in Shanghai*) by 上海市科學技術委員會 (Science and Technology Commission of Shanghai Municipality) in 1996. Mr. Xu was also awarded 上海市科學技術進步獎 (Science and Technology Progress Awards of Shanghai) by 上海市科學技術進步獎評審委員會 (Science and Technology Progress Awards Jury, Shanghai Municipality) in 1996 in respect of 優質特異型蓄熱室格子磚系列配套產品研製 (The research and manufacture of high quality specific regenerative chambers checkers series accessory products*).

For the purpose of this section, "" denotes unofficial English translation.*

Mr. Xu , jointly with Dr. Zhang, also invented the 薄板坯浸入式水口 (Subentry Nozzle for thin slab casting process) under the CSP Project which was registered as a patent (in respect of utility) in the PRC in January 2010.

Dr. Zhang Lanyin (張蘭銀), aged 48, the co-founder of our Group and our chief technical officer, was appointed as our executive Director on 8 March 2010. Dr. Zhang is responsible for the production and research and development aspects of our Group.

Dr. Zhang obtained a bachelor's degree in Science (majoring in refractory materials) from 武漢鋼鐵學院 (Wuhan Institute of Steel and Iron Technology*), the former Wuhan University of Science and Technology, in 1982 and a master's degree in Science from 洛陽耐火材料研究院 (Luoyang Institute of Refractories Research*) in 1985. He obtained a degree of Doctor of Philosophy by the department of Materials and Metallurgical Engineering of Queen's University at Kingston, Canada in 1996.

Dr. Zhang has been engaging in the advanced steel flow control products business for over 25 years. Dr. Zhang worked in 洛陽耐火材料研究院 (Luoyang Institute of Refractories Research*) from 1986 to 1990. He then went to Canada for his degree of Doctor of Philosophy at Queen University in 1991. He joined Vesuvius International Inc. in 1994 and worked in the Vesuvius group for eight years until he left as the Deputy General Manager of Vesuvius Advanced Ceramics (Suzhou) Co. Ltd. in 2002. So far as our Directors are aware, our Group did not have any actual or threatened claims of infringement of intellectual property rights by Vesuvius group in the past. He then joined Minteq International (Suzhou) Co., Ltd., a subsidiary of Minerals Technologies Inc., an international refractory company, as the Vice President Asia in 2002 and worked there for four years until 2006.

During the past years, Dr. Zhang had issued various publications. For instance, he published a paper titled "High toughness silicon carbide/ graphite laminar composite by slip casting" in 1995. Further, based on the records of the United States Patent and Trademark Office, Dr. Zhang, jointly with others, were the inventors of the "high toughness carbide ceramics by slip casting and method thereof" which was registered as a patent in the United States in 1995. He, jointly with Mr. Xu, also invented the 薄板坯浸入式水口 (Subentry Nozzle for thin slab casting process) under the CSP Project which was registered as a patent (in respect of utility) in the PRC in January 2010.

Mr. Gu Aoxing (顧敖行), aged 58, was appointed as our executive Director on 7 June 2010. Mr. Gu is responsible for the corporate and financial matters of our Group. Mr. Gu Aoxing is the brother of Mr. Xu's father-in-law.

Mr. Gu completed a professional technical training in relation to Rural Finance organised by 宜興市科學技術委員會 (Yixing Technology Committee*) and 宜興市財政局 (Yixing Finance Bureau*) in 1989. In 2000, Mr. Gu passed the examination on 會計電算化初級知識培訓 (Basic Knowledge on Computerised Accounting*) organised by 宜興市財政局 (Yixing Finance Bureau*). In 2001, Mr. Gu was qualified as an accountant by 無錫市人事局 (Wuxi Municipal Personnel Bureau*).

Prior to joining our Group in 2007, Mr. Gu had held financial managerial positions in various companies, including acting as the Assistant Finance Manager at 宜興新威集團 (Yixing Xinwei Group*) from 1991 to 1999 and the Finance Manager at 宜興中村窑業有限公司 (Yixing Zhongcun Kiln Products Co., Ltd.*) from 2000 to 2007. Mr. Gu was also an executive director of China Rare Earth Holdings Limited (Stock Code: 769), a company listed on the Main Board, from 25 August 1999 to 19 May 2000.

Non-executive Director

Mr. Gao Zhilong (高志龍), aged 34, was appointed as our non-executive Director on 7 June 2010. Mr. Gao obtained a bachelor's degree in mechanical design and manufacture from 南京農業大學 (Nanjing Agricultural University) in 1999. He then worked as an assistant engineer in 常州長江客車集團有限公司 (Changzhou Changjiang Coach Group Company Limited*). Mr. Gao has worked in the quality control department in 華偉納精密工具公司 (Hua Wei Na Jingmi Gongju Company*) since December 2005. Mr. Gao is interested in approximately 25% of the share capital of Sinoref International.

Independent non-executive Directors

Mr. Yao Enshu (姚恩澍), aged 77, was appointed as our independent non-executive Director on 7 June 2010. He was appointed as 冶金工業部幹部司副司長 (Deputy Head of the Personnel Department in the Ministry of Metallurgical Industry*) in the PRC in 1983 and was appointed as 冶金工業部人事司司長 (Head of the Human Resources Department in the Ministry of Metallurgical Industry*) in 1988. He was recognised as a senior economist by 冶金工業部 (The Ministry of Metallurgical Industry*) in the PRC in 1992.

Mr. Yang Fuqiang (楊富强), aged 66, was appointed as our independent non-executive Director on 7 June 2010. He engaged in research and development work of nonferrous metals metallurgy, and was awarded the 三等國家發明獎 (Third State Invention Prize*) in 1987. He was appointed as the deputy head and head of 工業綜合一司稀土處 (Department of Nonferrous Metals, Consolidated Industry Bureau*) in 1998 and in 1990 respectively. Mr. Yang retired in December 1998.

Mr. Cheng Yun Ming, Matthew (鄭潤明) *HKCPA, ACCA*, aged 40, was appointed as our independent non-executive Director on 7 June 2010. He is a Certified Public Accountant, an associate member of Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Mr. Cheng obtained a bachelor's degree in accountancy from the Hong Kong Polytechnic University in 1992. Mr. Cheng worked at an accounting firm, Price Waterhouse which is now PricewaterhouseCoopers, from 1992 to 1997, and as a financial controller in various listed companies from 1997 to 2007. From 6 August 2004 to 1 August 2007, Mr. Cheng had been an independent non-executive director of China Electric Power Technology Holdings Limited (formerly known as A & K Educational Software Holdings Limited) (Stock Code: 8053), a company listed on the Growth Enterprise Market of the Stock Exchange. Mr. Cheng has been an independent non-executive director of Sino Haijing Holdings Limited (Stock Code: 8065), a company listed on the Growth Enterprise Market of the Stock Exchange since 11 November 2005.

Save as disclosed above, each of our Directors (i) did not hold other positions in our Company or our subsidiaries as at the Latest Practicable Date; (ii) had no other relationship with any Directors, senior management or substantial or controlling shareholder(s) of our Company as at the Latest Practicable Date; and (iii) did not hold any other directorships in listed public companies in the three years prior to the Latest Practicable Date.

Save as disclosed herein, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of our Shareholders.

SENIOR MANAGEMENT

Mr. Wang Zhizhong (王志中), aged 42, is the deputy general manager and the head of our Production Department. Mr. Wang joined our Group in 2005. Mr. Wang was qualified as an assistant engineer by 無錫市人事局 (Wuxi Municipal Personnel Bureau*) in 1995. He obtained 上海市科技成果完成者證書 (Certificate for Accomplisher of Technological Achievement in Shanghai*) for each of the project named "復合結構電熔澆注空心磚研製" (Development of hollow composite fusion cast blocks*) and "大型玻璃窟上部結構用新型耐火材料品種的研究" (Research on novel refractories for super structure of glass furnace*) from 上海市科學技術委員會 (Science and Technology Commission of Shanghai Municipality) in 2000.

Mr. Wang worked in the production technology department in various companies including Yixing Wellfire Nonmetal Materials Co., Ltd. 宜興威爾發非金屬材料有限公司 and 宜興中村窑業有限公司 (Yixing Zhongcun Kiln Products Co., Ltd.*), before joining our Group in 2005.

Mr. Jiang Panyuan (蔣盤元), aged 46, joined us in 2007 as head of our Purchasing Department. Mr. Jiang is mainly responsible for our procurement and environmental protection matters. Mr. Jiang graduated from 江蘇省廣播電視學校 (Jiangsu Radio and TV Institute*) in 2001 and worked as the officer in a community association in Yixing Yang'an (宜興市洋岸村民委員會) from 1989 to 2007 prior to joining our Group.

Mr. Tam Chi Ming, George (譚志明) *HKCPA, ACIS, ACS*, aged 34, is the chief financial officer and company secretary of our Company. He joined our Group in January 2010 and is responsible for managing the corporate finance department of our Group, including overseeing financial management, compliance and reporting obligations of our Group. Mr. Tam has over 10 years' experience in auditing, financial management and corporate finance. Prior to joining our Group, Mr. Tam worked for KPMG Corporate Finance Limited as Senior Manager, responsible for executing merger and acquisition transactions. Mr. Tam is a fellow member of the Hong Kong Institute of Certified Public Accountants and an associate member of the Hong Kong Institute of Chartered Secretaries. Mr. Tam holds a bachelor's degree in Accountancy from the Hong Kong Polytechnic University and a master's degree in Business Administration from the University of London.

Mr. Tang Jishan (唐繼山), aged 36, joined us in 2007 as head of our Research and Development Department. He obtained his bachelor's and master's degree in Metallurgy of Iron and Steel in 2001, both from Wuhan University of Science and Technology. He has experience in the field of metallurgical industry. He worked in the sales department in Vesuvius Advanced Ceramics (Suzhou) Co. Ltd..

Mr. Dai Donglin (戴東林), aged 41, joined us in 2007 as executive regional sales manager. He obtained a bachelor's degree in Arts from Henan University in 1992. He then joined Vesuvius Advanced Ceramics (Suzhou) Co. Ltd. from 1995 to 2004. Mr. Dai furthered his studies on Civil and Commercial Law between 1998 and 2000 in Jilin University. He has many years of experiences in sales management.

Ms. Zhang Yuehua (張月華), aged 33, one of our executive sales assistant managers, joined us in 2007. Ms. Zhang worked in 宜興新威集團 (Yixing Xinwei Group*) from 1996 to 2006, and was responsible for sales coordination work.

COMPANY SECRETARY

Mr. Tam Chi Ming, George (譚志明) *HKCPA, ACIS, ACS*, was appointed as the company secretary of our Company on 7 June 2010. His details are set out under the paragraph headed "Senior management" above.

STAFF

We maintain good working relations with our staff. We have not experienced any significant problems with the recruitment and retention of experienced employees. In addition, we have not suffered from any material disruption of our normal business operations as a result of labour disputes or strikes.

Benefits

As required by the PRC regulations on social insurance, we participate in the social insurance schemes operated by the relevant local government authorities which include retirement pension, medical insurance, unemployment insurance, industrial injuries insurance and maternity insurance.

Compensation

The aggregate amounts of remuneration of our Directors for the three years ended 31 December 2009 were approximately RMB625,000, RMB666,000 and RMB766,000 respectively. Details of the arrangement for remuneration are set out in Note 11 to the Accountants' Report in Appendix I to this document. Under such arrangement and pursuant to our Directors' service agreements and letters of appointment referred to in the paragraph headed "Particulars of Directors' service contracts" in Appendix VI to this document, the aggregate amount of directors' fee and other emoluments payable to our Directors for the year ending 31 December 2010 is estimated to be approximately RMB1,500,000, excluding any discretionary bonuses.

Our Directors and senior management receive compensation in the form of salaries, benefits in kind and/or discretionary bonuses relating to the performance of our Group. We regularly review and determine the remuneration and compensation packages of our Directors and senior management.

We also reimburse them for expenses which are necessarily and reasonably incurred for providing services to us or executing their functions in relation to our operations.

During the Track Record Period, no remuneration was paid by us to, or received by, our Directors as an inducement to join or upon joining us.

OVERVIEW

We are engaged in the manufacture of advanced steel flow control products which are used in the continuous casting process to protect, control and regulate the flow of molten steel in its manufacturing process. Our products include Ladle Shrouds, Stoppers, Tundish Nozzles and Subentry Nozzles.

As at the Latest Practicable Date, many of our customers were members of major steel-producing groups in the PRC, including members of the Baosteel Group, Hebei Steel Group, Wuhan Steel Group and Shandong Steel Group. Since our Group was founded in 2005, we have enjoyed a rapid growth. Our turnover has grown from approximately RMB40.0 million for the year ended 31 December 2007 to approximately RMB156.9 million for the year ended 31 December 2009, representing a CAGR of approximately 98.1%. Our net profit has grown from approximately RMB13.4 million for the year ended 31 December 2007 to approximately RMB70.1 million for the year ended 31 December 2009, representing a CAGR of approximately 128.7%.

BASIS OF PREPARATION

We are a Cayman Islands holding company and conduct substantially all of our business through our principal subsidiary, Sinoref (Yixing), in China. During the periods presented in the financial information set forth in "Appendix I – Accountants' Report" to this document, we derived all of our revenue from sales of our advanced steel flow products.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The major factors affecting our results of operations and financial condition include the following:

Recent global economic downturn, economic growth and level of demand for steel flow control products in the PRC

We generated all of our turnover in the PRC during our Track Record Period. Our financial results have been, and we expect them to continue to be, affected by the levels of growth of steel manufacturing markets in the PRC. In 2007, 2008 and 2009, China's annual production of crude steel amounted to approximately 489 Mt, 500 Mt and 568 Mt, respectively, representing about 36.3%, 37.6% and 46.6% of the world's total production of crude steel.

Demand for our advanced steel flow control products is particularly sensitive to the levels of activities in the PRC infrastructure, transportation, machinery and equipment, and construction industries. Economic growth in China, particularly in areas in which we operate, has a direct impact on virtually all aspects of our operations, including the level of demand for our products, the availability and prices of our raw materials and costs of our other operating expenses.

In response to the global economic slowdown and market volatility, as described in "Risk factors – Risks relating to the industry – our industry is subject to global economic and market conditions," the PRC government has lowered interest rates and announced large fiscal stimulus packages to boost the domestic economy, which include RMB4.0 trillion investments in, among other things, airports, highways, railways, power grids and other infrastructure developments in China. These packages have caused our customers, who are the major suppliers of the steel products in the above-mentioned sectors to increase their expected purchases from us in 2009. The average monthly sales volume of our advanced steel flow control products increased from approximately 143 tonnes in 2008 to approximately 331 tonnes in 2009.

The fixed asset investments in China

Our results of operations are impacted by the development of fixed asset investments in China, which in turn, affects various industries, such as the construction industry where our customer's final steel products are mainly used. As indicated in the National Bureau of Statistics of China, the total amount of fixed asset investments in China increased from approximately RMB3,292 billion in 2000 to approximately RMB17,283 billion in 2008, representing a CAGR of 23.0%. According to the National Bureau of Statistics of China, the total investment in construction in China increased from approximately RMB10,213 billion in 2000 to approximately RMB49,844 billion in 2008, representing a CAGR of 21.9%.

Product mix

We produce four types of advanced steel flow control products including Ladle Shrouds, Stoppers, Tundish Nozzles and Subentry Nozzles. Our product mix with different specifications, affects our gross profit margins since different products have different levels of demand and corresponding selling prices in different markets. From time to time, we vary our product mix in order to meet market demand and customers' requirements, which could have an impact on our overall gross profit margins. We intend to continue to manage and optimise our product mix in response to market conditions in order to maintain and increase our gross profit margins.

Sales volume

Our results of operations are directly affected by our sales volume, which in turn is largely determined by the market demand for our advanced steel flow control products, and our ability to meet that demand. Our sales volume increased across our product mix from 2007 to 2009 primarily due to the increasing customer demand for our products, particularly our Subentry Nozzles, as a result of the growing reputation of our brand and our high-quality products. We sold approximately 1,027 tonnes, 1,713 tonnes and 3,972 tonnes of advanced steel flow control products in 2007, 2008 and 2009, respectively. With a production capacity of approximately [8,200] tonnes as at the Latest Practicable Date, we are operating at [full production capacity]. If we are successful in implementing our expansion plans, which include increasing our production capacity, we believe we could meet growing market demands.

Pricing of our products

Competition and demand significantly affect the pricing of our products. Although the PRC steel flow control product market is competitive, a majority of the steel flow control product manufacturers in China have small-scale operations that produce average steel flow control products with simple designs. We sell our products to customers on a "cost-plus" basis, under which we add our processing charges and a margin to the prevailing market price of the raw materials. The average selling price per unit of Subentry Nozzle for the three years ended 31 December 2009 was RMB1,511, RMB1,610 and RMB1,664 respectively. The average selling price per unit of Stopper for the three years ended 31 December 2009 was RMB1,098, RMB1,098 and RMB1,192 respectively. The average selling price per unit of Tundish Nozzle for the three years ended 31 December 2009 was RMB1,128, RMB1,328 and RMB1,361 respectively. The average selling price per unit of Ladle Shroud for the three years ended 31 December 2009 was RMB1,151, RMB1,187 and RMB1,174 respectively.

Cost of raw materials

Price fluctuations of raw materials we use in our production process affect our cost of sales and could adversely impact on our results of operations. The principal raw materials used in our production are fused alumina, calcined alumina, calcia stablised zirconia, graphite and resin binder. We obtain these materials from both domestic and overseas suppliers. Further, we develop our own moulds for our advanced steel flow control products. The principal raw material used in developing the moulds is a specialised resin which is purchased from the United States.

In 2007, 2008 and 2009, our cost of raw materials amounted to approximately RMB11.2 million, RMB19.8 million and RMB42.7 million, respectively, representing approximately 63.2%, 71.3% and 82.8% of our total cost of sales.

We typically purchase fused alumina, calcined alumina, calcia stablised zirconia, graphite and resin binder from suppliers based on the prevailing market prices during the month prior to the month we receive shipments from our suppliers. Prices of fused alumina, calcined alumina, calcia stablised zirconia, graphite and resin binder fluctuate over time, and the prevailing prices at the time of our purchase may not be equal to the prevailing prices at the time of our sale.

The following table sets forth the average price per ton of our major raw materials for ther periods indicated:

	Year ended 31 December		
	2007	**2008**	**2009**
	RMB	*RMB*	*RMB*
Graphite	3,658	4,885	4,103
Fused alumina	3,712	5,255	4,231
Calcined alumina	5,897	6,033	5,620
Resin binder	16,195	16,018	11,120
Calcia stablised zirconia	30,029	25,703	25,409

FINANCIAL OVERVIEW

Revenue

We generated all of our revenue from the sales of our advanced steel flow control products during the Track Record Period. Our products include Ladle Shrouds, Stoppers, Tundish Nozzles and Subentry Nozzles.

The following table shows our revenue and average selling price by product type during the Track Record Period:

	Year ended 31 December								
	2007			**2008**			**2009**		
	RMB (million)	*%*	**Average selling price** *RMB*	*RMB (million)*	*%*	**Average selling price** *RMB*	*RMB (million)*	*%*	**Average selling price** *RMB*
Subentry Nozzles	16.3	40.8	1,511	28.3	42.1	1,610	69.0	44.0	1,664
Stoppers	11.6	29.0	1,098	19.1	28.4	1,098	45.7	29.1	1,192
Tundish Nozzles	6.3	15.8	1,128	14.1	21.0	1,328	33.0	21.0	1,361
Ladle Shrouds	5.8	14.4	1,151	5.7	8.5	1,187	9.2	5.9	1,174
Total	**40.0**	**100.0**		**67.2**	**100.0**		**156.9**	**100.0**	

Revenue of our products increased from approximately RMB40.0 million in 2007 to approximately RMB67.2 million in 2008 and to approximately RMB156.9 million in 2009, due to the increase in the overall sales volume of our advanced steel flow control products. Such increase was mainly attributable to our increased marketing effort to solicit new customers in 2008 and 2009 and the change in our sales and product mix. The source of the increase in demand for our products came from both recurring and new customers. Our number of customer increased from 7 in 2007 to 11 in 2008 and 18 in 2009. The number of recurring customers in 2008 and 2009 was 7 and 11 respectively, while the number of recurring customers as at the Latest Practicable Date was [20].

We sell our products directly to steel manufacturing companies, with whom we typically enter into written framework contracts on a one-year term. In 2007, 2008 and 2009, turnover from our five largest customers accounted in aggregate for approximately 95.5%, 74.2% and 48.0% respectively, of our turnover. We generally bill our customers upon delivery, with credit terms of up to 90 days from the day of delivery. A portion of our customers make payments by bank bills. Historically, we have not experienced any losses on trade receivables or bills receivables.

Cost of sales

Our cost of sales consists of the cost associated with the manufacture of our products, which primarily consists of raw materials consumed, depreciation of property, plant and equipment, labour costs and other direct manufacturing overhead.

