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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

RESULTS HIGHLIGHTS

- Revenue decreased by 4.3% to approximately RMB167.2 million
- Gross profit decreased by 19.4% to approximately RMB99.1 million
- Gross profit margin was approximately 59.3%
- Profit and total comprehensive income for the period attributable to owners of the Company decreased by 22.1% to approximately RMB54.6 million
- Net profit margin was approximately 32.7%
- Basic earnings per share was RMB0.05 (Six months ended 30 June 2010: RMB0.08). The decrease was due to the Shares issued upon listing of the shares of the Company on Hong Kong Stock Exchange in July 2010 were not included in last year's calculation apart from the decrease in Group's profit for the period.

Note: Compared to the six months ended 30 June 2010

INTERIM RESULTS

The board of directors (the "Board") is pleased to announce the unaudited interim results of Sinoref Holdings Limited (the "Company") and its subsidiaries (together with the Company, the "Group") for the six months ended 30 June 2011, together with the comparative figures for the previous corresponding period, which has been reviewed and approved by the audit committee of the Company.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2011

	Notes	**Six months ended 30 June 2011** *RMB'000* **(Unaudited)**	2010 *RMB'000* (Audited)
Revenue	*3*	**167,181**	174,740
Cost of sales		**(68,110)**	(51,885)
Gross profit		**99,071**	122,855
Other income		**952**	152
Selling and distribution costs		**(13,998)**	(14,658)
Administrative expenses		**(18,396)**	(8,594)
Other expenses	*5*	**–**	(12,500)
Finance costs	*6*	**–**	(223)
Profit before taxation		**67,629**	87,032
Taxation	*7*	**(13,007)**	(16,948)
Profit and total comprehensive income for the period attributable to owners of the Company	*8*	**54,622**	70,084
Earnings per share	*10*		
Basic *(RMB)*		**0.05**	0.08
Diluted *(RMB)*		**0.05**	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2011

	Notes	At 30 June 2011 RMB'000 (Unaudited)	At 31 December 2010 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	*11*	**108,155**	57,536
Prepaid land lease payments		**10,214**	10,331
Deposits paid for acquisition of plant and equipment		**–**	3,930
		118,369	71,797
Current assets			
Inventories		**20,343**	15,273
Trade receivables	*12*	**130,963**	96,593
Bills receivables	*13*	**30,488**	30,579
Other receivables, deposits and prepayments		**401**	516
Prepaid land lease payments		**235**	235
Bank balances and cash		**267,000**	315,554
		449,430	458,750
Current liabilities			
Trade payables	*14*	**16,610**	15,248
Other payables and accruals	*15*	**34,059**	29,453
Tax liabilities		**6,373**	4,912
		57,042	49,613
Net current assets		**392,388**	409,137
Total assets less current liabilities		**510,757**	480,934
Non-current liability			
Deferred tax liabilities		**13,838**	10,937
		496,919	469,997
Capital and reserves			
Share capital		**104,201**	104,201
Reserves		**392,718**	365,796
Total equity		**496,919**	469,997

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2011

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2011 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010.

In the current interim period, the Group has applied, for the first time, the following new or revised standards, amendments and interpretations ("new or revised HKFRSs") issued by the HKICPA:

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related Party Disclosures
HKAS 32 (Amendments)	Classification of Rights Issues
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

The application of these new or revised HKFRSs has had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

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

HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[1]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 11	Joint Arrangements[4]
HKFRS 12	Disclosure of Interests in Other Entities[4]
HKFRS 13	Fair Value Measurement[4]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[3]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[2]
HKAS 19 (as revised in 2011)	Employee Benefits[4]
HKAS 27 (as revised in 2011)	Separate Financial Statements[4]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[4]

[1] Effective for annual periods beginning on or after 1 July 2011
[2] Effective for annual periods beginning on or after 1 January 2012
[3] Effective for annual periods beginning on or after 1 July 2012
[4] Effective for annual periods beginning on or after 1 January 2013

The directors of the Company anticipate that the application of these new or revised standards and amendments will have no material impact on the results and the financial position of the Group.

