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 2015

INTERIM RESULTS

The board (the "Board") of directors (the "Directors") of Sinoref Holdings Limited (the "Company", together with its subsidiaries, the "Group") is pleased to announce the unaudited interim results of the Group for the six months ended 30 June 2015, 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 2015

		Six months ended 30 June	
		2015	2014
	NOTES	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*3*	**137,930**	107,389
Cost of sales		**(154,139)**	(119,005)
Gross loss		**(16,209)**	(11,616)
Other income		**41**	533
Impairment loss recognised in respect of trade receivables		**(31,021)**	(25,865)
Impairment loss recognised in respect of property, plant and equipment	*9*	**(10,978)**	(18,381)
Selling and distribution costs		**(16,032)**	(12,712)
Administrative expenses		**(32,303)**	(27,878)
Equity-settled share option expenses		**(10,407)**	–
Finance costs		**(839)**	(360)
Loss before taxation	*5*	**(117,748)**	(96,279)
Taxation	*6*	**2,974**	3,980
Loss and total comprehensive expense for the period		**(114,774)**	(92,299)
Loss and total comprehensive expense for the period attributable to:			
Owners of the Company		**(115,033)**	(92,299)
Non-controlling interests		**259**	–
		(114,774)	(92,299)
Loss per share	*8*		
Basic and diluted		**(RMB7.00 cents)**	(RMB6.50 cents)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2015

	NOTES	At 30 June 2015 RMB'000 (Unaudited)	At 31 December 2014 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	9	**56,726**	75,136
Goodwill		**109,799**	6,542
Other intangible assets	10	**11,402**	12,050
Deposits for property, plant and equipment		**1,439**	–
Deposit paid for acquisition of a subsidiary		**–**	55,125
Prepaid lease payments		**15,364**	15,560
		194,730	164,413
Current assets			
Inventories		**61,933**	39,900
Trade receivables	12	**211,718**	257,465
Bills receivables	13	**22,278**	42,708
Loan receivables		**23,490**	–
Other receivables, deposits and prepayments		**13,068**	19,098
Prepaid lease payments		**391**	391
Tax recoverable		**21,615**	2,963
Restricted bank deposits		**6,602**	1,869
Bank balances and cash		**101,929**	102,678
		463,024	467,072
Current liabilities			
Trade and bills payables	14	**25,927**	46,342
Other payables and accruals		**22,340**	22,854
Tax liabilities		**5,528**	5,528
Bank borrowing	15	**20,000**	20,000
		73,795	94,724
Net current assets		**389,229**	372,348
Total assets less current liabilities		**583,959**	536,761
Non-current liability			
Deferred tax liabilities		**7,239**	10,213
Promissory Notes	16	**26,202**	–
		33,441	10,213
Net asset		**550,518**	526,548
Capital and reserves			
Share capital	17	**171,150**	133,169
Reserves		**378,323**	393,379
		549,473	526,548
Non-controlling interests		**1,045**	-
Total equity		**550,518**	526,548

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2015

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with HKAS 34 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 ("Listing 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 for certain financial instruments, which are measured at fair value.

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 2015 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2014.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" and HKAS 19 "Employee Benefits" respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based Payment" at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any), over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets", as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Contingent consideration that will be settled by the delivery of a variable number of the Company own equity instruments is accounted for as a financial liability.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses on the same basis as intangible assets that are acquired separately. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

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

Amendment to HKAS 19	Defined Benefit Plans: Employee Contributions
Annual improvements 2012, affecting the following 4 standards:	
HKFRS 8	Operating Segments
HKAS 16	Property, Plant and Equipment
HKAS 24	Related Party Disclosures
HKAS 38	Intangible Assets
Annual improvements 2013, affecting the following 3 standards:	
HKFRS 3	Business Combinations
HKFRS 13	Fair Value Measurement
HKAS 40	Investment Property

The application of the above new interpretation and amendments to HKFRSs in the current interim period has had no material impact on the amounts reported in these condensed consolidated financial statements and/or on the 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 and interest income from loan financing during the period.

