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 2011

FINANCIAL HIGHLIGHTS

- Revenue rose by 1.4% to RMB323.4 million (2010: RMB318.8 million)
- Gross profit decreased by 17.1% to RMB180.7 million (2010: RMB218.0 million)
- Gross profit margin was 55.9% (2010: 68.4%)
- Profit and total comprehensive income for the year attributable to owners of the Company decreased by 29.3% to RMB92.0 million (2010: RMB130.1 million)
- Net profit margin was 28.4% (2010: 40.8%)
- Basic earnings per share decreased by 33.3% to RMB0.08 (2010: RMB0.12)
- The Board recommends the payment of a final dividend of HK 1 cent (2010: HK 3.6 cents)

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 2011, 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	
		2011	2010
	Notes	***RMB'000***	*RMB'000*
Revenue	*4*	**323,421**	318,762
Cost of sales		**(142,722)**	(100,782)
Gross profit		**180,699**	217,980
Other income		**1,700**	813
Selling and distribution costs		**(28,334)**	(27,855)
Administrative expenses		**(39,297)**	(19,671)
Other expenses		**–**	(12,003)
Finance costs		**–**	(265)
Profit before taxation		**114,768**	158,999
Taxation	*5*	**(22,757)**	(28,943)
Profit and total comprehensive income for the year attributable to owners of the Company	*6*	**92,011**	130,056
Earnings per share	*8*		
Basic *(RMB)*		**0.08**	0.12
Diluted *(RMB)*		**0.08**	0.12

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2011

	Notes	2011 RMB'000	2010 RMB'000
Non-current assets			
Property, plant and equipment		**123,320**	57,536
Prepaid land lease payments		**10,097**	10,331
Deposit paid for acquisition of plant and equipment		**31**	3,930
		133,448	71,797
Current assets			
Inventories	*9*	**24,913**	15,273
Trade receivables	*10*	**117,905**	96,593
Bills receivables	*11*	**39,715**	30,579
Other receivables, deposits and prepayments		**688**	516
Prepaid land lease payments		**235**	235
Bank balances and cash		**305,572**	315,554
		489,028	458,750
Current liabilities			
Trade payables	*12*	**21,007**	15,248
Other payables and accruals		**36,185**	29,453
Tax liabilities		**11,014**	4,912
		68,206	49,613
Net current assets		**420,822**	409,137
Total assets less current liabilities		**554,270**	480,934
Non-current liability			
Deferred tax liabilities		**9,425**	10,937
		544,845	469,997
Capital and reserves			
Share capital		**104,201**	104,201
Reserves		**440,644**	365,796
Total equity		**544,845**	469,997

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

1. GENERAL

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 acts as an investment holding company. The principal activities of its subsidiaries are investment holding and manufacture and sale of advanced steel flow control products.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

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.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

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

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 HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets[1]
	Disclosures – Offsetting Financial Assets and Financial Liabilities[4]
Amendments to HKFRS 7 and HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[6]
HKFRS 9	Financial Instruments[6]
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]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[3]
Amendments to HKAS 12	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]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[5]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[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
5 Effective for annual periods beginning on or after 1 January 2014
6 Effective for annual periods beginning on or after 1 January 2015

The Directors anticipate that the application of these new and revised HKFRSs, amendments or interpretations will have no material impact on the consolidated financial statement 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) ("CODM") 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 CODM. The CODM 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 CODM reviews the profit for the year 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 CODM.

Information about products

The revenue of the major products is analysed as follows:

	2011	2010
	RMB'000	*RMB'000*
Manufacture and sale of advanced steel flow control products:		
Subentry Nozzle	**163,129**	156,552
Stopper	**84,658**	84,920
Tundish Nozzle	**61,104**	59,889
Ladle Shroud	**14,530**	17,401
	323,421	318,762

Information about geographical areas

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

	2011	2010
	RMB'000	*RMB'000*
The People's Republic of China (the "PRC") (country of domicile)	**320,905**	318,762
Europe	**2,516**	–
	323,421	318,762

Information about major customers

Revenue from a customer amounting to RMB40,865,000 (2010: RMB35,806,000) individually represents more than 10% of the Group's revenue. Four types of products were sold to that customer.

5. TAXATION

	2011	2010
	RMB'000	*RMB'000*
Current tax:		
PRC Enterprise Income Tax	**17,769**	22,297
PRC withholding tax	**6,500**	–
Deferred tax:		
Current year	**(1,512)**	6,646
	22,757	28,943

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 2011, deferred tax expense of RMB4,988,000 (2010: RMB6,646,000) in respect of the undistributed earnings of the Group's PRC subsidiary has been recognised in the consolidated statement of comprehensive income.

