SINOREF

華耐控股有限公司

SINOREF HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1020)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2010

RESULTS HIGHLIGHTS

- Revenue rose by 228.4% to RMB174.7 million
- Gross profit rose by 262.5% to RMB122.9 million
- Gross profit margin improved to 70.3%
- Net profit rose by 214.3% to RMB70.1 million
- Net profit margin was approximately 40.1%
- Basic earnings per share increased by 300.0% to RMB0.08

Note: Compared to the six months ended 30 June 2009

INTERIM RESULTS

The board of directors (the "Board") is pleased to announce the audited interim results of Sinoref Holdings Limited (the "Company") and its subsidiaries (together with the Company, the "Group") for the six months ended 30 June 2010, together with the comparative figures for the previous corresponding period, which has been reviewed and approved by the audit committee of the Company.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2010

		Six months ended 30 June	
	Notes	**2010**	2009
		RMB'000	*RMB'000*
			(Unaudited)
Revenue		**174,740**	53,206
Cost of sales		**(51,885)**	(19,280)
Gross profit		**122,855**	33,926
Interest income		**152**	20
Selling and distribution costs		**(14,658)**	(4,572)
Administrative expenses		**(8,594)**	(2,858)
Other expenses	*5*	**(12,500)**	–
Finance costs	*6*	**(223)**	(68)
Profit before taxation		**87,032**	26,448
Taxation	*7*	**(16,948)**	(4,187)
Profit for the period and total comprehensive income for the period	*8*	**70,084**	22,261
Earnings per share			
Basic *(RMB)*	*9*	**0.08**	0.02

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2010

	Notes	**At 30 June 2010** *RMB'000*	At 31 December 2009 *RMB'000*
Non-current assets			
Property, plant and equipment		**43,458**	45,344
Prepaid land lease payments		**10,449**	10,566
		53,907	55,910
Current assets			
Inventories	*10*	**10,824**	8,604
Trade receivables	*11*	**90,371**	46,490
Bills receivable	*12*	**22,292**	12,625
Other receivables and prepayments		**4,950**	141
Prepaid land lease payments		**235**	235
Bank balances and cash		**122,462**	65,500
		251,134	133,595
Current liabilities			
Trade payables	*13*	**8,182**	1,602
Other payables and accruals		**43,907**	16,028
Tax liabilities		**8,377**	4,995
Discounted bills with recourse	*12*	**12,702**	9,012
		73,168	31,637
Net current assets		**177,966**	101,958
Total assets less current liabilities		**231,873**	157,868
Non-current liability			
Deferred taxation		**8,212**	4,291
		223,661	153,577
Capital and reserves			
Share capital		**174**	47,041
Reserves		**223,487**	106,536
Total equity		**223,661**	153,577

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2010

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 4 February 2010 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The shares of the Company have been listed on The Stock Exchange of Hong Kong Limited with effect from 7 July 2010.

The Company is an investment holding company. The principal activities of the Company's subsidiaries are investment holding and manufacture and sale of advanced steel flow control products.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared on the historical cost basis and in accordance with Hong Kong Financial Reporting Standards ("HKFRS(s)") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance.

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

In the current interim period, the Group has applied, for the first time, the following new and revised Hong Kong Accounting Standards ("HKAS(s)"), HKFRS(s), amendments and interpretations ("HK(IFRIC) Int") (hereinafter collectively referred to as the "new and revised HKFRSs") issued by the HKICPA.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRS 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1(Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised 2008)	Business Combinations
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners

The adoption of these new and revised HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs 2010[1]
HKAS 24 (Revised)	Related Party Disclosures[4]
HKAS 32 (Amendment)	Classification of Rights Issues[2]
HKFRS 1 (Amendment)	Limited Exemptions from Comparative HKFRS 7 Disclosures for First-time Adopters[3]
HKFRS 9	Financial Instruments[5]
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirment[4]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[3]

1 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate
2 Effective for annual periods beginning on or after 1 February 2010
3 Effective for annual periods beginning on or after 1 July 2010
4 Effective for annual periods beginning on or after 1 January 2011
5 Effective for annual periods beginning on or after 1 January 2013

The directors of the Company anticipate that the application of these new and revised HKFRSs, amendments or interpretations will have no material impact on the consolidated financial statements.

