SINOREF

SINOREF HOLDINGS LIMITED
華耐控股有限公司
(incorporated in the Cayman Islands with limited liability)
(Stock Code: 1020)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2010

FINANCIAL HIGHLIGHTS

- Revenue rose by 103.2% to RMB318.8 million (2009: RMB156.9 million)
- Gross profit rose by 106.8% to RMB218.0 million (2009: RMB105.4 million)
- Gross profit margin improved to 68.4% (2009: 67.2%)
- Profit and total comprehensive income for the year rose by 85.6% to RMB130.1 million (2009: RMB70.1 million)
- Net profit margin was 40.8% (2009: 44.7%)
- Basic earnings per share increased by 50.0% to RMB0.12 (2009: RMB0.08)
- The Board recommends the payment of a final dividend of HK$3.6 cents (2009: Nil)

ANNUAL RESULTS

The board (the "Board") of directors (the "Directors") of Sinoref Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2010, together with the comparative figures for the previous corresponding period, which have been reviewed by the audit committee of the Company prior to recommending them to the Board for approval.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the year ended 31 December	
	Notes	**2010**	2009
		RMB'000	*RMB'000*
Revenue	*4*	**318,762**	156,896
Cost of sales		**(100,782)**	(51,508)
Gross profit		**217,980**	105,388
Interest income		**813**	72
Selling and distribution costs		**(27,855)**	(13,109)
Administrative expenses		**(19,671)**	(6,263)
Other expenses	*5*	**(12,003)**	(2,000)
Finance costs	*6*	**(265)**	(195)
Profit before taxation		**158,999**	83,893
Taxation	*7*	**(28,943)**	(13,817)
Profit and total comprehensive income for the year attributable to owners of the Company	*8*	**130,056**	70,076
Earnings per share	*9*		
Basic *(RMB)*		**0.12**	0.08
Diluted *(RMB)*		**0.12**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 31 December	
	Notes	**2010**	2009
		RMB'000	*RMB'000*
Non-current assets			
Property, plant and equipment		**57,536**	45,344
Prepaid land lease payments		**10,331**	10,566
Deposit paid for acquisition of plant and equipment		**3,930**	–
		71,797	55,910
Current assets			
Inventories	*10*	**15,273**	8,604
Trade receivables	*11*	**96,593**	46,490
Bills receivables	*12*	**30,579**	12,625
Other receivables, deposits and prepayments		**516**	141
Prepaid land lease payments		**235**	235
Bank balances and cash		**315,554**	65,500
		458,750	133,595
Current liabilities			
Trade payables	*13*	**15,248**	1,602
Other payables and accruals		**29,453**	16,028
Discounted bills with recourse	*12*	**–**	9,012
Tax liabilities		**4,912**	4,995
		49,613	31,637
Net current assets		**409,137**	101,958
Total assets less current liabilities		**480,934**	157,868
Non-current liability			
Deferred tax liabilities		**10,937**	4,291
		469,997	153,577
Capital and reserves			
Share capital		**104,201**	47,041
Reserves		**365,796**	106,536
Total equity		**469,997**	153,577

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 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 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 ("Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis.

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

In the current year, the Group has applied 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.

HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (as revised in 2008)	Business Combinations
HKAS 27 (as revised in 2008)	Consolidated and Separate Financial Statements
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners
HK – Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

HKFRS 3 (as revised in 2008) Business Combinations

The Group applies HKFRS 3 (as revised in 2008) "Business Combinations" prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The requirements in HKAS 27 (as revised in 2008) "Consolidated and Separate Financial Statements" in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 January 2010.

As there was no transaction during the current year in which HKFRS 3 (as revised in 2008) and HKAS 27 (as revised in 2008) are applicable, the application of HKFRS 3 (as revised in 2008), HKAS 27 (as revised in 2008) and the consequential amendments to other HKFRSs had no effect on the consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (as revised in 2008), HKAS 27 (as revised in 2008) and the consequential amendments to the other HKFRSs are applicable.

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 issued in 2010[1]
HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[3]
HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[5]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[5]
HKFRS 9	Financial Instruments[7]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[6]
HKAS 24 (as revised in 2009)	Related Party Disclosures[4]
HKAS 32 (Amendments)	Classification of Rights Issues[2]
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[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 July 2011.
6 Effective for annual periods beginning on or after 1 January 2012.
7 Effective for annual periods beginning on or after 1 January 2013.