The following table sets forth a breakdown of our cost of sales for the period indicated:

	Year ended 31 December		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Raw materials consumed	11,220	19,822	42,651
Depreciation of property, plant and equipment	3,569	3,663	3,660
Labour costs	1,520	2,024	1,930
Others[(1)]	1,430	2,306	3,267
	17,739	27,815	51,508

Note:

(1) Others mainly consists of utilities and natural gas.

The increase in raw materials consumed from approximately RMB19.8 million in 2008 to approximately RMB42.7 million in 2009 and other direct manufacturing overhead from approximately RMB2.3 million to approximately RMB3.3 million were mainly attributable to the increase in the overall sales volume of our advanced steel flow control products. The decrease in labour costs from approximately RMB2.0 million in 2008 to approximately RMB1.9 million 2009 was mainly a result of the departure of 3 experienced technicians during 2009, whose responsibilities were taken up by their successors with lower staff cost.

Gross profit and gross profit margin

Gross profit is equal to revenue less cost of sales. Gross profit margin is equal to gross profit divided by revenue. Gross profit and gross profit margin should be taken into consideration together with net profit and net profit margin, with net profit being the remainder of gross profit after deducting selling and distribution costs, administrative expenses, other expenses, finance costs and taxation; and net profit margin equal to net profit divided by revenue. Our gross profit increased from approximately RMB22.3 million in 2007 to approximately RMB39.4 million in 2008 and to approximately RMB105.4 million in 2009. In 2007, 2008 and 2009, our gross profit margin was approximately 55.7%, 58.6% and 67.2% respectively. Our gross profit margin increased is primarily attributable to the economies of scale resulted from the increase in our overall sales volume and change in our product mix.

The following table shows our gross profit margin by product type during the Track Record Period:

	Year ended 31 December					
	2007		2008		2009	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB (million)	*%*	*RMB (million)*	*%*	*RMB (million)*	*%*
Subentry Nozzle	10.0	60.5	17.5	61.8	48.1	69.6
Stopper	5.3	45.9	9.0	47.4	26.4	57.7
Tundish Nozzle	4.4	69.8	9.7	68.8	25.2	76.3
Ladle Shroud	2.6	46.0	3.2	55.1	5.7	62.5
Total	**22.3**	**55.7**	**39.4**	**58.6**	**105.4**	**67.2**

Other income

Other income comprises of bank interest income, exchange gains and gain on disposal of equipment.

Selling and distribution costs

Our selling and distribution costs primarily consist of expenses on commission, transportation and staff costs. Our selling and distribution costs amounted to approximately RMB3.9 million, RMB6.7 million, and RMB13.1 million in 2007, 2008 and 2009 respectively. Selling and distribution costs increased from 2007 to 2009 primarily attributable to the increase in commission paid to our salespersons and transportation costs resulted from the increase in the sales volume of our advanced steel flow control products.

The following table sets forth a breakdown of our selling and distribution costs for the periods indicated:

	Year ended 31 December		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Commission	2,572	4,746	10,185
Transportation costs	488	893	1,532
Other staff costs	348	908	1,119
Others	507	107	273
	3,915	6,654	13,109

Administrative expenses

Our administrative expenses primarily consist of directors' remuneration, administrative staff costs, depreciation, office expenses, travelling expenses, entertainment, amortisation of prepaid land lease payments, professional fees and various tax expenses. In 2007, 2008 and 2009, our administrative expenses amounted to approximately RMB4.5 million, RMB5.6 million and RMB6.3 million, respectively.

The following table sets forth a breakdown of our administrative expenses for the periods indicated:

	Year ended 31 December		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Directors' remuneration	625	666	766
Administrative staff costs	977	1,333	1,654
Depreciation	657	841	932
Entertainment	366	718	944
Amortisation of prepaid land lease payments	235	235	235
Travelling expenses	225	467	567
Tax expenses	414	398	419
Office expenses	224	194	245
Others	734	736	501
	4,457	5,588	6,263

Other expenses

Other expenses represent professional fees and other expenses in relation to [•••]. For the year ended 31 December 2009, our other expenses amounted to approximately RMB2.0 million.

Finance costs

Our finance costs consist of interests on bank borrowings and discounted bills with recourse wholly repayable within one year. Interest rates on our bank loans, all of which are granted by PRC commercial banks and denominated in RMB, are typically linked to benchmark rates published by the PBOC. In 2007, 2008 and 2009, our finance costs amounted to approximately RMB0.5 million, RMB1.1 million and RMB0.2 million respectively.

Taxation

Under the current laws of Cayman Islands, we are not subject to any income or capital gains tax.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New EIT Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC (國務院) issued Implementation Regulations of the New EIT Law (the "Implementation Regulations"). The New EIT Law and Implementation Regulations unify the Enterprise Income Tax rate for domestic and foreign enterprises at 25% from 1 January 2008. Pursuant to an approval document issued by the National Taxation Bureau of Yixing, the PRC dated 1 March 2010, Sinoref (Yixing) was entitled to the exemption from the PRC Enterprise Income Tax for the first two years commencing from the first profit-making year of operations, after offsetting all unexpired tax losses from previous years, and thereafter to a 50% relief from the PRC Enterprise Income Tax for the following three years. As a result, Sinoref (Yixing) was exempt from the PRC Enterprise Income Tax for the years ended 31 December 2007 and 2008 and was subject to the PRC Enterprise Income Tax rate of 12.5% for the year ended 31 December 2009.

According to a joint circular of the Ministry of Finance and State Administration of Taxation – Cai Shui [2008] No. 1, dividend distributed out of the profits generated since 1 January 2008 shall be subject to the PRC withholding tax which is withheld by the PRC entity. Deferred tax expense of approximately RMB1.2 million and RMB3.1 million charged on the undistributed earnings of Sinoref (Yixing) has been recognised in the combined statements of comprehensive income for the years ended 31 December 2008 and 2009 respectively.

CRITICAL ACCOUNTING POLICIES

Critical accounting policies and estimates are those accounting policies and estimates that involve significant judgements and uncertainties and potentially yield materially different results under different assumptions and conditions. Our accounting policies have a significant impact on our operating results as shown in our combined financial statements included in this document. Estimates and judgements are based on historical experience, prevailing market conditions and various other factors that we believe are reasonable under the circumstances. We review our estimates and underlying assumptions on an ongoing basis taking into account the changing environment and circumstances. The critical accounting policies adopted and estimates made in preparation of our financial statements are set out as follows:

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of sales tax. Revenue from sales of goods are recognised when goods are delivered and title has passed. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any. Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

Depreciation, amortisation and valuation of property, plant and equipment

The recorded values of property, plant and equipment are affected by a number of management estimates, including estimated useful lives, residual values and impairment losses. Our Directors assess the need for any impairment write-down on a regular basis and consider if there is any information indicating the impairment loss. Such information may include a significant decrease in the market value or a significant deterioration of market conditions such that the carrying value of property, plant and equipment is lower than the present value of the estimated future cash flows which are discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets.

Impairment of tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted-average method.

Trade receivables and impairment of trade receivables

For certain categories of financial assets, such as trade and bills receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, observable changes in national or local economic conditions that correlate with default on receivables.

Taxation and deferred income tax

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the combined statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods, and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is recognised on differences between the carrying amount of assets and liabilities in the combined financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary of difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

RESULTS OF OPERATIONS

The following table sets forth information from our combined statements of comprehensive income for the periods indicated:

	Year ended 31 December		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	40,006	67,206	156,896
Cost of sales	(17,739)	(27,815)	(51,508)
Gross profit	22,267	39,391	105,388
Other income	39	95	72
Selling and distribution costs	(3,915)	(6,654)	(13,109)
Administrative expenses	(4,457)	(5,588)	(6,263)
Other expenses	–	–	(2,000)
Finance costs	(529)	(1,062)	(195)
Profit before taxation	13,405	26,182	83,893
Taxation	–	(1,211)	(13,817)
Profit for the year and total comprehensive income for the year	13,405	24,971	70,076
Earnings per share Basic *(RMB)*	0.01	0.03	0.08

Year ended 31 December 2009 compared with year ended 31 December 2008

Revenue

Our revenue increased by approximately 133.5% from approximately RMB67.2 million for the year ended 31 December 2008 to approximately RMB156.9 million for the year ended 31 December 2009. The increase was mainly attributable to the increase in the overall sales volume of our advanced steel flow control products. The sales volume of our advanced steel flow control products for the year ended 31 December 2009 was approximately 3,972 tonnes, representing an increase of approximately 131.9% as compared to approximately 1,713 tonnes for the year ended 31 December 2008. Such growth was a combined effect of (i) our acquisition of 7 new customers in the northern region of the PRC in 2009 who purchased approximately 894 tonnes from us during the year ended 31 December 2009 and contributed approximately RMB39.0 million or 24.9% to our total revenue in 2009; (ii) the increase in sales to our customers acquired in 2008 by approximately 239.2% from approximately 347 tonnes in 2008 to approximately 1,177 tonnes in 2009. As a result, our revenue contributed from our customers acquired in 2008 has significantly increased from approximately RMB15.6 million for the year ended 31 December 2008 to approximately RMB48.1 million for the year ended 31 December 2009.

Cost of sales

Our costs of sales increased by about 85.3% from approximately RMB27.8 million in 2008 to approximately RMB51.5 million in 2009 which was in line with the increase in the sales volume of our advanced steel flow control products as discussed under the paragraph headed "Revenue" above.

Gross profit and gross profit margin

Our gross profit increased by approximately 167.5% from approximately RMB39.4 million for the year ended 31 December 2008 to approximately RMB105.4 million for the year ended 31 December 2009. Our gross profit margin also increased from approximately 58.6% for the year ended 31 December 2008 to approximately 67.2% for the year ended 31 December 2009. The increase in our gross profit and gross profit margin were mainly attributable to the economies of scale resulted from the significant increases in our overall sales volume by approximately 131.2% from approximately 1,713 tonnes for the year ended 31 December 2008 to approximately 3,972 tonnes for the year ended 31 December 2009. Our sales and product mix remained relatively stable in the year ended 31 December 2009 as compared to 2008.

Other income

Other income comprises bank interest income and exchange gains.

Selling and distribution costs

Our selling and distribution costs increased by approximately 95.5% from approximately RMB6.7 million for the year ended 31 December 2008 to approximately RMB13.1 million for the year ended 31 December 2009. The increase was mainly attributable to (i) the increase in commission paid to our salespersons, who assisted to obtain successful sales orders, by approximately 117.0% from approximately RMB4.7 million for the year ended 31 December 2008 to approximately RMB10.2 million for the year ended 31 December 2009 and (ii) the increase in transportation costs by approximately 66.7% from approximately RMB0.9 million in 2008 to approximately RMB1.5 million in 2009 as a result of increased delivery costs of our products in relation to the increased sales volume. As a percentage of revenue, our selling and distribution costs remained stable at approximately 9.9% and 8.4% for the years ended 31 December 2008 and 31 December 2009 respectively.

Administrative expenses

Our administrative expenses increased by approximately 12.5% from approximately RMB5.6 million for the year ended 31 December 2008 to approximately RMB6.3 million for the year ended 31 December 2009. The increase was primarily due to the combined effect of (i) the increase in staff costs (other than directors' remuneration) by approximately 30.8% from approximately RMB1.3 million for the year ended 31 December 2008 to approximately RMB1.7 million for the year ended 31 December 2009 as our headcount of administration staff increased from approximately 29 as at 31 December 2008 to 31 as at 31 December 2009; and (ii) the increase in travelling expenses and entertainment expenses by approximately 25.0% from approximately RMB1.2 million for the year ended 31 December 2008 to approximately RMB1.5 million for the year ended 31 December 2009 mainly attributable to the increased sales and marketing activities.

Finance costs

Our finance costs decreased by approximately 81.8% from approximately RMB1.1 million for the year ended 31 December 2008 to approximately RMB0.2 million for the year ended 31 December 2009 primarily due to the full repayment of our approximately RMB9.0 million bank borrowings in January 2009.

Taxation

Our tax charge increased by approximately 1050.0% from approximately RMB1.2 million for the year ended 31 December 2008 to approximately RMB13.8 million in 2009 primarily due to the increased income tax rate as a result of the expiration of the exemption from EIT for Sinoref (Yixing) beginning on 1 January 2009 and the increase in deferred tax charge on undistributed profit of Sinoref (Yixing) from approximately RMB1.2 million in 2008 to approximately RMB3.1 million in 2009. Sinoref (Yixing) was subject to a preferential EIT tax rate of 12.5% for the year ended 31 December 2009. As a result, our effective tax rates in 2008 and 2009 were approximately 4.6% and approximately 16.5% respectively.

Profit for the year

As a result of the foregoing, the Group's profit for the year increased by approximately 180.4% to approximately RMB70.1 million for the year ended 31 December 2009 from approximately RMB25.0 million for the year ended 31 December 2008 and its net profit margin increased to approximately 44.7% in 2009 from approximately 37.2% in 2008.

Year ended 31 December 2008 compared with year ended 31 December 2007

Revenue

Our revenue increased by approximately 68.0% from approximately RMB40.0 million for the year ended 31 December 2007 to approximately RMB67.2 million for the year ended 31 December 2008. The increase was mainly attributable to the increase in the overall sales volume of our advanced steel flow control products. The sales volume of our advanced steel flow control products for the year ended 31 December 2008 was approximately 1,713 tonnes, representing an increase of approximately 66.8% as compared to approximately 1,027 tonnes for the year ended 31 December 2007. Such growth was primarily attributable to the acquisition of 4 new customers in 2008 who purchased approximately 347 tonnes from us during the year ended 31 December 2008 and contributed approximately RMB15.6 million or approximately 23.2% to our total revenue in 2008. In addition, the sales of our products to one of our customers in the eastern region of the PRC has increased by approximately 1376.9% from approximately 13 tonnes in 2007 to approximately 191 tonnes in 2008. As a result, our revenue generated from this customer has significantly increased from approximately RMB0.7 million for the year ended 31 December 2007 to approximately RMB11.1 million for the year ended 31 December 2008.

Cost of sales

Our cost of sales mainly includes costs of raw materials, labour costs, depreciation and utilities expenses. Among all these costs, the cost of direct materials account for approximately 63.2% and 71.3% of the total cost of sales of our Group in 2007 and 2008 respectively.

Our costs of sales increased by about 57.1% from approximately RMB17.7 million in 2007 to approximately RMB27.8 million in 2008 which was in line with the increase in the sales volume of our advanced steel flow control products as discussed under the paragraph headed "Revenue" above.

Gross profit and gross profit margin

Our gross profit increased by approximately 76.7% from approximately RMB22.3 million for the year ended 31 December 2007 to approximately RMB39.4 million for the year ended 31 December 2008. Our gross profit margin also increased from approximately 55.7% for the year ended 31 December 2007 to approximately 58.6% for the year ended 31 December 2008. The increase in our gross profit and gross profit margin were mainly attributable to (i) higher operating efficiencies achieved through economies of scale resulting from the significant increases in our overall sales volume by approximately 66.8% from approximately 1,027 tonnes for the year ended 31 December 2007 to approximately 1,713 tonnes for the year ended 31 December 2008; and (ii) the change in our sales and product mix in the year ended 31 December 2008 as compared to 2007. The percentage of our revenue generated from our Tundish Nozzles and Subentry Nozzles, which, in general, have higher gross profit margins relative to our Stoppers and Ladle Shrouds, increased from approximately 56.6% for the year ended 31 December 2007 to approximately 63.1% for the year ended 31 December 2008 and the revenue generated from our Tundish Nozzles and Subentry Nozzles has increased significantly by approximately 87.6% from approximately RMB22.6 million for the year ended 31 December 2007 to approximately RMB42.4 million for the year ended 31 December 2008.

Other income

Other income comprises bank interest income, exchange gain, and gain on disposal of property, plant and equipment.

Selling and distribution costs

Our selling and distribution costs mainly represent expenses on commissions, transportation, staff costs, consumables and travelling.

Our selling and distribution costs increased by approximately 71.8% from approximately RMB3.9 million for the year ended 31 December 2007 to approximately RMB6.7 million for the year ended 31 December 2008. The increase was mainly attributable to (i) the increase in commission paid to our salespersons, who assisted to obtain successful sales orders, by approximately 80.8% from approximately RMB2.6 million for the year ended 31 December 2007 to approximately RMB4.7 million for the year ended 31 December 2008 and (ii) the increase of transportation costs by approximately 80.0% from approximately RMB0.5 million in 2007 to approximately RMB0.9 million in 2008 as a result of increased delivery costs of our products in relation to the increased sales volume. As a percentage of revenue, our selling and distribution costs remained stable at approximately 9.8% and 9.9% for the year ended 31 December 2007 and 31 December 2008 respectively.

Administrative expenses

Our administrative expenses mainly represent administrative staff costs, directors' remuneration, depreciation expenses, office expenses, travelling expenses, entertainment, amortisation of prepaid land lease payments, professional fees and various tax expenses.

Our administrative expenses increased by approximately 24.4% from approximately RMB4.5 million for the year ended 31 December 2007 to approximately RMB5.6 million for the year ended 31 December 2008. The increase was primarily due to the combined effect of (i) the increase in staff costs (excluding directors' remuneration) by approximately 30.0% from approximately RMB1.0 million for the year ended 31 December 2007 to approximately RMB1.3 million for the year ended 31 December 2008 as our headcount of administrative staff increased from approximately 25 as at 31 December 2007 to 29 as at 31 December 2008; and (ii) the increase in travelling expenses by approximately 150.0% from approximately RMB0.2 million for the year ended 31 December 2007 to approximately RMB0.5 million for the year ended 31 December 2008, and the increase in entertainment expenses by approximately 75.0% from approximately RMB0.4 million in 2007 to approximately RMB0.7 million in 2008, mainly attributable to the increased sales and marketing activities.

Finance costs

Our finance costs represent interest expenses incurred for our bank loans and discounted bills.

Our finance costs increased by approximately 120.0% from approximately RMB0.5 million for the year ended 31 December 2007 to approximately RMB1.1 million for the year ended 31 December 2008 mainly attributable to the payment of approximately RMB0.4 million interest expenses for discounted bills in 2008 as a result of the increase in the gross amounts of bills discounted to banks from nil in 2007 to approximately RMB17.5 million in 2008. Interest expenses incurred for our bank loans amounted to approximately 0.5 million and 0.7 million for the years ended 31 December 2007 and 2008 respectively.

Taxation

Sinoref (Yixing) was entitled to the exemption from EIT for the years ended 31 December 2007 and 2008. Tax charge for the year ended 31 December 2008 represented deferred tax on undistributed profit of Sinoref (Yixing) for 2008.

Profit for the year

As a result of the foregoing, the Group's profit for the year increased by approximately 86.6% to approximately RMB25.0 million for the year ended 31 December 2008 from approximately RMB13.4 million for the year ended 31 December 2007 and its net profit margin increased to approximately 37.2% in 2008 from approximately 33.5% in 2007.

Impact of fluctuations in raw material prices and product selling prices on the Group's gross profit and gross profit margin

The following table sets forth the Group's gross profit and gross profit margin and fluctuations in raw material prices and product selling prices:

	2007	**2008**	**2009**
	(RMB)	*(RMB)*	*(RMB)*
Revenue *('000)*	40,006	67,206	156,896
Gross profit *('000)*	22,267	39,391	105,388
Gross profit margin	55.7%	58.6%	67.2%
Average product selling price per unit	1,251	1,334	1,402
Average cost of raw material per unit	351	393	381

Average procurement price/tonne of the Group's 5 major materials:

	RMB	*RMB*	*RMB*
Graphite	3,658	4,885	4,103
Fused alumina	3,712	5,255	4,231
Calcined alumina	5,897	6,033	5,620
Resin binder	16,195	16,018	11,120
Calcia stablised zirconia	30,029	25,703	25,409

From the above analysis, despite the average cost of raw material per unit increased by approximately 12.0% to approximately RMB393 per unit in 2008 from approximately RMB351 per unit in 2007, the gross profit margin increased by approximately 2.9% to approximately 58.6% in 2008 from approximately 55.7% in 2007 mainly attributable to the increase in average product selling price by approximately 6.6% to approximately RMB1,334 per unit in 2008 from approximately RMB1,251 per unit in 2007 and economies of scale resulted from the increase in our overall sales volume. The gross profit margin has further increased by approximately 8.6% to approximately 67.2% in 2009 from approximately 58.6% in 2008 primarily due to the increase in average product selling price by approximately 5.1% to approximately RMB1,402 per unit in 2009 from approximately RMB1,334 per unit in 2008 and economies of scale. Depreciation of property, plant and equipment, being the second major part of our cost of sales, remained stable at approximately RMB3.6 million for 2007, 2008 and 2009. As such, we consider the impact of price fluctuation of raw material is less significant on impacting our Group's gross profit margin than average product selling price and economies of scale.