4. 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) 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 sale of advanced steel flow control products. The Board 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:

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
		(Unaudited)
Manufacture and sale of advanced steel flow control products:		
Subentry Nozzle	**84,683**	22,954
Stopper	**47,121**	15,216
Tundish Nozzle	**33,832**	11,680
Ladle Shroud	**9,104**	3,356
	174,740	53,206

Information about geographical areas

As all the Group's revenue is derived from customers based in the People's Republic of China (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

Revenue from customers for six months ended 30 June 2010 and 2009 contributing over 10% of the total revenue of the Group are as follows:

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
		(Unaudited)
Customer A	**18,090**	N/A*
Customer B	**N/A***	7,478
Customer C	**N/A***	6,160
Customer D	**N/A***	5,628

* The corresponding revenue did not contribute over 10% of the total revenue of the Group.

Four types of products were sold to the customers A and B while only Stopper, Tundish Nozzle and Subentry Nozzle were sold to the customers C and D.

5. OTHER EXPENSES

The amounts represent professional fees and other expenses related to the listing of shares of the Company. Pursuant to HKAS 32 Financial Instruments: Presentation, the transaction costs of an equity transaction are accounted for as a deduction from equity to the extent they are directly attributable to the issuing of new shares. The remaining costs are recognised as expenses when incurred.

6. FINANCE COSTS

The amounts represent the interests on bank borrowing and discounted bills with recourse wholly repayable within five years. The bank borrowing was fully repaid in January 2009.

7. TAXATION

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
		(Unaudited)
Current taxation:		
PRC Enterprise Income Tax	**13,027**	3,306
Deferred taxation:		
Current year	**3,921**	881
	16,948	4,187

Provision for the PRC Enterprise Income Tax was made based on the estimated taxable profits calculated in accordance with the relevant income tax laws and regulations applicable to the PRC subsidiary of the Company.

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.

In accordance with the relevant income tax laws applicable to the PRC subsidiary of the Company, it 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. 2007 was the first profit-making year for the PRC subsidiary of the Company. As a result, the PRC subsidiary was subject to the PRC Enterprise Income Tax rate of 12.5% for both periods presented.

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 of PRC entities generated after 1 January 2008 shall be subject to PRC Enterprise Income Tax which is withheld by the PRC entity. During the six months ended 30 June 2010, deferred tax expense of RMB3,921,000 (2009: RMB881,000) charged on the undistributed earnings of the PRC subsidiary of the Company has been recognised in the consolidated statement of comprehensive income.

The taxation for the period can be reconciled to the profit before taxation per the statement of comprehensive income as follows:

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
		(Unaudited)
Profit before taxation	**87,032**	26,448
Tax at the PRC Enterprise Income Tax rate of 25%	**21,758**	6,612
Tax effect of expenses not deductible for tax purpose	**4,295**	–
Tax effect attributable to tax exemptions and concessions granted to the PRC subsidiary	**(13,026)**	(3,306)
Deferred tax on undistributed earnings of the PRC subsidiary	**3,921**	881
Taxation for the period	**16,948**	4,187

8. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
		(Unaudited)
Profit for the period has been arrived at after charging:		
Auditor's remuneration	**552**	10
Cost of inventories recognised as an expense	**51,684**	19,228
Depreciation of property, plant and equipment	**2,348**	2,328
Release of prepaid lease payments	**117**	117
Staff costs (including directors' emoluments)		
– Salaries and other benefits	**18,409**	5,947
– Retirement benefits scheme contributions	**221**	162
	18,630	6,109

9. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
		(Unaudited)
Earnings		
Profit for the period attributable to owners of the Company	**70,084**	22,261

	Six months ended 30 June	
	Number of shares	Number of shares
	2010	2009
	'000	*'000*
		(Unaudited)
Number of shares		
Weighted average number of ordinary shares	**900,000**	900,000

The number of shares for the purpose of basic earnings per share has been determined on the basis that the ordinary shares of the Company issued upon the corporate reorganisation have been in issue on 1 January 2009 and 898,000,000 ordinary shares issued pursuant to the capitalisation issue completed on 7 July 2010 have been adjusted retrospectively.