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

4. OPERATING SEGMENTS

HKFRS 8 "Operating segments" 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.

The Group's operating activities are attributable to a single operating segment focusing on the manufacture and sale of advanced steel flow control products. This operating segment has been identified on the basis of internal management reports prepared in accordance with accounting policies which conform to HKFRSs, that are regularly reviewed by the Board. The Board monitors the revenue from manufacture and sale of advanced steel flow control products 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:

	For the year ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
Manufacture and sale of advanced steel flow control products:		
Subentry Nozzle	**156,552**	69,026
Stopper	**84,920**	45,700
Tundish Nozzle	**59,889**	32,992
Ladle Shroud	**17,401**	9,178
	318,762	156,896

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 both years contributing over 10% of the total revenue of the Group are as follows:

	For the year ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
Customer A	**35,806**	N/A*
Customer B	**N/A***	19,261
Customer C	**N/A***	17,688

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

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

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

	2010	2009
	RMB'000	*RMB'000*
Current tax:		
PRC Enterprise Income Tax	**22,297**	10,737
Deferred tax		
Current year	**6,646**	3,080
	28,943	13,817

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 Group's PRC subsidiary.

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 law as 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 after offsetting all unexpired tax losses from previous years, and thereafter to a 50% reduction for the next three years. 2007 was the first profit-making year for the Group's PRC subsidiary. As a result, the Group's PRC subsidiary was subject to the PRC Enterprise Income Tax rate of 12.5% for both years 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 year ended 31 December 2010, deferred tax expense of RMB6,646,000 (2009: RMB3,080,000) charged on the undistributed earnings of the Group's PRC subsidiary has been recognised in the consolidated statement of comprehensive income.

8. PROFIT FOR THE YEAR

	2010 ***RMB'000***	2009 *RMB'000*
Profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration	**806**	10
Cost of inventories recognised as an expense	**100,200**	51,339
Depreciation of property, plant and equipment	**4,962**	4,591
Amortisation of prepaid land lease payments	**235**	235
Minimum lease payments in respect of office premises	**178**	–
Exchange loss	**2,213**	–
Bank interest income	**(551)**	(72)
Staff costs (including directors' emoluments)		
– Salaries and other benefits	**30,722**	15,315
– Contributions to retirement benefits scheme	**509**	339
– Share-based payments	**1,895**	–
	33,126	15,654

9. EARNINGS PER SHARE

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

	2010 ***RMB'000***	2009 *RMB'000*
Earnings		
Earnings for the purposes of basic and diluted earnings per share attributable to the owners of the Company	**130,056**	70,076

	Number of shares **2010** ***'000***	Number of shares 2009 *'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**1,046,301**	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 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.

The computation of diluted earnings per share does not assume the exercise of the Company's options because the exercise price of the share options was higher than the average price of the shares of the Company for the period during the date of granting the share options to 31 December 2010. No diluted earnings per share has been presented for in prior year as there were no potential shares outstanding during the prior year.

10. INVENTORIES

	2010	2009
	RMB'000	*RMB'000*
Raw materials	**8,289**	3,447
Work-in-progress	**3,861**	2,345
Finished goods	**3,123**	2,812
	15,273	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. The following is an aged analysis of trade receivables presented based on the goods delivery date at the end of the reporting period.

	2010	2009
	RMB'000	*RMB'000*
0 – 30 days	**18,196**	16,500
31 – 60 days	**26,502**	21,895
61 – 90 days	**21,219**	7,995
91 – 120 days	**18,278**	100
Over 120 days	**12,398**	–
	96,593	46,490

12. BILLS RECEIVABLES/DISCOUNTED BILLS WITH RECOURSE

The aged analysis of bills receivables at the end of the reporting period is as follows:

	2010	2009
	RMB'000	*RMB'000*
Within 90 days	**21,568**	9,864
91 – 120 days	**6,097**	2,261
121 – 180 days	**2,914**	500
	30,579	12,625

At 31 December 2010, the carrying value of bills receivables includes endorsed bills for which the maturity dates have not yet been due amounted to RMB11,023,000 (2009: nil) continue to be recognised as assets in the consolidated financial statements. There are no bills discounted with recourse as at 31 December 2010 (2009: RMB9,012,000). As the Group still exposed to credit risk on these receivables at the end of the reporting period, the cash received from discounted bills and the bills endorsed to the suppliers for which the maturity dates have not yet been due are recognised as current liabilities in the consolidated statement of financial position.