LIQUIDITY AND CAPITAL RESOURCES

We have financed our operations primarily through cash flows from operations, short-term bank borrowings, discounted bills with recourse, amount due to a director, amounts due to related companies, and capital contributions from shareholders. We recorded net cash inflows of approximately RMB5.5 million, RMB14.2 million and RMB45.5 million in 2007, 2008 and 2009. We were able to repay our obligations, bank loans, amount due to a director and amounts due to related companies when they became due during the Track Record Period.

As of 31 December 2009, we had no outstanding bank loans. During the Track Record Period, we had not experienced any delay in renewing our existing banking facilities. We had no outstanding amount due to any director or amounts due to related companies as of 31 December 2009. See paragraph headed "Indebtedness."

Cash flows

The following table sets forth a summary of our net cash flows for the periods indicated:

	Year ended 31 December		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Net cash from operating activities	6,919	25,156	53,600
Net cash used in investing activities	(18,698)	(5,918)	(1,532)
Net cash from (used in) financing activities	17,239	(5,026)	6,573
Net increase in cash and cash equivalents	5,460	14,212	45,495

Net cash from operating activities

Our net cash from operating activities was approximately RMB53.6 million in 2009, which was derived from our profit before taxation of approximately RMB83.9 million, adjusted to reflect net increases relating to non-cash items and items of income or expense associated with investing or financing cash flows, and a net decrease relating to changes in operating assets and liabilities. The adjustments relating to non-cash items primarily comprised depreciation expenses of approximately RMB4.6 million and release of prepaid land lease payments of approximately RMB0.2 million. The adjustments relating to changes in operating assets and liabilities, which resulted in a net decrease of approximately RMB29.5 million, primarily comprised:

- an increase in inventories of approximately RMB2.5 million principally due to an increase in inventories of raw materials resulted from management expectation of growth in production and sales of our products in the first quarter of 2010;

- an increase in trade receivables of approximately RMB37.6 million and in bills receivable of approximately RMB4.7 million principally due to an increase in sales of our products in the forth quarter of 2009;

- a decrease in other receivables and prepayments of approximately RMB0.7 million principally due to the repayment from other debtors;

- an increase in trade payables of approximately RMB1.1 million principally due to an increase in purchase of raw materials resulted from management expectation of growth in production and sales of our products in the first quarter of 2010; and

- an increase in other payables and accruals of approximately RMB13.6 million principally due to an increase in other tax payables of approximately RMB4.7 million resulted from the increase in sales of our products in the fourth quarter of 2009 and an increase in accrued sales commission of approximately RMB6.5 million which payment was made following the year end of 2009;

Our net cash from operating activities was approximately RMB25.2 million in 2008, which was derived from our profit before taxation of approximately RMB26.2 million, adjusted to reflect net increases relating to non-cash items and items of income or expense associated with investing or financing cash flows, and a net decrease relating to changes in operating assets and liabilities. The adjustment relating to non-cash items primarily comprised depreciation expenses of approximately RMB4.5 million, interest expense of approximately RMB1.1 million, and release of prepaid land lease payments of approximately RMB0.2 million. The adjustments relating to changes in operating assets and liabilities, which resulted in a net decrease of approximately RMB6.8 million, primarily comprised:

- an increase in inventories of approximately RMB1.0 million principally due to increase in raw materials as a result of the unexpected decrease in the production of our products in the fourth quarter of 2008 due to the global financial crisis and economic downturn;

- a decrease of trade receivables of approximately RMB3.7 million was primarily a combined effect of (i) the unexpected decrease in the production and sales of our products in the fourth quarter of 2008 due to the global financial crisis; and (ii) the Group's acceptance of settlement by bills from our customers, resulting an increase in bills receivable of approximately RMB7.7 million;

- a decrease in other payables and accruals of approximately RMB1.7 million was principally due to a decrease in sales commission of approximately RMB2.3 million which payment was made before the year end of 2008.

Our net cash from operating activities was approximately RMB6.9 million in 2007, which was derived from our profit before taxation of approximately RMB13.4 million, adjusted to reflect net increases relating to non-cash items and items of income or expense associated with investing or financing cash flows, and a net decrease relating to changes in operating assets and liabilities. The adjustments relating to non-cash items were primarily comprised of depreciation expenses of approximately RMB4.2 million and release of prepaid land lease payments of approximately RMB0.2 million. The adjustments relating to changes in operating assets and liabilities, which resulted in a net decrease of approximately RMB11.4 million, primarily comprised:

- an increase in inventories of approximately RMB3.7 million principally due to an increase in purchase of raw materials resulted from management expectation of growth in production and sales of our products in the first quarter of 2008;

- an increase in trade receivables of approximately RMB12.6 million as a result of the commencement of our manufacturing and sales of our products in 2007;

- an increase in other payables and accruals of approximately RMB4.1 million principally a combined effect of (i) an increase in accrued sales commission of approximately RMB2.3 million which was fully paid after the year end of 2007; and (ii) an increase in other tax payables of approximately RMB1.5 million.

Net cash used in investing activities

Our net cash used in investing activities was approximately RMB1.5 million in 2009. This was primarily used for the payment of approximately RMB1.6 million for the purchase of property, plant and equipment and was offset by RMB0.1 million interest received.

Our net cash used in investing activities was approximately RMB5.9 million in 2008. This was primarily used for the payment of approximately RMB6.1 million for the purchase of property, plant and equipment and was offset by approximately RMB0.1 million proceeds received on disposal of property, plant and equipment and interest received.

Our net cash used in investing activities was approximately RMB18.7 million in 2007. This was primarily used for the payment of approximately RMB18.7 million purchase of property, plant and equipment.

Net cash from and used in financing activities

Our net cash used in financing activities was approximately RMB6.6 million in 2009. This was primarily used for interest payment of approximately RMB0.2 million, repayment of bank loan of approximately RMB9.0 million, and additions of discounted bills with recourse of approximately RMB2.6 million resulted from the increase in sales volume of our products in the fourth quarter.

Our net cash used in financing activities was approximately RMB5.0 million in 2008. This was primarily due to interest payment of approximately RMB1.1 million, repayment of an amount due to a director of approximately RMB10.0 million, repayments to related companies of approximately RMB7.2 million, additions of discounted bills with recourse of approximately RMB6.4 million and capital contributions from Sinoref International of approximately RMB6.9 million.

Our net cash from financing activities was approximately RMB17.2 million in 2007. This was primarily due to interest payment of approximately RMB0.5 million, advances from related companies of approximately RMB7.2 million, net bank loan increment of approximately RMB3.0 million and capital contributions from Sinoref International of approximately RMB7.6 million.

STATEMENTS OF FINANCIAL POSITION

The following table sets forth our current assets and current liabilities as of the dates indicated:

	As at 31 December			As at 30 April
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)
Current assets				
Inventories	5,133	6,133	8,604	9,768
Trade receivables	12,573	8,910	46,490	81,855
Bills receivable	200	7,890	12,625	19,497
Other receivables and prepayments	680	792	141	1,496
Prepaid land lease payment	235	235	235	235
Bank balances and cash	5,793	20,005	65,500	95,558
	24,614	43,965	133,595	208,409
Current liabilities				
Trade payables	426	525	1,602	7,117
Other payables and accruals	10,460	3,193	16,028	31,813
Amount due to a director	10,000	–	–	–
Amounts due to related companies	7,208	–	–	–
Secured bank borrowings				
– due within one year	9,000	9,000	–	–
Discounted bills with recourse	–	6,390	9,012	11,840
Tax liabilities	–	–	4,995	4,092
	37,094	19,108	31,637	54,862
Net current (liabilities) assets	(12,480)	24,857	101,958	153,547

The increase in current assets by approximately RMB74.8 million from approximately RMB133.6 million at 31 December 2009 to approximately RMB208.4 million at 30 April 2010 is mainly attributable to the increase in trade receivables by approximately RMB35.4 million and the increase in bank balances and cash by approximately RMB30.1 million. The increase in trade receivables is primarily due to the increased sales orders from existing customers and the new sales orders from 2 new customers during the four months period ended 30 April 2010. The outstanding trade receivables balance at 30 April 2010 is fully related to the sales to the customers during the four months period ended 30 April 2010. The increase in bank balances and cash is mainly attributable to the full settlement of trade receivables balance of approximately RMB46.5 million outstanding at 31 December 2009 and the increased operating cash inflow generated by the increase in sales volume of our products during the four months period ended 30 April 2010.

The increase in current liabilities by approximately RMB23.3 million from approximately RMB31.6 million at 31 December 2009 to approximately RMB54.9 million at 30 April 2010 is mainly attributable to the increase in trade payables by approximately RMB5.5 million and other payables and accruals by approximately RMB15.8 million. The increase in trade payables is primarily due to the increase in purchase of raw materials in order to satisfy the confirmed sales orders placed by our customers for the four months period ended 30 April 2010 while the increase in other payables is mainly attributable to the accrued professional fees of approximately RMB10 million for the four months period ended 30 April 2010.

We had net current liabilities of approximately RMB12.5 million as of 31 December 2007 with amount due to a director of approximately RMB10.0 million, amounts due to related companies of approximately RMB7.2 million and secured 1-year bank borrowings of approximately RMB9.0 million, part of which was used to finance the construction of our plant and our purchases of fixed assets. The Group fully repaid the advances due to a director and related companies in 2008 and all bank borrowings in 2009.

The following table sets forth a breakdown of other payables and accruals as of the dates indicated:

	As at 31 December		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Accrued sales commission [(1)]	2,320	–	6,450
Accrued staff costs	205	815	1,201
Other tax payables	1,533	1,198	5,944
Payables for acquisition of property, plant and equipment	6,363	815	92
Accrued professional fees	–	–	2,000
Other payables	39	365	341
	10,460	3,193	16,028

Note:

(1) Accrued sales commission represented sales commission payable to our salespersons. The accrued sales commission of approximately RMB6.5 million as at 31 December 2009 has been fully paid in January 2010.

Turnover days of trade and bills receivables, inventories and trade payables and gearing ratios

The following table sets forth the turnover days of our Group's trade and bills receivables, inventories and trade payables and gearing ratios as of the dates indicated:

	As at 31 December		
	2007	**2008**	**2009**
Turnover days of trade and bills receivables[(1)]	58.3	63.0	70.4
Turnover days of inventories[(2)]	67.7	73.9	52.2
Turnover days of trade payables[(3)]	5.9	8.3	8.6
Gearing ratios[(4)]	10.1%	14.8%	4.8%

Notes:

(1) Turnover days of trade and bills receivables for a period is derived by dividing the arithmetic mean of the opening and closing balances of trade and bills receivables by turnover during the Track Record Period and then multiplying the quotient by 365 days (for a year) as applicable. Bills discounted were excluded in the calculation of turnover days of trade and bills receivables.

(2) Turnover days of inventories for a period is derived by dividing the arithmetic mean of the opening and closing balances of inventory by cost of goods sold during the Track Record Period and then multiplying the quotient by 365 days (for a year), as applicable.

(3) Turnover days of trade payables for a period is derived by dividing the arithmetic mean of opening and closing balances of trade payables by purchases for the Track Record Period and then multiplying the quotient by 365 days (for a year) as applicable.

(4) Gearing ratio is derived by dividing bank borrowings and discounted bills with recourse by total assets.

Trade and bills receivables

During the Track Record Period, credit terms granted to our customers ranged from immediately due to 90 days. The credit terms granted to each customer vary, depending on its business relationship with us, its creditworthiness and settlement record. A majority of our customers settle their payments by cash or banker's notes (銀行承兑匯票). To ensure timely settlement of our accounts receivables, our finance team followed up closely with the relevant customers on the outstanding payments. During the Track Record Period, we did not have any bad debts or doubtful debts.

The increase in trade receivables balance from approximately RMB8.9 million as of 31 December 2008 to approximately RMB46.5 million as of 31 December 2009 was mainly due to the increase in our total revenue, which increased from approximately RMB67.2 million for the year ended 31 December 2008 to approximately RMB156.9 million for the year ended 31 December 2009. Increase in our revenue was mainly attributable to our acquisition of new customers bringing in additional revenue and the increase in the sales orders from our existing customers. The number of customers increased from 11 as of 31 December 2008 to 18 as of 31 December 2009 and the 7 new customers generated additional revenue of approximately RMB39.0 million in 2009. The sales to our existing customers (those 11 customers as of 31 December 2008) increased from approximately RMB67.2 million in 2008 to approximately RMB117.9 million in 2009.

Our sales and marketing team is in charge of periodic collection tasks, and our finance team periodically verifies collection status with our sales and marketing team, monitors the aging of trade receivables and prepares financial records. Stronger collection efforts will be made with respect to long outstanding trade debts. Trade and bills receivables turnover days increased from 58 days in 2007 to 63 days in 2008 and up to 70 days in 2009, primarily due to the sales of our products to the 7 new customers acquired in 2009, who normally settled the trade receivables in more than two months. These new customers contributed approximately RMB39.0 million sales in 2009 and the trade receivables due from them as of 31 December 2009 were approximately RMB15.1 million, or approximately 32.5% of our trade receivables as of 31 December 2009. As at the Latest Practicable Date, trade receivables of approximately RMB46.5 million as of 31 December 2009 were fully settled. Regarding the bill receivables of approximately RMB12.6 million as of 31 December 2009, approximately RMB12.6 million were settled as at the Latest Practicable Date.

The following table sets forth a summary of aging analysis of our trade receivables as of the dates indicated:

	As at 31 December		
	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*
0 – 30 days	3,822	3,130	16,500
31 – 60 days	4,859	2,317	21,895
61 – 90 days	2,681	2,702	7,995
91 – 120 days	1,211	761	100
	12,573	8,910	46,490

Our trade receivables of 91 days to 120 days had decreased from approximately RMB1.2 million as of 31 December 2007 to approximately RMB0.8 million as of 31 December 2008 to approximately RMB0.1 million as of 31 December 2009 as management has allocated more resources to follow up outstanding payments during the Track Record Period.

Inventories

Our inventories comprise raw materials, work-in-progress and finished goods. The following table sets forth our ending inventory balances as of the dates indicated:

	As at 31 December		
	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	3,103	4,513	3,447
Work-in-progress	1,321	1,355	2,345
Finished goods	709	265	2,812
	5,133	6,133	8,604

Our inventories increased from approximately RMB5.1 million as of 31 December 2007 to approximately RMB6.1 million as of 31 December 2008, primarily due to the increase in raw materials resulted from the decrease in the sales volume of our products caused by the global financial crisis and economic downturn in the last quarter of 2008. Inventories increased to approximately RMB8.6 million as of 31 December 2009 primarily due to the increase in work-in-progress resulted from the increase in production volume and confirmed sales orders of our products in the first quarter of 2010. In addition, more finished goods were ready for delivery as of the year end of 2009 to fulfill the growth in sales volume.

As one of our risk management policies, we always maintain a safety inventory level of raw materials of approximately 30 days' production volume to avoid disruption of production in case of any delays in delivery of raw materials by our suppliers. In addition, it is our policy to keep our inventory level at low level while keeping a safety inventory level of approximately 30 days' sales volume, and hence we rarely face the problem of obsolete stock. No provision for obsolete inventories was made during the Track Record Period. Nevertheless, stock control procedures have been implemented by us to keep the occurrence of obsolete stock to a minimum level.

Our inventory turnover days increased from 67.7 days as of 31 December 2007 to 73.9 days as of 31 December 2008 mainly attributable to the increase in inventory of raw materials as a result of an unexpected decrease in production caused by the global financial crisis and economic downturn in the last quarter of 2008. Inventory turnover day decreased to 52.2 days as of 31 December 2009 resulted from the increase in production and sales volume of our products due to the gradual economic recovery in 2009.

As at 30 April 2010, raw materials of approximately RMB2.8 million, work-in-progress of approximately RMB2.3 million and finished goods of approximately RMB2.8 million out of the respective year end balances were utilised.

Trade payables

Our trade payables primarily represent payables to our raw material suppliers. Payments to our suppliers are made by cash before delivery, by cash against delivery or are settled with a credit term of up to 30 days. Our trade payables as of 31 December 2007 amounted to approximately RMB0.4 million, compared to approximately RMB0.5 million as of 31 December 2008 and approximately RMB1.6 million as of 31 December 2009. The increase in our trade payables during the Track Record Period was primarily due to the increase in purchase of raw materials to satisfy the increased sales orders confirmed by our customers.

The trade payables turnover days increased from 8.3 days as of 31 December 2008 to 8.6 days as of 31 December 2009 mainly due to the increase in purchases from one of our major raw material suppliers who offers credit term of 30 days.

The following table sets forth a summary of aging analysis of our trade payables (by good receipt day) as of the dates indicated:

	As at 31 December		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
0 – 30 days	156	285	1,426
31 – 60 days	27	2	40
61 – 90 days	201	36	59
Over 90 days	42	202	77
	426	525	1,602

As at 30 April 2010, trade payables of approximately RMB1.5 million out of the total balances of approximately RMB1.6 million as at 31 December 2009 were settled.

Gearing ratios

Gearing ratio represents total bank borrowings and discounted bills with recourse as a percentage of total assets. Our gearing ratio was approximately 10.1%, 14.8%, and 4.8% as of 31 December 2007, 2008 and 2009, respectively. The increase in gearing ratio by approximately 4.7% as of 31 December 2008 compared to 31 December 2007 was primarily due to bills discounted to banks in 2008 but nil in 2007 and increase of bank balances and cash. The decrease in gearing ratio by approximately 10.0% as of 31 December 2009 compared to 31 December 2008 was mainly attributable to repayment of secured short term bank borrowings and the increase in bank balances and cash.

Summary of key financial ratios during the Track Record Period

Return on equity

The table below sets forth our return on equity ratios for the periods indicated:

	Year ended 31 December		
	2007	**2008**	**2009**
Return on equity[(1)]	32.5%	36.9%	59.1%

Note:

(1) Return on equity is calculated by profit for the year divided by the arithmetic mean of the opening and closing balances of shareholders' equity expressed during the relevant year as a percentage.

Liquidity ratios

The table below sets forth our liquidity ratios for the periods indicated:

	As at 31 December		
	2007	**2008**	**2009**
Current ratio[(1)]	66.4%	230.1%	422.3%
Quick ratio[(2)]	52.5%	198.0%	395.1%

Notes:

(1) Current ratio is calculated by dividing current assets by current liabilities.

(2) Quick ratio is calculated by dividing current assets less inventories by current liabilities.

Our current ratio increased from approximately 66.4% as of 31 December 2007 to approximately 230.1% as of 31 December 2008 whereas our quick ratio increased from approximately 52.5%, as of 31 December 2007 to approximately 198.0% as of 31 December 2008 primarily due to the net increase in bank balances and cash after the repayment of the amount due to a director and amounts due to related companies by the cash receipt from our expanded business.

Our quick ratio and current ratio increased from approximately 198.0% and 230.1%, respectively, as of 31 December 2008 to approximately 395.1% and 422.3%, respectively, as of 31 December 2009, primarily due to the increase in trade receivables and bank balances and cash as our business further expanded and our short term bank borrowings were fully repaid. This was partially off set by the increase in accrued sales commission and tax payables.

INDEBTEDNESS

We have financed our operations primarily through short-term bank borrowings, discounted bills with recourse, amount due to a director and amounts due to related companies. Short-term bank borrowings are in the form of interest bearing short-term loans, whereas amount due to a director and amounts due to related companies are non-interest bearing. As at 31 December 2009, except for the discounted bills with recourse amounted to approximately RMB9.0 million, the Group had no outstanding bank borrowing.

The following table sets forth the breakdown of our short-term indebtedness as at the dates indicated:

	As at 31 December			As at 30 April
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)
Amount due to a director	10,000	–	–	–
Amounts due to related companies	7,208	–	–	–
Secured bank borrowings – due within one year	9,000	9,000	–	–
Discounted bills with recourse	–	6,390	9,012	11,840
	26,208	15,390	9,012	11,840

All amount due to a director and amounts due to related companies were settled prior to the date of this document.

As at 30 April 2010, the leasehold land of the Group is pledged against a loan facility of RMB8,000,000, which has not been drawn down by the Group.

Except as disclosed in this section of the document, apart from intra-group liabilities, neither our Company nor any of our Company's subsidiaries had, as of 30 April 2010, mortgages, charges, debentures, bank overdrafts, loans, liabilities under acceptance, hire purchase commitments, debt securities or material amounts of quantifiable guarantees and contingent liabilities.

SUBSEQUENT CHANGES

The Directors have confirmed that there has not been any material changes in the indebtedness or contingent liabilities of our Group since 30 April 2010.

CAPITAL EXPENDITURES

Our capital expenditures consist of cash used in construction of our production facilities and purchase of machines and equipment. We have financed our capital expenditures through cash flows from operations, short-term bank borrowings, advances from a director and related companies and capital injection from shareholders. In 2007, 2008, and 2009, our capital expenditures amounted to approximately RMB5.2 million, RMB0.6 million and RMB0.9 million, respectively.

The following table sets forth our capital expenditures for the periods indicated:

	As at 31 December		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Property, plant and equipment	5,198	553	881

CAPITAL COMMITMENTS

As of 31 December 2007, 2008 and 2009 and the Latest Practicable Date, neither our Company nor any of our Company's subsidiaries had any material capital commitments.