No diluted earnings per share has been presented for both periods as the Company has no potential ordinary shares outstanding during both periods.

10. INVENTORIES

	At 30 June 2010 *RMB'000*	At 31 December 2009 *RMB'000*
Raw materials	**5,096**	3,447
Work-in-progress	**3,114**	2,345
Finished goods	**2,614**	2,812
	10,824	8,604

11. 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 30 June 2010 *RMB'000*	At 31 December 2009 *RMB'000*
0 – 30 days	**30,328**	16,500
31 – 60 days	**30,147**	21,895
61 – 90 days	**29,389**	7,995
91 – 120 days	**507**	100
	90,371	46,490

12. BILLS RECEIVABLE/DISCOUNTED BILLS WITH RECOURSE

The aged analysis of bills receivable at the end of the reporting period are analysed as follows:

	At 30 June 2010 *RMB'000*	At 31 December 2009 *RMB'000*
Within 90 days	**14,530**	9,864
91 – 120 days	**3,314**	2,261
121 – 180 days	**4,448**	500
	22,292	12,625

At 30 June 2010, the carrying value of bills receivable include bills discounted with recourse amounted to RMB12,702,000 (31 December 2009: RMB9,012,000) and endorsed bills for which the maturity dates have not yet been due amounted to RMB5,841,000 (31 December 2009: Nil) continue to be recognised as assets in the consolidated financial statements as the Group still exposes to credit risk on these receivables at the end of the reporting period. Accordingly, the cash received from discounted bills and the endorsed bills for which the maturity dates have not yet been due are recognised as current liabilities in the consolidated statement of financial position.

13. 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 the reporting period is as follows:

	At 30 June 2010 *RMB'000*	At 31 December 2009 *RMB'000*
0 – 30 days	**4,761**	1,426
31 – 60 days	**2,968**	40
61 – 90 days	**224**	59
Over 90 days	**229**	77
	8,182	1,602

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group is a leading manufacturer of steel flow control products in China mainly engaged in the manufacture, sale and research and development of high-end steel flow control products. Steel flow control products are mainly used in the continuous casting process to protect, control and regulate the flow of molten steel. It is an essential product used in the continuous casting process of steel production.

The Group was established in 2005 with its headquarter based in Yixing, Jiangsu Province, the PRC. Annual capacity of its production plant reached 8,200 tonnes. Precision and quality of products were ensured with the advanced equipment from Germany and customized manufacturing facilities.

After the commencement of operation in 2007, the Group soon became the second largest producer of high-end steel flow control products in China. It accounted for approximately 19% of the high-end market in 2009.

The Group's revenue grew by 228.4% in the first half of 2010, mainly because of 1) business growth of existing customers, in which most of them accounted for a high market share; and 2) increase of new customers including Wuhan Steel, an important customer attained in 2010. The above factors contributed to the far higher sales growth rate than that of the same period.

Exploring overseas market

Riding on the strong foundation in China, the Group actively strengthened its sales and marketing team to explore the overseas markets including Western Europe, Korea and Taiwan. In the first half of 2010, the Group entered into a memorandum of understanding with Carboref GMBH in Germany on the sale of products of the Group in Europe. During such period, five representatives of Carboref GMBH including its Chairman visited the Group for the second time to speed up the business progress. At the same time, the Group entered into a framework agreement with Sinosteel Shanghai Company in China on the sale of products of the Group in Taiwan and Korea.

Expanding customer base

By the above approach, the number of customers during the period under review increased from 18 to 20. The Group's customers included major steel manufacturing groups in China like Baosteel Group, Hebei Steel Group, Wuhan Steel Group and Shandong Steel Group, the products of which are mostly used for the rapid growing steel sectors such as automobile, express rail, locomotive and military. Over the years, the Group's reliable customized solutions helped it maintain close relationships with customers, therefore it is trusted by many notable players in the steel industry and grows with the steel industry in China.

