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 2013

## INTERIM RESULTS

The board (the "Board") of directors (the "Directors") 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 2013, 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 PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*FOR THE SIX MONTHS ENDED 30 JUNE 2013*

| | | **Six months ended 30 June** | |
|---|---|---|---|
| | | **2013** | 2012 |
| | *Notes* | ***RMB'000*** | *RMB'000* |
| | | **(Unaudited)** | (Unaudited) |
| Revenue | *3* | **93,722** | 172,309 |
| Cost of sales | | **(63,524)** | (89,516) |
| Gross profit | | **30,198** | 82,793 |
| Interest income on bank deposits | | **650** | 785 |
| Selling and distribution costs | | **(10,392)** | (15,190) |
| Administrative expenses | | **(11,783)** | (16,725) |
| Profit before taxation | | **8,673** | 51,663 |
| Taxation | *5* | **(3,141)** | (17,415) |
| Profit and total comprehensive income for the period attributable to owners of the Company | *6* | **5,532** | 34,248 |
| Earnings per share | *8* | | |
| Basic | | **RMB0.46 cent** | RMB2.85 cents |
| Diluted | | **RMB0.46 cent** | RMB2.85 cents |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*AT 30 JUNE 2013*

| | *Notes* | **At 30 June 2013** *RMB'000* **(Unaudited)** | At 31 December 2012 *RMB'000* (Audited) |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | *9* | **105,884** | 111,604 |
| Prepaid land lease payments | | **9,745** | 9,862 |
| | | **115,629** | 121,466 |
| **Current assets** | | | |
| Inventories | | **22,449** | 19,979 |
| Trade receivables | *10* | **123,248** | 131,151 |
| Bills receivables | *11* | **37,096** | 46,937 |
| Other receivables, deposits and prepayments | | **513** | 685 |
| Prepaid land lease payments | | **235** | 235 |
| Tax recoverable | | **202** | 4,294 |
| Bank balances and cash | | **393,280** | 369,805 |
| | | **577,023** | 573,086 |
| **Current liabilities** | | | |
| Trade payables | *12* | **29,769** | 22,537 |
| Other payables and accruals | | **13,766** | 32,066 |
| Tax liabilities | | **6,500** | 6,500 |
| | | **50,035** | 61,103 |
| **Net current assets** | | **526,988** | 511,983 |
| **Total assets less current liabilities** | | **642,617** | 633,449 |
| **Non-current liability** | | | |
| Deferred tax liabilities | | **14,476** | 13,720 |
| | | **628,141** | 619,729 |
| **Capital and reserves** | | | |
| Share capital | | **104,201** | 104,201 |
| Reserves | | **523,940** | 515,528 |
| **Total equity** | | **628,141** | 619,729 |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
*FOR THE SIX MONTHS ENDED 30 JUNE 2013*

## 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 ("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 2013 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012.

In the current interim period, the Group has applied, for the first time, the following new or revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

| | |
|---|---|
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2009-2011 Cycle |
| Amendments to HKAS 1 | Presentation of Items of Other Comprehensive Income |
| Amendments to HKFRS 7 | Disclosures – Offsetting Financial Assets and Financial Liabilities |
| Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 | Consolidated Financial Statements, Joint Arrangements and Disclosure of Interest in Other Entities: Transition Guidance |
| HKFRS 10 | Consolidated Financial Statements |
| HKFRS 11 | Joint Arrangements |
| HKFRS 12 | Disclosure of Interests in Other Entities |
| HKFRS 13 | Fair Value Measurement |
| HKAS 19 (as revised in 2011) | Employee Benefits |
| HKAS 28 (as revised in 2011) | Investments in Associates and Joint Ventures |
| HK(IFRIC) – INT 20 | Stripping Costs in the Production Phase of a Surface Mine |

**Amendments to HKAS 1 "Presentation of items of other comprehensive income"**

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively.