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 three operating segments focusing on i) the manufacture and sale of advanced steel flow control products; ii) the manufacture and sale of paper converting equipment and other relating equipment, and (iii) money lending business. These operating segments have 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 following is an analysis of the Group's revenue and results by reportable and operating segments:

For the six months ended 30 June 2015 (Unaudited)

	Money lending business	**Manufacture and sale of advanced steel flow control products**	**Manufacture and sale of paper converting equipment and other relating equipment**	**Consolidated**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Revenue	**2,777**	**121,514**	**13,639**	**137,930**
Segment profit/(loss)	**2,594**	**(101,719)**	**(3,422)**	**(102,547)**
Staff costs (including retirement benefit scheme contributions)				**(935)**
Operating lease rentals				**(70)**
Unallocated corporate expenses				**(14,196)**
Loss before taxation				**(117,748)**

For the six months ended 30 June 2014 (Unaudited)

	Manufacture and sale of advanced steel flow control products	Manufacture and sale of paper converting equipment and other relating equipment	Consolidated
	RMB'000	*RMB'000*	*RMB'000*
Revenue	102,758	4,631	107,389
Segment loss	(88,182)	(1,859)	(90,041)
Unallocated corporate income			65
Staff costs (including retirement benefit scheme contributions)			(1,001)
Operating lease rentals			(425)
Provisional fair value change on contingent consideration shares			(1,589)
Unallocated corporate expenses			(3,288)
Loss before taxation			(96,279)

Segment (loss) profit represents the loss incurred/profit earned by each segment without allocation of certain administration costs and other income. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

5. LOSS BEFORE TAXATION

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Loss before taxation has been arrived at after charging (crediting):		
Cost of inventories recognised as an expense	**154,013**	117,623
Depreciation of property, plant and equipment	**7,853**	5,563
Allowance for slow moving inventories (included in cost of sales)	**–**	295
Amortisation of prepaid lease payments	**196**	167
Amortisation of other intangible assets	**648**	271
Net exchange loss	**965**	945
Research and development costs (included in administrative expenses)	**16,738**	14,803
Interest income	**(3)**	(525)
Gain on disposal of property, plant and equipment	**–**	(8)
Equity-settled share option expenses	**10,407**	–

6. TAXATION

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax:		
PRC Enterprise Income Tax	**–**	–
Deferred tax:		
Current period	**(2,974)**	(3,980)
	(2,974)	(3,980)

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 subsidiaries.

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 subsidiaries is 25% from 1 January 2008 onwards.

On 6 August 2012, one of the PRC subsidiaries 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, this 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 2015, deferred tax income of RMB2,974,000 (six months ended 30 June 2014: RMB3,980,000) in respect of the undistributed earnings of the Company's PRC subsidiaries has been reversed in the condensed consolidated statement of profit or loss and other comprehensive income.

7. DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the current period (six months ended 30 June 2014: nil).

8. LOSS PER SHARE

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

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Loss		
Loss for the period attributable to the owners of the Company for the purpose of calculation of basic and diluted loss per share	**(115,033)**	(92,299)

	Six months ended 30 June	
	2015	2014
	'000	*'000*
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**1,629,243**	1,419,792

During the six months ended 30 June 2014, the computation of diluted loss per share did not assume the issue of contingent consideration shares because its effect is antidilutive.

The calculation of diluted loss per share had not taken into consideration the assumed exercise of the Company's outstanding share options during the six months ended 30 June 2015 and 2014 as it had an anti-dilutive effect on the basic loss per share.

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2015, the Group acquired plant, machinery and equipment at a cost of RMB348,000 and furniture and fixtures and office equipment at a cost of RMB6,000 (2014: plant, machinery and equipment at a cost of RMB89,000 and furniture and fixtures and office equipment at a cost of RMB14,000). The Group also acquired furniture and fixtures and office equipment at RMB67,000, which resulted from acquisition of Time Credit Limited as set out in note 20 (2014: building at a cost of RMB27,060,000, plant, machinery and equipment at RMB968,000, furniture and fixtures and office equipment at RMB452,000 and motor vehicle at RMB229,000, which resulted from acquisition of the Accura Group). The total additions of property, plant and equipment during the six month ended 30 June 2015 were RMB421,000 (2014: RMB28,812,000).

