SINOREF

SINOREF HOLDINGS LIMITED
華耐控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1020)

ANNUAL RESULTS

The board (the "Board") of directors (the "Directors") of Sinoref Holdings Limited (the "Company" or "Sinoref") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2013, 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 PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

		For the year ended 31 December	
		2013	2012
	Notes	***RMB'000***	*RMB'000*
Revenue	*4*	**186,436**	322,671
Cost of sales		**(161,891)**	(169,687)
Gross profit		**24,545**	152,984
Interest income on bank deposits		**1,300**	1,399
Impairment loss recognised in respect of property, plant and equipment		**(29,131)**	–
Selling and distribution costs		**(20,608)**	(29,474)
Administrative expenses		**(32,846)**	(31,244)
(Loss) profit before taxation	*6*	**(56,740)**	93,665
Taxation	*5*	**(36)**	(21,186)
(Loss) profit and total comprehensive (expense) income for the year attributable to owners of the Company		**(56,776)**	72,479
(Loss) earnings per share	*8*		
Basic and diluted		**(RMB4.73 cents)**	RMB6.04 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
Non-current assets			
Property, plant and equipment		**73,475**	111,604
Prepaid lease payments		**9,628**	9,862
		83,103	121,466
Current assets			
Inventories	*9*	**22,939**	19,979
Trade receivables	*10*	**172,365**	131,151
Bills receivables	*11*	**32,854**	46,937
Other receivables, deposits and prepayments		**2,254**	685
Prepaid lease payments		**235**	235
Tax recoverable		**2,681**	4,294
Bank balances and cash		**312,322**	369,805
		545,650	573,086
Current liabilities			
Trade payables	*12*	**28,712**	22,537
Other payables and accruals		**17,456**	32,066
Tax liabilities		**5,528**	6,500
		51,696	61,103
Net current assets		**493,954**	511,983
Total assets less current liabilities		**577,057**	633,449
Non-current liability			
Deferred tax liabilities		**13,720**	13,720
		563,337	619,729
Capital and reserves			
Share capital		**104,201**	104,201
Reserves		**459,136**	515,528
Total equity		**563,337**	619,729

1. GENERAL

The Company was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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 and by the Hong Kong Companies Ordinance.

3. APPLICATION OF NEW AND REVISED HKFRSS

The Group has applied the following new and revised HKFRSs issued by the HKICPA for the first time in the current year:

Amendments to HKFRSs	Annual improvements to HKFRSs 2009 – 2011 cycle
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 interests 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 27 (as revised in 2011)	Separate financial statements
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures
Amendments to HKAS 1	Presentation of items of other comprehensive income
HK(IFRIC) – INT 20	Stripping costs in the production phase of a surface mine

Except as described below, the application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In the current year, the Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising HKFRS 10 "Consolidated financial statements", HKFRS 11 "Joint arrangements", HKFRS 12 "Disclosure of interests in other entities", HKAS 27 (as revised in 2011) "Separate financial statements" and HKAS 28 (as revised in 2011) "Investments in associates and joint ventures", together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding transitional guidance.

HKAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements.

The application of these five standards effective for annual period beginning 1 January 2013 will not have significant impact on the results and financial position of the Group as the Group owns 100% equity interest in all of its subsidiaries and does not have any associates or joint ventures at 31 December 2013.

HKFRS 13 "Fair value measurement"

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad: the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application. The application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

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

The Group has applied the amendments to HKAS 1 "Presentation of items of other comprehensive income". Upon the adoption of the amendments to HKAS 1, the Group's "statement of comprehensive income" is renamed as the "statement of profit or loss and other comprehensive income". 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. Furthermore, 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 option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual improvements to HKFRSs 2010-2012 cycle[4]
Amendments to HKFRSs	Annual improvements to HKFRSs 2011-2013 cycle[2]
HKFRS 9	Financial instruments[3]
HKFRS 14	Regulatory deferral accounts[5]
Amendments to HKFRS 9 and HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosures[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities[1]
Amendments to HKAS 19	Defined benefit plans: Employee contributions[2]
Amendments to HKAS 32	Offsetting financial assets and financial liabilities[1]
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets[1]
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting[1]
HK(IFRIC) – INT 21	Levies[1]

[1] Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.
[2] Effective for annual periods beginning on or after 1 July 2014, except as disclosed below. Early application is permitted.
[3] Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.
[4] Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.
[5] Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.