3. REVENUE

Revenue represents the net amounts received and receivable for goods sold less returns and discounts in the normal course of business.

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 (i.e. the Board) in order to allocate resources to segments and to assess their 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. However, other than revenue analysis, no operating results and other discrete financial information is available for the resource allocation and performance assessment. The Board reviews the profit for the period of the Group as a whole for performance assessment. No analysis of segment assets or segment liabilities is presented as they are not regularly provided to the Board.

Information about products

The revenue of the major products is analysed as follows:

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Manufacture and sale of advanced steel flow control products:		
Subentry Nozzle	**83,099**	84,683
Stopper	**44,276**	47,121
Tundish Nozzle	**31,876**	33,832
Ladle Shroud	**7,930**	9,104
	167,181	174,740

Information about geographical areas

The following table provide an analysis of the Group's revenue by geographical market:

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
The People's Republic of China (the "PRC") (country of domicile)	**164,682**	174,740
Europe	**2,499**	–
	167,181	174,740

Information about major customers

Revenue from a customer amounting to RMB22,752,000 (six months ended 30 June 2010: RMB18,090,000) individually represents more than 10% of the Group's total revenue. Four types of products were sold to that customer.

5. OTHER EXPENSES

The amounts represented 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 were recognised as expenses when incurred.

6. FINANCE COSTS

The amounts represented the interests on discounted bills with recourse wholly repayable within five years.

7. TAXATION

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Current tax:		
PRC Enterprise Income Tax	**10,106**	13,027
Deferred tax:		
Current year	**2,901**	3,921
	13,007	16,948

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 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 2011, deferred tax expense of RMB2,901,000 (six months ended 30 June 2010: RMB3,921,000) in respect of undistributed earnings of the Group's PRC subsidiary has been recognised in the condensed consolidated statement of comprehensive income.

8. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Profit for the period has been arrived at after charging:		
Cost of inventories recognised as an expense	**66,297**	51,684
Depreciation of property, plant and equipment	**3,036**	2,348
Release of prepaid lease payments	**117**	117
Net exchange loss	**224**	–
Share-based payments	**8,493**	–

9. DIVIDENDS

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Final dividend paid in respect of the year ended 31 December 2010 of HK3.6 cents (year ended 31 December 2009: nil) per ordinary share	**36,193**	–

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

10. 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:

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Earnings		
Earnings for the purposes of basic and diluted earnings per share attributable to the owners of the Company	**54,622**	70,084

	Six months ended 30 June	
	2011	2010
	'000	*'000*
	(Unaudited)	(Audited)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**1,200,000**	900,000

The number of shares for the purpose of basic earnings per share for the six months ended 30 June 2010 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 2010 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 for the six months ended 30 June 2011 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 current period. No diluted earnings per share has been presented for in prior period as there was no potential dilutive ordinary shares outstanding during the prior period.

11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2011, the Group has acquired buildings of RMB302,000, furniture and fixtures and office equipment of RMB106,000, plant, machinery and equipment of RMB47,026,000, and motor vehicles of RMB119,000. In addition, the Group has spent RMB6,102,000 on construction costs of a new production plant in the PRC in order to expand the manufacturing capabilities of the Group. The total additions of property, plant and equipment during the six months ended 30 June 2011 are RMB53,655,000.

12. 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.