6. PROFIT FOR THE YEAR

	2011	2010
	RMB'000	*RMB'000*
Profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration	**978**	806
Cost of inventories recognised as an expense	**140,101**	100,200
Depreciation of property, plant and equipment	**7,532**	4,962
Amortisation of prepaid land lease payments	**234**	235
Minimum lease payments in respect of office premises	**685**	178
Exchange loss	**1,612**	2,213
Bank interest income (included in other income)	**(1,700)**	(551)
Staff costs (including directors' emoluments)		
– Salaries and other benefits	**34,008**	30,722
– Contributions to retirement benefits scheme	**903**	509
– Share-based payments	**18,044**	1,895
	52,955	33,126

7. DIVIDENDS

The final dividend of HK1 cent (equivalent to RMB0.81 cent) in respect of the year ended 31 December 2011 (2010: final dividend of HK3.6 cents in respect of the year ended 31 December 2010) per share has been proposed by the Board and is subject to approval by the shareholders in the forthcoming annual general meeting.

8. 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:

	2011	2010
	RMB'000	*RMB'000*
Earnings		
Earnings for the purposes of basic and diluted earnings per share attributable to the owners of the Company	**92,011**	130,056

	Number of shares 2011	Number of shares 2010
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,200,000**	1,046,301
Effect of dilutive potential ordinary shares:		
Share options	**100**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,200,100**	1,046,301

During the year ended 31 December 2010, the computation of diluted earnings per share did not assume the exercise of the Company's options because the exercise price of the share options was higher than the average market price of the shares of the Company.

9. INVENTORIES

	2011	2010
	RMB'000	*RMB'000*
Raw materials	**13,827**	8,289
Work-in-progress	**6,325**	3,861
Finished goods	**4,761**	3,123
	24,913	15,273

10. 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.

	2011	2010
	RMB'000	*RMB'000*
0 – 30 days	**18,221**	18,196
31 – 60 days	**29,761**	26,502
61 – 90 days	**31,251**	21,219
91 – 120 days	**23,123**	18,278
121 – 180 days	**15,549**	12,398
	117,905	96,593

11. BILLS RECEIVABLES

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

	2011	2010
	RMB'000	*RMB'000*
Within 90 days	**22,902**	21,568
91 – 120 days	**11,746**	6,097
121 – 180 days	**5,067**	2,914
	39,715	30,579

At 31 December 2011, the carrying value of bills receivables include endorsed bills for which the maturity dates have not yet been due amounted to RMB17,046,000 (2010: RMB11,023,000) continue to be recognised as assets in the consolidated financial statements. As the Group was 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 are denominated in RMB.

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

12. 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.

	2011	2010
	RMB'000	*RMB'000*
0 – 30 days	**7,463**	10,041
31 – 60 days	**3,151**	2,876
61 – 90 days	**3,119**	2,029
Over 90 days	**7,274**	302
	21,007	15,248

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

2011, the first year of China's 12th Five-Year Plan ("5YP") (2011-2015), had been a challenging year for the steel industry and associated sectors in China. In particular during the latter half of 2011, the operational environment came under pressure as a gloomier economic situation brought on by the debt crises in Europe started to take its toll on the demand for steel products. The situation was coupled with the slowing economic growth domestically in China. Amidst the challenging market condition, China's crude steel output volume increased approximately 8.9 percent year-on-year to approximately 683.3 million tonnes in 2011 according to China Iron and Steel Association, representing a CAGR of approximately 11.8% since 2005. Continuous casting continue to be the major method of steel production in China and in the world with approximately 90% of crude steel being manufactured this way. Advanced steel flow control products manufactured by the Group are mainly used in continuous casting and as such the business of the Group has close relationship with the production volume of the steel industry of China. The persistent growth of the steel industry provides plentiful opportunities for the Group to expand its business going forward.

Merger and reorganisation as well as optimisation of industry distribution is one of the main themes of steel industry development under the current 5YP, which calls 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 reduction, 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 is envisaged to result in a growing market of high-end steel products, which will in turn stimulate the the consumption of high-end steel flow control products. Such developments are not only conductive to the rapid growth of the Group's business in the past years, but also in line with the Group's development strategy in targeting the high-end market going forward.

Over-capacity in the China steel sector combined with increased production costs, built-up inventory and soaring steel price put pressure on steel operators' profitability in 2011. Although the business of manufacture and sales of steel flow control products is more sensitive to the production volume of steel mills than to their profitability, the weakened financial performance of steel players imposed pressure on suppliers' liquidity with longer payment days. Situation for players in the steel flow control products market that have tight financial position or high gearing was intensified. In contrast, the Group's healthy financial position with promising cashflow generated from the operating activities each year enables the Group to reinforce the relationships with its existing customers further during this difficult environment. With the reliable product quality and good gestures offered, we are confident that Sinoref will win more not only in terms of credentials, but also business opportunities should the steel industry warm up again.