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

4. OPERATING SEGMENTS

HKFRS 8 "Operating segments" requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the 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 (loss) 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:

	For the year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Manufacture and sale of advanced steel flow control products:		
Subentry Nozzle	**91,073**	158,598
Stopper	**50,533**	82,476
Tundish Nozzle	**23,866**	62,181
Ladle Shroud	**20,175**	19,416
Others	**789**	–
	186,436	322,671

Information about geographical areas

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

	For the year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
The PRC (country of domicile)	**160,489**	309,352
Europe	**25,941**	13,232
Asia (other than the PRC)	**6**	87
	186,436	322,671

Over 99% of the Group's non-current assets are located in the PRC.

Information about major customers

Revenue from a customer amounting to RMB24,565,000 (2012: RMB36,260,000) individually represents more than 10% of the Group's revenue. Four types of products were sold to that customer.

5. TAXATION

	For the year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Current tax:		
PRC Enterprise Income Tax	**–**	16,906
Under(over)provision in prior years	**36**	(15)
Deferred tax		
Current year	**–**	4,295
	36	21,186

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.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25% from 1 January 2008 onwards.

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 year ended 31 December 2013, deferred tax expense amounted to nil (2012: RMB4,295,000) in respect of the undistributed earnings of the Company's PRC subsidiary has been recognised in the consolidated statement of profit or loss and other comprehensive income.

6. (LOSS) PROFIT BEFORE TAXATION

	For the year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
(Loss) profit before taxation has been arrived at after charging:		
Auditor's remuneration	**1,031**	1,074
Amortisation of prepaid lease payments	**234**	235
Cost of inventories recognised as an expense	**158,836**	165,108
Depreciation of property, plant and equipment	**12,590**	12,635
Minimum lease payments in respect of office premises	**839**	684
Minimum lease payments in respect of an office equipment	**5**	5
Write-off of property, plant and equipment	**–**	7
Exchange loss, net	**253**	194
Research and development costs	**14,007**	–
Staff costs (including directors' emoluments)		
– Salaries and other benefits	**29,584**	35,740
– Retirement benefits scheme contributions	**1,189**	1,037
– Share-based payments (included in administrative expenses)	**384**	12,245
	31,157	49,022
Less: Staff costs included in research and development costs	**(853)**	–
	30,304	49,022

7. DIVIDENDS

	2013	2012
	RMB'000	*RMB'000*
Final dividend paid in respect of the year ended 31 December 2012 of nil cent (2012: for the year ended 31 December 2011 of HK1 cent) per ordinary share	**–**	9,840

No dividend was paid or proposed by the Company during the years ended 31 December 2013 and 2012, nor has any dividend been proposed since the end of the reporting period.

8. (LOSS) EARNINGS PER SHARE

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

	For the year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
(Loss) earnings		
(Loss) earnings for the year attributable to the owners of the Company for the purpose of basic and diluted (loss) earnings per share	**(56,776)**	72,479

	Number of shares	Number of shares
	2013	2012
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted (loss) earnings per share	**1,200,000**	1,200,000

The calculation of diluted loss per share for the year ended 31 December 2013 had not taken into consideration the assumed exercised of the Company's outstanding share options as it would reduce the loss per share.

During the year ended 31 December 2012, 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

	2013 *RMB'000*	2012 *RMB'000*
Raw materials	**9,329**	8,845
Work-in-progress	**8,673**	6,774
Finished goods	**4,937**	4,360
	22,939	19,979

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 delivery date at the end of the reporting period, which approximated the respective revenue recognition dates:

	2013 *RMB'000*	2012 *RMB'000*
0 – 30 days	**18,802**	24,152
31 – 60 days	**16,124**	28,579
61 – 90 days	**19,021**	30,715
91 – 120 days	**16,301**	29,903
121 – 180 days	**24,106**	17,802
Over 180 days	**78,011**	–
	172,365	131,151

11. BILLS RECEIVABLES

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

	2013 *RMB'000*	2012 *RMB'000*
121 – 180 days	**408**	–
Over 180 days	**32,446**	46,937
	32,854	46,937

At 31 December 2013, the carrying value of bills receivables include bills endorsed to suppliers on a full recourse basis that are not yet due amounting to RMB17,822,000 (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 consolidated financial statements. The associated trade payables secured over the bills endorsed to the suppliers which were not yet due at the end of the reporting period are recognised as current liabilities in the consolidated statement of financial position.