	At 30 June 2011 *RMB'000* **(Unaudited)**	At 31 December 2010 *RMB'000* (Audited)
0 – 30 days	**39,993**	18,196
31 – 60 days	**24,835**	26,502
61 – 90 days	**29,324**	21,219
91 – 120 days	**27,167**	18,278
Over 120 days	**9,644**	12,398
	130,963	96,593

13. BILLS RECEIVABLES

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

	At 30 June 2011 *RMB'000* **(Unaudited)**	At 31 December 2010 *RMB'000* (Audited)
Within 90 days	**18,448**	21,568
91 – 120 days	**6,512**	6,097
121 – 180 days	**5,528**	2,914
	30,488	30,579

At 30 June 2011, the carrying value of bills receivables include endorsed bills for which the maturity dates have not yet been due amounted to RMB12,302,000 (31 December 2010: RMB11,023,000) continue to be recognised as assets in the condensed consolidated financial statements. As the Group is still exposed to credit risk on these receivables at the end of the reporting period, the bills endorsed to the suppliers for which the maturity dates have not yet been due are recognised as current liabilities in the condensed consolidated statement of financial position.

14. 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.

	At 30 June 2011 *RMB'000* **(Unaudited)**	At 31 December 2010 *RMB'000* (Audited)
0 – 30 days	**10,767**	10,041
31 – 60 days	**4,460**	2,876
61 – 90 days	**1,122**	2,029
Over 90 days	**261**	302
	16,610	15,248

The credit period granted by the suppliers to the Group is within 30 days.

At 30 June 2011, included in the trade payables was RMB12,302,000 (31 December 2010: RMB11,023,000) that was endorsed bills settled to suppliers for which the maturity dates have not yet been due.

15. OTHER PAYABLES AND ACCRUALS

	At 30 June 2011 *RMB'000* **(Unaudited)**	At 31 December 2010 *RMB'000* (Audited)
Other payables	**1,688**	1,050
Payables for acquisition of property, plant and equipment	**14,475**	2,363
Accrued sales commission	**9,545**	16,756
Accrued professional fees	**789**	760
Accrued staff costs	**1,487**	1,470
Other tax payables	**6,075**	7,054
	34,059	29,453

MANAGEMENT DISCUSSION AND ANALYSIS

Headquartered in Yixing City, Jiangsu Province, the Group is a leading manufacturer of advanced steel flow control products in China established since 2005, primarily engaging in the manufacture, sale, research and development 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 the essential products applied in the continuous casting process by the world's top steel producers currently. The Group's major products include ladle shrouds, stoppers, tundish nozzles and subentry nozzles, which are all consumables. As a leading manufacturer of advanced steel flow control products in China, the Group is widely recognized leverage on its advanced technology, quality products and efficient operation, and is the second largest player with a market share of approximately 30%.

On 7 July 2010, Sinoref was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited. In only a year upon listing, Sinoref was selected as a constituent stock in the Morgan Stanley Capital Investment (MSCI) China Small Cap Index Series according to an index adjustment in May 2011. Being a constituent stock in the MSCI China Small Cap Index Series, which is one of the widely adopted benchmarks for international investors, is not only a recognition and acknowledgement of the Group, but also a driver to motivate the management to lead the Group to reach new heights.

Market Review

The performance of the PRC steel industry was not satisfactory in the first half of 2011. According to the China Iron and Steel Association, the average daily production of crude steel nationwide in late June was 2.018 million tonnes, hitting the two-million-tonne threshold for the very first time. In the first half of the year, crude steel production in China reached 350 million tonnes, up 9.6% over the same period of last year and the utilization of crude steel production capacity exceeded 90%. However, raw material prices remained high. Prices of local iron ore and Indian ore prices grew by 19% and 16.9% respectively year-on-year, whereas coke price was up three percentage points. Many large steel makers recorded a substantial decrease in profitability or even losses in view of the rising costs of production, particularly fuel costs.

Business Review

Construction of new production line

In 2010, the Group's production was close to full utilization and reached 8,200 tonnes. To cope with the rising demand for its products, the Group has been initiating the setting up of a new production line since the end of 2010 and the construction has been progressing smoothly so far. Such production line is expected to complete installation and begin trial run in the third quarter of the year. By then, it is estimated that the annual production capacity will increase by 104.9% to 16,800 tonnes. Coping with the factors that are beyond our control such as technology and weather, such production line is expected to generate revenue contribution to the Group in the fourth quarter this year. The Group is confident that, with the new production line, the Group will experience significant growth in profitability in 2012.