**HKFRS 13 "Fair value measurement"**

The Group has applied HKFRS 13 for the first time in the current interim period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs. Consequential amendments have been made to HKAS 34 to require certain disclosures to be made in the condensed consolidated financial statements. The application of HKFRS 13 has had no material impact on the amounts reported and/or disclosures in these condensed consolidated financial statements.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

Except as described above, the application of the other new or revised HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

## 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) ("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 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 | |
|---|---|---|
| | **2013** | 2012 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Manufacture and sale of advanced steel flow control products: | | |
| Subentry Nozzle | **47,901** | 84,310 |
| Stopper | **23,613** | 44,230 |
| Tundish Nozzle | **13,784** | 32,996 |
| Ladle Shroud | **8,424** | 10,773 |
| | **93,722** | 172,309 |

**Information about geographical areas**

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

| | Six months ended 30 June | |
|---|---|---|
| | **2013** | 2012 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| The Peoples Republic of China ("PRC") (country of domicile) | **82,329** | 163,761 |
| Europe | **11,393** | 8,521 |
| Others | **–** | 27 |
| | **93,722** | 172,309 |

**Information about major customers**

Revenue from a customer amounting to RMB11,031,000 (six months ended 30 June 2012: RMB21,046,000) individually represents more than 10% of the Group's total revenue. Three (2012: Four) types of products were sold to that customer.

## 5. TAXATION

| | Six months ended 30 June | |
|---|---|---|
| | **2013** | 2012 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Current tax: | | |
| PRC Enterprise Income Tax | **2,225** | 15,526 |
| Overprovision in prior year | **(247)** | (15) |
| PRC withholding tax | **407** | – |
| | **2,385** | 15,511 |
| Deferred tax: | | |
| Current year | **756** | 1,904 |
| | **3,141** | 17,415 |

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 6 August 2012, the PRC subsidiary obtained a Hi-tech certificate which is valid for three years. According to GuoShuiHan [2009] No. 203, entities qualifying for the Hi-tech status could enjoy a PRC Enterprise Income Tax preferential treatment starting from the year of obtaining the Hi-tech certificate. As a result, the PRC subsidiary was subject to a PRC Enterprise Income Tax of 15% for three years commencing from 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 are subject to PRC Enterprise Income Tax which is withheld by the PRC entity at 5% of the dividend distributed. During the six months ended 30 June 2013, deferred tax expense of RMB756,000 (six months ended 30 June 2012: RMB1,904,000) in respect of the undistributed earnings of the Company's PRC subsidiary has been recognised in the condensed consolidated statement of profit or loss and other comprehensive income.

## 6. PROFIT FOR THE PERIOD

| | Six months ended 30 June | |
|---|---|---|
| | **2013** | 2012 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Profit for the period has been arrived at after charging: | | |
| Cost of inventories recognised as an expense | **61,507** | 87,170 |
| Depreciation of property, plant and equipment | **6,251** | 6,372 |
| Amortisation of prepaid land lease payments | **117** | 117 |
| Net exchange loss | **370** | 331 |
| Share-based payments | **2,880** | 6,123 |

## 7. DIVIDENDS

| | Six months ended 30 June | |
|---|---|---|
| | **2013** | 2012 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Final dividend payable/paid in respect of the year ended 31 December 2012 of nil cent (2012: year ended 31 December 2011 of HK1 cent) per ordinary share | **–** | 9,840 |

The directors of the Company do not recommend the payment of an interim dividend for the current period (six months ended 30 June 2012: nil).

## 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 | |
|---|---|---|
| | **2013** | 2012 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| **Earnings** | | |
| Earnings for the period attributable to the owners of the Company for the purpose of calculation of basic and diluted earnings per share | **5,532** | 34,248 |

| | Six months ended 30 June | |
|---|---|---|
| | **2013** | 2012 |
| | ***'000*** | *'000* |
| | **(Unaudited)** | (Unaudited) |
| **Number of shares** | | |
| 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 | **1,200,000** | 1,200,500 |

During the six months ended 30 June 2013, 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 2013, the Group acquired leasehold improvements at a cost of RMB30,000, plant, machinery and equipment at a cost of RMB94,000 and motor vehicle at a cost of RMB406,000. The total additions of property, plant and equipment during the six months ended 30 June 2013 were RMB530,000.

During the six months ended 30 June 2012, the Group acquired leasehold improvements 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.

## 10. TRADE RECEIVABLES

The credit period granted by the Group to certain customers is within 180 days (2012: 180 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, which approximated the respective dates on which revenue were recognised:

| | **At 30 June 2013** *RMB'000* **(Unaudited)** | At 31 December 2012 *RMB'000* (Audited) |
|---|---|---|
| 0 – 30 days | **8,115** | 24,152 |
| 31 – 60 days | **12,480** | 28,579 |
| 61 – 90 days | **17,986** | 30,715 |
| 91 – 120 days | **17,961** | 29,903 |
| Over 120 days | **66,706** | 17,802 |
| | **123,248** | 131,151 |