	2013 *RMB'000*	2012 *RMB'000*
Bills receivables endorsed to suppliers with full recourse:		
Carrying amount of transferred assets	**17,822**	16,844
Carrying amount of associated liabilities	**(17,822)**	(16,844)
Net 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.

	2013	2012
	RMB'000	*RMB'000*
0 – 30 days	**11,198**	10,617
31 – 60 days	**6,160**	5,686
61 – 90 days	**2,337**	2,776
Over 90 days	**9,017**	3,458
	28,712	22,537

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

At 31 December 2013, included in the trade payables was RMB17,822,000 (2012: RMB16,844,000) secured over bills receivables endorsed to suppliers that were not yet due for payment.

The carrying amounts of the trade payables at the end of the reporting period are denominated in RMB.

MARKET REVIEW

In 2013, the global economy was turbulent made complicated by the myriad issues it faced. In the international community, there were the United States debt crisis, the European debt crisis and the unrest in the Arab world. The aftermath of all of these political and economic crises continued to affect the recovery of the world's economy, leading to decline in demand for commodities-based products, a fragile commodities market, sluggish selling prices for commodities and financial market volatility. In China, gross domestic product reported a growth of approximately 7.7% in 2013, the slowest since 1999. The growth slowdown in the domestic economy, coupled with overcapacity but inadequate demand, excess inventory, inflation of iron ore prices, and continuing decline in steel price have put enormous pressure on the production and operations of steel manufacturers. As a result, a certain amount of large steel manufacturers were still suffering losses. Even worse, many small industry players were forced to be closed down due to a break in the capital chain.

According to the World Steel Association, the total production of crude steel in China has increased from approximately 708.8 million tonnes in 2012 to approximately 779.0 million tonnes in 2013, representing an increase of approximately 9.9%. However, according to the China Steel Logistics Professional Committee, China's steel purchasing managers' index was 47.7% in December 2013, remaining in a contraction mode for the fourth consecutive month since September. The dilemma of excess output and sluggish demand has exerted significant impact on steel prices. According to the National Development and Reform Commission of China, steel prices in the first half of 2013 declined considerably, and lingered at low levels during the second half of the year. In December 2013, the composite steel price index dropped to 99.28, which was even lower than that of 1994.

Although the new leadership governing China has taken measures to accelerate industry restructuring, the pace is still slower than anticipated and the desired result has yet to materialise.

BUSINESS REVIEW

Consolidation in Customer Base

Building on its strong reputation in the industry and leading technologies in the design and manufacturing of advanced steel flow control products, the Group has further consolidated its customer base in the PRC market. During the year ended 31 December 2013, the Group has secured another two strategic important new customers, Jiangsu Shagang Group (江蘇沙鋼集團有限公司) and Hebei Shougang Qian'An Iron & Steel Co. Ltd (河北省首鋼遷安鋼鐵有限公司). Meanwhile, the Group continued to be the key supplier of the top 10 steel manufacturers in the PRC, including Baosteel Group, Shougang Group, Hebei Group and Wuhan Steel. Going forward, we will continue to explore business opportunities with domestic steel manufacturers to drive further business growth.

Expanded Overseas Market

During the year under review, the global economy has seen a moderate recovery which has created more international business opportunities. As a result, the management understands the importance of diversifying its customer base and has devoted substantial efforts to further expand the overseas market. The Group has built up the reputation of the brand "Sinoref" among the steel industry over the years and has successfully gained a good reputation of many of the world's most renowned steel manufacturers, including: the world's largest steel and mining company, ArcelorMittal; and the world's largest manufacturer, processer and distributor of special long steel products, Carboref GmbH; and during the period under review, the Group recorded encouraging results in expanding into overseas markets, with overseas revenue rising from approximately RMB13.2 million in 2012 to approximately RMB25.9 million in 2013. We will strive to enhance our global brand awareness with the view to strengthen the Group's leading position in the industry.