Stable customer base

As a reliable partner, the Group has maintained sound relationships with its existing customers. Leveraging on the Group's advanced products and quality service, Shougang Group has become one of the major customers of the Group shortly after entering into a long-term cooperation agreement with the Group at the end of 2010. Currently, the Group has 22 customers including 8 from top 10 PRC steel manufacturers namely Baosteel Group, Hebei Steel Group and Wuhan Steel Group. In the first half of 2011, Xingang Group has become the Group's new customer. Located in Xinyu City, Jiangxi Province, Xingang Group is a large provincial steel corporation and one of the top 500 PRC enterprises in 2011. For the six months ended 30 June 2011, the Group generated approximately RMB3.60 million revenue from such new customer.

Expansion of overseas markets

In addition to the solid foundation built in the China market, the Group has achieved progressive results in exploring the overseas market. In February 2011, the Group entered into a licensed sales agreement with Carboref GmbH, a renowned refractory products provider in Germany. This marked the beginning of its sales in the overseas market for the Group. For the six months ended 30 June 2011, the Group received pre-orders from Carboref GmbH in the amount of RMB0.53 million. Meanwhile, the Group continued to seek new partners to explore the overseas market in other parts of the world, including Korea, Taiwan and North America. In May, the management had a meeting with a potential partner in Taiwan and reached consensus in many areas after detailed negotiations.

Enhancement of technology research and development

The Group's latest, independent and innovative R&D capability is one of the key factors for maintaining its high entry barrier in the high-end market and high profit margin. The Group actively collaborates with universities and research institutes from time to time to allow its research and development team to closely capture the latest technology growth trends worldwide. As at 30 June 2011, the Group had 7 registered patents and the ISO 9001 Quality Control System Accreditation granted by Beijing BTIHEA Certification Co., Ltd. The two patents for 薄板坯浸入式水口(Subentry Nozzle for thin slab casting process) and 可控制流入氣體的整體式塞棒(Mono block Stopper with controlled gas flow) obtained by the Group in the first half of 2011 are invention patents. Such industry leading technology again indicated the Group's capability as one of the world's technology leaders in the market. The Group's self-developed material used by steel flow control products has been listed as one of the new materials for "strategic emerging industries" under the 12th Five-Year Plan, and the Group is entitled to the policy concessions.

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 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.

Revenue

The Group's revenue slightly decreased to approximately RMB167.2 million for the six months ended 30 June 2011, representing a decrease of 4.3% as compared with approximately RMB174.7 million for the six months ended 30 June 2010. Despite that overall increase in sales volume of advanced steel flow control products of the Group, the decline in revenue was mainly due to the decrease in average selling price of products. Overall sales volume grew by 7.7% to approximately 4,499 tonnes for the six months ended 30 June 2011 from 4,177 tonnes for the six months ended 30 June 2010, which was mainly attributable to (i) the Group's acquisition of two customers in the northeast region of the PRC and in Germany in 2011 who purchased approximately 153 tonnes of products from the Group during the six months ended 30 June 2011 and contributed approximately RMB13.9 million or 8.3% to the Group's total revenue in the six months ended 30 June 2011; and (ii) the increase in sales to its existing customers acquired in or before June 2010 by approximately 4.1% from approximately 3,451 tonnes in the first half of 2010 to approximately 4,346 tonnes in the first half of 2011. However, as a result of the decrease in average selling price, the Group's revenue contribution from its existing customers acquired in or before June 2010 decreased from approximately RMB174.7 million for the six months ended 30 June 2010 to approximately RMB153.3 million for the six months ended 30 June 2011.