OFF-BALANCE SHEET ARRANGEMENTS AND CONTINGENCIES

As of 31 December 2007, 2008 and 2009 and the Latest Practicable Date, neither our Company nor any of our Company's subsidiaries had provided any guarantees to third parties and related companies. We have not entered into any derivative financial instruments, interest rate swap transactions or foreign currency forward contracts. We do not engage in speculative transactions involving derivatives.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Currency risk

Certain purchase transactions of the Group are denominated in foreign currencies, which expose the Group to foreign currency risk. The Group does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The financial assets and financial liabilities that are denominated in foreign currencies are insignificant as at 31 December 2007, 2008 and 2009.

Interest rate risk

The Group was exposed to fair value interest rate risk in relation to the fixed-rate secured bank borrowings and discounted bills with recourse. The Group's exposure to cash flow interest rate risk in relation to bank balances is considered as insignificant. The Group does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Inflation

In recent years, China has not experienced significant inflation and thus inflation has not materially impacted our results of operations. According to the National Bureau of Statistics of China, the change in the Consumer Price Index in China was 4.8%, 5.9% and -0.7% in 2007, 2008 and 2009, respectively. Based on the upward change of the Consumer Price Index in late 2007, the PRC government announced measures to restrict bank lending and investment in China in order to reduce inflationary pressures on China's economy. Such measures adopted by the PRC government may not be successful in reducing or slowing the rate of inflation in China, and sustained or increased inflation in China in the future may adversely affect our business and financial results.

PROPERTY INTERESTS AND VALUATION OF PROPERTIES

Our properties were revalued at RMB33,000,000 as at 31 March 2010 by Colliers International (Hong Kong) Limited. Details of the valuation are summarised in Appendix IV to this document.

Disclosure of the reconciliation of the property interests and the valuation of such property interests as required under [•••] are set out below.

	RMB'000	*RMB'000*
Valuation of properties as of 31 March 2010 as set out in the Valuation Report included in Appendix IV		33,000
Carrying value of the following properties as at 31 December 2009 as set out in the Accountants' Report on the Group included in Appendix I		
– Buildings	16,949	
– Land use rights	10,801	
	27,750	
Less: Depreciation of buildings during the period from 31 December 2009 to 31 March 2010 (unaudited)	230	
Less: Amortisation of land use rights during the period from 31 December 2009 to 31 March 2010 (unaudited)	59	
Carrying value of properties as at 31 March 2010 subject to valuation as set out in the Valuation Report included in Appendix IV		27,461
Net valuation surplus		5,539

DIVIDEND POLICY

We may distribute dividends by way of cash or by other means that our Directors consider appropriate. A decision to distribute any interim dividend or recommend any final dividend will be at the discretion of our Board. In addition, any final dividend will be subject to Shareholders' approval. Our Board will review our Company's dividend policy from time to time in light of the following factors in determining whether dividends are to be declared and paid:

- financial results of our Company;
- shareholders' interests;
- general business conditions, strategies and future expansion needs;
- our Company's capital requirements;
- the payment by our subsidiaries of cash dividends to our Company;
- possible effects on liquidity and financial position of our Company; and
- other factors our Board may deem relevant.

We did not declare or pay any dividends during the Track Record Period.

We intend to distribute at least 30% of the distributable profits attributable to shareholders of our Company for the financial year ending 31 December 2010 as dividends. Such intention does not amount to any guarantee or representation or indication that our Company must or will declare and pay dividend in such manner or declare and pay any dividend at all.

DISTRIBUTABLE RESERVES

There had been no distributable reserves available for distribution to our Shareholders as of the Latest Practicable Date.

NO MATERIAL ADVERSE CHANGE

The Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Company since 31 December 2009, being the last date of our latest audited financial results as set out in Appendix I "Accountants' Report" to this document.

FUTURE PLANS

Detailed description of our future plans are set out the paragraph headed "Business strategies" under the section headed "Business" in this document.

SHARE CAPITAL

		HK$
Authorised share capital:		
3,000,000,000	Shares of HK$0.10 each	300,000,000
Issued and to be issued, fully paid or credited as fully paid		
2,000,000	Shares in issue at the date of this document	200,000
[•••]	Shares to be issued pursuant to the [•••]	[•••]
[•••]	Shares to be issued pursuant to the [•••]	[•••]
[•••]	Shares	[•••]

RANKING

The [•••] will rank equally with all of the Shares now in issue or to be issued, and will qualify for all dividends or other distributions declared, made or paid on the Shares after the date of this document except for the [•••].

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[Date]

The Directors
Sinoref Holdings Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") relating to Sinoref Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended 31 December 2009 (the "Relevant Periods") for inclusion in the document of the Company dated [•••] (the "Document").

The Company was incorporated as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 4 February 2010. Pursuant to a corporate reorganisation ("Corporate Reorganisation"), as more fully explained in the section headed "Group reorganisation" in Appendix VI to the Document, the Company became the holding company of the companies comprising the Group on 7 June 2010.

All the companies comprising the Group have adopted 31 December as their financial year end date.

Particulars of the Company's subsidiaries at the date of this report are as follows:

Name of subsidiary	Place and date of incorporation/ establishment	Equity interest attributable to the Company	Issued and fully paid share capital/ registered capital	Principal activities
Sinoref (BVI) Limited	British Virgin Islands ("BVI") 12 January 2010	100%	US$2	Investment holding
Sinoref (Hong Kong) Limited	Hong Kong 17 February 2010	100%	HK$1	Investment holding
華耐國際(宜興)高級陶瓷有限公司 ("Sinoref Yixing")#	People's Republic of China ("PRC") 20 July 2005	100%	RMB47,040,600	Manufacture and sales of advanced steel flow control products

All of the subsidiaries are wholly owned indirectly by the Company except for Sinoref (BVI) Limited which is wholly owned directly by the Company.

Wholly foreign owned enterprise registered in the PRC.

No audited financial statements have been prepared for the Company since its date of incorporation as it has not carried on any business other than the transactions related to the Corporate Reorganisation.

No audited financial statements have been prepared for Sinoref (BVI) Limited since its date of incorporation as there is no statutory requirement in BVI to do so. Deloitte Touche Tohmatsu is the statutory auditor of Sinoref (Hong Kong) Limited since its incorporation. No audited financial statements have been prepared for Sinoref (Hong Kong) Limited since its incorporation as the company has not carried on any business other than the transactions related to the Corporate Reorganisation.

For the purpose of this report, we have, however, reviewed the relevant transactions of the Company, Sinoref (BVI) Limited and Sinoref (Hong Kong) Limited since their respective dates of incorporation and carried out such procedures as we considered necessary for inclusion of the financial information relating to these companies in the Document.

The statutory financial statements of Sinoref Yixing were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises established in the PRC and were audited by 宜興達華會計師事務所有限公司, the certified public accountants registered in the PRC for the Relevant Periods.

For the purpose of this report, the directors of Sinoref Yixing have prepared financial statements for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements"). We have undertaken an independent audit on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and examined the Underlying Financial Statements in accordance with the Auditing Guideline [•••] as recommended by the HKICPA.

The Financial Information of the Group for the Relevant Periods set out in this report has been prepared from the Underlying Financial Statements on the basis set out in note 1 to the Financial Information, after making such adjustments as we consider appropriate for the purpose of preparing our report for the inclusion in the Document.

The Underlying Financial Statements are the responsibility of the directors of Sinoref Yixing who approved their issue. The Company's directors are responsible for the contents of the Document in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of presentation set out in note 1 to the Financial Information, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Group as at 31 December 2007, 2008 and 2009, and of the combined results and combined cash flows of the Group for the Relevant Periods.

A. FINANCIAL INFORMATION

COMBINED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 December		
		2007	**2008**	**2009**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	*6*	40,006	67,206	156,896
Cost of sales		(17,739)	(27,815)	(51,508)
Gross profit		22,267	39,391	105,388
Other income	*8*	39	95	72
Selling and distribution costs		(3,915)	(6,654)	(13,109)
Administrative expenses		(4,457)	(5,588)	(6,263)
Other expenses	*9*	–	–	(2,000)
Finance costs	*10*	(529)	(1,062)	(195)
Profit before taxation		13,405	26,182	83,893
Taxation	*13*	–	(1,211)	(13,817)
Profit for the year and total comprehensive income for the year	*14*	13,405	24,971	70,076
Earnings per share				
Basic *(RMB)*	*15*	0.01	0.03	0.08

COMBINED STATEMENTS OF FINANCIAL POSITION

		At 31 December		
		2007	2008	2009
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets				
Property, plant and equipment	*16*	53,120	49,054	45,344
Prepaid land lease payments	*17*	11,036	10,801	10,566
		64,156	59,855	55,910
Current assets				
Inventories	*18*	5,133	6,133	8,604
Trade receivables	*19*	12,573	8,910	46,490
Bills receivable	*20*	200	7,890	12,625
Other receivables and prepayments		680	792	141
Prepaid land lease payments	*17*	235	235	235
Bank balances and cash	*21*	5,793	20,005	65,500
		24,614	43,965	133,595
Current liabilities				
Trade payables	*22*	426	525	1,602
Other payables and accruals	*23*	10,460	3,193	16,028
Amount due to a director	*24*	10,000	–	–
Amounts due to related companies	*25*	7,208	–	–
Secured bank borrowings – due within one year	*26*	9,000	9,000	–
Discounted bills with recourse	*20*	–	6,390	9,012
Tax liabilities		–	–	4,995
		37,094	19,108	31,637
Net current (liabilities) assets		(12,480)	24,857	101,958
Total assets less current liabilities		51,676	84,712	157,868
Capital and reserves				
Paid-in capital	*27*	40,187	47,041	47,041
Reserves		11,489	36,460	106,536
Net assets attributable to owners of the Company		51,676	83,501	153,577
Non-current liability				
Deferred taxation	*28*	–	1,211	4,291
		51,676	84,712	157,868

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Paid-in capital *RMB'000*	Statutory reserves *RMB'000* *(Note)*	(Accumulated loss) retained profits *RMB'000*	Total *RMB'000*
At 1 January 2007	32,627	–	(1,916)	30,711
Increase of registered capital of Sinoref Yixing	7,560	–	–	7,560
Profit for the year representing total comprehensive income for the year	–	–	13,405	13,405
Transfer to statutory reserves	–	1,174	(1,174)	–
At 31 December 2007	40,187	1,174	10,315	51,676
Increase of registered capital of Sinoref Yixing	6,854	–	–	6,854
Profit for the year representing total comprehensive income for the year	–	–	24,971	24,971
Transfer to statutory reserves	–	2,691	(2,691)	–
At 31 December 2008	47,041	3,865	32,595	83,501
Profit for the year representing total comprehensive income for the year	–	–	70,076	70,076
Transfer to statutory reserves	–	6,844	(6,844)	–
At 31 December 2009	47,041	10,709	95,827	153,577

Note:

In accordance with the relevant laws and regulations of the PRC, Sinoref Yixing is required to provide for PRC statutory reserves, including enterprise expansion fund and general reserve fund, by way of appropriations from its statutory net profit (based on the subsidiary's PRC statutory financial statements) but before dividend distributions.

All appropriations to the funds are made at the discretion of Sinoref Yixing's board of directors. The board of directors shall decide on the amounts to be appropriated based on its profitability each year.

The enterprise expansion fund may be used to increase registered capital subject to approval from the relevant PRC authorities. The general reserves fund may be used to offset accumulated losses or increase the registered capital subject to approval from the relevant PRC authorities.

COMBINED STATEMENTS OF CASH FLOWS

	Year ended 31 December		
	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*
OPERATING ACTIVITIES			
Profit before taxation	13,405	26,182	83,893
Adjustments for:			
Interest income	(39)	(51)	(72)
Interest expense	529	1,062	195
Gain on disposal of property, plant and equipment	–	(16)	–
Depreciation of property, plant and equipment	4,226	4,503	4,591
Release of prepaid land lease payments	235	235	235
Operating cash flows before movements in working capital	18,356	31,915	88,842
Increase in inventories	(3,689)	(1,000)	(2,471)
(Increase) decrease in trade receivables	(12,573)	3,663	(37,580)
Increase in bills receivable	(200)	(7,690)	(4,735)
Decrease (increase) in other receivables and prepayments	596	(112)	651
Increase in trade payables	371	99	1,077
Increase (decrease) in other payables and accruals	4,058	(1,719)	13,558
Net cash generated from operations	6,919	25,156	59,342
PRC income tax paid	–	–	(5,742)
NET CASH FROM OPERATING ACTIVITIES	6,919	25,156	53,600
INVESTING ACTIVITIES			
Interest received	39	51	72
Purchase of property, plant and equipment	(18,737)	(6,101)	(1,604)
Proceeds on disposal of property, plant and equipment	–	132	–
NET CASH USED IN INVESTING ACTIVITIES	(18,698)	(5,918)	(1,532)
FINANCING ACTIVITIES			
Interest paid	(529)	(1,062)	(195)
Repayment to a director	–	(10,000)	–
Advances from (repayments to) related companies	7,208	(7,208)	–
New bank borrowings raised	12,000	9,000	–
Repayment of bank borrowings	(9,000)	(9,000)	(9,000)
Additions of discounted bills with recourse	–	6,390	2,622
Capital contributions from shareholders	7,560	6,854	–
NET CASH FROM (USED IN) FINANCING ACTIVITIES	17,239	(5,026)	(6,573)
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,460	14,212	45,495
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	333	5,793	20,005
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH	5,793	20,005	65,500

NOTES TO THE COMBINED FINANCIAL INFORMATION

1. BASIS OF PRESENTATION OF FINANCIAL INFORMATION

Sinoref Yixing was established on 20 July 2005. It was 95% owned by Sinoref International Limited, a limited company incorporated in the BVI and 5% owned by Sino Super (Hong Kong) Limited, a limited company incorporated in Hong Kong prior to the Corporate Reorganisation.

Pursuant to the Corporate Reorganisation as set out in the section headed "Group reorganisation" in the Appendix VI to the Document, 5% equity interest in Sinoref Yixing owned by Sino Super (Hong Kong) Limited was transferred to Sinoref International Limited by shares swap and Sinoref Yixing became a wholly-owned subsidiary of Sinoref International Limited. Thereafter, two new investment holding companies, Sinoref (BVI) Limited and its wholly-owned subsidiary, Sinoref (Hong Kong) Limited were incorporated and interspersed between Sinoref International Limited and Sinoref Yixing. On 4 February 2010, the Company was incorporated by Sinoref International Limited and became its wholly-owned subsidiary. On 7 June 2010, the Company acquired 100% equity interest in Sinoref (BVI) Limited from Sinoref International Limited and in exchange for which the Company allotted and issued, at the direction of Sinoref International Limited, 1,000,000 shares credited as fully paid to the shareholders of Sinoref International Limited in proportion to their respective shareholdings in Sinoref International Limited and the Company becomes the holding company of the Group.

Pursuant to the above Corporate Reorganisation, which was principally completed by establishing the Company, Sinoref (BVI) Limited and Sinoref (Hong Kong) Limited as the parent of Sinoref Yixing, the Company became the holding company of the companies comprising the Group on 7 June 2010. The Group comprising the Company and its subsidiaries resulting from the Corporate Reogranisation is regarded as a continuing entity.

The combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows are prepared as if the current group structure had been in existence throughout the Relevant Periods, or since the respective dates of incorporation/establishment of the relevant entities, where this is a shorter period. The combined statements of financial position as at 31 December 2007, 2008 and 2009 present the assets and liabilities of the companies comprising the Group which had been incorporated/established at the end of each reporting period as if the current group structure had been in existence at those dates.

The Financial Information is presented in Renminbi ("RMB"), the currency of the primary economic environment in which Sinoref Yixing operates.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The HKICPA has issued a number of Hong Kong Accounting Standards ("HKAS(s)"), Hong Kong Financial Reporting Standards ("HKFRS(s)"), amendments and interpretations ("HK(IFRIC) – Int") (hereinafter collectively referred to as the "new HKFRSs") which are effective for the Group's financial year beginning on 1 January 2009. For the purposes of preparing and presenting the Financial Information of the Group for the Relevant Periods, the Group has consistently adopted all these new HKFRSs throughout the Relevant Periods.

At the date of this report, the HKICPA has issued the following new and revised standards, amendments and interpretations that are not yet effective. The Group has not early applied these standards, amendments or interpretations.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKFRSs (Amendments)	Improvements to HKFRSs 2010[3]
HKAS 24 (Revised)	Related Party Disclosures[7]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[5]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[4]
HKFRS 1 (Amendment)	Limited Exemptions from Comparative HKFRS 7 Disclosures for First-time Adopters[6]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[4]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[8]
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirment[7]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[6]

[1] Effective for annual periods beginning on or after 1 July 2009
[2] Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate
[3] Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate
[4] Effective for annual periods beginning on or after 1 January 2010
[5] Effective for annual periods beginning on or after 1 February 2010
[6] Effective for annual periods beginning on or after 1 July 2010
[7] Effective for annual periods beginning on or after 1 January 2011
[8] Effective for annual periods beginning on or after 1 January 2013

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the combined financial statements of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared under the historical cost basis and in accordance with the accounting policies below which conform with HKFRSs issued by the HKICPA. In addition, the Financial Information includes applicable disclosures required by the [•••] and by the Hong Kong Companies Ordinance.

Basis of combination

The combined financial information incorporates the financial statements of companies now comprising the Group.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on combination.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of sales tax.

Revenue from sales of goods are recognised when goods are delivered and title has passed.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

Prepaid land lease payments

The prepaid lease payments represent payment for land use rights, which are initially recognised at cost and released to combined statements of comprehensive income over the lease term on a straight-line basis.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Impairment of tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted-average method.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

Financial instruments

Financial assets and financial liabilities are recognised in the combined statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified as loans and receivables. All regular way purchases or sale of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation as convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, other receivables, bills receivable and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss of financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been affected.

For loans and receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade and bills receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group’s past experience of collecting payments, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset’s carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including trade payables, other payables, amounts due to a director and related companies, secured bank borrowings and discounted bills with recourse are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the group entities are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the combined statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods, and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is recognised on differences between the carrying amount of assets and liabilities in the combined financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Retirement benefits costs

Payments to the defined contribution retirement benefits plan are charged as expenses when employees have rendered service entitling them to the contributions.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, which are described in note 3, the management has made various estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates are based on past experience, expectations of the future and other information that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Useful lives of property, plant and equipment

In applying the accounting policy on property, plant and equipment with respect to depreciation, management estimates the useful lives of various categories of property, plant and equipment according to the industrial experiences over the usage of property, plant and equipment and also by reference to the relevant industrial norm. If the actual useful lives of property, plant and equipment is less than the original estimate useful lives due to changes in commercial and technological environment, such difference will impact the depreciation charge for the remaining period.

Estimated allowances for inventories

The management estimates the net realisable value of inventories based primarily on the latest market prices and current market conditions. The Group carries out an inventory review at the end of each reporting period and makes allowance on obsolete and slow moving items to write off or write down inventories to their net realisable values. Where the expectation on the net realisable value is lower than the carrying amount, an impairment may arise.

Estimated impairment of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2007, 2008 and 2009, the carrying amounts of trade receivables are RMB12,573,000, RMB8,910,000 and RMB46,490,000 respectively.

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK DISCLOSURES

Categories of financial instruments

	At 31 December		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Financial assets			
Loans and receivables (including cash and cash equivalents)	18,873	36,877	124,629
Financial liabilities			
Amortised cost	33,036	17,095	11,047

Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, other receivables, bills receivables, bank balances, trade payables, other payables, amounts due to a director and related companies, secured bank borrowings and discounted bills with recourse.

Details of these financial instruments are disclosed in respective notes. The risk associated with these financial instruments and the polices on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

Certain purchase transactions of the Group are denominated in foreign currencies, which expose the Group to foreign currency risk. The Group does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The financial assets and financial liabilities that are denominated in foreign currencies are insignificant at the end of each reporting period, therefore, no sensitivity analysis of foreign currencies against RMB is disclosed.

Interest rate risk

The Group was exposed to fair value interest rate risk at the end of each reporting period in relation to the fixed-rate secured bank borrowings and discounted bills with recourse. The Group's exposure to cash flow interest rate risk in relation to bank balances is considered as insignificant. The Group does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Credit risk

As the end of each reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the combined statements of financial position. The Group has adopted a policy of only dealing with creditworthy counterparties, as a means of mitigating the risk of financial loss from defaults.

Bank balances are placed in various authorised institutions and the directors of the Company consider the credit risk of such authorised institutions is low.