Enhanced Research and Development

For the year ended 31 December 2013, the Group has attained five new utility patents and one new registered invention patent. This brings the Group's total to 18 registered patents as at the end of the year. The strong research and development capability is a core competitive edge of Sinoref that has helped the Group become China's second largest advanced steel flow control product manufacturer just a few years after its founding.

Besides further developing its steel flow control products business, the Group has also been seeking potential opportunities in steel-related as well as non-steel related businesses. During the period under review, the Group significantly boosted its investment in research and development to further diversify its business. For the year ended 31 December 2013, Sinoref's research and development team has 32 professionals, and the expenses on research and development amounted to approximately RMB14 million, representing approximately 7.5% of the Group's total revenue.

As a result, we have adopted a number of leading self-developed technologies which enable the Group to enjoy a preferential tax rate as a Chinese High-tech Enterprise, supporting future earnings to record new heights.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2013, the Group's revenue was approximately RMB186.4 million (2012: RMB322.7 million). The decrease in revenue was mainly due to the volatility of product price, and the decrease of sales volume, in particular that generated from the domestic markets. Total sales volume decreased by approximately 11.7% to approximately 8,917 tonnes from 10,100 tonnes for the year ended 31 December 2013. This decrease was due to a reduced purchase volume from customers caused by the sluggish market demand in the steel industry.

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 decreased by approximately 4.6% from RMB169.7 million in 2012 to approximately to RMB161.9 million in 2013, primarily due to the decrease in purchase of raw materials and the decrease in sales volume.

Gross Profit & Gross Profit Margin

The Group's gross profit decreased from approximately RMB153.0 million for the year ended 31 December 2012 to approximately RMB24.5 million for the year ended 31 December 2013. As a result, the Group's gross profit margin also dropped from approximately 47.4% for the year ended 31 December 2012 to approximately 13.2% for the year ended 31 December 2013. The decrease in the Group's gross profit and gross profit margin were mainly attributable to (i) the decline in sales volume; and (ii) the decrease in average selling price.

Impairment Loss Recognised in Respect of Property, Plant and Equipment

Due to the weakening of steel market in China of continuing decline in steel demand and price, the recoverability of the relevant carrying amounts of the Group's plant and equipment exceeded their recoverable amounts. An impairment loss of approximately RMB29.1 million has been recognised for the year ended 31 December 2013.

Selling and Distribution Costs

The Group's selling and distribution costs comprised sales commissions, sales staff costs and transportation costs. During the year under review, our selling and distribution costs decreased to approximately RMB20.6 million, representing a decrease of approximately 30.1% from approximately RMB29.5 million for the previous year. The decrease was mainly attributable to the decrease in sales commissions and transportation costs.

Administrative Expenses

The Group's administrative expenses increased by approximately 5.1% from approximately RMB31.2 million for year ended 31 December 2012 to approximately RMB32.8 million for the year ended 31 December 2013. The increase was primarily due to the increase of research and development expenses, amounting to approximately RMB14.0 million for the year ended 31 December 2013 as the Group dedicated significant efforts to enhance its competitive advantage in advanced technologies and exposure of news business. The increase was off-set by the drop in share-based payment from approximately RMB12.2 million for the year ended 31 December 2012 to approximately RMB0.4 million for the year ended 31 December 2013 due to cancellation of certain equity-settled share options in 2013.

Taxation

During the year under review, the Group's PRC subsidiary has successfully applied for the Chinese High-tech Enterprise Certification (中國高新技術企業認證). As a result, the Group's PRC subsidiary was subject to the PRC Enterprise Income Tax ("EIT") rate of 15% for the period under review and the same rate will apply in the year ending 31 December 2014.

(Loss)Profit and Total Comprehensive (Expense) Income for the Year

As a result of the challenging conditions, the Group's loss and total comprehensive expense for the year was approximately RMB56.8 million, compared to a profit and comprehensive income for the year of approximately RMB72.5 million for the previous year. The decrease was mainly due to a combination of factors, which include (i) the decrease in revenue as a result of a declining sales volume and average selling price; and (ii) impairment loss recognised in respect of property, plant and equipment. The Group's earnings per share decreased from RMB6.04 cents for the year ended 31 December 2012 to RMB4.73 cents loss per share in 2013.