All the bills receivables and discounted bills with recourse are denominated in RMB.

At 31 December 2009, the discounted bills with recourse carried interest at an average rate of 2.81% per annum.

The maturity dates of endorsed bills and discounted bills with recourse were less than six months from the end of the reporting period.

13. TRADE PAYABLES

The following is an aged analysis of trade payables presented based on the goods receipt date at the end of the reporting period.

	2010	2009
	RMB'000	*RMB'000*
0 – 30 days	**10,041**	1,426
31 – 60 days	**2,876**	40
61 – 90 days	**2,029**	59
Over 90 days	**302**	77
	15,248	1,602

MANAGEMENT DISCUSSION AND ANALYSIS

The Group was established in 2005 and commenced operation in 2007. After spending years of effort in expanding its presence, the Group has become a leading manufacturer of advanced steel flow control products in China. The Group has been renowned for its technological innovation, product quality and operational efficiency in the industry. With the continued effort to advance its service quality the Group's position in the industry is widely recognized in the market. The successful listing of the Group on the Main Board of The Stock Exchange of Hong Kong Limited in July 2010 is a milestone of the Group and has received great support from investors. The listing has not only strengthened the Group's financial capability, but also enhanced its corporate governance standard, as well as widened its exposure in the international market. In this regard, the Group has laid down a solid foundation to develop itself into the largest manufacturer of advanced steel flow control products in China and lead the industry to scale new heights in the future.

MARKET REVIEW

According to the World Steel Association, the world's production of crude steel in 2010 reached a new high of 1,410 million tonnes, representing an increase of 15% as compared with the previous year. Being the single largest country of crude steel production, China produced more than 620 million tonnes of crude steel in 2010, representing an increase of approximately 10% over the previous year and accounting for nearly half of the world's total production. At the same time, the export of steel products still achieved an increase and steel consumption maintained a stable growth by virtue of the rebound in global steel demand and the recovery of Asian economy. In 2010, various large infrastructure projects in China proceeded in full swing, including the construction of the "Four-Vertical and Four-Horizontal" passenger express railway network with an investment of RMB700 billion, the planning of Chengdu-Chongqing Economic Zone and the construction of an additional 10 million units of social security housing. These infrastructure projects will effectively drive the market demand for steel, a fundamental construction material, and will in turn boost the sales of steel flow control products. In 2009, the market share of advanced steel flow control products reached approximately 39% of the entire steel flow control product market, and is expected to continuously increase.

Since 2003, continuous casting has become the major method of steel production and 90% of crude steel worldwide is manufactured by this way. The CAGR of China's steel production by continuous casting reached approximately 17.16% from 2001 to 2010, a threefold of the CAGR on global basis. As the advanced steel flow control products manufactured by the Group are mainly used in continuous casting and the Group's sales have a positive relationship with the production volume of the steel industry of China, the rapid growth of the steel industry implies a promising development for the Group in the future.

Encouraging merger and reorganization as well as optimization of industry distribution remain the main theme of steel industry development in the draft of the 12th Five-Year Plan, which call for close down of blast furnaces under 400 cubic meters and converter furnaces under 30 tonnes. In order to increase the standard of energy-saving and emission-reducing, the energy consumption per tonne of steel produced by large and medium sized steel manufacturers is limited to within 580 kilograms of standard coal. Manufacturers that fall short of such requirement will be forced to close down and the other manufacturers remain in the market are also required to upgrade their products to high-end products. The consolidation of steel industry has resulted in a growing market of high-end products, and also stimulated the continuous growth of the consumption of high-end steel flow control products. Such developments are not only conducive to the rapid growth of the Group in the past few years, but also in line with the Group's development strategy in targeting at the high-end market.

BUSINESS REVIEW

The Group is a leading manufacturer of steel flow control products in China mainly engaged in the manufacture and sale of advanced 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 and are essential products used in the continuous casting process of steel production.

Since commencement of operation in 2007, our annual capacity of production plant has increased from 6,400 tonnes to 8,200 tonnes in 2009. Precision and quality of our products are ensured by the advanced equipment from Germany and customized manufacturing facilities and the Group soon became the second largest producer of high-end steel flow control products in China. The Group's revenue in 2010 grew by approximately 103.2% from 2009 to RMB318.8 million and management estimates that the Group's market share of the high-end market in 2010 increased to approximately 30% from 6% in 2007.