Business Review

Expanding Production Capacity

The utilisation rate of the Group almost reached 100% in 2010. In order to capture the market opportunities in domestic and overseas markets, management is determined to invest into a new product line immediately after the Group's listing in July 2010. The second line was completely installed by the end of September 2011 and had commenced commercial production in the fourth quarter of 2011. The second line was funded by the proceeds from the listing and was substantially paid off in 2011. With the new capacity of 8,600 tonnes contributed by the second production line, the annual production capacity of the Group has been more than doubled to 16,800 tonnes.

Strengthening Customer Base

In 2011, the number of the Group's customers in China reached 23, 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 reliable products and high quality services as well a sound reputation over the years, the Group is trusted by more and more leading steel manufacturers. During the year, the Group gained two new customers – Xinyu Iron & Steel Co. Ltd. and Chongqing Iron & Steel Company Limited. Both companies are top 500 PRC enterprises in 2011. Besides, management has initiated talks with other major steel manufacturers like Pangang Group Company Limited to enhance the Group's sustainable and stable growth.

Developing Overseas Markets

The Group signed an authorised-dealer agreement with a renowned European refractory sales agent, Carboref GmbH, in February 2011, which turned out to be very fruitful. Sinoref's products were shortly introduced to the European market for trial after signing the authorised-dealer agreement and the quality of Sinoref's products were promptly recognised by leading global major steel players. ArcelorMittal from Italy, Magnitogorsk Metallurgical Kombinat from Russia and Deutsche Edelstahlwerke from Germany have become the Group's end-customers. To further expand its market globally, the Group has also been communicating with other potential customers in Taiwan, Korea and North America during the year directly and has continued with its effort to identify quality distributors for developing potential markets.

Enhancing Technology Research and Development

The Group's unique composite materials are made from a variety of proprietary formulars and moulded with in-house product designs through multiple processes which require high-tech solutions. The sophisticated nature of formulars of mixing raw materials and the complexed nature of product designs serve as extremely high entry barriers within the high-end steel flow control product domain. As at 31 December 2011, the Group had 7 registered patents in total, of which, subentry nozzle for thin slab casting process (薄板坯浸入式水口) and mono block stopper with controlled gas flow (可控制流入氣體的整體式塞棒) obtained by the Group are invention patents（發明專利）. The other 5 are utility model patents（實用新型專利）. Management is devoted to continue with its effort to collaborate with universities and research institutes to expand and improve the quality and performance of the Group's products so as to maintain its niche in the high-end market. Apart from that, the Group's self-developed material used by steel flow control products was listed as one of the new materials for strategic emerging industry under the current 5YP which enable the Group to enjoy 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 can have various argon sealing customised 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 customised 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 slightly increased to approximately RMB323.4 million for the year ended 31 December 2011, representing an increase of approximately 1.4% as compared with approximately RMB318.8 million for the previous year. The increase in revenue was mainly due to the increase in sales volume but was partially offset by the decrease in average selling price of products. Overall sales volume increased by approximately 13.2% to approximately 8,600 tonnes for the year ended 31 December 2011 from approximately 7,600 tonnes for the year ended 31 December 2010. Such growth was a combined effect of (i) the acquisition of 2 new customers in the eastern and the western regions of the PRC who purchased approximately 300 tonnes from the Group during the reviewing period and contributed approximately RMB9.1 million or 2.8% to the Group's total revenue in 2011 and (ii) the increase in sales to the Group's existing customers acquired before December 2010 by approximately 9.2% to approximately 8,300 tonnes in 2011 from approximately 7,600 tonnes in 2010.

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 year, the Group's cost of sales increased by approximately 41.6% from approximately RMB100.8 million in 2010 to approximately RMB142.7 million in 2011. The increase was mainly attributable to the increase in costs of raw materials and the increase in production volume of our advanced steel flow control products.

Gross profit and gross profit margin

The Group's gross profit decreased by 17.1% from approximately RMB218.0 million for the year ended 31 December 2010 to approximately RMB180.7 million for the year ended 31 December 2011. The Group's gross profit margin also decreased from approximately 68.4% for the year ended 31 December 2010 to approximately 55.9% for the year ended 31 December 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 39.1% and the decrease in average selling price.

Selling and distribution costs

During the year under review, our selling and distribution costs increased to approximately RMB28.3 million, representing an increase of approximately 1.4% from approximately RMB27.9 million for the previous year. The increase was mainly attributable to the increase in transportation costs in relation to the increased sales volume.