An impairment loss of RMB10,978,000 was recognised during the current interim period (2014: RMB18,381,000) in respect of the plant, machinery and equipment from the individual cash-generating unit of manufacture and sale of advanced steel flow control products segment. The recoverable amounts of the relevant assets have been determined on the basis of their value in use. The discount rate in measuring the amount of value in use were 16.50%.

10. OTHER INTANGIBLE ASSETS

Other intangible assets included technology know-how and customer relationship of carrying value of approximately RMB1,966,000 and RMB9,436,000, respectively. The intangible assets are amortised over their estimated useful life of 10 years using the straight line method. Amortisation of RMB648,000 had been made during the six months ended 30 June 2015 (2014: RMB271,000).

11. IMPAIRMENT TESTING OF PROVISIONAL GOODWILL

For the purposes of impairment testing, provisional goodwill arising from acquisition of the Accura Group has been allocated to the cash generating unit ("CGU") operating under the segment "Manufacture and sale of paper converting equipment and other relating equipment". Provisional goodwill arising from acquisition of Time Credit Limited has been allocated to the CGU operating under the segment "Money lending business". During the six months ended 30 June 2015, management of the Group determines that there are no impairment of the CGU containing provisional goodwill.

The basis of the recoverable amount of the CGU and its major underlying assumptions are summarised below:

Manufacture and sale of paper converting equipment and other relating equipment

The recoverable amount of the CGU has been determined based on a value in use calculation. That calculation uses cash flow projections covering a 5-year period, based on financial budgets approved by the management and a discount rate of 16.11% per annum. Cash flows beyond the 5-year period are extrapolated with 3% growth rate. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin. Such estimation is based on the unit's past performance and management's expectations of the market development.

Money lending business

The recoverable amount of the CGU has been determined based on a value in use calculation. That calculation uses cash flow projections covering a 2-year period, based on financial budgets approved by the management and a discount rate of 12.97% per annum. Cash flows beyond the 2-year period are extrapolated with 2% growth rate. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin. Such estimation is based on the unit's past performance and management's expectations of the market development.

12. TRADE RECEIVABLES

The credit period granted by the Group to certain customers is within 180 days (2014: 180 days), while payment from 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:

	At 30 June 2015 *RMB'000* **(Unaudited)**	At 31 December 2014 *RMB'000* (Audited)
0 – 30 days	**26,494**	23,189
31 – 60 days	**23,080**	22,561
61 – 90 days	**22,458**	25,486
91 – 120 days	**19,492**	26,417
121 – 180 days	**53,955**	36,587
Over 180 days	**66,239**	123,225
	211,718	257,465

The Group has not provided for certain trade receivables which are past due but not impaired because the directors of the Company consider that those receivables are recoverable based on the good payment record of the customers and long established trading history with these customers. The Group does not hold any collateral over these balances.

Allowance on doubtful debts of RMB31,021,000 (2014: RMB25,865,000) recognised during the six months ended 30 June 2015 is based on estimated irrecoverable amounts by reference to the creditability of individual customers, past default experience, subsequent settlement and payment history of the customers. Full provision has been made for individual trade receivables aged over one year with no subsequent settlement as historical evidence shows that such receivables are generally not recoverable, or individual trade receivables which has either been placed under liquidation or in severe financial difficulties.

13. 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:

	At 30 June 2015 *RMB'000* **(Unaudited)**	At 31 December 2014 *RMB'000* (Audited)
0 – 90 days	**3,424**	2,513
91 – 120 days	**4,006**	–
121 – 180 days	**14,848**	1,204
Over 180 days	**–**	38,991
	22,278	42,708

At 30 June 2015, the carrying value of bills receivables included bills endorsed to suppliers on a full recourse basis that are not yet due amounting to RMB2,698,000 (31 December 2014: RMB23,814,000). 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.

14. TRADE AND BILLS PAYABLES

The following is an aged analysis of trade and bills payables, presented based on the goods receipt date at the end of the reporting period.

	At 30 June 2015 *RMB'000* **(Unaudited)**	At 31 December 2014 *RMB'000* (Audited)
0 – 30 days	**15,289**	19,117
31 – 60 days	**3,826**	7,166
61 – 90 days	**2,030**	6,636
Over 90 days	**4,782**	13,423
	25,927	46,342

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

At 30 June 2015, included in the trade payables was RMB2,698,000 (31 December 2014: RMB23,814,000) secured over bills receivables endorsed to suppliers that were not yet due for payment.