Cost of sales

The Group's cost of sales mainly comprised costs of raw materials, labour, depreciation and other direct costs of sales. During the six months ended 30 June 2011, the Group's cost of sales increased by approximately 31.2% from approximately RMB51.9 million for the six months ended 30 June 2010 to approximately RMB68.1 million. The increase was mainly attributable to the increase in costs of raw materials and the increase in sales volume of our advanced steel flow control products.

Gross profit and gross profit margin

The Group's gross profit decreased by 19.4% from approximately RMB122.9 million for the six months ended 30 June 2010 to approximately RMB99.1 million for the six months ended 30 June 2011. The Group's gross profit margin also decreased from approximately 70.3% for the six months ended 30 June 2010 to approximately 59.3% for the six months ended 30 June 2011. The decrease in the Group's gross profit and gross profit margin were mainly attributable to the increase in costs of raw materials by approximately 27.7% and the decrease in average selling price.

Selling and distribution costs

The Group's selling and distribution costs comprised sales commission, sales staff costs and transportation costs. Selling and distribution costs decreased by 4.8% from approximately RMB14.7 million for the six months ended 30 June 2010 to approximately RMB14.0 million for the six months ended 30 June 2011 which was generally in line with the combined effect of increase in sales volume and decrease in average selling price during the period. As a percentage of the Groups' revenue, our selling and distribution costs remained stable at approximately 8.4% for both the six months ended 30 June 2010 and 2011.

Administrative expenses

The Group's administrative expenses increased by 114.0% from approximately RMB8.6 million for the six months ended 30 June 2010 to approximately RMB18.4 million for the six months ended 30 June 2011. The increase was primarily due to the combined effect of (i) the amortisation of non-cash expense of RMB8.5 million for the six months ended 30 June 2011 associated with share options granted to management and staff in November 2010; and (ii) the increase in legal and professional fee of 50.0% from approximately RMB1.2 million for the six months ended 30 June 2010 to approximately RMB1.8 million for the six months ended 30 June 2011.

Profit and total comprehensive income for the period attributable to owners of the Company

As a result of the foregoing, profit and total comprehensive income for the period attributable to owners of the Company decreased by 22.1% to approximately RMB54.6 million for the six months ended 30 June 2011 from approximately RMB70.1 million for the six months ended 30 June 2010. The Group's net profit margin decreased from approximately 40.1% for the six months ended 30 June 2010 to approximately 32.7% for the six months ended 30 June 2011 was mainly due to (i) the increase in costs of sales by approximately 31.2% from approximately RMB51.9 million for the six months ended 30 June 2010 to approximately RMB68.1 million for the six months ended 30 June 2011 driven by the increase in raw material costs; and (ii) the increase in administrative expenses mainly attributable to the amortisation of non-cash expense of approximately RMB8.5 million associated with share options granted to management and staff in November 2010. The Group's earnings per share decreased to RMB0.05 for the six months ended 30 June 2011 from RMB0.08 for the six months ended 30 June 2010. The decrease was also due to the Shares issued upon listing of the Company on Hong Kong Stock Exchange in July 2011 were not included in last year's calculation.

Interim dividends

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2011 (six months ended 30 June 2010: nil).

Capital structure, liquidity and financial resources

During the six months ended 30 June 2011, Group's net cash from operating activities was approximately RMB24.3 million (six months ended 30 June 2010: RMB53.9 million) and the Group's bank balances and cash was RMB267.0 million as at 30 June 2011 (31 December 2010: RMB315.6 million).

Total equity of the Group as at 30 June 2011 was approximately RMB496.9 million (31 December 2010: RMB470.0 million). The Group has no gearing as at 30 June 2011 (31 December 2010: nil).

The Group incurred no finance cost for the six months ended 30 June 2011 (six months ended 30 June 2010: RMB0.2 million).

Pledge of assets

As at 30 June 2011, the Group did not have any pledge of assets.