Administrative expenses

The Group's administrative expenses increased by approximately 99.5% from approximately RMB19.7 million for the year ended 31 December 2010 to approximately RMB39.3 million for the for the year ended 31 December 2011. The increase was primarily due to the combined effect of (i) the amortisation of non-cash expense of approximately RMB18.0 million for the year ended 31 December 2011 associated with share options granted to management and staff in November 2010 and September 2011 as compared with RMB1.9 million amortised in 2010; and (ii) the increase in staff costs of 52.5% from approximately RMB4.0 million for the year ended 31 December 2010 to approximately RMB6.1 million for the year ended 31 December 2011.

Profit for the year

As a result of the foregoing, the Group's profit for the year decreased by approximately 29.3% to approximately RMB92.0 million from approximately RMB130.1 million for the previous year. The Group's net profit margin decreased from approximately 40.8% for the previous year to approximately 28.4% in the current year, which was mainly due to (i) the increase in costs of sales by approximately 41.6% from approximately RMB100.8 million in 2010 and approximately RMB142.7 million in 2011 driven by the increase in raw material costs; and (ii) the increase in administration expenses mainly attributable to the amortisation of non-cash expenses of approximately RMB18.0 million associated with share options granted to management and staff in November 2010 and September 2011, as compared with the amortisation of approximately RMB1.9 million in 2010. The Group's earnings per share decreased from RMB0.12 for the previous year to RMB0.08 in 2011, representing a decrease of approximately 33.3%.

Final dividends

The Board recommends the payment of a final dividend HK 1 cent (equivalent to RMB0.81 cent) per share for the year ended 31 December 2011 (2010: HK 3.6 cents (equivalent to RMB3.1 cents) per share).

Capital structure, liquidity and financial resources

During the year ended 31 December 2011, the Group's net cash from operating activities was approximately RMB88.0 million (2010: RMB93.1 million) and the Group's bank balances and cash was approximately RMB305.6 million (2010: RMB315.6 million) as at 31 December 2011. Total equity of the Group as at 31 December 2011 was approximately RMB544.8 million (31 December 2010: RMB470.0 million). The Group does not have any outstanding bank loan as at 31 December 2011 (31 December 2010: Nil).

Pledge of assets

As at 31 December 2011, the Group does not have any pledge of assets.

Contingent Liabilities

As at 31 December 2011, the Group had not provided any form of guarantee for any company outside the Group. The Group is not involved in any current material legal proceedings, nor is our Group aware of any pending or potential material legal proceedings involving the Group.

Human Resources and Staff Remuneration

As at 31 December 2011, the Group had 223 staff members employed in mainland China and Hong Kong (2010: 190). Total staff costs for the year were approximately RMB6.1 million (2010: RMB4.0 million). During the year, the Group continued to reinforce the training provided to its staff by providing training and study opportunities for management staff and professional technicians. In addition, the Group has provided timely update to all staff with the latest Government policies of the industry to continuously enhance the professional standard and quality of the staff. Meanwhile, the Group has provided competitive remuneration for the staff which encourages them to commit themselves and serve customers whole-heartedly.

Prospects

Although the Group's performance in 2011 was affected by increased raw materials cost, management envisages there is abundant market opportunities to grow its business in the coming years. China has recently announced that it expects its GDP to grow by approximately 7.5% in 2012. The growth in GDP is continuously underpinned by the increasing domestic demand and consumption which will, in turn, drive the demand in steel consumption and production. Steel production is expected to be fueled further by increasing pace of industrialisation and urbanisation encouraged by the government social policies. Management believes the growth in steel production volume will lead to increase demand of the Group's products.

China's State Council called for the consolidation of steel production into the hands of fewer major players in order to increase efficiency and competitiveness of the industry in the global market. The market expects that steel production output will be concentrated further into the top 10 steel producers in order to account for 60% of China's steel output by the end of the current 5YP and 75% in 10 years. Having 8 out of the top 10 top steel producers as the Group's existing customers, management will well prepare the Group's internal resources to leverage on its customer mix to capture market opportunities immediately once the Government launch more explicit policies to guide the steel sector.

The consolidation of the steel industry has also resulted in a growing market for high-end products, which has led to the continued 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 are also in line with the Group's development strategy in targeting the high-end market. In order to capture potential business opportunities more effectively, the Group has enhanced its capacity to satisfy the needs derived from market share expansion, kept on conducting research and development quality products, enhanced product mix, while continuing to explore both domestic and overseas markets.

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 2011.

REVIEW OF ACCOUNTS

The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and the consolidated financial statement for the year ended 31 December 2011.

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 2011 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.

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

Hong Kong, 28 March 2012

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.