Final Dividends

The Board does not recommend the payment of a final dividend for year ended 31 December 2013 (2012: Nil).

Capital Structure, Liquidity and Financial Resources

During the year ended 31 December 2013, the Group's net cash used in operating activities was approximately RMB52.1 million (2012: net cash generated from operating activities RMB77.7 million) and the Group's bank balances and cash was approximately RMB312.3 million (2012: RMB369.8 million).

Total equity of the Group as at 31 December 2013 was approximately RMB563.3 million (2012: RMB619.7 million). The Group does not have any outstanding bank loan as at 31 December 2013 (2012: nil).

Pledge of Assets

As at 31 December 2013, the Group did not have any pledge of assets.

CONTINGENT LIABILITIES

As at 31 December 2013, 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 2013, the Group had 287 staff members employed in mainland China and Hong Kong (2012: 243). Total staff costs for the year were approximately RMB31.2 million (2012: RMB49.0 million). During the year, the Group continued to reinforce the training to its staff by providing training and study opportunities for management staff and professional technicians. In addition, the Group has provided a timely update to all staff about 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 staff which encourages them to commit themselves and serve customers wholeheartedly.

PROSPECTS

In the face of the continuous sluggish performance of the steel industry, the PRC government has issued a directive "Guiding Opinions of the State Council on Resolving Serious Production Overcapacity Conflicts"《國務院關于化解產能嚴重過剩矛盾的指導意見》in October 2013, which aims to eliminate 80 million tonnes of steel production capacity by 2017. The government will monitor the results and implement an appraisal system, thereby encouraging local governments to take immediate action. The Group will closely monitor the impact of the changes in industry-wide policies, and apply its leading technologies to meet evolving production requirements of steel manufacturers.

Looking ahead, despite the weakness in 2013, the management is cautiously optimistic in its outlook in 2014, given the improving economic conditions and supportive government policies. We believe that the PRC government will devote more attention to meet its capacity reduction target by accelerating the closure of obsolete capacity and restructuring within the steel industry, which will as a result create a healthier and supply-demand balanced environment.

While the steel industry has been delivering disappointing performances and is still facing uncertainties, in addition to the business of manufacturing steel flow control products, we are also evaluating other potential business opportunities, with the aim to enhance our profitability. Both the up- and down-stream business segments in the steel industry will be our targets, yet the Group would take an open attitude to any complementary business with bright market prospects.

In March 2014, the Group has entered into a share transfer agreement ("Share Transfer Agreement") with Rainbow Phoenix Holdings Limited ("Rainbow Phoenix") to acquire 100% interest of Accura Machinery & Manufacturing (Taicang) Company Limited ("Accura"), a company principally engaged in the sales and production of paper converting equipment and other related equipment. Pursuant to the Share Transfer Agreement, Rainbow Phoenix agreed to guarantee that the audited consolidated net profit after taxation of Accura for the financial year ending 31 December 2014 shall not be less than RMB10 million. "Accura" is a renowned brand in China with its headquarters in the Yangtze Delta. The acquisition will provide an excellent opportunity to diversify the business of the Group and broaden the revenue base of the Group.

In the long run, the Group's strategy will include evaluating suitable investments that present development opportunities, which provide additional stable income streams that lead to sustainable probability.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the applicable code provisions (the "Code Provisions") in the Corporate Governance Code (the "CG Code") and Corporate Governance Report contained in Appendix 14 to the Listing Rules.

During the financial year under review, the Company had complied with all the CG Code for the period from 1 January 2013 to 31 December 2013, except for the deviations from Code Provision A.2.1 which are explained below.

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 2013.

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 2013.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2013 as set out in the 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 the 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 year.

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

Hong Kong, 31 March 2014

As at the date of this announcement, the executive Directors are Mr. Xu Yejun, Mr. Zhao Ping and Mr. Ho Yuk Hay, the non-executive Director is Mr. Chow Chi Wa and the independent non-executive Directors are Mr. Yao Enshu, Mr. Tsui Siu Hang, Steve and Mr. Wong Kwong Chi.