Contingent liabilities

As at 30 June 2011, the Group had not provided any form of guarantee for any company outside the Group. The Group is not involved in any pending or potential material legal proceedings involving the Group.

Human resources

As at 30 June 2011, the Group had 223 staff member employed in mainland China and Hong Kong (31 December 2010: 190). The increase in headcount was mainly attributable to the recruitment of more talents during the six months ended 30 June 2011 for training on technical and product knowledge in preparation for the second line of production, which is expected to commence production in the fourth quarter of 2011.

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 capitalise 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 utilisation 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 Province, 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 existing advanced steel flow control products, another Group's development strategy is to advance product quality and diversify our product 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 markets

The Group will continue to develop its business riding on its established market position and other advantages. While recruiting more 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 authorised 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 be greatly 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 capitalise 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.

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 of the Company, all directors of the Company have confirmed that they had complied with the required standard set out in the Code of Conduct during the six months ended 30 June 2011.

REVIEW OF ACCOUNTS

The Audit Committee has reviewed the condensed consolidated financial statements for the six months ended 30 June 2011, including the accounting principles and practices adopted by the Group, in conjunction with the Company's external auditor, 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.

INTERESTS AND SHORT POSITIONS OF OUR DIRECTORS IN THE SHARES, UNDERLYING SHARES OR DEBENTURES OF OUR COMPANY AND OUR ASSOCIATED CORPORATIONS FOLLOWING THE GLOBAL OFFERING

Immediately following completion of the Global Offering and the Capitalisation Issue and taking no account of any Shares which may be allotted and issued pursuant to the Company's Share Option Scheme or the exercise of the Over-allotment Option under the Global Offering (the "Over-Allotment Option"), the interests or short positions of our directors in the shares, underlying shares or debentures of our Company and our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to notify our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, will be as follows:

Name of Director(s)	**Name of Group member/associated corporation**	**Capacity/nature of interest**	**Number and class of securities** *(Note 1)*	**Percentage of shareholding**
Mr. Xu Yejun	Our Company	Beneficial owner	360,000,000 Shares (L)	30.00%
Mr. Gao Zhilong	Our Company	Beneficial owner	171,000,000 Shares (L)	14.25%
Dr. Zhang Lanyin	Our Company	Beneficial owner	90,000,000 Shares (L)	7.50%
Mr. Gu Aoxing	Our Company	Beneficial owner	36,000,000 Shares (L)	3.00%

Note:

1. The letter "L" denotes our Directors' long position in our shares.

INTEREST DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

So far as our directors are aware, immediately following completion of the Global Offering and the Capitalisation Issue (but without taking into account any shares which may be taken up under the Global Offering and any shares which may be allotted and issued upon the exercise of the Over-allotment Option), other than a director or chief executive of our Company whose interests are disclosed under the sub-paragraph headed "Interests and short positions of our Directors in the Shares, underlying Shares or debentures of our Company and our associated corporations following the Global Offering" above, the following persons will have an interest or short position in the shares or underlying shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who will be expected, directly or indirectly, to be interested in 10% or more of the shares:

Name of Shareholder	**Capacity/nature of interest**	**Number and class of securities** *(Note 1)*	**Percentage of shareholding**
Ms. Gu Shuping *(Note 2)*	Interest of spouse	360,000,000 Shares (L)	30.00%
Ms. Chai Xiaoyuan *(Note 3)*	Interest of spouse	171,000,000 Shares (L)	14.25%
Ms. Zhao Yijun *(Note 4)*	Interest of spouse	90,000,000 Shares (L)	7.50%

Notes:

1. The letter "L" denotes the corporation's long position in our shares.

2. Ms. Gu Shuping is the wife of Mr. Xu Yejun.

3. Ms. Chai Xiaoyuan is the wife of Mr. Gao Zhilong.

4. Ms. Zhao Yijun is the wife of Dr. Zhang Lanyin.

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 (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

Hong Kong, 24 August 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.