15. BANK BORROWING

During the current interim period, the Group extended the bank loan amounting to RMB20,000,000 (2014: RMB20,000,000). The loan carries a fixed interest at 6.38% (2014:6.9%) per annum and is repayable within one year.

16. PROMISSORY NOTES

On 23 March 2015, the Company issued promissory notes for an aggregate principal amounts of HK$33,000,000 at 3% interest per annum upon the completion of the acquisition of Time Credit Limited to Ms. Lam Wai Ha, an independent third party not connected to the Group. The promissory notes are due on the second anniversary of the date of issue.

The fair value of promissory notes is approximately HK$32,976,000 (approximately to RMB25,992,000) as at the issue date, calculated at the effective interest rate of 2.994% per annum. The promissory notes are classified as non-current liabilities and are carried at amortised cost until settlement on due date.

17. SHARE CAPITAL

	Number of shares at HK$0.10 per share *'000*	Amount *HK$'000*
Authorised:		
At 31 December 2014, 1 January 2015 and 30 June 2015	**3,000,000**	300,000
Issued and fully paid:		
At 31 December 2014 and 1 January 2015	**1,566,228**	156,623
Issue of shares on 8 May 2015 *(note a)*	**170,000**	17,000
Issue of shares on 17 June 2015 *(note b)*	**313,000**	31,300
At 30 June 2015	**2,049,228**	204,923
Shown in the condensed consolidated financial statements	**RMB'000**	
At 31 December 2014 (Audited)	**equivalent**	133,169
At 30 June 2015 (Unaudited)	**RMB'000 equivalent**	171,150

Notes:

(a) On 8 May 2015, pursuant to the placing and subscription agreement dated 16 April 2015, 170,000,000 ordinary shares of HK$0.10 each were allotted and issued at the price of HK$0.31 per share.

(b) On 17 June 2015, pursuant to the placing and subscription agreement dated 2 June 2015, 313,000,000 ordinary shares of HK$0.10 each were allotted and issued at the price of HK$0.35 per share.

18. CAPITAL COMMITMENTS

	At 30 June 2015 *RMB'000* **(Unaudited)**	At 31 December 2014 *RMB'000* (Audited)
Capital expenditure in respect of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	**7,400**	–
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of a subsidiary	**–**	55,125

19. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

The remuneration of the Directors and other members of key management for both periods was as follows:

	Six months ended 30 June	
	2015 *RMB'000* **(Unaudited)**	2014 *RMB'000* (Unaudited)
Short-term benefits	**907**	1,296
Retirement benefit scheme contributions	**–**	2
	907	1,298

The remuneration of the Directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

20. ACQUISITION OF SUBSIDIARIES

On 3 November 2014, the Company entered into a sale and purchase agreement with an independent third party, Ms. Lam Wai Ha, to acquire 90% equity interest in Time Credit Limited, a company engaged in money lending business, at an aggregate consideration of approximately HK$140,000,000 (valued using a cash deposit of HK$70,000,000 upon signing of the sale and purchase agreement; HK$37,000,000 in cash upon completion of acquisition; and issue of the Promissory Notes with a principal sum of HK$33,000,000 by the Company in favour of the vendor (or her nominee) upon completion of acquisition), subject to net assets guarantee and adjustments on consideration as stated below. The acquisition has been completed on 23 March 2015. The purpose of the acquisition is to broaden revenue base and it is the Group's strategy to review from time to time potential business opportunity and investment to enhance the shareholders' value.

Consideration transferred

	RMB'000 (Unaudited)
Cash consideration *(note a)*	84,337
Promissory Notes *(note b)*	25,992
	110,329

Note: Based on the sale and purchase agreement dated 3 November 2014, the purchase consideration will be satisfied in the following manner:

(a) a cash deposit of HK$70,000,000 upon signing of the sale and purchase agreement and HK$37,000,000 in cash upon completion of acquisition.