Enhancing technology research and development

The Group has advanced technology and it collaborated with universities (such as Inner Mongolia University of Science and Technology ("IMUST") and Shanghai University) and research institutions so that its research and development team could closely monitor the global technology trend. The Group's research and development experts worked closely with the sales team to enhance production efficiency and product design as well as following the market trend. Its stringent quality control process earned it an ISO 9001 quality management system certification by the Beijing BTIHEA Certification Co., Ltd.

The Group registered seven patent applications in 2009 and 2010. During the period under review, it obtained two new utility patent registrations including subentry nozzle for thin slab casting process in January 2010 and mono block stopper with controlled gas flow in May 2010.

Major products

The Group's major products include ladle shrouds, stoppers, tundish nozzles and subentry nozzles, which are all are consumables.

Ladle shrouds

The Group's ladle shrouds can have various argon sealing customized for different requirements and can be specially designed to achieve full protection and enhance life-span.

Stoppers

The Group produces more than 30 patterns of stoppers in various specifications to suit the needs of customers for different tundish nozzles.

Tundish nozzles

The Group has developed more than 20 patterns of tundish nozzles for customers' needs and the hardness of these tundish nozzles is capable to endure pressure from the bottom to be a linkage between a stopper and a subentry nozzle or used for slab casters which have tube changers.

Subentry nozzles

The Group produces various customized subentry nozzles and has developed more than 50 patterns of subentry nozzles. It focuses on the design and function of such product to ensure the prevention of oxidation in the continuous casting process.

Financial Review

Revenue

Our revenue increased by approximately 228.4% from approximately RMB53.2 million for the six months ended 30 June 2009 to approximately RMB174.7 million for the six months ended 30 June 2010. 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 six months ended 30 June 2010 was approximately 4,177 tonnes, representing an increase of approximately 195.2% as compared to approximately 1,415 tonnes for the six months ended 30 June 2009. Such growth was a combined effect of (i) our acquisition of 4 new customers in the western and northern regions of the PRC in 2010 who purchased approximately 726 tonnes from us during the six months ended 30 June 2010 and contributed approximately RMB36.5 million or 20.9% to our total revenue in 2010 and (ii) the increase in sales to our existing customers acquired in or before June 2009 by approximately 143.9% from approximately 1,415 tonnes in first half of 2009 to approximately 3,451 tonnes in first half of 2010. As a result, our revenue contributed from our existing customers acquired in or before June 2009 has significantly increased from approximately RMB53.2 million for the six months ended 30 June 2009 to approximately RMB138.2 million for the six months ended 30 June 2010.

Cost of sales

Our costs of sales increased by about 168.9% from approximately RMB19.3 million for the six months ended 30 June 2009 to approximately RMB51.9 million for the six months ended 30 June 2010 which was in line with the increase in the sales volume of our advanced steel flow control products.

Gross profit and gross profit margin

Our gross profit increased by approximately 262.5% from approximately RMB33.9 million for the six months ended 30 June 2009 to approximately RMB122.9 million for the six months ended 30 June 2010. Our gross profit margin also increased from approximately 63.7% for the six months ended 30 June 2009 to approximately 70.3% for the six months ended 30 June 2010. 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 195.2% from approximately 1,415 tonnes for the six months ended 30 June 2009 to approximately 4,177 tonnes for the six months ended 30 June 2010.

Selling and distribution costs

Our selling and distribution costs increased by approximately 219.6% from approximately RMB4.6 million for the six months ended 30 June 2009 to approximately RMB14.7 million for the six months ended 30 June 2010. The increase was mainly attributable to (i) the increase in commission paid to our salespersons, who assisted to obtain successful sales orders, by approximately 254.5%, from approximately RMB3.3 million for the six months ended 30 June 2009 to approximately RMB11.7 million for the six months ended 30 June 2010 and (ii) the increase in transportation costs by approximately 228.6% from approximately RMB0.7 million for the six months ended 30 June 2009 to approximately RMB2.3 million for the six months ended 30 June 2010 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 8.6% and 8.4% for the six months ended 30 June 2009 and 2010 respectively.

