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 2012

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 2012, 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 2012

		Six months ended 30 June	
		2012	2011
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*3*	**172,309**	167,181
Cost of sales		**(89,516)**	(68,110)
Gross profit		**82,793**	99,071
Interest income		**785**	952
Selling and distribution costs		**(15,190)**	(13,998)
Administrative expenses		**(16,725)**	(18,396)
Profit before taxation		**51,663**	67,629
Taxation	*5*	**(17,415)**	(13,007)
Profit and total comprehensive income for the period attributable to owners of the Company	*6*	**34,248**	54,622
Earnings per share	*8*		
Basic		**RMB2.85 cents**	RMB4.55 cents
Diluted		**RMB2.85 cents**	RMB4.55 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2012

	Notes	At 30 June 2012 RMB'000 (Unaudited)	At 31 December 2011 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	*9*	**117,601**	123,320
Prepaid land lease payments		**9,980**	10,097
Deposits paid for acquisition of plant and equipment		**–**	31
		127,581	133,448
Current assets			
Inventories		**24,333**	24,913
Trade receivables	*10*	**138,143**	117,905
Bills receivables	*11*	**31,520**	39,715
Other receivables, deposits and prepayments		**308**	688
Prepaid land lease payments		**235**	235
Bank balances and cash		**339,587**	305,572
		534,126	489,028
Current liabilities			
Trade payables	*12*	**27,071**	21,007
Other payables and accruals		**22,365**	36,185
Dividend payable		**9,840**	–
Tax liabilities		**15,726**	11,014
		75,002	68,206
Net current assets		**459,124**	420,822
Total assets less current liabilities		**586,705**	554,270
Non-current liability			
Deferred tax liabilities		**11,329**	9,425
		575,376	544,845
Capital and reserves			
Share capital		**104,201**	104,201
Reserves		**471,175**	440,644
Total equity		**575,376**	544,845

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2012

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2012 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA:

Amendments to HKFRS 7	Financial Instruments: Disclosures – Transfers of Financial Assets
Amendments to HKFRS 12	Deferred tax: Recovery of Underlying Assets

The application of the above amendments to HKFRSs has had no material effect on the condensed consolidated financial statements of the Group for the current or prior period.

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 (the executive directors of the Company) (the "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 different types of advanced steel flow control products for the purpose of making decisions about resource allocation and performance assessment. However, other than revenue analysis, no analysis of operating results and other discrete financial information by products is made available for review by the CODM for the resource allocation and performance assessment. The CODM 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 CODM.

Information about products

The revenue of the major products is analysed as follows:

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Manufacture and sale of advanced steel flow control products:		
Subentry Nozzle	**84,310**	83,099
Stopper	**44,230**	44,276
Tundish Nozzle	**32,996**	31,876
Ladle Shroud	**10,773**	7,930
	172,309	167,181

Information about geographical areas

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

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
The People's Republic of China (the "PRC") (country of domicile)	**163,761**	164,682
Europe	**8,521**	2,499
Others	**27**	–
	172,309	167,181

Information about major customers

Revenue from a customer amounting to RMB21,046,000 (six months ended 30 June 2011: RMB22,752,000) individually represents more than 10% of the Group's total revenue.

5. TAXATION

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax:		
PRC Enterprise Income Tax	**15,526**	10,106
Overprovision in prior year	**(15)**	–
	15,511	10,106
Deferred tax:		
Current year	**1,904**	2,901
	17,415	13,007

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 Company'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 Company's PRC subsidiary. As a result, the Company's PRC subsidiary was subject to the PRC Enterprise Income Tax rate of 12.5% for prior period presented. As the exemption from the PRC Enterprise Income Tax was expired in 2011, the Company's PRC subsidiary was subject to the PRC Income Tax rate of 25% for current period starting from 1 January 2012.

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 2012, deferred tax expense of RMB1,904,000 (six months ended 30 June 2011: RMB2,901,000) charged on the undistributed earnings of the Company's PRC subsidiary has been recognised in the condensed consolidated statement of comprehensive income.

6. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after charging:		
Cost of inventories recognised as an expense	**87,170**	66,297
Depreciation of property, plant and equipment	**6,372**	3,036
Release of prepaid lease payments	**117**	117
Net exchange loss	**331**	224
Share-based payments	**6,123**	8,493

7. DIVIDENDS

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Final dividend payable/paid in respect of the year ended 31 December 2011 of HK1 cent (year ended 31 December 2010: HK3.6 cents) per ordinary share	**9,840**	36,193

The directors of the Company do not recommend the payment of an interim dividend for the current period (six months ended 30 June 2011: nil). Final dividend payable for the year ended 31 December 2011 was paid in July 2012.

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:

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purposes of basic and diluted earnings per share attributable to the owners of the Company	**34,248**	54,622

	Six months ended 30 June	
	2012	2011
	'000	*'000*
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,200,000**	1,200,000
Effect of dilutive potential ordinary shares:		
Share options	**500**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,200,500**	1,200,000

During the six months ended 30 June 2011, the computation of diluted earnings per share did not assume the exercise of the Company's share options because the exercise price of the share options was higher than the average market price of the shares of the Company for the period.

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2012, the Group acquired buildings at a cost of RMB430,000, furniture and fixtures and office equipment at a cost of RMB16,000 and plant, machinery and equipment at a cost of RMB207,000. The total additions of property, plant and equipment during the six months ended 30 June 2012 were RMB653,000.

During the six months ended 30 June 2011, the Group acquired buildings at a cost of RMB302,000, furniture and fixtures and office equipment at a cost of RMB106,000, plant, machinery and equipment at a cost of RMB47,026,000 and motor vehicles at a cost of RMB119,000. In addition, the Group spent HK$6,102,000 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 were RMB53,655,000.

10. TRADE RECEIVABLES

The credit period granted by the Group to certain customers is within 180 days (2011: 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 receipt date of customers at the end of the reporting period.

	At 30 June 2012	At 31 December 2011
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
0 – 30 days	**37,907**	18,221
31 – 60 days	**30,391**	29,761
61 – 90 days	**29,474**	31,251
91 – 120 days	**21,869**	23,123
Over 120 days	**18,502**	15,549
	138,143	117,905

11. BILLS RECEIVABLES

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

	At 30 June 2012	At 31 December 2011
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 90 days	**21,695**	22,902
91 – 120 days	**3,700**	11,746
121 – 180 days	**6,125**	5,067
	31,520	39,715

At 30 June 2012, the carrying value of bills receivables included bills amounting to RMB18,731,000 (31 December 2011: RMB17,046,000) which had been endorsed to suppliers of the Group with recourse. Accordingly, the Group continued to recognise these bills under bills receivables and corresponding amount in trade payables in the condensed consolidated financial statements.

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.

	At 30 June 2012	At 31 December 2011
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
0 – 30 days	**11,189**	7,463
31 – 60 days	**8,945**	3,151
61 – 90 days	**6,870**	3,119
Over 90 days	**67**	7,274
	27,071	21,007

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

At 30 June 2012, included in the trade payables was RMB18,731,000 (31 December 2011: RMB17,046,000) that was endorsed bills settled to suppliers for which the maturity dates have not yet been due.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

The PRC steel industry continued to face challenges in the first half of 2012, as the deep-rooted conflicts in the European and American debt crises held back the recovery of the global economy. Domestically, the slackened economy and inflation exist side by side, while over-capacity and imbalance between supply and demand in the steel industry persist. According to the China Iron and Steel Association, over-capacity in the steel sector reached 110 million tonnes representing approximately 14% of the total production capacity. At the same time, the sluggish growth in the downstream industry has led to declining demand in steel products, which also resulted in decreased gross profit and stagnant growth in the whole steel sector. Against this backdrop, steel manufacturers were challenged with profitability and some even encountered losses in the first half of 2012. Thus, it has in turn imposed pressure on supplier's liquidity, due to a longer payment period. However, amid adverse market conditions, the Group was able to raise its sales volume and cement relationship with existing customers at the same time.