Expanding overseas market

Riding on the strong foundation in the China market, the Group actively strengthened its sales and marketing team aiming to vigorously expand the overseas markets. In the first half of 2010, the Group entered into a memorandum of understanding with Carboref GmbH in Germany concerning the sale of the Group's products in Europe. In the second half of the year, the Group began to expand its overseas business and successfully secured two trial orders from Germany. The Group has subsequently signed an authorized dealer agreement with Carboref GmbH in February 2011.

Expanding customer base

In 2010, the number of the Group's customers in China reached 22, of which 8 are among the top-10 steel manufacturers in China, including Baosteel Group, Hebei Steel Group, Wuhan Steel Group and Shandong Steel Group. As a result of its high-tech products and high quality services as well as its sound reputation over the years, the Group is trusted by more and more leading steel manufacturers. In October 2010, the Group officially entered into a long-term cooperation relationship with Shougang Group, one of the largest state-owned steel enterprises in China. Besides, management has initiated talks with other major steel manufacturers like Anshan Iron and Steel Group to enhance the Group's sustainable and stable growth.

Enhancing technology research and development

The Group has world-class technology and it has collaborated with universities and research institutions so that its research and development team can closely monitor the global technology trend. As at 31 December 2010, the Group had 4 registered patents and 5 patents pending approval, and had been granted ISO 9001 Quality Control System Accreditation by Beijing BTIHEA Certification Co., Ltd. In the 12th Five-Year Plan, the Group's self-developed material used by steel flow control products was listed as one of the new materials for "strategic emerging industries" and enabled the Group to enjoy policy concessions. Mainly attributable to its stay-ahead and self-innovative research and development capability, the Group is able to maintain a high benchmark and high gross profit margin in the high-end market.

Major products

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

The Group's revenue increased to approximately RMB318.8 million for the year ended 31 December 2010, representing an increase of approximately 103.2% as compared with RMB156.9 million for the previous year. The increase was mainly attributable to the growth in the overall sales volume of our advanced steel flow control products by approximately 93.1% to approximately 7,600 tonnes as compared with the approximately 4,000 tonnes in previous year. Such growth was a combined effect of (i) our acquisition of 4 new customers in the western and northern regions of the PRC and in Germany in 2010 who purchased approximately 300 tonnes from the Company during the reviewing period and contributed approximately RMB16.3 million or 5.1% to the Group's total revenue in 2010 and (ii) the increase in sales to the Group's existing customers acquired in or before December 2009 by approximately 97.3% from approximately 3,700 tonnes in 2009 to approximately 7,300 tonnes in 2010. As a result, the Group's revenue contributed from its existing customers acquired in or before December 2009 has significantly increased to approximately RMB302.5 million from approximately RMB156.9 million for the previous year.

Cost of sales

Our costs of sales increased by about 95.7% from approximately RMB51.5 million for the previous year to approximately RMB100.8 million for the reviewing period, 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 106.8% from approximately RMB105.4 million for the previous year to approximately RMB218.0 million for the year ended 31 December 2010. Our gross profit margin also increased from approximately 67.2% for the previous year to approximately 68.4%. 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 93.1% from approximately 4,000 tonnes for the previous year to approximately 7,600 tonnes.

Selling and distribution costs

In the reviewing period, our selling and distribution costs increased to RMB27.9 million, representing an increase of approximately 113.0% from approximately RMB13.1 million for the previous year. The increase was mainly attributable to (i) the increase in commission paid to our salespersons by approximately 122.5%, from approximately RMB10.2 million for the previous year to approximately RMB22.7 million; and (ii) the increase in transportation costs by approximately 140.0% from approximately RMB1.5 million for the previous year to approximately RMB3.6 million, 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 8.4% and 8.7% for the year ended 31 December 2009 and 2010 respectively.

Administrative expenses

Our administrative expenses increased by approximately 212.7% from approximately RMB6.3 million for the previous year to approximately RMB19.7 million for the year ended 31 December 2010. The increase was primarily due to the combined effect of (i) the increase in staff costs (other than Directors' remuneration) by about 25.6% from approximately RMB2.5 million for the previous year to approximately RMB3.0 million, as the Group had recruited new staff to facilitate the listing of shares of the Company and expansion of business; and (ii) the increase in travelling expenses and entertainment expenses by approximately 200.0% from approximately RMB1.5 million for the previous year to approximately RMB4.5 million this year, mainly attributable to the increased sales and marketing activities; and (iii) the professional service fee of RMB2.9 million incurred after the listing of shares; and (iv) an amortization of fair value of share options of approximately RMB1.9 million in the current year due to the grant of share options on 22 November 2010.