Administrative expenses

Our administrative expenses increased by approximately 196.6% from approximately RMB2.9 million for the six months ended 30 June 2009 to approximately RMB8.6 million for the six months ended 30 June 2010. The increase was primarily due to the combined effect of (i) the increase in staff costs (other than directors' remuneration) by approximately 366.7% from approximately RMB0.9 million for the six months ended 30 June 2009 to approximately RMB4.2 million for the six months ended 30 June 2010 as the Group had recruited new staff to facilitate the listing of shares of the Company and accrued bonus for staff and management of approximately RMB2.5 million during the six months ended 30 June 2010; and (ii) the increase in travelling expenses and entertainment expenses by approximately 57.1% from approximately RMB0.7 million for the six months ended 30 June 2009 to approximately RMB1.1 million for the six months ended 30 June 2010 mainly attributable to the increased sales and marketing activities.

Profit for the year

As a result of the foregoing, the Group's profit for the period increased by approximately 214.3% to approximately RMB70.1 million for the six months ended 30 June 2009 from approximately RMB22.3 million for the six months ended 30 June 2009. As stated in the prospectus of the Company dated 25 June 2010, the Group's forecasted combined profit after taxation for the six months ended 30 June 2010 would not be less than RMB65.8 million. The Group's actual result was satisfactory with approximately 6.5% above the forecasted figure. The Group's net profit margin decreased slightly from approximately 41.8% for the six months ended 30 June 2009 to approximately 40.1% for the six months ended 30 June 2010 was mainly a result of the provision of the one-off expenses of RMB12.5 million during the six months ended 30 June 2010 in relation to the listing of shares of the Company in July 2010. The Group's earnings per share increase significantly from RMB0.02 for the six months ended 30 June 2009 to RMB0.08 for the six months ended 30 June 2010, representing a significant increase of approximately 300.0%.

Interim dividends

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2010 (2009: Nil).

Capital structure, liquidity and financial resources

During the six months ended 30 June 2010, the Group's net cash from operating activities was RMB53.9 million (2009: RMB9.1 million) and the Group's net cash, representing cash and bank deposit net of bank loans, was RMB122.5 million (2009: RMB17.4 million) as at 30 June 2010.

Total equity of the Group as at 30 June 2010 was RMB223.7 million (31 December 2009: RMB153.6 million) and debt to equity ratio (total bank loans over total equity) was 5.7% (31 December 2009: 5.9%).

Finance cost of the Group for the six months ended 30 June 2010 was RMB0.2 million (2009: RMB0.1 million), accounting for approximately 0.1% of the Group's revenue (2009: 0.1%).

Pledge of assets

As at 30 June 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.

Human Resources

As at 30 June 2010, the Group had 166 staff (31 December 2009: 153). The increase in headcount was in line with the expanded business activities in the first six months of 2010 against last year. The Group continued to provide training to its staff to enhance their technical and product knowledge including industry quality standards, safety standards and sales skills.

Prospects

The Group has a leading market position and is the second largest company in terms of actual annual production of high-end steel flow control products in China. It plans to further capitalize on its advantages for future development. The following is the Group's major development strategies.

Enhance capacity to satisfy future needs and further expand market share

Sale of products of the Group continued to grow since last year end and utilization rate of the Group had reached 100%. As China's steel market develops and consolidates, the management expects that market potential of high-end steel flow control products is huge, which will bring opportunities for the Group.

The Group plans to build a new facility to accommodate a new production line to cope with the increase in orders and the continual growth of the local and overseas markets. The new facility is expected to be completed in the second half of 2011 and commence operation in early 2012. The Group will have an extra capacity of 8,600 tonnes by then, bringing the annual production of steel flow control products to 16,800 tonnes.

Continue research and development to enhance and develop steel flow control products

Apart from increasing sale of existing steel flow control products, one of the Group's development strategies is to enlarge the product range of our steel flow control products. The Group will continue to collaborate with universities and other research institutions to enhance and develop more products. For continuous casting process, it will strive to improve the life-span and purity of steel.