(b) issue of the Promissory Notes with a principal sum of HK$33,000,000 by the Company in favour of the vendor (or her nominee) upon completion of acquisition. The fair value of the Promissory Notes is HK$32,976,000 on the date of completion of acquisition according to the valuation report from Steinberg Appraisal and Consulting (Hong Kong) Limited.

The consideration assumes that Time Credit Limited has net assets of at least HK$4,000,000 upon completion of acquisition and the consideration shall be adjusted to reflect any shortfall.

The value of the net assets will be established by an auditor nominated by the Company at the cost of the Company, who will undertake a post completion audit on Time Credit Limited in accordance with the Hong Kong Financial Reporting Standards ("Completion Statement") within three (3) months from completion of acquisition.

In the event that the value of net assets of Time Credit Limited on the Completion Statement is less than HK$4,000,000, the vendor shall pay to the Company ninety cents for every dollar of the shortfall.

The net assets of Time Credit Limited at the date of acquisition are as follows:

	Provisional fair value *RMB'000* (Unaudited)
Property, plant and equipment	17
Loan and other receivables	43,717
Bank balances and cash	71
Trade and other payables	(35,947)
	7,858

	RMB'000 (Unaudited)
Provisional goodwill arising on acquisition	
Cash consideration paid	84,337
Promissory Notes	25,992
Non-controlling interests	786
Less: provisional fair value of identifiable net assets acquired	(7,858)
Provisional goodwill arising on acquisition	103,257

Provisional goodwill arose on the acquisition of the Time Credit Limited because the acquisition included the assembled workforce and foreseeable revenue growth and further market development. These assets could not be separately recognised from provisional goodwill because they do not meet the recognition criteria for identifiable intangible assets.

	RMB'000
Analysis of cash and cash equivalents in respect of the acquisition:	
Cash consideration paid	(84,337)
Bank balances and cash acquired	71
	(84,266)

Impact of acquisition on the results of the Group

During the period ended 30 June 2015, Time Credit Limited contributed approximately RMB2,777,000 to the Group's revenue and profit of approximately RMB2,594,000 to the Group's results in aggregate for the period from the date of acquisition to 30 June 2015.

21. EVENTS AFTER THE REPORTING PERIOD

On 13 July 2015 after trading hours, the Company entered into a memorandum of understanding with Tianhong Chuangxin Asset Management Co. Ltd., an investor in relation to the proposed investments in the Company.

The investor is an asset management company established in the PRC approved by the China Securities Regulatory Commission, and is wholly owned by Tianhong Asset Management Co. Ltd., which is 51% owned by Zhejiang Ant Small and Micro Financial Services Group Ltd.

To the best of the Directors' information and belief having made all reasonable enquiries, the investor is a third party independent of the Company and its connected persons.

The memorandum of understanding does not create legally binding obligations on the parties in relation to the proposed investments. The proposed investments are subject to further negotiations and execution of formal agreements between the parties.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

While the global economy continued its mild recovery, the Chinese economy remained on the path of moderation in the first half of 2015, and the Gross Domestic Product (GDP) in China expanded 7 percent in the second quarter of 2015 over the same quarter of 2014 as reported by the National Bureau of Statistics of China.

According to World Steel Association, the world crude steel production for the first six months of the year was approximately 813 million tonnes (mt), down by 2.4 percent when compared with the same period last year. China Iron and Steel Association (CISA) said that China's crude steel production for June 2015 was approximately 69 Mt, down by 0.8 percent when compared to that of June 2014. And the data from the National Bureau of Statistics of China, had showed that the total steel output in China declined 1.3 percent to approximately 410 mt for the first half of 2015 compared with the same period a year ago, and output fell about 1.8 percent from April 2015 on a daily basis.

In fact, the steel prices had been in an incessant decline. The slowdown in China's steel industry has coincided with a surge in supply of iron ore, pushing prices of the steelmaking raw material down as much as 34 per cent this year, as reviewed by CISA. During the period under review, the oversupply condition of the steel market remained unresolved. Total steel product inventory level in China remained high and many unfavourable factors including price slide and raw material costs of steel have put huge pressure on and posted harsh challenges to the production and operation of steel enterprises. The decline of cost of raw material, iron ore virtually had lent no support to the weakness of steel prices and therefore steel enterprises were not able to reap any benefits from the lower raw material prices. Since our steel flow control product business is a steel-related industry, so the business of the Company was then affected adversely.