Profit for the year

As a result of the foregoing, the Group's profit for the year increased by approximately 85.6% to approximately RMB130.1 million from approximately RMB70.1 million for the previous year. The Group's net profit margin decreased slightly from approximately 44.7% for the previous year to approximately 40.8%, which was mainly a result of the provision of the one-off expenses of RMB12.0 million during the year in relation to the listing of shares of the Company in July 2010. The Group's earnings per share increased significantly from RMB0.08 for the previous year to RMB0.12, representing an increase of 50.0%.

Final dividends

The Board recommends the payment of a final dividend of HK$3.6 cents (equivalent to RMB3.1 cents) per share for the year ended 31 December 2010 (2009: Nil).

Capital structure, liquidity and financial resources

During the year ended 31 December 2010, the Group's net cash from operating activities was approximately RMB93.1 million (2009: RMB53.6 million) and the Group's bank balances and cash was approximately RMB315.6 million (2009: RMB65.5 million) as at 31 December 2010. Total equity of the Group as at 31 December 2010 was approximately RMB470.0 million (31 December 2009: RMB153.6 million). The Group does not have any outstanding bank loan as at 31 December 2010.

Pledge of assets

As at 31 December 2010, the Group does not have any pledge of assets.

HUMAN RESOURCES AND STAFF REMUNERATION

As at 31 December 2010, the Group had 190 staff members employed in mainland China and Hong Kong. Total staff costs for the year were approximately RMB4.0 million (2009: RMB2.5 million). In the year, the Group continued to reinforce the training provided to its staff, provide opportunities of training and study for management staff and professional technicians, and provide timely update to all the staff with the latest Government policies of the industry, to continuously enhance the professional standard and comprehensive quality of the staff. Meanwhile, the Group has provided competitive remuneration for the staff which encourages them to commit themselves and serve our customers whole-heartedly.

PROSPECTS

The Group has a leading market position and is the second largest company in terms of actual annual production and sale of advanced steel flow control products in China. It plans to further capitalize on its advantages for maintaining the momentum of its future development. The following is a summary of the Group's future development strategies and emphases:

Enhance capacity to satisfy future needs and further expand market share

Sale of our products has continued to grow and our capacity utilization rate is approaching full utilization. As China's steel market develops and consolidates, the management expects that market potential of advanced steel flow control products is huge.

The Group is now constructing a new plant at its headquarter situated in Yixing, Jiangsu, to accommodate a new production line to cope with the increase in sales orders and to capture the huge potential in local and overseas markets. The new line is expected to be completed in the second half of 2011 and commence operation in the third quarter of 2011 earliest. By then, the Group's annual capacity will increase from 8,200 tonnes to 16,800 tonnes.

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

Apart from increasing sale of advanced existing steel flow control products, another Group's development strategies is to advance product quality and diversify our products offerings. The Group will continue to collaborate with universities and research institutions to enhance the quality of our existing products and develop more products.

Explore mainland and overseas market

The Group will continue to develop its business riding on its established market position and other advantages. While recruiting most sales talent to explore new customers and business opportunities in China, the Group will continue to expand overseas markets. The Group has expanded into European markets after successfully entering into an authorized distributor agreement with Carboref GmbH of Germany on 19 February 2011, and will continue to reinforce the existing sales and marketing team to attract more potential customers in China and overseas.

The Group is confident that its market competitiveness will greatly be enhanced after the completion of the new production line and our new products will bring in more market development opportunities. The Group will continue its effort to capitalize on its niche in the advanced 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 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 to the Listing Rules throughout the year 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 year ended 31 December 2010.

REVIEW OF ACCOUNTS

The Company's audit committee has reviewed with the management the accounting principles adopted by the Group and the audited consolidated financial statements of the Group for the year ended 31 December 2010.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2010 as set out in this preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this preliminary announcement.

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 FINAL RESULTS AND ANNUAL REPORT

This annual 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 annual 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, 29 March 2011

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. Tsui Siu Hang, Steve.