In respect of advanced continuous casting process, the Group will further work with its customers to develop optimised solutions to their Compact Strip Casting Process ("CSP") and Benxi Strip Casting Process ("BSP") in terms of both geometric design and material development. During the six months ended 30 June 2010, the Group worked with IMUST to develop BSP subentry nozzles for companies like Hebei Steel Group's Tang Steel and Shougang Group's Tonghua. The development work is still in progress. Thin strip casting is the latest continuous casting process. In respect of this latest casting process, the Group has entered into a cooperation agreement with Casco (USA) Inc. for the Group to become the exclusive supplier of monolithic materials, steel flow distributors and side dams for Casco (USA) Inc. in China. In order to develop new products required for thin strip casting, the Group collaborated with Shanghai University for the research and development of steel flow distributors and side dams, which are the two new products required for thin strip casting. This project is still in progress.

Explore mainland and overseas market

The Group will continue to expand its sales network riding on its established market position and other advantages. It will continue its marketing efforts and promote products in the markets currently not covered by the Group in China while exploring overseas markets such as Taiwan, Korea and Western Europe. Meanwhile, the Group will also reinforce the existing sales and marketing team to attract more potential customers in China.

The management is confident that in the near future, the new products can bring in more market development opportunities. It will continue to capitalize its advantage in the high-end steel flow control products market in China so as to lead the industry growth as well as to scale new heights for fruitful return for its investors.

Use of proceeds from the initial public offering

On 7 July 2010, the Group listed successfully on the Main Board of The Stock Exchange of Hong Kong Limited. The initial public offering by way of international offering and Hong Kong public offering was welcomed by investors. The aggregate net proceeds from the initial public offering after deducting share offer expenses were HK$195.6 million.

As stated in the prospectus of the Company dated 25 June 2010, the Group intends to use the proceeds for capacity enhancement, expanding product range, strengthen marketing efforts and research and development capabilities as well as for general working capital. As at the reporting date of this announcement, the Group expected that there will be no change on the plan.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions (the "Code Provisions") of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the six months under review except for the deviation from A.2.1 of the Code in respect of segregation of the roles of chairman and chief executive officer.

According to Code Provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Xu Yejun, in addition to his duties as the Chairman of the Company, is also responsible for the strategic planning and overseeing all aspects of the Group's operations as the Chief Executive Officer of the Company. This constitutes a deviation from Code Provision A.2.1. Mr. Xu Yejun as one of the founders of the Group has extensive experience and knowledge in the core business of the Group and his duties for overseeing the Group's operations is clearly beneficial to the Group. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Group.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted a code of conduct (the "Code of Conduct") regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, all Directors have confirmed that they had complied with the required standard set out in the Code of Conduct during the six months ended 30 June 2010.

REVIEW OF ACCOUNTS

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal controls, and financial reporting matters including the review of the audited interim financial statements for the six months ended 30 June 2010. The interim results of the Group for the six months ended 30 June 2010 have been audited by the auditors of the Company, Deloitte Touche Tohmatsu.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this announcement, the Company has maintained the prescribed public float of not less than 25% of the Company's issued shares as required under the Listing Rules for the period.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (http://www.sinoref.com.hk). The interim report for the period containing all the information required by Appendix 16 to the Listing Rules will be dispatched to shareholders of the Company and available on the same websites in due course.

APPRECIATION

On behalf of the Board, I would like to express my sincere appreciation to our dedicated staff, as well as our business partners for their support and trust. Let us all pull together and scale another new height for the Group.

By order of the Board
Sinoref Holdings Limited
Xu Yejun
Chairman and Chief Executive Officer

Hong Kong, 25 August 2010

As at the date of this announcement, the executive Directors are Mr. Xu Yejun, Dr. Zhang Lanyin and Mr. Gu Aoxing, the non-executive Director is Mr. Gao Zhilong, and the independent non-executive Directors are Mr. Yao Enshu, Mr. Yang Fuqiang and Mr. Cheng Yun Ming Matthew.