The Group has concentration of credit risk as 25% (2008: 19%; 2009: 10%) and 86% (2008: 62%; 2009: 47%) of the total trade receivables at 31 December 2007, 2008 and 2009 was due from the Group's largest customer and the five largest customers respectively. In order to minimise the concentration risk, the management of the Group has delegated staff responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amount. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

At 31 December 2007, the Group was in net current liabilities position. In 2007 and 2008, the Group relied on advances from a director of the Company and related companies, secured bank borrowings and discounted bills with recourse as significant sources of liquidity. In 2009, the internally generated funds were sufficient to maintain the liquidity of the Group and no advances from a director and related companies and bank borrowings were utilised at 31 December 2009.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate	**Less than 3 months**	**3 months to 1 year**	**Total undiscounted cash flows**	**Total**
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2007					
Trade payables	–	426	–	426	426
Other payables	–	6,402	–	6,402	6,402
Amount due to a director	–	10,000	–	10,000	10,000
Amounts due to related companies	–	7,208	–	7,208	7,208
Fixed interest rates secured bank borrowings	7.49	168	9,287	9,455	9,000
		24,204	9,287	33,491	33,036
As at 31 December 2008					
Trade payables	–	525	–	525	525
Other payables	–	1,180	–	1,180	1,180
Fixed interest rates secured bank borrowings	7.56	170	9,516	9,686	9,000
Discounted bills with recourse	4.29	4,390	2,000	6,390	6,390
		6,265	11,516	17,781	17,095
As at 31 December 2009					
Trade payables	–	1,602	–	1,602	1,602
Other payables	–	433	–	433	433
Discounted bills with recourse	2.81	6,451	2,561	9,012	9,012
		8,486	2,561	11,047	11,047

Fair values

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost at the end of each reporting period approximate their fair values.

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes amounts due to a director and related companies, secured bank borrowings and discounted bills with recourse as disclosed in notes 24, 25, 26 and 20 and equity attributable to equity holders of the Company, comprising issued capital and retained profits.

The management of the Group reviews the capital structure on a continuous basis taking into account the cost of capital and the risk associated with the capital. The Group will balance its overall capital structure through payment of dividend, issuance of new shares as well as the raising of new debts or the repayment of existing debt.

The Group's overall strategy remains unchanged during the Relevant Periods.

6. REVENUE

Revenue represents the net amounts received and receivable for goods sold less returns and discounts in the normal course of business.

7. OPERATING SEGMENTS

HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the board of directors) in order to allocate resources to the segment and to assess its performance.

For management purpose, the Group operates in one business unit based on their products, and has one reportable operating segment: manufacture and sales of advanced steel flow control products. The board of directors monitors the revenue of its business unit as a whole based on the monthly sales and delivery reports for the purpose of making decisions about resource allocation and performance assessment.

Information about products

The revenue of the major products is analysed as follows:

	Year ended 31 December		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Manufacture and sales of advanced steel flow control products:			
Subentry Nozzle	16,329	28,307	69,026
Stopper	11,607	19,042	45,700
Tundish Nozzle	6,318	14,146	32,992
Ladle Shroud	5,752	5,711	9,178
	40,006	67,206	156,896

Information about geographical areas

As all the Group's revenue is derived from customers based in the PRC and all the Group's identifiable assets and liabilities are located in the PRC, no geographical segment information is presented.

Information about major customers

Revenues from customers for the three years ended 31 December 2009 contributing over 10% of the total sales of the Group are as follows:

	Year ended 31 December		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Customer A	14,573	11,292	19,261
Customer B	12,202	9,133	N/A*
Customer C	5,394	9,048	N/A*
Customer D	4,119	N/A*	N/A*
Customer E	N/A*	11,119	N/A*
Customer F	N/A*	9,265	17,688

* The corresponding revenue did not contribute over 10% of the total sales of the Group.

Four types of products were sold to each of the customers A, B, C, E and F while only Ladle Shroud, Stopper and Subentry Nozzle were sold to customer D.

8. OTHER INCOME

	Year ended 31 December		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Other income comprises:			
Bank interest income	39	51	72
Exchange gains	–	28	–
Gain on disposal of property, plant and equipment	–	16	–
	39	95	72

9. OTHER EXPENSES

The amount represents professional fees and other expenses.

10. FINANCE COSTS

They represented the interests on bank borrowings and discounted bills with recourse wholly repayable within five years.

11. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the director during the Relevant Periods were as follows:

	Xu Ye Jun	**Gao Zhi Long**	**Zhang Lan Yin**	**Gu Ao Xing**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
For the year ended 31 December 2007					
Fees	–	–	–	–	–
Salaries and allowances	97	–	500	26	623
Contributions to retirement benefits scheme	1	–	–	1	2
Total emoluments	98	–	500	27	625

	Xu Ye Jun	**Gao Zhi Long**	**Zhang Lan Yin**	**Gu Ao Xing**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
For the year ended 31 December 2008					
Fees	–	–	–	–	–
Salaries and allowances	98	–	500	62	660
Contributions to retirement benefits scheme	3	–	–	3	6
Total emoluments	101	–	500	65	666

	Xu Ye Jun	**Gao Zhi Long**	**Zhang Lan Yin**	**Gu Ao Xing**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
For the year ended 31 December 2009					
Fees	–	–	–	–	–
Salaries and allowances	198	–	500	62	760
Contributions to retirement benefits scheme	3	–	–	3	6
Total emoluments	201	–	500	65	766

None of the directors waived any emoluments during the Relevant Periods.

12. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, one, one and two were directors of the Company for the years ended 31 December 2007, 2008 and 2009 respectively, details of whose emolument are included in the disclosures above. The emoluments of the remaining individuals were as follows:

	Year ended 31 December		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Salaries and allowances	727	725	452
Contributions to retirement benefits scheme	52	65	31
	779	790	483

The emoluments of the four, four and three highest paid individuals (other than the director) for the years ended 31 December 2007, 2008 and 2009 were less than RMB880,000 (equivalent to HK$1,000,000).

During the Relevant Periods, no emolument was paid by the Group to any of the directors or the five individuals with the highest emoluments in the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

13. TAXATION

	Year ended 31 December		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Current taxation:			
PRC Enterprise Income Tax	–	–	10,737
Deferred taxation *(note 28)*:			
Current year	–	1,211	3,080
	–	1,211	13,817

Provision for the PRC Enterprise Income Tax for the Relevant Periods was made based on the estimated taxable profits calculated in accordance with the relevant income tax laws and regulations applicable to Sinoref Yixing.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New EIT Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New EIT Law (the "Implementation Regulations"). The New EIT Law and the Implementation Regulations unify the Enterprise Income Tax rate for domestic and foreign enterprises at 25% from 1 January 2008.

Pursuant to an approval document issued by the State Tax Bureau of Yixing District dated 1 March 2010, Sinoref Yixing was entitled to the exemption from the PRC Enterprise Income Tax for the first two years commencing from the first profit-making year of operations, after offsetting all unexpired tax losses from previous years, and thereafter to a 50% relief from the PRC Enterprise Income Tax for the following three years. As a result, Sinoref Yixing was exempt from the PRC Enterprise Income Tax for the years ended 31 December 2007 and 2008 and was subject to the PRC Enterprise Income Tax rate of 12.5% for the year ended 31 December 2009.

According to a joint circular of the Ministry of Finance and State Administration of Taxation – (Cai Shui [2008] No. 1), distributions of the pre-2008 retained profits of a foreign invested enterprise to a foreign investor in 2008 or after are exempted from PRC withholding tax. Accordingly, the retained profits as at 31 December 2007 in Sinoref Yixing will not be subject to PRC withholding tax in future distributions. Dividend distributed out of the profits generated since 1 January 2008 shall be subject to the PRC withholding tax which is withheld by the PRC entity. Deferred tax expense of RMB1,211,000 and RMB3,080,000 charged on the undistributed earnings of Sinoref Yixing has been recognised in the combined statements of comprehensive income for the years ended 31 December 2008 and 2009 respectively.

The taxation for the year can be reconciled to the profit before taxation per the combined statements of comprehensive income as follows:

	Year ended 31 December		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Profit before taxation	13,405	26,182	83,893
Tax at the PRC Enterprise Income Tax rate of 33% (2008 and 2009: 25%)	4,424	6,546	20,973
Tax effect of expenses non-deductible for tax purpose	–	–	500
Tax effect attributable to tax exemptions and concessions granted to Sinoref Yixing	(4,424)	(6,546)	(10,736)
Deferred tax on undistributed earnings of Sinoref Yixing	–	1,211	3,080
Taxation for the year	–	1,211	13,817

14. PROFIT FOR THE YEAR

	Year ended 31 December		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Profit for the year has been arrived at after charging:			
Auditor's remuneration	10	8	10
Cost of inventories recognised as an expense	17,705	27,738	51,339
Depreciation of property, plant and equipment	4,226	4,503	4,591
Release of prepaid lease payments	235	235	235
Staff costs (including directors' emoluments)			
– Salaries and other benefits	5,873	9,390	15,315
– Contributions to retirement benefits scheme	169	287	339
	6,042	9,677	15,654

15. EARNINGS PER SHARE

The calculations of the basic earnings per share for the Relevant Periods are based on the profit for the Relevant Periods and on the assumption that [•••] ordinary shares were in issue throughout the Relevant Periods comprising [•••] ordinary shares in issue as at the date of the Document and 898,000,000 ordinary shares to be issued pursuant to the [•••] as detailed in the paragraph headed "Resolutions in writing of all Shareholders passed on 7 June 2010" in Appendix VI to the Document.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Furniture and fixtures and office equipment	Plant, machinery and equipment	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
COST					
At 1 January 2007	17,384	578	34,186	–	52,148
Additions	1,877	250	1,872	1,199	5,198
At 31 December 2007	19,261	828	36,058	1,199	57,346
Additions	4	71	381	97	553
Disposals	–	–	(132)	–	(132)
At 31 December 2008	19,265	899	36,307	1,296	57,767
Additions	274	71	358	178	881
At 31 December 2009	19,539	970	36,665	1,474	58,648
DEPRECIATION					
Provided for the year and at 31 December 2007	820	133	3,172	101	4,226
Provided for the year	862	155	3,263	223	4,503
Eliminated on disposals	–	–	(16)	–	(16)
At 31 December 2008	1,682	288	6,419	324	8,713
Provided for the year	908	168	3,279	236	4,591
At 31 December 2009	2,590	456	9,698	560	13,304
CARRYING VALUES					
At 31 December 2007	18,441	695	32,886	1,098	53,120
At 31 December 2008	17,583	611	29,888	972	49,054
At 31 December 2009	16,949	514	26,967	914	45,344

The above items of property, plant and equipment are depreciated using the straight-line method and after taking into account of their estimated residual value, at the following rates per annum:

Buildings	4.5%-18%
Furniture and fixtures and office equipment	18%
Plant, machinery and equipment	9%
Motor vehicles	18%

17. PREPAID LAND LEASE PAYMENTS

The Group's prepaid lease payments represent leasehold land in the PRC under medium term leases and are charged to combined statements of comprehensive income over the lease term of 50 years from January 2006.

	At 31 December		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Prepaid land lease payments of the Group are analysed for reporting purposes as:			
Non-current asset	11,036	10,801	10,566
Current asset	235	235	235
	11,271	11,036	10,801

The Group has pledged its leasehold land with a carrying value of RMB11,271,000, RMB11,036,000 and RMB10,801,000 at 31 December 2007, 2008 and 2009 respectively to secure general banking facilities granted to the Group. As at 31 December 2007, 2008 and 2009, the Group has utilised the banking facilities amounted to RMB9,000,000, RMB9,000,000 and Nil respectively.

18. INVENTORIES

	At 31 December		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	3,103	4,513	3,447
Work-in-progress	1,321	1,355	2,345
Finished goods	709	265	2,812
	5,133	6,133	8,604

19. TRADE RECEIVABLES

The credit period granted by the Group to certain customers is within 90 days, while other customers are due immediately when goods are delivered. An aged analysis of the Group's trade receivables (by goods delivery date) at the end of the reporting period is as follows:

	At 31 December		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
0 – 30 days	3,822	3,130	16,500
31 – 60 days	4,859	2,317	21,895
61 – 90 days	2,681	2,702	7,995
91 – 120 days	1,211	761	100
	12,573	8,910	46,490

Included in the Group's trade receivable balances are debtors with aggregate carrying amount of RMB10,806,000, RMB7,342,000 and RMB38,358,000 at 31 December 2007, 2008 and 2009 respectively, which are past due as at the end of each reporting period for which the Group has not provided for impairment loss.

Aging of trade receivables which are past due but not impaired:

	At 31 December		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
0 – 30 days	3,426	2,626	13,676
31 – 60 days	3,488	1,593	17,536
61 – 90 days	2,681	2,362	7,046
91 – 120 days	1,211	761	100
	10,806	7,342	38,358

The Group has not provided for the trade receivables which are past due but not impaired because the directors of the Company consider that those receivables are recoverable based on the good payment record of the customers. The Group does not hold any collateral over these balances.

In determining the recoverability of the trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the end of each reporting period. In addition, the Group reviews the recoverable amount of each individual trade receivable at the end of each reporting period and considers to make impairment losses for irrecoverable amount, if necessary.

All the trade receivables are denominated in RMB.

20. BILLS RECEIVABLE/DISCOUNTED BILLS WITH RECOURSE

The aged analysis of bills receivable at the end of each reporting period are analysed as follows:

	At 31 December		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Within 90 days	200	5,540	9,864
91 – 120 days	–	1,350	2,261
121 – 180 days	–	1,000	500
	200	7,890	12,625

At 31 December 2008 and 2009, the carrying values of bills receivable include bills discounted with recourse amounted to RMB6,390,000 and RMB9,012,000 respectively continue to be recognised as assets in the combined financial statements as the Group still exposes to credit risk on these receivables at the end of each reporting period. Accordingly, the cash received from discounted bills are recognised as current liabilities in the combined statements of financial position.

All the bills receivable and discounted bills with recourse are denominated in RMB. The discounted bills with recourse carried interest at average rates of 4.29% and 2.81% at 31 December 2008 and 2009 respectively.

The maturity dates of bills discounted with recourse are less than six months at 31 December 2008 and 2009.

21. BANK BALANCES AND CASH

Bank balances carried interest at average interest rates of 0.72%, 0.36% and 0.36% per annum at 31 December 2007, 2008 and 2009 respectively.

22. TRADE PAYABLES

The credit period granted by the suppliers to the Group is within 30 days. An aged analysis of the Group's trade payables (by goods receipt day) at the end of each reporting period is as follows:

	At 31 December		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
0 – 30 days	156	285	1,426
31 – 60 days	27	2	40
61 – 90 days	201	36	59
Over 90 days	42	202	77
	426	525	1,602

The carrying amounts of the trade payables at the end of each reporting period are denominated in RMB.

23. OTHER PAYABLES AND ACCRUALS

	At 31 December		
	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*
Other payables	39	365	341
Payables for acquisition of property, plant and equipment	6,363	815	92
Accrued sales commission	2,320	–	6,450
Accrued professional fees	–	–	2,000
Accrued staff costs	205	815	1,201
Other tax payables	1,533	1,198	5,944
	10,460	3,193	16,028

24. AMOUNT DUE TO A DIRECTOR

The amount due to a director of the Company, Mr. Xu Ye Jun ("Mr. Xu") outstanding at 31 December 2007 was unsecured, interest-free and repayable on demand. The balance was fully repaid in 2008.

25. AMOUNTS DUE TO RELATED COMPANIES

The amounts due to related companies, 宜興市泰科耐火材料有限公司 and 宜興市宏興房地產開發有限公司 outstanding at 31 December 2007 were unsecured, interest-free and repayable on demand. The balances were fully repaid in 2008. The beneficial owners of the related companies were the former shareholders of Sinoref International Limited, the then holding company of Sinoref Yixing.

26. SECURED BANK BORROWINGS

The secured bank borrowings at 31 December 2007 and 2008 were due within one year and denominated in RMB. The bank borrowings were fully repaid in 2009.

At 31 December 2007, Mr. Xu and his spouse and a company in which Mr. Xu's brother has beneficial interest jointly provided guarantees to the bank to secure the credit facilities granted to Sinoref Yixing. At 31 December 2008, Mr. Xu and his spouse and an independent third party of the Group jointly provided guarantees to the bank to secure the credit facilities granted to Sinoref Yixing.

The bank borrowings at 31 December 2007 and 2008 were secured by leasehold land of the Group. The guarantees and the pledge of leasehold land in respect of the bank borrowings have been released upon the full repayment of bank borrowings in January 2009.

In January 2009, another loan facility of RMB8,000,000 is provided by a bank to Sinoref Yixing. At 31 December 2009, the Group has not drawn down the loan facility which will be expired in December 2010. The loan facility is secured by the leasehold land of the Group.

Details of the leasehold land of the Group were set out in note 17.

All the bank borrowings are fixed-rate borrowings. The range of effective interest rates on the Group's interest bearing borrowings is as follows:

At 31 December		
2007	2008	2009
7.23% – 8.02% per annum	6.99% – 7.84% per annum	–

27. PAID-IN CAPITAL

For the purpose of the preparation of the combined statements of financial position, the balances of paid-in capital at 31 December 2007, 2008 and 2009 represent the amount of registered capital of Sinoref Yixing.

28. DEFERRED TAXATION

	Undistributed earnings of Sinoref Yixing
	RMB'000
At 1 January 2007 and 31 December 2007	–
Charge for the year	1,211
At 31 December 2008	1,211
Charge for the year	3,080
At 31 December 2009	4,291

29. RETIREMENT BENEFITS SCHEMES

The employees of the Company's subsidiary established in the PRC are members of state-managed retirement benefits scheme operated by the PRC government. The subsidiary is required to contribute a specific percentage of its payroll costs to the retirement benefits scheme. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions.

During the Relevant Periods, the total amounts contributed by the Group to the schemes and cost charged to the combined statements of comprehensive income represents contributions payable to the schemes by the Group at rates specified in the rules of the schemes.

30. RELATED PARTY TRANSACTIONS

Other than disclosed in notes 24, 25 and 26, there were no other significant related party transactions during the Relevant Periods.

Compensation of key management personnel

The remuneration of members of key management including directors of the Company during the year ended 31 December 2007, 2008 and 2009 was as follows:

	Year ended 31 December		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Short-term benefits	911	1,142	1,272
Contributions to retirement benefit scheme	26	40	41
	937	1,182	1,313

B. DIRECTORS' REMUNERATION

Under the arrangement currently in force, the aggregate amount of remunerations of the directors of the Company payable for the year ending 31 December 2010 is estimated to be approximately RMB1,500,000.

C. SUBSEQUENT EVENTS

The following transactions took place subsequent to 31 December 2009:

(a) On 7 June 2010, the companies comprising the Group underwent and completed a reorganisation. Further details of the Corporate Reorganisation are set out in the section headed "Group reorganisation" in Appendix VI to the Document.

(b) On 7 June 2010, written resolutions of all the shareholders of the Company were passed to approve the matters set out in the paragraph headed "Resolutions in writing of all Shareholders passed on 7 June 2010" in Appendix VI to the Document.

Save as aforesaid, no other significant events took place subsequent to 31 December 2009.

D. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company or any of its subsidiaries have been prepared in respect of any period subsequent to 31 December 2009.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

The following is the text of a letter and valuation certificate, prepared for the purpose of incorporation in this document received from Colliers International (Hong Kong) Ltd., an independent valuer, in connection with its valuation as at 31 March 2010 of the property interests of the Group.

Colliers International (Hong Kong) Ltd
Company Licence No: C-006052
Suite 5701 Central Plaza
18 Harbour Road Wanchai
Hong Kong
高力國際物業顧問(香港)有限公司
香港灣仔港灣道18號中環廣場5701室
Tel 852 2828 9888
Fax 852 2107 6051
www.colliers.com

[Date]

The Board of Directors
Sinoref Holdings Limited
East Qingyuan Avenue, Yixing EDZ,
Jiangsu Province,
the People's Republic of China 214200

Dear Sirs,

In accordance with your instructions to value the properties in which Sinoref Holdings Limited (the "Company") and its subsidiaries (hereinafter together referred to as the "Group") have interests in the People's Republic of China (the "PRC"), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital value of the property interests as at 31 March 2010 (the "date of valuation").

Our valuations of the property interests represent the market value which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

Due to the nature of the buildings and structures of the properties in the PRC, there are no market sales comparables readily available and the property interests have been valued on the basis of their depreciated replacement cost.

Depreciated replacement cost is defined as "the current cost of replacement (reproduction) of a property less deductions for physical deterioration and all relevant forms of obsolescence and optimization." It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement (reproduction) of the improvements, less deductions for physical deterioration and all relevant forms of obsolescence and optimization. The depreciated replacement costs of the property interests are subject to adequate potential profitability of the concerned business.

Our valuations have been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement that could serve to affect the values of the property interests.

No allowance has been made in our report for any charges, mortgages or amounts owing on any of the property interests valued nor for any expenses or taxation that may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature that could affect their values.

In valuing the property interests, we have complied with all the requirements contained in [•••] the RICS Valuation Standards (6th Edition) published by the Royal Institution of Chartered Surveyors; and the HKIS Valuation Standards on Properties (1st Edition 2005) published by the Hong Kong Institute of Surveyors.