According to the World Steel Association, the average daily and total production of crude steel in the PRC for the first half of 2012 were around two million tonnes and around 356 million tonnes respectively, a slight increase over the first half of 2011. Steel production volume remained stable compared with the same period of last year, despite the shrinking demand for steel in the PRC. Meanwhile, China's 12th Five-Year Plan clearly stated that steel manufacturers are required to upgrade their production lines and products, which will continue to stimulate the consumption of high-end steel flow control products. This requirement created a favourable operating environment for the Group that is also in line with its development strategy to target the high-end market. In order to fully capture the business opportunities and strengthen the bond with steel manufacturers, the Group plans to leverage its strengths in research and development and continue to offer its customers top-notch quality products. The management is very confident that the Group can successfully turn the adversity into opportunities and overcome the challenges together with its customers.

Business Review

Expanded Production Capacity

With the second production line commencing commercial production in the fourth quarter of 2011, the Group's annual production capacity has reached 16,800 tonnes. The first production line has been fully utilised while the utilisation of the second line is progressing. With the continuous broadening of our customer base in both domestic and overseas markets, we are confident that the utilisation rate of the new production line will continue to reach new heights.

Broadened Customer Base

As a leading and reputable manufacturer of advanced steel flow control products in the PRC, the Group has not only maintained a strong relationship with its existing customers, but also leveraged this advantage to expand its customer base. During the six months ended 30 June 2012, the Group had secured five new customers domestically, three of which are among the top 500 Chinese enterprises in 2011, namely Pangang Group Company Limited (攀鋼集團攀枝花鋼釩有限公司), Liuzhou Iron and Steel Company Limited (柳州鋼鐵股份有限公司) and Chongqing Iron and Steel (Group) Company Limited (重慶鋼鐵股份有限公司). Counting the new additions, the Group's total number of customers jumped to 27, which comprise eight of the top 10 steel manufacturers in the PRC, including Baosteel Group, Shougang Group, Hebei Steel Group and Wuhan Steel Group. For the six months ended 30 June 2012, the Group generated approximately RMB16.4 million in revenue from the new customers, representing approximately 9.5% of the total revenue. Going forward, the Group will continue to explore business opportunities with domestic steel manufacturers to drive further business growth.

Expanded Overseas Market

Following the Group's entrance into the European market in February 2011, it has gained numerous new renowned customers in Europe during the period under review, including ArcelorMittal in Italy, Magnitogorsk Mettallurgical Kombinat in Russia and Deutsche Edelstahlwerke in Germany. The successful expansion of overseas markets has brought in an encouraging rise in overseas revenue from approximately RMB2.5 million to approximately RMB8.5 million over the same period of last year. At the same time, the Group has also explored business opportunities in other part of the world including Taiwan, Japan, Korea and North America to further expand its global footprint.

Enhanced Technology Research and Development

The Group's advanced technology is developed by its independent and innovative research and development team which actively collaborates with leading research institutions and universities and closely monitors technology trends in the industry globally. During the six months ended 30 June 2012, the Group attained five new registered patents, namely Carbonless-liner Ladle Shroud (一種 in-situ 無碳內襯長水口), Steel-plated Shell for Ladle Shroud (一種鋼包長水口用鋼殼), Embedded Porcelain Nut for Stoppers used in Continuous Casting of Steel (鋼鐵連鑄用塞棒的陶瓷質埋入螺母), Anti-steel flow leakage upper nozzle steel shell (防鋼水滲漏上水口鋼殼) and Anti-steel flow leakage tundish upper nozzle (防鋼水滲漏中間包上水口). With the seven previously attained invention and utility patents, the Group had a total of 12 registered patents during the period under review. The Group has been encouraged by its achievement in research and development, and will strive to maintain its position as one of the world's technology leaders in the advanced steel flow control industry, and in turn to maintain its promising gross profit margin going forward.

Financial Review

Revenue

For the six months ended 30 June 2012, the Group's revenue increased slightly to approximately RMB172.3 million, representing an increase of approximately 3.1% as compared with approximately RMB167.2 million for the same period last year. The increase in revenue was mainly due to the rising sales volume, but was partially offset by the decrease in average selling price. Total sales volume increased by approximately 13.4% to approximately 5,100 tonnes from approximately 4,499 tonnes for the same period in 2011. Such growth was a combined effect of (i) securing five new customers in the PRC who have collectively purchased approximately 513 tonnes from the Group during the reviewing period and contributed approximately RMB16.4 million or 9.5% to the Group's total revenue in the first half of 2012; and (ii) securing new end-use customers in Europe who have made combined purchases totaling approximately 670 tonnes during the reviewing period and contributed approximately 5.6% to the Group's total revenue in the first half of 2012.