## 11. BILLS RECEIVABLES

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

| | **At 30 June 2013** *RMB'000* **(Unaudited)** | At 31 December 2012 *RMB'000* (Audited) |
|---|---|---|
| Within 90 days | **12,137** | 19,801 |
| 91 – 120 days | **9,188** | 10,111 |
| 121 – 180 days | **15,771** | 17,025 |
| | **37,096** | 46,937 |

At 30 June 2013, the carrying value of bills receivables include bills endorsed to suppliers on a full recourse basis that are not yet due amounting to RMB19,074,000 (31 December 2012: RMB16,844,000). As the Group has not transferred the significant risks and rewards relating to these bills receivables, it continues to recognise the full carrying amount of the bills receivables as assets in the condensed consolidated financial statements. The associated trade payables secured over the bills endorsed to the suppliers which were not yet due at the end of reporting period are recognised as current liabilities in the condensed 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.

| | **At 30 June 2013** | At 31 December 2012 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| 0 – 30 days | **6,971** | 10,617 |
| 31 – 60 days | **6,724** | 5,686 |
| 61 – 90 days | **7,808** | 2,776 |
| Over 90 days | **8,266** | 3,458 |
| | **29,769** | 22,537 |

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

At 30 June 2013, included in the trade payables was RMB19,074,000 (31 December 2012: RMB16,844,000) secured over bills receivables endorsed to suppliers that were not yet due for payment.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Market Review

Slower domestic economic growth, together with excess inventory, overproduction and sluggish domestic demand, has made the first half of 2013 (the "Period") another difficult period for the China steel industry. According to the National Development and Reform Commission, among the 86 key steel manufacturers in China, 35 or more than 40% recorded a loss during the Period. Underscoring the adverse conditions, the average sales profit margin of all steel manufacturers was only 0.10%. As one of the associate sectors to the steel industry, the steel flow control products sector was inevitably negatively affected as well.

According to the World Steel Association, both the average daily and total production of crude steel in China for the Period slightly increased over the first half of 2012. The dilemma of sluggish demand and increasing output has placed intensive downward pressure on steel prices. As at the end of June 2013, the composite steel price index reached 98.52 points, the lowest level since November 2009. In addition, although steel inventory has fallen from its peak in March 2013 to 16.9 million tonnes as at the end of June 2013, it remained 39.5% higher than at the beginning of the year.

Over the past decade, China's steel sector has experienced exceptional growth with a downside of overcapacity, heavy pollution and a fragmented industry structure. In its 12th Five Year Plan, the Chinese government is placing emphasis on greater standardisation and efficiency in the steel industry as well as making it more environmentally friendly. However, industry restructuring proceeded more slowly than anticipated, as environmental protection requirements forced only a few small downstream steel manufacturers to shut down, while blast furnaces remain largely intact. It apparently was difficult for the government to appreciably cut down steel production capacity within a very short time frame due to the potential negative impact on the local economy and unemployment rate, among other reasons. The clearest indicator is the list of old capacity to be eliminated in 19 industries announced by Ministry of Industry and Information technology of the PRC ("MIIT") in July 2013 which cuts only 0.7% from the total steel capacity in 2013, a miniscule amount compared with other industries. Thus, it is likely that overproduction of steel would persist longer than expected.

### Business Review

#### *Consolidated Customer Base*

Leveraging the Group's rich experience in the industry, its leading technology in designing and manufacturing of advanced steel flow control products, as well as its prominent reputation, the Group has further broadened its customer base in the domestic market. During the six months ended 30 June 2013, the Group has secured another new customer namely Tianjin Pipe Corporation (天津鋼管製造有限公司), a wholly owned subsidiary of Tianjin Pipe (Group) Corporation with main products including high pressure boiler pipes, high pressure gas pipes, hydraulic support pipes and other kinds of professional pipes. At the same time, among the top 10 steel manufacturers in the PRC, the Group remains as the dominant supplier to nine of them, including Baosteel Group, Shougang Group, Hebei Group and Wuhan Steel. Looking ahead, the Group intends to pursue its long term expansion strategy with a diversified customer base with the view to enhance business profitability.

### *Expanded Growth in Overseas Markets*

In the face of the challenging domestic market condition, the management of the Group understands the importance of diversifying its customer base and has bolstered its initiatives to expand the overseas market. The Group's overseas customers include the world's largest steel and mining company, ArcelorMittal, the world's largest manufacturer, processer and distributor of special long steel products, Dentsche Edelstahlwerke GmbH and the largest steel producer in Russia, Magnitogorsk Iron and Steel Works. The continued expansion into overseas markets has achieved an encouraging rise in overseas revenue from approximately RMB8.5 million to approximately RMB11.4 million over the same period in 2012. At the same time, the management of the Group is committed to raise the Group's brand awareness overseas aiming at becoming an influential leader in the global high-end steel flow control products industry.