We have relied to a very considerable extent on the information provided by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings and all other relevant matters.

We have been shown copies of various title documents including the State-owned Land Use Rights Certificate, Building Ownership Certificates and official plans relating to the property interests located in the PRC and have made relevant enquiries. We have not, however, searched the original documents to verify ownership or to verify the existence of any lease amendments that do not appear on the copies handed to us. We have relied considerably on the advice given by the Group's PRC legal adviser – Jingtian & Gongcheng Attorneys at Law, concerning the validity of the Group's titles to the property interests.

We have not carried out detailed site measurements to verify the correctness of the areas in respect of the properties, but have assumed that the areas shown on the documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out the investigation to determine the suitability of the ground condition and services for any development thereon. Our valuations have been prepared on the assumption that these aspects are satisfactory. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defects. No tests were carried out on any of the services.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view and have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our valuation certificate is attached herewith.

Yours faithfully,
for and on behalf of
Colliers International (Hong Kong) Ltd.
David Faulkner
BSc (Hons) FRICS FHKIS RPS (GP) MAE
Regional Director
Consultancy and Valuation – Asia

Note: David Faulkner is a Chartered Surveyor who has 21 years' experience in the valuation of properties in the PRC, and 25 years of property valuation experience in Hong Kong, Macau, Korea and Asia-Pacific region.

VALUATION CERTIFICATE

PROPERTY INTERESTS OWNED AND OCCUPIED BY THE GROUP IN THE PRC

<table>
<tr><th>Property</th><th>Description and tenure</th><th>Particulars of occupancy</th><th>Capital value in existing state as at 31 March 2010
RMB</th></tr>
<tr>
<td>A parcel of land, and various buildings and structures located at East Qingyuan Avenue, Zhuqiao Industrial Zone, Yixing EDZ, Yixing City, Jiangsu Province, the PRC</td>
<td>The Property comprises a parcel of land with a site area of approximately 37,704.3 sq m and three buildings and various ancillary structures constructed thereon. The buildings and structures were completed in 2006.

The buildings include a single storey factory, a three-storey office building and a three-storey dormitory, and various ancillary structures including internal roads, fence walls, car shelters, ancillary house and a guard house.

The buildings have a total gross floor area of approximately 10,949.49 sq m, the details of which are tabulated below:

<table>
<tr><th>No.</th><th>Building</th><th>Gross Floor Area
(sq m)</th></tr>
<tr><td>1</td><td>Factory</td><td>6,760.86</td></tr>
<tr><td>2</td><td>Office Building</td><td>2,000.64</td></tr>
<tr><td>3</td><td>Dormitory Building</td><td>2,187.99</td></tr>
<tr><td></td><td>Total:</td><td>10,949.49</td></tr>
</table>

The land use rights of the Property were granted for a term of 50 years expiring on 18 January 2056 for industrial use.</td>
<td>The Property is currently occupied by the Group for production, office and dormitory purposes.</td>
<td>33,000,000

(100% interest attributable to the Group: RMB33,000,000)</td>
</tr>
</table>

Notes:

1) Pursuant to a State-owned Land Use Rights Grant Contract entered into between the Land and Resources Bureau of Yixing City of Jiangsu Province (Party A) and Sinoref International (Yixing) Co., Ltd. (Party B) dated 17 January 2006, it was agreed that the land use rights of the Property with a site area of approximately 37,959.7 sq m were granted to Party B for a term of 50 years for industrial use with a land grant premium of RMB11,729,547.

2) Pursuant to a State-owned Land Use Rights Certificate No. Yi Guo Yong (2006) Zi Di 041007658 Hao, issued by the People's Government of Yixing City dated 25 April 2006, the land use rights of the Property with a site area of approximately 37,704.3 sq m have been granted to Sinoref International (Yixing) Co., Ltd. for a term expiring on 18 January 2056 for industrial use.

3) Pursuant to three Building Ownership Certificates Nos. Yi Fang Quan Zheng Qi Ting Zi Di 1000024463 Hao, Yi Fang Quan Zheng Qi Ting Zi Di 1000024464 Hao, and Yi Fang Quan Zheng Qi Ting Zi Di 1000024465 Hao, all dated 4 March 2010 issued by the People's Government of Yixing City, the building ownership of the Property with a total gross floor area of approximately 10,949.49 sq m is held by Sinoref International (Yixing) Co., Ltd.

4) Pursuant to a Construction Land Use Planning Permit No. Yi Gui Di 2005 Zi Di 073 Hao dated 10 November 2005 issued by the Yixing City Construction Bureau, the planning requirement of the Property with a total site area of approximately 37,620 sq m has been complied.

5) Pursuant to three Construction Project Planning Permits Nos. Yi Gui Jian 2005 Zi Di 562 Hao, Yi Gui Jian 2005 Zi Di 563 Hao and Yi Gui Jian 2005 Zi Di 564 Hao all dated 26 December 2005, and issued by the Yixing City Construction Bureau, the Property was approved for construction with a total gross floor area of approximately 10,665.36 sq m.

6) Pursuant to two Construction Work Commencement Permits No. Yi 2006-033 Hao dated 14 April 2006 and No. Yi Jing Kai 2006(002) Hao dated November 2006 issued by the Yixing City Construction Bureau, construction works of the Property with a total gross floor area of approximately 10,665 sq m has been approved.

7) We have been provided with a legal opinion on the Property issued by the Group's PRC legal adviser, which contains, inter alia, the following:

   (i) Sinoref International (Yixing) Co., Ltd. is a 100% owned subsidiary of the Company;

   (ii) Sinoref International (Yixing) Co., Ltd. has paid the land premium and legally obtained the Stated-owned Land Use Rights Certificate of the Property and has the rights to occupy, use, transfer, let, mortgage or otherwise legally dispose of the land use rights of the Property without getting the approval, permission or consent of any government department or payment of land premium or other land fee;

   (iii) Sinoref International (Yixing) Co., Ltd. has obtained the Building Ownership Certificates of the Property and is the sole owner of the buildings. Sinoref International (Yixing) Co., Ltd. has the rights to occupy, use, transfer, let, mortgage or otherwise legally dispose of the buildings without getting the approval, permission or consent of any government department;

   (iv) Pursuant to an Other Rights Certificate No. Yi Ta Xiang (2009) Di 600068 Hao, dated 16 January 2009, issued by the Land and Resources Bureau of Yixing City, the Property with the site area of 37,704.3 sq m and all the buildings located on it were pledged to the Bank of Communications, Yixing Branch and pursuant to a loan contract on the same date, the Bank of Communications, Yixing Branch provided a loan facility to the quantum of RMB8,000,000 to Sinoref International (Yixing) Co., Ltd..

   At the date of the PRC legal opinion, Sinoref International (Yixing) Co., Ltd. has not drawn down the aforesaid loan facility and the creditor's right of Bank of Communications, Yixing Branch over Sinoref International (Yixing) Co., Ltd. has not been set up. Therefore, although the registration of the pledge exists, Bank of Communications, Yixing Branch cannot execute its rights over the pledge unless Sinoref International (Yixing) Co., Ltd. draws down the loan in future.

   (v) The existing uses of the land use rights and buildings are consistent with the designated uses.

Set out below is a summary of certain provisions of the memorandum of association and Articles of our Company and of certain aspects of Cayman Islands company law.

1. MEMORANDUM OF ASSOCIATION

The memorandum of association provides that our Company's objects are unrestricted. The objects of our Company are set out in Clause 3 of the memorandum of association which is available for inspection at the address and during the period specified in the paragraph headed "Documents Available for Inspection" specified in Appendix VII to this Document. As an exempted company, our Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of our Company carried on outside the Cayman Islands.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 7 June 2010. The following is a summary of certain provisions of the Articles.

(a) Directors

(i) Power to allot and issue shares

Without prejudice to any special rights or restrictions for the time being attaching to any shares or any class of shares, any share may be issued upon such terms and conditions and with such preferred, deferred or other special rights, or such restrictions, whether as regards dividend, voting, return of capital or otherwise, as our Company may from time to time by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as our Directors may determine) and any preference shares may be issued on terms that they are liable to be redeemed upon the happening of a specified event or upon a given date and either at the option of our Company or at the option of the holder. Our Directors may issue warrants to subscribe for any class of shares or securities of our Company on such terms as they may from time to time determine.

All unissued shares in our Company shall be at the disposal of our Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and generally on such terms they shall in their absolute discretion think fit, but so that no shares shall be issued at a discount.

(ii) Power to dispose of the assets of our Company or any subsidiary

There are no specific provisions in the Articles relating to the disposal of the assets of our Company or any of its subsidiaries although our Directors may exercise all powers and do all acts and things which may be exercised or done or approved by our Company and which are not required by the Articles or relevant statutes of the Cayman Islands to be exercised or done by our Company in general meeting.

(iii) Compensation or payments for loss of office

Payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which our Director is contractually entitled) must be approved by our Company in general meeting.

(iv) Loans and the giving of security for loans to Directors

Where the shares of our Company remain [•••] in such other territory as our Directors may from time to time decide, our Company may not make, without the approval of, or ratification by, our Company in general meeting, any loans to, or provide any guarantee, indemnity or security in respect of any loan to a Director or any of his associates, provided that the Articles do not prohibit the granting of any loan or the provision of any guarantee, indemnity or security (i) to be applied for, or in respect of a liability incurred for any business of our Company, (ii) for the purchase by a Director (or the repayment of a loan for his purchase) of a residence where the amount of the loan, the liability under the guarantee or indemnity or the value of the security does not exceed 80% of the fair market value of such residence nor 5% of the consolidated net asset value of our Company as shown in its latest audited accounts; provided that any such loan is on normal commercial terms and is secured by a legal charge over the residence; or, (iii) of any amount to, or in respect of a liability of, a company in which our Company has an equity interest, and the amount of such loan, or the liability assumed by our Company under such guarantee, indemnity or security, does not exceed its proportional interest in such company.

(v) Financial assistance to purchase shares of our Company or its holdings company

There are no provisions in the Articles relating to the giving by our Company of financial assistance for the purchase, subscription or other acquisition of shares of our Company or of its holding company. The law on this area is summarised in paragraph 4(b) below.

(vi) Disclosure of interests in contracts with our Company or any of its subsidiaries

A Director may hold any other office or place of profit with our Company (except that of an auditor) in conjunction with his office of Director for such period and upon such terms as our Directors may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) as our Directors may determine. A Director may be or become a director or other officer of, or be otherwise interested in, any company promoted by our Company or any other company in which our Company may be interested, and shall not be liable to account to our Company or the members for any remuneration, profit or other benefit received by him as a director or officer of or from his interest in such other company. Our Directors may also cause the voting power conferred by the shares in any other company held or owned by our Company to be exercised in such manner in all respects as they think fit, including the exercise thereof in favour of any resolution appointing our Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company. A Director shall not vote or be counted in the quorum on any resolution of our Directors concerning his own appointment or the appointment of any of his associates as the holder of any office or place of profit with our Company or any other company in which our Company is interested (including the arrangement or variation of the terms thereof, or the termination thereof).

Subject to the provisions of the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with our Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor will any contract with regard thereto or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to our Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. If to the knowledge of a Director, he or any of his associates, is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with our Company, he must declare the nature of his or, as the case may be, his associate(s)' interest at the meeting of our Directors at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest or that of his associates then exists, or in any other case at the first meeting of our Directors after he knows that he or his associate(s) is or has become so interested.

Save as otherwise provided by the Articles, a Director may not vote (nor be counted in the quorum for the voting) on any resolution of our Directors approving any contract or arrangement in which he or any of his associate(s) is to his knowledge materially interested, and if he does so his vote will not be counted and such Director shall excuse himself from any meeting or part of any meeting of the Board and shall not participate in any discussions in respect of any resolutions where any contract or arrangement or other proposal in which he or any of his associates is materially interested is discussed or resolved, unless the attendance or participation of such Director at such meeting of the Board is specifically requested by the remaining Directors, but the above prohibitions will not apply to any of the following matters, namely:

(aa) any contract or arrangement for the giving to our Director or his associate(s) of any security or indemnity in respect of money lent by him or any of them or obligations undertaken by him for the benefit of our Company;

(bb) any contract or arrangement for the giving by our Company of any security to a third party in respect of a debt or obligation of our Company or any company in which our Company has an interest for which our Director or his associate(s) has himself/themselves guaranteed or secured in whole or in part;

(cc) any contract or arrangement by a Director or his associate(s) to subscribe for shares or debentures or other securities of our Company to be issued pursuant to any offer or invitation to the members or debenture or other securities holders or to the public which does not provide our Director and his associate(s) any privilege not accorded to any other members or debenture or other securities holders or to the public;

(dd) any contract or arrangement concerning an offer of the shares, debentures or other securities of or by our Company for subscription or purchase where our Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub underwriting of the offer and/or for the purposes of making any representations, the giving of any covenants, undertakings or warranties or assuming any other obligations in connection with such offer;

(ee) any contract or arrangement in which our Director or his associate(s) is/are interested by virtue only of his/their interest in shares or debentures or other securities of our Company and/or his/their being the offeror or one of the offerors or is interested in one of the offerors for the purchase or effective acquisition of such shares, debentures or other securities;

(ff) any contract or arrangement concerning any company in which he or his associate(s) is/are interested directly or indirectly whether as an officer or an executive or a member, other than a company in which our Director or his associates owns 5% or more of the voting equity capital or voting rights of any class of shares of such company (or of any third company through which his interest is derived), excluding shares which carry no voting rights at general meetings and no or nugatory dividend and return of capital rights, and excluding shares held directly or indirectly through our Company;

(gg) any proposal or arrangement for the benefit of employees of our Company or its subsidiaries including a pension fund or retirement, death or disability benefit scheme or personal pension plan under which a Director, his associate(s) and employees of our Company or of any of its subsidiaries may benefit and which has been approved by or is subject to and conditional on approval by the relevant tax authorities for taxation purposes or relates to Directors, associate(s) of Directors and employees of our Company or any of its subsidiaries and does not give our Director or his associate(s) any privilege not accorded to the relevant class of officers of which our Director is a member and to whom such scheme or fund relates;

(hh) any proposal concerning the adoption, modification or operation of any share scheme involving the issue or grant of options over shares or other securities by our Company to, or for the benefit of, the employees of our Company or its subsidiaries under which our Director or his associate(s) may benefit; and

(ii) any contract, agreement, transaction or proposal concerning the purchase and/or maintenance of any insurance policy for the benefit of any Director, his associate(s), officer or employee pursuant to the Articles.

(vii) Remuneration

Our Directors shall be entitled to receive by way of ordinary remuneration for their services such sum as is from time to time determined by our Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst our Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. The foregoing provisions shall not apply to a Director who holds any salaried employment or office in our Company except in the case of sums paid in respect of Directors' fees. Our Directors shall also be entitled to be repaid all travelling, hotel and other expenses reasonably incurred by them respectively in or about the performance of their duties as Directors, including their expenses of travelling to and from Directors' meetings, committee meetings or general meetings, or otherwise incurred whilst engaged on the business of our Company or in the discharge of their duties as Directors.

Our Directors may grant special remuneration to any Director who performs any special or extra services to or at the request of our Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be arranged. Notwithstanding the foregoing the remuneration of the managing director, joint managing director, deputy managing director or an executive Director or a Director appointed to any other office in the management of our Company may be fixed from time to time by our Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as our Directors may from time to time decide. Such remuneration is in addition to his ordinary remuneration as a Director.

Our Directors also have power to establish and maintain or procure the establishment and maintenance of any contributory or non contributory pension or superannuation funds for the benefit of, or to give or procure the giving of donations, gratuities, pensions, allowances or emoluments to, any persons who are or were at any time in the employment or service of our Company, or of any company which is a subsidiary of our Company, or is allied or associated with our Company or with any such subsidiary company, or who are or were at any time directors or officers of our Company or of any such other company as aforesaid, and holding or who have held any salaried employment or office in our Company or such other company, and the spouses, widows, widowers, families and dependants of any such persons and may make payments for or towards the insurance of any such persons. Any Director holding any such employment or office is entitled to participate in and retain for his own benefit any such donation, gratuity, pension, allowance or emolument.

(viii) Retirement, appointment and removal

At each annual general meeting, one third of our Directors for the time being (or if their number is not three or a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. Our Directors to retire in every year will be those who have been longest in office since their last election but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree between themselves) be determined by lot.

A Director is not required to retire upon reaching any particular age.

Our Directors are entitled to attend and speak at all general meetings.

The number of Directors shall not be fewer than one. A Director may be removed by an ordinary resolution of our Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for breach of any contract of service between him and our Company). Subject to the statutes and the provisions of the Articles, our Company may from time to time in general meeting by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an additional Director. In addition, our Directors may appoint any person to be a Director either to fill a casual vacancy or as an additional Director but so that the number of Directors so appointed shall not exceed the maximum number determined from time to time by the members in general meeting. Any Director so appointed shall hold office only until the next following annual general meeting of our Company and shall then be eligible for re election at the meeting.

Our Directors may from time to time entrust to and confer upon the chairman, deputy chairman, managing director, joint managing director, deputy managing director or executive director of our Company all or any of the powers of our Directors that they may think fit, provided that the exercise of all powers by such Director shall be subject to such regulations and restrictions as our Directors may from time to time make and impose. Our Directors may delegate any of their powers to committees consisting of such member or members of their body and such other persons as they think fit, and they may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall in the exercise of the powers so delegated conform to any regulations that may from time to time be imposed upon it by our Directors.

(ix) Borrowing powers

Our Directors may from time to time at their discretion exercise all the powers of our Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of our Company and to mortgage or charge its undertaking, property and uncalled capital or any part thereof. Our Directors may raise or secure the payment or repayment of such sum or sums in such manner and upon such terms and conditions in all respects as they think fit and in particular, but subject to the provisions of the Companies Law, by the issue of debentures, debenture stock, bonds or other securities of our Company, whether outright or as collateral security for any debt, liability or obligation of our Company or of any third party.

Note: The provisions summarised above, in common with the Articles in general, may be varied with the sanction of a special resolution of our Company.

(x) Qualification shares

Directors of our Company are not required under the Articles to hold any qualification shares.

(xi) Indemnity to Directors

The Articles contain provisions that provide indemnity to, among other persons, our Directors from and against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices or trusts, except such (if any) as they shall incur or sustain through their own fraud or dishonesty.

(b) Alterations to constitutive documents

The memorandum of association of our Company may be altered by our Company in general meeting. The Articles may also be amended by our Company in general meeting. As more fully described in paragraph 3 below, the Articles provide that, subject to certain exceptions, a special resolution is required to alter the memorandum of association, to approve any alteration to the Articles and to change the name of our Company.

(c) Alterations of capital

Our Company may from time to time by ordinary resolution:

(i) increase its share capital;

(ii) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; on any consolidation of fully paid shares into shares of larger amount, our Board may settle any difficulty which may arise as it thinks expedient and in particular (but without prejudice to the generality of the foregoing) may, as between the holders of the shares to be consolidated, determine which particular shares are to be consolidated into a consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by our Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to our Company for our Company's benefit;

(iii) divide its shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions;

(iv) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled;

(v) sub divide its shares or any of them into shares of smaller amount than is fixed by the memorandum of association, subject nevertheless to the Companies Law, and so that the resolution whereby any shares are sub divided may determine that, as between the holders of the shares resulting from such sub division, one or more of the shares may have any such preferred or other special rights over, or may have such deferred rights or be subject to any such restrictions as compared with the others as our Company has power to attach to unissued or new shares;

(vi) change the currency of denomination of its share capital; and

(vii) make provision for the issue and allotment of shares which do not carry any voting rights.

Our Company may by special resolution reduce its issued share capital, any capital redemption reserve fund or other undistributable reserve in any manner authorised and subject to any conditions prescribed by law. Our Company may apply its share premium account in any manner permitted by law.

(d) Variation of rights of existing shares or classes of shares

If at any time the capital is divided into different classes of shares, all or any of the special rights (unless otherwise provided for by the terms of issue of that class) attached to any class may, subject to the provisions of the Companies Law, be varied or abrogated either with the consent in writing of the holders of not less than three fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will mutatis mutandis apply, save as to the provisions regarding the quorum of meetings, as to which see paragraph 2(s) below.

(e) Special resolutions – majority required

For so long as any part of the issued capital of our Company [•••], a special resolution of our Company must be passed by a majority of not less than three fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their respective duly authorised representatives, or by proxy, at a general meeting of which not less than 21 days' notice, specifying the intention to propose the resolution as a special resolution, has been duly given. However, at all times while any part of the issued capital of our Company remains [•••], except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right, (or, in the case of an annual general meeting, by all members) a resolution may be proposed and passed as a special resolution at a meeting of which less than 21 days' notice has been given.

(f) Voting rights

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for every share of which he is the holder which is fully paid or credited as fully paid (but so that no amount paid or credited as paid on a share in advance of calls or instalments is treated for the foregoing purposes as paid on the share). So long as the shares are [•••], where any member is, under the [•••], required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member (whether by way of proxy or, as the case may be, corporate representative) in contravention of such requirement or restriction shall not be counted. On a poll, a member entitled to more than one vote need not use all his votes or cast all his votes in the same way.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll.