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 2012, the Group's cost of sales increased by approximately 31.4% from approximately RMB68.1 million for the six months ended 30 June 2011 to approximately RMB89.5 million for the six months ended 30 June 2012. The increase was mainly attributable to the increase in sales volume and costs of raw materials.

Gross Profit and Gross Profit Margin

The Group's gross profit decreased by approximately 16.4% from approximately RMB99.1 million for the six months ended 30 June 2011 to approximately RMB82.8 million for the six months ended 30 June 2012. The Group's gross profit margin also decreased from approximately 59.3% for the six months ended 30 June 2011 to approximately 48.0% for the six months ended 30 June 2012. The decrease in the Group's gross profit and gross profit margin were mainly attributable to (i) the increase in costs of raw materials by approximately 26.8% from RMB58.2 million for the six months ended 30 June 2011 to approximately RMB73.8 million for the six months ended 30 June 2012; (ii) the decrease in average selling price; and (iii) the kick-in of depreciation of the second production line which commenced operation in the fourth quarter of 2011.

Selling and Distribution Costs

During the six months ended 30 June 2012, our selling and distribution costs increased to approximately RMB15.2 million, representing an increase of approximately 8.5% from approximately RMB14.0 million for the six months ended 30 June 2011. The increase was mainly attributable to the increase in sales commission and transportation costs incurred due to the increased sales volume.

Administrative Expenses

The Group's administrative expenses decreased by approximately 9.1% from approximately RMB18.4 million for the six months ended 30 June 2011 to approximately RMB16.7 million for the six months ended 30 June 2012. The decrease was primarily due to the combined effect of (i) the decrease in the amortisation of non-cash expense associated with the share options from approximately RMB8.4 million for the six months ended 30 June 2011 to approximately RMB6.1 million for the six months ended 30 June 2012 granted to the management and staff in November 2010 and September 2011; and (ii) the increase in staff costs of approximately 37.0% from approximately RMB2.7 million for the six months ended 30 June 2011 to approximately RMB3.7 million for the six months ended 30 June 2012.

Taxation

The PRC subsidiary of the Company 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 unexpected 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 Company's PRC subsidiary. As a result, the Company's PRC subsidiary was subject to the PRC Enterprise Income Tax rate of 12.5% for the prior period presented. As the exemption from the PRC Enterprise Income Tax was expired in 2011, the Company's PRC subsidiary was subject to the PRC Income Tax rate of 25% for current period starting from 1 January 2012. The Company's PRC subsidiary is currently in the course of applying other tax benefit subject to approval from relevant government body.

Profit for the Period

As a result of the foregoing, the Group's profit for the period decreased by approximately 37.3% from approximately RMB54.6 million for the six months ended 30 June 2011 to approximately RMB34.2 million for the six months ended 30 June 2012. The Group's net profit margin also decrease accordingly from approximately 32.7% for the six months ended 30 June 2011 to approximately 19.9% for the six months ended 30 June 2012. The decrease was mainly due to (i) the increase in costs of sales by approximately 31.4% from approximately RMB68.1 million for the six months ended 30 June 2011 to approximately RMB89.5 million for the six months ended 30 June 2012, driven by the increase in raw material costs; (ii) the increase in selling and distribution expenses mainly attributable to the increase in sales volume increased by approximately 8.6% from approximately RMB14.0 million for the six months ended 30 June 2011 to approximately RMB15.2 million for the six months ended 30 June 2012; and (iii) the expiry of the preferential tax rate which drove the enterprise income tax rate from 12.5% for the six months ended 30 June 2011 to 25% for the six months ended 30 June 2012. The Group's earnings per share decreased by approximately 37.4% from RMB4.55 cents for the six months ended 30 June 2011 to RMB2.85 cents for the six months ended 30 June 2012.

Interim Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: nil).