### *Enhanced Research and Development*

During the six months ended 30 June 2013, the Group has attained another new registered invention patent, namely, a special additive and an energy-saving continuous casting refractory containing such additives and its preparatory technique (一種特殊添加劑及含有該添加劑的節能型連鑄耐火材料及其製備工藝). With the new addition, the Group has obtained a total of 15 registered patents during the Period. The self-developed technologies not only enable the Group to maintain its profitability at a relative high level, but also enable the Group to enjoy tax relief status in China as a Chinese High-tech Enterprise, as well as to become one of the world's technology leaders in the advanced steel flow control industry.

## Financial Review

### *Revenue*

For the six months ended 30 June 2013, the Group's revenue was approximately RMB93.7 million, representing a decrease of approximately 45.6% as compared with approximately RMB172.3 million for the same period in 2012. The revenue drop was a result of lower average selling prices and a declined sales volume. Total sales volume decreased by approximately 31.4% to approximately 3,500 tonnes, compared with 5,100 tonnes during the same period in 2012. The decline was due to a confluence of decreasing sales to domestic customers by 49.7% and as such the revenue generated from domestic clients fell to approximately RMB82.3 million. The decrease was partially offset by the sales to overseas end-use customers amounting to approximately RMB11.4 million, representing approximately 12.2% of the Group's total revenue in the first half of 2013.

### *Cost of Sales*

The Group's cost of sales mainly consists of costs of raw materials, labour, depreciation and other costs directly related to sales. During the six months ended 30 June 2013, the Group's cost of sales dropped by around 29.0% from approximately RMB89.5 million for the six months ended 30 June 2012 to approximately RMB63.5 million. The decrease was mainly attributable to the decrease in costs of raw materials resulting from the decrease in sales volume during the Period.

### *Gross Profit and Gross Profit Margin*

The Group's gross profit decreased by around 63.5% from approximately RMB82.8 million for the six months ended 30 June 2012 to approximately RMB30.2 million for the six months ended 30 June 2013. The Group's gross profit margin also declined from around 48.0% for the year ended 30 June 2012 to around 32.2% for the six months ended 30 June 2013. The drop in the Group's gross profit and gross profit margin were mainly attributable to the decrease in sales volume and the decrease in average selling price during the Period.

### *Selling and Distribution Costs*

The Group's selling and distribution costs comprised sales commission, sales staff costs and transportation costs. During the six months ended 30 June 2013, the Group's selling and distribution costs decreased to approximately RMB10.4 million, representing an decrease of around 31.6% from approximately RMB15.2 million for the six months ended 30 June 2012. The decrease was mainly attributable to the decrease in sales volume during the Period.

### *Administrative Expenses*

The Group's administrative expenses decreased by around 29.5% from approximately RMB16.7 million for the six months ended 30 June 2012 to approximately RMB11.8 million for the year ended 30 June 2013. The decrease was mainly attributable to the decrease in the amortisation of non-cash expenses associated with the share options from approximately RMB6.1 million for the six months ended 30 June 2012 to approximately RMB2.9 million for the six months ended 30 June 2013, coupled with the decrease in staff costs of around 13.6% from approximately RMB3.7 million for the six months ended 30 June 2012 to approximately RMB3.2 million for the six months ended 30 June 2013.

### *Taxation*

For the six months ended 30 June 2013, the Group's PRC subsidiary has successfully obtained the Chinese High-tech Enterprise Certification (中國高新技術企業認證). Consequently, the Group's PRC subsidiary was entitled to the PRC Enterprise Income Tax ("EIT") rate of 15% for the period and the same rate will apply until 2014.

### *Profit for the Period*

As a result of the previously mentioned challenges, the Group's profit for the Period decreased by around 83.8% from approximately RMB34.2 million for the six months ended 30 June 2012 to approximately RMB5.5 million for the six months ended 30 June 2013. Net profit margin also decreased from around 19.9% for the six months ended 30 June 2012 to around 5.9% for the six months ended 30 June 2013. The decrease was mainly due to a combination of factors, which include (i) declined sales volume; (ii) lower average selling price; (iii) the decrease in costs of sales and selling and distribution cost from approximately RMB89.5 million and RMB15.2 million for the six months ended 30 June 2012 to approximately RMB63.5 million and RMB10.4 million for the six months ended 30 June 2013 respectively as a result of lower sales volume; and (iv) the decrease in administration expenses of approximately RMB3.2 million associated with share options granted to management and staff; The Group's earnings per share decreased by approximately 83.9% from RMB2.85 cents for the six months ended 30 June 2012 to RMB0.46 cent for the six months ended 30 June 2013.