Where a shareholder is a clearing house (as defined in the Articles) or a nominee of a clearing house, it may authorise such persons as it thinks fit to act as its representatives at any meeting of our Company or at any meeting of any class of shareholders provided that the authorisation shall specify the number and class of shares in respect of which each such representative is so authorised. Each person so authorised under the provisions of the Articles shall be entitled to exercise the same rights and powers as if such person was the registered holder of the shares of our Company held by the clearing house (or its nominees) in respect of the number and class of shares specified in the relevant authorisation.

(g) Requirements for annual general meetings

For so long as any part of the issued capital of our Company remains [•••], an annual general meeting must be held once in every year and within not more than 15 months after the last preceding annual general meeting or such longer period as is permissible or not prohibited under the [•••] with the permission of our Company.

(h) Accounts and audit

Our Directors shall cause true accounts to be kept of the sums of money received and expended by our Company, and the matters in respect of which such receipts and expenditure take place, and of the property, assets, credits and liabilities of our Company and of all other matters required by law or are necessary to give a true and fair view of the state of our Company's affairs and to show and explain its transactions.

The books of accounts are to be kept at the principal office of our Company or at such other place as our Directors think fit and shall always be open to the inspection of our Directors. No member (not being a Director) or other person has any right to inspect any account or book or document of our Company except as conferred by the Companies Law or ordered by a court of competent jurisdiction or authorised by our Directors or by our Company in general meeting.

Our Directors shall from time to time cause to be prepared and laid before our Company at its annual general meeting such profit and loss accounts, balance sheets, group accounts (if any) and reports and so long as any shares in our Company [•••], the accounts of our Company shall be prepared and audited based on the generally accepted accounting principles of Hong Kong or the International Financial Reporting Standards or such other standards as the [•••] may permit. Every balance sheet of our Company shall be signed on behalf of our Directors by two Directors and a copy of every balance sheet (including every document required by law to be comprised therein or attached or annexed thereto) and profit and loss account which is to be laid before our Company at its annual general meeting, together with a copy of our Directors' report and a copy of the auditors' report, shall not less than 21 days before the date of the meeting, be sent to every member of, and every holder of debentures of, our Company and every other person entitled to receive notices of general meetings of our Company under the Companies Law or of the Articles. Subject to due compliance with the Companies Law and [•••], and to obtaining all necessary consents, if any, required thereunder and such consents being in full force and effect, such requirements shall be deemed satisfied in relation to any person by sending to the person in any manner not prohibited by the Companies Law and instead of such copies, a summary financial statement derived from our Company's annual financial statements and the directors' report thereon, which shall be in the form and containing the information required by applicable laws and regulation, provided that any person who is otherwise entitled to the annual financial statements of our Company and the directors' report thereon may, if he so requires by notice in writing served on our Company, demand that our Company sends to him, in addition to a summary financial statement, a complete printed copy of our Company's annual financial statement and the directors' report thereon. If all or any of the shares or debentures of our Company are for the time being (with the consent of our Company) [•••], there shall be forwarded to such [•••] such number of copies of such documents as may for the time being be required under its regulations or practice.

Auditors shall be appointed and their duties regulated in accordance with the Articles. Save as otherwise provided by such provisions the remuneration of the auditors shall be fixed by or on the authority of our Company at each annual general meeting, but in respect of any particular year, our Company in general meeting may delegate the fixing of such remuneration to our Directors.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting shall be called by notice of not less than 21 clear days and not less than 20 clear business days and any extraordinary general meeting at which the passing of a special resolution is to be considered shall be called by notice of not less than 21 clear days and not less than 10 clear business days. All other extraordinary general meetings may be called by notice of not less than 14 clear days and not less than 10 clear business days (in each case exclusive of the day on which the notice is served or deemed to be served and of the day for which it is given). The notice must specify the place, the day and the hour of meeting and, in the case of special business, the general nature of that business.

(j) Transfer of shares

All transfers of shares must be effected by transfer in writing in the usual or common form or so long as any shares in our Company are [•••], such standard form prescribed by [•••] or in any other form acceptable to our Board and may be under hand only or, if the transferor or transferee is a clearing house or its nominee(s), by hand, by machine imprinted signature or by such other means of execution as our Directors may approve from time to time; and an instrument of transfer must be executed by or on behalf of the transferor and by or on behalf of the transferee and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof, provided that our Directors may in their absolute discretion dispense with the requirement for the production of a transfer in writing before registering a transfer of a share, and may accept mechanically executed transfers in any case.

Our Directors may, in their absolute discretion, at any time and from time to time transfer or agree to transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless our Directors otherwise agree, no shares on the principal register shall be transferred to any branch register nor shall shares on any branch register be transferred to the principal register or any other register. All transfers and other documents of title must be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the transfer office for that register.

Our Directors may in their absolute discretion and without assigning any reason therefor, refuse to register any transfer of any shares (not being fully paid shares) to a person of whom they do not approve and they may refuse to register the transfer of any shares (not being fully paid shares) on which our Company has a lien. Our Directors may also refuse to register a transfer of shares (whether fully paid or not) in favour of more than four persons jointly or any share issued under any share option scheme for employees upon which a restriction on transfer imposed thereby shall subsist, or where the transfer is to an infant or a person of unsound mind or under other legal disability. If our Directors refuse to register a transfer, they must within two months after the date on which the transfer was lodged with our Company send to the transferor and transferee notice of the refusal and (if the shares concerned are fully paid shares) the reasons(s) for such refusal.

Our Directors may, if applicable, decline to recognise an instrument of transfer unless the instrument of transfer is properly stamped, is in respect of only one class of share and is lodged at the relevant registration or transfer office accompanied by the relevant share certificate(s) and such other evidence as they may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may, on giving notice by advertisement in one English and one Chinese newspaper circulating in Hong Kong, be suspended at such times and for such periods as our Directors may from time to time determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole 30 days in any year.

(k) Power for our Company to purchase its own shares

The Articles provide that the power of our Company to purchase or otherwise acquire its shares is exercisable by our Directors upon such terms and conditions as they think fit subject to the conditions prescribed by the Companies Law.

(l) Power of any subsidiary to own securities in our Company

There are no provisions in the Articles relating to ownership of securities in our Company by a subsidiary.

(m) Dividends and other methods of distribution

Our Company in general meeting may declare dividends in any currency but no dividend may exceed the amount recommended by our Directors. Our Company may also make a distribution out of share premium account subject to the provisions of the Companies Law.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends will be apportioned and paid pro rata according to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid. No amount paid on a share in advance of calls will for this purpose be treated as paid on the shares. Our Directors may retain any dividends or other moneys payable on or in respect of a share upon which our Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. Our Directors may deduct from any dividend or bonus payable to any member all sums of money (if any) presently payable by him to our Company on account of calls, instalments or otherwise.

Whenever our Directors or our Company in general meeting have resolved that a dividend be paid or declared on the share capital of our Company, our Directors may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid in lieu of the whole or such part of the dividend as our Directors may think fit.

Our Company may also upon the recommendation of our Directors by an ordinary resolution resolve in respect of any particular dividend of our Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Whenever our Directors or our Company in general meeting have resolved that a dividend be paid or declared our Directors may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends, bonuses or other distributions or the proceeds of the realisation of any of the foregoing unclaimed for one year after having been declared may be invested or otherwise made use of by our Directors for the benefit of our Company until claimed and our Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions or proceeds as aforesaid unclaimed for six years after having been declared may be forfeited by our Directors and, upon such forfeiture, shall revert to our Company and, in the case where any of the same are securities in our Company, may be re-allotted or re-issued for such consideration as our Directors think fit.

(n) Proxies

Any member of our Company entitled to attend and vote at a meeting of our Company or a meeting of the holders of any class of shares in our Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him to vote on his behalf at a general meeting of our Company or at a class meeting. At any general meeting, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy. Proxies need not be members of our Company.

A proxy shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member.

(o) Corporate representatives

A corporate member of our Company entitled to attend and vote at a meeting of our Company is entitled to appoint any person or persons as its representative to attend and vote on its behalf. A corporate member represented by its representative is deemed to be present in person at the relevant meeting and its representative may vote on a poll on any resolution put at such meeting.

(p) Calls on shares and forfeiture of shares

Our Directors may from time to time make such calls as it may think fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as our Directors shall fix from the day appointed for the payment thereof to the time of actual payment, but our Directors may waive payment of such interest wholly or in part. Our Directors may, if they think fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced our Company may pay interest at such rate (if any) not exceeding 20% per annum as our Directors may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment thereof, our Directors may, at any time thereafter during such time as any part of the call or instalment remains unpaid, serve a notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice will name a further day (not earlier than the expiration of fourteen days from the date of the notice) on or before which the payment required by the notice is to be made, and it will also name the place where payment is to be made. The notice shall also state that, in the event of non payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of our Directors to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to our Company all moneys which, at the date of forfeiture, were payable by him to our Company in respect of the shares together with (if our Directors shall in their discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as our Board may prescribe.

(q) Inspection of register of members

For so long as any part of the share capital is [•••], any member may inspect the principal or branch register of our Company maintained in Hong Kong without charge and require the provision to him of copies or extracts thereof in all respect as if our Company were incorporated under and is subject to the Companies Ordinance.

(r) Inspection of register of Directors

There are no provisions in the Articles relating to the inspection of the register of Directors and Officers of our Company, since the register is not open to inspection (as to which see paragraph 4(k) below).

(s) Quorum for meetings and separate class meetings

For all purposes the quorum for a general meeting shall be two members present in person and entitled to vote (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting convened to sanction the modification of class rights, the necessary quorum shall not be less than two persons holding or representing by proxy one third in nominal value of the issued shares of that class and, where such meeting is adjourned for want of quorum, the quorum for the adjourned meeting shall be any two members present in person and entitled to vote or by proxy (whatever the number of shares held by them).

(t) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority members in relation to fraud or oppression. However, certain remedies are available to members of our Company under Cayman Islands company law as summarised in paragraph 4(e) below.

(u) Procedures on liquidation

A resolution for a court or voluntary winding up of our Company must be passed by way of a special resolution.

If our Company shall be wound up, the surplus assets remaining after payment to all creditors are to be divided among the members in proportion to the capital paid up on the shares held by them respectively, and if such surplus assets shall be insufficient to repay the whole of the paid up capital, they are to be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them respectively, all subject to the rights of any shares issued on special terms and conditions.

If our Company shall be wound up (whether the liquidation is voluntary or by the court), the liquidator may, with the sanction of a special resolution, divide among the members in specie or kind the whole or any part of the assets of our Company and whether the assets consist of property of one kind or properties of different kinds and the liquidator may, for such purposes, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division is to be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any one or more class or classes of property and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like sanction, shall think fit, but so that no member shall be compelled to accept any shares or other assets upon which there is a liability.

(v) Untraceable members

Our Company may sell the shares of any member if: (i) dividends or other distributions have been declared by our Company on at least three occasions during a period of 12 years and these dividends or distributions have been unclaimed on such shares; (ii) our Company has published an advertisement of its intention to sell such shares in English and in Chinese in one leading English and (unless unavailable) one leading Chinese newspaper circulating in the territory of the [•••] and a period of three months has elapsed since the date of the first publication of such notice; (iii) our Company has not at any time during the said periods of 12 years and three months received any indication of the existence of the member who is the holder of such shares or of a person entitled to such shares by death, bankruptcy or operations of law; and (iv) our Company has notified the [•••] on which the ordinary share capital of our Company is [•••] of its intention to sell such shares. The net proceeds of any such sale will belong to our Company and upon the receipt of such net proceeds by our Company, our Company will become indebted to the former holder of such shares for an amount equal to the amount of such net proceeds.

(w) Stock

Our Company may by ordinary resolution convert any fully paid shares into stock, and may from time to time by like resolution reconvert any stock into fully paid shares of any denominations. The holders of stock may transfer the same or any part thereof in the same manner, and subject to the same regulations as and subject to which the shares from which the stock arose might prior to conversion have been transferred or as near thereto as circumstances admit, but our Directors may from time to time, if they think fit, fix the minimum amount of stock transferable and restrict or prohibit the transfer of fractions of that minimum, but so that such minimum shall not exceed the nominal amount of the shares from which the stock arose. No warrants to bearer shall be issued in respect of any stock. The holders of stock shall, according to the amount of the stock held by them, have the same rights, privileges and advantages as regards dividends, participation in assets on a winding up, voting at meetings, and other matters, as if they held the shares from which the stock arose, but no such privilege of our Company shall be conferred by an amount of stock which would not, if existing in shares, have conferred such privilege or advantage. All such of the provisions of the Articles as are applicable to paid up shares shall apply to stock, and the words "share" and "shareholder" and "member" therein shall include "stock" and "stockholder".

(x) Other provisions

The Articles provide that, to the extent that it is not prohibited by and is in compliance with the Companies Law, if any rights attaching to any warrants which our Company may issue after the date of this document shall remain exercisable and our Company does any act which would result in the subscription price under such warrants being reduced below the par value of a Share, a subscription right reserve shall be established and applied in paying up the shortfall between the subscription price and the par value of a Share on any exercise of the warrants.

3. VARIATION OF MEMORANDUM AND ARTICLES OF ASSOCIATION

Subject to the rights of our Company set out in paragraph 2(c) above to amend its capital by ordinary resolution, the memorandum of association of our Company may be altered by our Company by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the memorandum of association (subject as provided above) or the Articles or to change the name of our Company. For these purposes, a resolution is a special resolution if it has been passed by a majority of not less than three-fourths of the votes cast by such members of our Company as, being entitled to do so, vote in person or, in the case of such members as are corporations, by their respective duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than 21 clear days' notice specifying the intention to propose the resolution as a special resolution has been duly given. Except in the case of an annual general meeting, the requirement of 21 clear days' notice may be waived by a majority in number of the members having the right to attend and vote at the relevant meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right.

4. CAYMAN ISLANDS COMPANY LAW

Our Company is incorporated in the Cayman Islands and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of the Cayman Islands company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman Islands company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". The share premium account may be applied by a company subject to the provisions of its memorandum and articles of association in such manner as the company may from time to time determine including, but without limitation:

(i) in paying distributions or dividends to members;

(ii) in paying up unissued shares of the company to be issued to members of the company as fully paid bonus shares;

(iii) in redeeming or purchasing its shares as provided in the Companies Law;

(iv) in writing off

(aa) the preliminary expenses of the company; or (bb) the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; or

(v) in providing for the premium payable on redemption of any shares or of any debentures of the company.

No dividend or distribution may be paid to members out of the share premium account unless immediately following the date of the proposed payment, the company is able to pay its debts as they fall due in the ordinary course of business.

A company may issue preference shares and redeemable preference shares.

The Companies Law does not contain any express provisions dealing with the variation of rights of holders of different classes of shares.

(b) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands against the provision of financial assistance for the purchase, subscription or other acquisition of its shares, though on English common law principles, the directors have a duty to act in good faith for a proper purpose in the best interests of the company, and moreover, there are restrictions on any act which amounts to a reduction of capital. Accordingly, it may, depending on the circumstances be legitimate for the directors to authorise the provision by a company of financial assistance for the purchase, subscription or other acquisition of its own shares, or the shares of its holding company.

(c) Redemption and Purchase of shares and warrants by a company and its subsidiaries

A company may, if authorised by its articles of associations issue redeemable shares and, purchase its own shares, including any redeemable shares. Purchases and redemptions may only be effected out of the profits of the company or out of the proceeds of a fresh issue of shares made for the purpose, or, if so authorised by its articles of association and subject to the provisions of the Companies Law, out of capital. Any premium payable on a redemption or purchase over the par value of the shares to be purchased must be provided for out of profits of the company or out of the company's share premium account, or, if so authorised by its articles of association and subject to the provisions of the Companies Law, out of capital. Any purchase by a company of its own shares may be authorised by its directors or otherwise by or in accordance with the provisions of its articles. A payment out of capital for a redemption or purchase of a company's own shares is not lawful unless immediately following the date of the proposed payment the company is able to pay its debts as they fall due in the ordinary course of business. The shares so purchased or redeemed will be treated as cancelled and the company's issued, but not its authorised, capital will be diminished accordingly.

A company is not prohibited from purchasing and may purchase its own subscription warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and in certain circumstances, may acquire such shares. A company, whether a subsidiary or a holding company, may only purchase its own shares for cancellation if it is authorised to do so in its articles of association.

(d) Dividends and distributions

A company may not pay a dividend, or make a distribution out of share premium account unless immediately following the date on which the payment is proposed to be made, the company is able to pay its debts as they fall due in the ordinary course of business.

(e) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of a company to challenge (a) an act which is ultra vires the company or illegal (b) an act which constitutes a fraud against the minority and the wrong doers are themselves in control of the company, or (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of company (not being a bank) having a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the court shall direct.

Any shareholder of a company may petition the court which may make a winding up order if the court is of the opinion that it is just and equitable that the company shall be wound up.

Generally, claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the memorandum and articles of association of the company.

(f) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary is required, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(g) Accounting and auditing requirements

The Companies Law requires a company to cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company and (iii) the assets and liabilities of the company. A company is required to keep such books of account as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(h) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(i) Taxation

There are no income, corporation, capital gains or other taxes in effect in the Cayman Islands on the basis of the present legislation. As an exempted company, our Company has received from the Governor-in-Counsel of the Cayman Islands pursuant to the Tax Concessions Law (1999 Revision) of the Cayman Islands, an undertaking that in the event of any change to the foregoing, our Company, for a period of 20 years from the date of the grant of the undertaking, will not be chargeable to tax in the Cayman Islands on its income or its capital gains arising in the Caymans Islands or elsewhere and that dividends of our Company will be payable without deductions of Cayman Islands tax. No capital or stamp duties are levied in the Cayman Islands on the issue, transfer or redemption of Shares.

(j) Stamp duty

Certain documents (which do not include contract, notes for the sale and purchase of, or instruments of transfer of, shares in Cayman Islands companies) are subject to stamp duty which is generally calculated on an ad valorem basis.

(k) Inspection of corporate records

Neither the members of a company nor the general public have the right to inspect the register of directors and officers, the minutes, accounts or, in the case of any exempted company, the register of members. The register of mortgages and charges must be kept at the registered office of the company and must be open to inspection by any creditor or member at all reasonable times.

Members of the public have no right to inspect the constitutive documents of a company but the memorandum and articles of association must be forwarded to any member of the company upon request. If no articles of association have been registered with the Registrar of Companies, each member has the right to receive copies of special resolutions of members upon request upon payment of a nominal fee.

The location of the registered office of a company is available to the general public upon request to the Registrar of Companies.

(l) Winding up

A company may be wound up by the Cayman Islands court on application presented by the company itself, its creditors or its contributors. The Cayman Islands court also has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Cayman Islands court, just and equitable that such company be wound up.

A company may be wound up voluntarily when the members so resolve in general meeting, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum of association expires, or the event occurs on the occurrence of which the memorandum of association provides that the company is to be dissolved. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above. Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval.

Where a resolution has been passed for the voluntary winding up of a company, the court may make an order that the winding up should continue subject to the supervision of the court with such liberty to creditors, contributors or others to apply to the court as the court may think fit.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purposes of winding up the affairs of the company and distributing its assets. If the liquidator at any time forms the opinion that such company will not be able to pay its debts in full, he is obliged to summon a meeting of creditors.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting requires at least one month's notice called by Public Notice in the Cayman Islands or otherwise as the Registrar of Companies may direct.

FURTHER INFORMATION ABOUT OUR COMPANY AND OUR SUBSIDIARIES

1. Incorporation of our Company

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law on 4 February 2010 with an authorised share capital of HK$100,000 divided into 1,000,000 Shares. On 4 February 2010, one nil-paid Share was allotted and issued, to Codan Trust Company (Cayman) Limited, which was transferred to Sinoref International on the same date. Our Company also allotted and issued another 999,999 nil-paid Shares to Sinoref International on the same date. The said 1,000,000 nil-paid Shares were transferred to the shareholders of Sinoref International in proportion to their respective shareholdings in Sinoref International, at nil consideration, immediately prior to completion of the share transfer agreement referred to in paragraph 4(g) below and were subsequently paid up in the manner described therein.

On 11 February 2010, the name of our Company changed from Sinoref Holdings Ltd. to Sinoref Holdings Limited 華耐科技控股有限公司. On 11 May 2010, the name of our Company changed from Sinoref Holdings Limited 華耐科技控股有限公司 to Sinoref Holdings Ltd., and from Sinoref Holdings Ltd. to Sinoref Holdings Limited 華耐控股有限公司, which is our current company name.

As our Company was incorporated in the Cayman Islands, we operate subject to the relevant laws and regulations of the Cayman Islands and our constitution which comprises a memorandum of association and the Articles. A summary of the relevant laws and regulations of the Cayman Islands and of our Company's constitution is set out in Appendix V to this document.