Capital Structure, Liquidity and Financial Resources

As at 30 June 2012, the Group's net cash from operating activities was approximately RMB39.5 million (six months ended 30 June 2011: RMB24.3 million) and the Group's bank balances and cash was approximately RMB339.6 million (31 December 2011: RMB305.6 million).

Total equity of the Group as at 30 June 2012 was approximately RMB575.4 million (31 December 2011: RMB544.8 million). The Group has no gearing as at 30 June 2012 (31 December 2011: nil).

The Group incurred no finance cost for the six months ended 30 June 2012 (six months ended 30 June 2011: nil).

Pledge of Assets

As at 30 June 2012, the Group did not have any pledge of assets.

CONTINGENT LIABILITIES

As at 30 June 2012, 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 AND STAFF REMUNERATION

As at 30 June 2012, the Group had 245 staff members employed in mainland China and Hong Kong (31 December 2011: 223). During the six months ended 30 June 2012, the Group continued to provide training to its staff through onsite coaching and study opportunities for its management 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 its staff. Meanwhile, the Group has provided competitive remuneration for the staff which encourages them to commit themselves and serve customers whole-heartedly.

PROSPECTS

Though iron and steel manufacturers will continue to face tremendous pressure in 2012, while global economy remains gloomy and domestic market expected to slow down, the Group still anticipates abundant business opportunities under the 12th Five-Year Plan. Energy-saving and emissions standards for steel manufacturers are anticipated to be more stringent, and as such steel manufacturers are required to upgrade to high-end production processes and products, which will in turn boost the demand for the Group's advanced steel flow control products. At the same time, further consolidation of high-end steel production towards the top 10 steel manufacturers in the PRC is also expected to drive up the Group's sales volume, since eight of the top 10 steel manufactures are already the Group's long-term customers. Therefore, the management is confident that the Group's revenue and net profit will both benefit from the favourable government policy in a longer run. With the second production line commenced commercial operation in the fourth quarter of 2011 , which doubling the annual production capacity to 16,800 tonnes, the Group is well positioned to fully capture the growth potential in the advanced steel flow control market.

Apart from increasing the production scale of existing high-end steel flow control products, the Group's seasoned research and development team collaborates on an ongoing basis with universities and research institutions to enhance the quality of our existing products, and to actively develop new products to diversify our product range.

Riding on the Group's strong customer base, it will further expand domestic and overseas customer bases, and reinforce the existing sales and marketing team to explore business opportunities in the PRC and other parts of the world, including Taiwan, Japan, Korea and North America.

The management is confident that the commencement of the second production line and the expanded product range will sharpen the Group's competitive edge, and help sustain its business growth and profitability. Looking ahead, the Group will strive to leverage its advantage in the high-end steel flow control products industry to overcome difficult market conditions and continue to lead the industry growth.

REVIEW OF ACCOUNTS

The audit committee of the Company has reviewed the condensed consolidated financial statements for the six months ended 30 June 2012, including the accounting principles and practices adopted by the Group, in conjunction with the Company's external auditor, Deloitte Touche Tohmatsu.

CORPORATE GOVERNANCE PRACTICES

The Company had complied with all the code provisions (the "Code Provisions") of the Code on Corporate Governance Practices contained in the then Appendix 14 to the Listing Rules (in effect before 1 April 2012) during the period from 1 January 2012 to 31 March 2012 and the Corporate Governance Code contained in the revised Appendix 14 to the Listing Rules (effective from 1 April 2012) during the period from 1 April 2012 to 30 June 2012, except for Code Provision A.2.1 in respect of the 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.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company adopted on 7 June 2010 its securities dealing code (the "Code") regarding the dealings of securities of the Company by the directors of the Company and senior management of the Group, on terms no less exacting than the required standard under the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules.

The Company, having made specific enquiry of all Directors and senior management of the Group, all the Directors and senior management of the Group have confirmed that they have complied with the required standard as set out in the Code and Appendix 10 to the Listing Rules regarding securities transactions by Directors and senior management of the Group throughout the six months ended 30 June 2012.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the six months ended 30 June 2012, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities.

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

Hong Kong, 28 August 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.