*Interim Dividends*

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: nil).

*Capital Structure, Liquidity and Financial Resources*

As at 30 June 2013, the Group's net cash from operating activities was approximately RMB25.1 million (30 June 2012: RMB39.5 million) and the Group's bank balances and cash was approximately RMB393.3 million (31 December 2012: RMB369.8 million).

Total equity of the Group as at 30 June 2013 was approximately RMB628.1 million (31 December 2012: RMB619.7 million). The Group did not have any outstanding bank loan as at 30 June 2013 (31 December 2012: nil).

The Group incurred no finance cost for the six months ended 30 June 2013 (six months ended 30 June 2012: nil).

*Pledge of Assets*

As at 30 June 2013, the Group did not have any pledge of assets.

## CONTINGENT LIABILITIES

As at 30 June 2013, the Group had not provided any form of guarantee for any company outside of the Group. The Group is not involved in any current material legal proceedings, nor is it aware of any pending or potential material legal proceedings involving the Group.

## HUMAN RESOURCES AND STAFF REMUNERATION

As at 30 June 2013, the Group had 240 staff members employed in mainland China and Hong Kong (2012: 245). During the Period, the Group had continued to devote significant resources to bolster its training programme, providing training and study opportunities for management staff and professional technicians. In addition, the Group has provided timely updates to all staff about the latest government policies related to the industry to continuously enhance the professional standard and quality of the staff. Meanwhile, the Group has provided competitive remuneration for its staff which encourages their commitment and enhances their professionalism.

## FUTURE PROSPECTS

In the first half of 2013, the global recovery has continued, albeit at a slower pace. Concerns about the United States Federal Reserve's tapering of quantitative easing and the slowdown in China's economic growth have added uncertainties in the domestic iron and steel market, where supply-demand imbalance and the subsequent decrease in steel prices and excess inventory are the major obstacles hindering the industry recovery. However, China's new leaders have recently set a bottom line for the 2013 GDP growth at 7%. The expected improvement of GDP growth, the ongoing development of large-scale infrastructure, as well as the PRC government's confirmation of its continued heavy investment of RMB650 billion in railways and the progress of the West-East Gas Pipeline Project should provide a conducive operating environment for our end-customers, and thus increases the demand for our advanced steel flow control products.

In addition, the steel industry began to take various approaches to deal with the protracted issues. Spot steel prices in China have sign of bottoming out in early June 2013 and have increased steadily. All of these developments have contributed to more positive and dynamic prospects.

Meanwhile, MIIT is expected to launch the general scheme for resolving industry over-capacity in the second half of 2013. The core theme of this scheme is to restructure the steel industry, advancing from low-end to high-end value-added production. The Group is maintaining its strong commitment in research and development in order to capitalise on this favorable trend.

Realising the importance of a diversified customer base, the Group has developed a long-term overseas development strategy. Leveraging its success in the domestic market, the Group is confident to introduce its products to more customers in overseas markets in Europe, Korea, Taiwan and North America. The Group received more trial orders from new overseas customers during the Period and is all set for their confirmation to place long-term purchase orders of the Group's advanced steel flow control products.

Looking ahead, despite the prolonged weak sentiment in the steel and iron industry, positive economic indicators and favourable government policies point to a gradual improvement of the industry. The Group is committed to strengthen its unique competitive advantage differentiating itself through high product quality. The management will continue its efforts to capitalise on its niche in the advanced steel flow control products market to improve the performance of the Group in the coming years.

## REVIEW OF ACCOUNTS

The audit committee of the Company has reviewed the condensed consolidated financial statements for the six months ended 30 June 2013, 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 Corporate Governance Code contained in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2013, 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 2013.

## PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the six months ended 30 June 2013, 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, 29 August 2013

*As at the date of this announcement, the executive Directors are Mr. Xu Yejun and Mr. Gu Aoxing, the non-executive Directors are Dr. Zhang Lanyin and Mr. Gao Zhilong, and the independent non-executive Directors are Mr. Yao Enshu, Mr. Yang Fuqiang and Mr. Tsui, Siu Hang Steve.*