2. Changes in share capital of our Company

(a) Increase in authorised share capital

The authorised share capital of our Company was increased from HK$100,000 to HK$300,000,000 by the creation of 2,999,000,000 new Shares pursuant to a resolution passed by all Shareholders referred to in paragraph 3 below.

Immediately following completion of the [•••] our authorised share capital will be HK$300,000,000 divided into 3,000,000,000 Shares, of which 1,200,000,000 Shares will be issued fully paid or credited as fully paid, and 1,800,000,000 Shares will remain unissued. [•••], there is no present intention to issue any of the authorised but unissued share capital of our Company and, without the prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed in this paragraph and in the paragraphs headed "Incorporation of our Company", "Resolutions in writing of all Shareholders passed on 7 June 2010" and "Group reorganisation" in this Appendix, there has been no alteration in the share capital of our Company since its incorporation.

(b) Founder shares

Our Company has no founder shares, management shares or deferred shares.

3. Resolutions in writing of all Shareholders passed on 7 June 2010

By resolutions in writing of all Shareholders passed on 7 June 2010:

(a) the authorised share capital of our Company was increased from HK$100,000 to HK$300,000,000 by the creation of 2,999,000,000 new Shares and we approved the relevant amendment to our memorandum of association;

(b) we approved and adopted the Articles;

4. Group reorganisation

The companies comprising our Group underwent a reorganisation to rationalise our Group's structure in preparation for the [•••] which involved the following:

(a) On 12 January 2010, Sinoref (BVI) was incorporated in the BVI for the purpose of acting as the intermediate company of our Group with an authorised share capital of US$50,000 divided into 50,000 shares of US$1.00 each. On the same date, Sinoref (BVI) allotted and issued one share to Sinoref International;

(b) On 2 February 2010, Sino Super and Sinoref International entered into an equity transfer agreement, pursuant to which Sino Super transferred its 5% equity interest in Sinoref (Yixing) to Sinoref International in consideration of Sinoref International allotting and issuing 263,158 shares of US$0.01 each in its share capital credited as fully paid to Sino Super. Sino Super had directed such shares to be issued to Dr. Zhang, being the sole shareholder of Sino Super, on 5 March 2010 (after the share subdivision as referred to in sub-paragraph (e) below). Sinoref (Yixing) has become a wholly-owned subsidiary of Sinoref International;

(c) On 4 February 2010, our Company was incorporated under the Companies Law as an exempted company with an authorised share capital of HK$100,000 divided into 1,000,000 shares of HK$0.10 each. On 4 February 2010, our Company allotted and issued one nil-paid Share to Codan Trust Company (Cayman) Limited, which was transferred to Sinoref International on the same date. Our Company also allotted and issued another 999,999 nil-paid Shares to Sinoref International on the same date;

(d) On 17 February 2010, Sinoref (HK) was incorporated under the Companies Ordinance in Hong Kong for the purpose of acting as the intermediate company of our Group with an authorised share capital of HK$10,000 divided into 10,000 shares of HK$1.00 each. On the same date, Sinoref (HK) allotted and issued one share to Sinoref (BVI);

(e) On 4 March 2010, each of the then issued shares of Sinoref International having a par value of US$1.00 each was subdivided into 100 subdivided shares having a par value of US$0.01 each, thereby the number of the then issued shares was increased from 50,000 shares of US$1.00 each to 5,000,000 shares of US$0.01 each. On the same date, the authorised share capital of Sinoref International was increased from US$50,000 divided into 5,000,000 shares of US$0.01 each to US$55,000 divided into 5,500,000 shares of US$0.01 each;

(f) On 8 March 2010, Sinoref International and Sinoref (HK) entered into an equity transfer agreement, pursuant to which Sinoref International transferred its entire equity interest in Sinoref (Yixing) to Sinoref (HK) in consideration of Sinoref (HK) procuring Sinoref (BVI) allotting and issuing one share of US$1.00 each in its share capital credited as fully paid to Sinoref International. Sinoref (Yixing) has become a wholly-owned subsidiary of Sinoref (HK); and

(g) On 7 June 2010, the authorised share capital of our Company was increased from HK$100,000 to HK$300,000,000. Pursuant to a share purchase agreement dated 7 June 2010 and entered into by, among other parties, Sinoref International as vendor and our Company as purchaser for the acquisition of the entire issued share capital of Sinoref (BVI), being two shares of US$1.00 each, in consideration of and in exchange for which our Company (i) credited as fully paid at par the 1,000,000 nil-paid Shares then held by the shareholders of Sinoref International; and (ii) allotted and issued, at the direction of Sinoref International, 1,000,000 Shares credited as fully paid to the shareholders of Sinoref International in proportion to their respective shareholdings in Sinoref International.

5. Changes in share capital of our subsidiaries

Our subsidiaries are listed in the accountants' report set out in Appendix I to this document.

Save for the alterations described in paragraph 4 above, there is no alteration in the share capital of our subsidiaries which took place within the two years immediately preceding the date of this document.

6. Further information about our Group's PRC establishments

Our Group has interest in the registered capital of Sinoref (Yixing) in the PRC. A summary of the corporate information of Sinoref (Yixing) is set out as follows:

Sinoref (Yixing)

(i)	Name of the enterprise:	華耐國際(宜興)高級陶瓷有限公司 (Sinoref International (Yixing) Co., Ltd.)
(ii)	Economic nature:	Limited liability company (wholly owned by Taiwan, Hong Kong and Macau investors (台港澳法人獨資))
(iii)	Registered owner:	Sinoref (HK)
(iv)	Total investment:	US$12,000,000
(v)	Registered capital:	US$6,000,000
(vi)	Attributable interest to our Group	100%
(vii)	Term of operation:	From 20 July 2005 to 19 July 2055
(viii)	Scope of business:	Permitted operation item: Nil General operation items: Manufacturing of advanced steel flow control products

7. [•••]

8. Registration under Part XI of the Companies Ordinance

Our Company has established our head office and a principal place of business in Hong Kong for the purpose of registration under Part XI of the Companies Ordinance at 40/F., Jardine House, 1 Connaught Place, Central, Hong Kong. Our Company has been registered as a non-Hong Kong company under Part XI of the Companies Ordinance. Mr. Tam Chi Ming, George, our company secretary, has been appointed as the agent of our Company for the acceptance of service of process and any notice required to be served on us in Hong Kong.

FURTHER INFORMATION ABOUT THE BUSINESS OF OUR COMPANY

9. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the members of our Group within the two years preceding the date of this document and are or may be material:

(a) an equity transfer agreement dated 22 August 2009 and entered into by Sinoref International as purchaser and Sino Super as vendor, pursuant to which Sino Super agreed to transfer its 17% equity interest in Sinoref (Yixing) (i.e. paid-up capital of US$1,020,000) to Sinoref International at a consideration of US$1,020,000;

(b) an equity transfer agreement dated 2 February 2010 and entered into by Sinoref International as purchaser and Sino Super as vendor, pursuant to which Sino Super agreed to transfer its 5% equity interest in Sinoref (Yixing) (i.e. paid-up capital of US$300,000) to Sinoref International at a consideration of US$300,000 which was settled by Sinoref International allotting and issuing 263,158 shares in its share capital to Sino Super or its designated company or individual;

(c) an equity transfer agreement dated 8 March 2010 and entered into by Sinoref International as vendor and Sinoref (HK) as purchaser, pursuant to which Sinoref (HK) agreed to acquire the entire equity interest in Sinoref (Yixing) at a consideration of US$6,000,000 which was settled by Sinoref (HK) procuring Sinoref (BVI) to allot and issue one share in the share capital of Sinoref (BVI) to Sinoref International;

(d) a share purchase agreement dated 7 June 2010 and entered into by Sinoref International as vendor and warrantor, Mr. Xu and Dr. Zhang as warrantors and our Company as purchaser, pursuant to which our Company acquired the entire issued share capital of Sinoref (BVI) in consideration of and in exchange for which our Company (i) allotted and issued, credited as fully paid, an aggregate of 1,000,000 Shares to the shareholders of Sinoref International in proportion to their respective shareholdings in Sinoref International at the direction of Sinoref International; and (ii) credited as fully paid at par the 1,000,000 nil-paid Shares then held by the shareholders of Sinoref International;

(e) [a deed of indemnity dated [•••] 2010 executed by Mr. Xu, Dr. Zhang, Mr. Gu Aoxing, Mr. Chai Xishu, Mr. Wang Zhizhong, Mr. Fu Chengzheng and Mr. Gao Zhilong in favour of our Company (for ourselves and as trustee for our subsidiaries stated therein) containing the indemnities more particularly referred to in the paragraph headed "Estate duty, tax and other indemnity" of this Appendix; and]

(f) [•••]

10. Intellectual property rights of our Group

Trademarks

As at the Latest Practicable Date, our Group had the right to use the following trademarks:

No.	Trademark	Registered owner	Place of registration	Class	Registration number	Duration of validity
1.	SINOREF	Sinoref (Yixing)	PRC	19 *(Note)*	4843136	14 April 2009 to 13 April 2019
2.		Sinoref (Yixing)	PRC	19 *(Note)*	4843510	7 March 2009 to 6 March 2019

Note:

The specific goods under class 19 in respect of which these trademarks were applied for registration are non-metallic building materials.

As at the Latest Practicable Date, applications had been made by our Group for the registration of the following trademarks:

No.	Trademark	Applicant	Place of registration	Class	Application number	Application Date
1.	SINOREF	Our Company	Hong Kong	19 *(Note)*	301574497	26 March 2010
2.		Our Company	Hong Kong	19 *(Note)*	301574479	26 March 2010

Note:

The specific goods under class 19 in respect of which these trademarks were applied for registration are non-metallic building materials.

Patents

As at the Latest Practicable Date, our Group had the right to use the following patent:

No.	Patent	Registered owner	Place of registration	Type	Registration number
1.	薄板坯浸入式水口 (Subentry Nozzle for thin slab casting process)	Sinoref (Yixing)	PRC	Utility	ZL20092004677.2

As at the Latest Practicable Date, applications had been made by our Group for the registration of the following patents:

No.	Patent	Applicant	Place of application	Type	Application number	Application date
1.	薄板坯浸入式水口 (Subentry Nozzle for thin slab casting process)	Sinoref (Yixing)	PRC	Invention	200910026394.7	22 April 2009
2.	可控制流入氣體的整體式塞棒 (Mono block Stopper with controlled gas flow)	Sinoref (Yixing)	PRC	Invention	200910031793.2	14 July 2009
3.	可控制流入氣體的整體式塞棒(Mono block Stopper with controlled gas flow)	Sinoref (Yixing)	PRC	Utility	200920047287.8	14 July 2009
4.	薄板坯浸入式水口 (Subentry Nozzle for thin slab casting process)	Sinoref (Yixing)	PRC	Invention	200910264567.9	28 December 2009
5.	薄板坯浸入式水口 (Subentry Nozzle for thin slab casting process)	Sinoref (Yixing)	PRC	Utility	200920284817.0	28 December 2009
6.	一種內裝浸入式水口 (A built-in Subentry Nozzle)	Sinoref (Yixing)	PRC	Utility	2010201334793	17 March 2010
7.	複合式棒頭結構塞棒 (Compound-head structured Stopper)	Sinoref (Yixing)	PRC	Invention	2010101309122	23 March 2010
8.	複合式棒頭結構塞棒 (Compound-head structured Stopper)	Sinoref (Yixing)	PRC	Utility	2010201385742	23 March 2010

Domain names

As at the Latest Practicable Date, our Group had registered the following domain names:

No.	Domain name	Registrant	Registration date	Expiration date
1.	sinoref.cn	Sinoref (Yixing)	15 October 2006	15 October 2010
2.	sinoref.com.hk	Sinoref (HK)	19 March 2010	25 March 2011

11. Connected transactions and related party transactions

Save as disclosed in notes 25 and 30 to the Accountants' Report, the text of which is set out in Appendix I to this document, during the two years immediately preceding the date of this document, we have not engaged in any other material connected transactions or related party transactions.

FURTHER INFORMATION ABOUT DIRECTORS AND SHAREHOLDERS

12. Directors

(a) Particulars of Directors' service contracts

Executive Directors

Each of our executive Directors has entered into a service contract with our Company pursuant to which they agreed to act as executive Directors for an initial term of [three] years with effect from 7 June 2010. The term of service shall be renewed and extended automatically by [one] year on the expiry of such initial term and on the expiry of every successive period of [one] year thereafter, unless either party has given at least [three] months' written notice of non-renewal before the expiry of the then existing term.

Each of our executive Directors is entitled to a basic salary as set out below (subject to an annual increment after 31 December 2010 at the discretion of our Directors of not more than [10]% of the annual salary immediately prior to such increase). In addition, each of our executive Directors is also entitled to a discretionary management bonus provided that the aggregate amount of the bonuses payable to all our executive Directors for any financial year of our Company may not exceed [10]% of the audited combined or consolidated net profit of our Group (after taxation and minority interests and payment of such bonuses but before extraordinary items) in respect of that financial year of our Company. Further, each of Mr. Xu and Dr. Zhang is entitled to the use of a car in the PRC of the style and model commensurate with his rank and position, and Dr. Zhang will be reimbursed for his accommodation in Yixing where he is required to stay and perform his duties under the service contract. An executive Director may not vote on any resolution of our Directors regarding the amount of the management bonus payable to him. The current basic annual salaries of our executive Directors are as follows:

Name	**Annual salary** *(RMB)*
Mr. Xu	500,000
Dr. Zhang	500,000
Mr. Gu Aoxing	200,000

Non-executive Director and independent non-executive Directors

Each of our non-executive Director and our independent non-executive Directors has been appointed for an initial term of two years commencing from 7 June 2010 renewable automatically for successive term of one year each commencing from the next day after the expiry of the then current term of appointment, unless terminated by either our non-executive Director or our independent non-executive Director, as applicable, or our Company giving not less than three months' notice in writing expiring at the end of the initial term or at any time thereafter. Each of our non-executive Director and our independent non-executive Directors is entitled to a director's fee of HK$10,000 per month. Save for directors' fees, none of our non-executive Director or our independent non-executive Directors is expected to receive any other remuneration for holding their office as a non-executive Director or an independent non-executive Director.

Save as disclosed aforesaid, none of our Directors has or is proposed to have a service contract with our Company or any of our subsidiaries other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

(b) Remuneration of Directors

(i) The aggregate emoluments paid and benefits in kind granted by our Group to our Directors in respect of the financial year ended 31 December 2009 were approximately RMB766,000.

(ii) Under the arrangements currently in force, the aggregate emoluments (excluding discretionary bonus) payable by our Group to and benefits in kind receivable by our Directors (including our non-executive Director and independent non-executive Directors) for the year ending 31 December 2010, are expected to be approximately RMB1,500,000.

(iii) None of our Directors or any past directors of any member of our Group has been paid any sum of money for each of the three years ended 31 December 2009 as (i) an inducement to join or upon joining our Company; or (ii) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

(iv) There has been no arrangement under which a Director has waived or agreed to waive any emoluments for each of the three years ended 31 December 2009.

13. [•••]

14. [•••]

15. Disclaimers

Save as disclosed in this document:

(a) [•••]

(b) [•••];

(c) [none of our Directors nor any of the parties listed in the paragraph 23 has been interested in the promotion of, or has any direct or indirect interest in any assets which have been, within the two years immediately preceding the date of this document, acquired or disposed of by or leased to our Company or any of our subsidiaries, or are proposed to be acquired or disposed of by or leased to our Company or any other member of us nor will any Director apply for the [•••] either in his own name or in the name of a nominee;]

(d) none of our Directors nor any of the parties listed in paragraph 23 below is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to our business; and

(e) [•••]

OTHER INFORMATION

16. [•••]

17. Estate duty, tax and other indemnity

[Mr. Xu, Dr. Zhang, Mr. Gu Aoxing, Mr. Chai Xishu, Mr. Wang Zhizhong, Mr. Fu Chengzheng and Mr. Gao Zhilong (together, the "**Indemnifiers**") have entered into a deed of indemnity with and in favour of our Company (for ourselves and as trustee for each of our present subsidiaries) (being the material contract (e) referred to in paragraph 9 above) to provide indemnities on a joint and several basis in respect of, among other matters:

(a) any liability for Hong Kong estate duty which might be incurred by any member of our Group by reason of any transfer of property (within the meaning of sections 35 and 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or the equivalent thereof under the laws of any jurisdiction outside Hong Kong) to any member of our Group on or before the [•••]; and

(b) tax liabilities (including all reasonable fines, penalties, costs, charges, expenses and interests incidental or relating to taxation) which might be payable by any member of our Group in respect of any income, profits, gains, transactions, events, matters or things earned, accrued, received, entered into or occurring on or before the [•••] Date, whether alone or in conjunction with any other circumstances whenever occurring and whether or not such tax liabilities are chargeable against or attributable to any other person, firm, company or corporation.

The Indemnifiers are under no liability under the deed of indemnity in respect of any taxation:

[(a) to the extent that provision or reserve has been made for such taxation in the audited accounts of any member of our Group for any accounting period up to 31 December 2009;

(b) to the extent that such taxation or liability falling on any of the members of our Group in respect of any accounting period commencing on 1 January 2010 and ending on the [•••] Date, where such taxation or liability would not have arisen but for some act or omission of, or transaction voluntarily entered into by, any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement of the Indemnifiers, other than any such act, omission or transaction:

  (i) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after 1 January 2010; or

  (ii) carried out, made or entered into pursuant to a legally binding commitment created on or before 1 January 2010 or pursuant to any statement of intention made in this document; or

(c) to the extent that such taxation liabilities or claim arise or are incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law, rules and regulations or the interpretation or practice thereof by the Hong Kong Inland Revenue

Department or the taxation authority of the PRC, or any other relevant authority (whether in Hong Kong or the PRC or any other part of the world) coming into force after the date of the deed of indemnity or to the extent such claim arises or is increased by an increase in rates of taxation after the date of the deed of indemnity with retrospective effect; or

(d) to the extent that any provision or reserve made for taxation in the audited accounts of any member of our Group up to 31 December 2009 which is finally established to be an over-provision or an excessive reserve, in which case the Indemnifiers' liability (if any) in respect of such taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied referred to in this paragraph to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter.]

Under the deed of indemnity, Dr. Zhang has also undertaken to us that he will indemnify and at all times keeps us fully indemnified, on demand from and against all losses, claims, actions, demands, liabilities, damages, costs, expenses, fines and of whatever nature suffered or incurred by any of the members of our Group directly or indirectly as a result of or in connection with any successful claim(s) of infringement of intellectual property rights taken out by the Vesuvius group relating to his previous employment with the Vesuvius group which might arise in the future.

18. Litigation

No member of our Group is engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against our Company, that would have a material adverse effect on our results of operations or financial condition of our Company.

19. Preliminary expenses

The preliminary expenses of our Company are estimated to be approximately US$4,150 and are payable by our Company.

20. Promoter

(a) Our Company does not have any promoter.

(b) Within the two years preceding the date of this document, no amount or benefit has been paid or given to any promoters of our Company in connection with the [•••] or the related transactions described in this document

21. [•••]

22. [•••]

23. Qualifications of experts

The following are the qualifications of the experts who have given opinions and/or whose names are included in this document:

Name	Qualification
Deloitte Touche Tohmatsu	Certified Public Accountants
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Jingtian & Gongcheng Attorneys at Law	Qualified PRC lawyers
Colliers International (Hong Kong) Ltd.	Professional property valuer

24. Consents of experts

Each of [•••], Deloitte Touche Tohmatsu, Conyers Dill & Pearman, Jingtian & Gongcheng Attorneys at Law and Colliers International (Hong Kong) Ltd. has given and has not withdrawn its written consent to the issue of this document with the inclusion of its report, letter and/or legal opinion (as the case may be) and the references to its names or summaries of opinions included herein in the form and context in which they respectively appear.

25. [•••]

26. Taxation of holders of Shares

Dealings in Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. Intending holders of our Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in our Shares. It is emphasised that none of our Company, our Directors or the other parties involved in the [•••] can accept responsibility for any tax effect on, or liabilities of, holders of our Shares resulting from their subscription for, purchase, holding or disposal of or dealing in our Shares or exercising any rights attaching to them.

Profits from dealings in our Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

The sale, purchase and transfer of our Shares are subject to Hong Kong stamp duty, the current rate of which is 0.2% of the consideration or, if higher, the value of our Shares being sold or transferred.

Under present Cayman Islands law, transfers and other dispositions of our Shares are exempt from Cayman Islands stamp duty.

27. Miscellaneous

(a) Save as disclosed in this document:

(i) within two years preceding the date of this document:

(aa) no share or loan capital of our Company or of any of our subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash; and

(bb) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries;

(cc) no commission has been paid or payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any shares in our Company or any of our subsidiaries;

(ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option; and

(b) our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 31 December 2009 (being the date to which the latest audited combined financial statements of our Group were made up).

(c) our Directors confirm that there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this document.

28. [•••]