Business Review

The Group is principally engaged in the manufacture and sale of advanced steel flow control products including subentry nozzle, stopper, tundish nozzle and ladle shroud. In the period under review, the production and operation of steel manufacturers in China were all under tremendous pressure and faced stiff challenges amidst the deteriorating global market and fluctuating iron ore prices. Engaging in the steel flow control product business, we in turn have to lower the average selling price of the products and thus affecting the profitability of the Group.

Striving to maintain its leading positions in the market for the period under review, the Group has solidified the foothold of its existing steel flow control products business, and at the same time developing new businesses and adopted a diversification strategy to explore opportunities for new sources of income. In order to attain a higher sales volume of the steel flow control products, the Group incurred higher research and development costs and selling and distribution costs, making our business and financial performances of the Group for the six months ended 30 June 2015 were therefore negatively affected.

Consolidated Customer Base

The Group maintains good reputation in the industry as it applies advanced technology in the design and manufacture of advanced steel flow control products. Therefore, we enjoyed a concrete client base in the PRC market even under weak market conditions. The Group maintains good relations with its clients and works together with them to get through the hard times. Our leadership status remains intact and is recognised by our clients. We are still key suppliers of the top 10 steel manufacturers in the PRC, including Maanshan Steel, Baosteel Group, Shougang Group and Wuhan Steel.

Expanded Growth in Overseas Markets

During the period under review, the global economy has seen a moderate recovery. The management understands the importance of diversifying its customer base and has devoted its efforts to further expand the overseas market while consolidating Chinese market. The Group has built up the reputation of the brand "Sinoref" among the steel industry over the years and has successfully gained good reputation among many of the world's most renowned steel manufacturers, including the world's largest manufacturer, processor and distributor of special long steel products, Carboref GmbH. The Group continues to expand the overseas market and has devoted its efforts to expand the high-end market in mainland China, Asia and Europe. During the period under review, overseas revenue increased from approximately RMB16.9 million to approximately RMB17.4 million over the same period in 2014. The management of the Group is committed to raise the Group's brand awareness overseas aiming at becoming an influential leader in the international market.

Development Diversified Business

The Company strategy is to review potential business opportunity and investments from time to time, with an aim to develop business growth and provide a sustainable stream of cash flow and profit in the long run, so as to enhance shareholders' value. The Group made an announcement on 15 May 2015, in relation to the conditional offer for acquisition of the entire issue share capital of Soaring International Holdings Limited (Soaring) together with its subsidiaries, which is principally engaged in the business or e-commerce and information technology. The Directors consider that this acquisition will broaden the revenue base and provide an excellent opportunity for the Group business development in future; and the details of this conditional offer to acquire Soaring and its subsidiaries can be found in the announcement on 15 May 2015.

Enhanced Research and Development

As at 30 June 2015, the Group has a total of 21 registered patents. The strong research and development capability is a core competitive edge of the Group that has helped the Group become China's second largest advanced steel flow control product manufacturer just a few years after its founding. Apart from 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 further boosted its investment in research and development to further diversify its business. For the six months ended 30 June 2015, the Group's research and development team has 31 professionals, and the expenses on research and development amounted to approximately RMB16.7 million, representing approximately 12% of the Group's total revenue. As a result, the Group has 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

Advanced Steel Flow Control Products

For the six months ended 30 June 2015, the Group's revenue from steel flow control products was approximately RMB121.5 million, representing an increase of approximately 18.2% as compared with approximately RMB102.8 million for the same period in 2014. The revenue increase was mainly due to (i) expand our overseas market from approximately RMB16.9 million for the six months ended 30 June 2014 to approximately RMB17.4 million for the same period in 2015; and (ii) the significant drop in our average selling price to boost our sales. Total sale volume increased by approximately 29.5% from 6,245 tonnes for the six months ended 30 June 2014 to 8,087 tonnes for the same period in 2015.

Paper Converting Equipment and Other Relating Equipment

The Group's had acquired paper converting equipment business in April 2014 through the acquisition of the Accura Group. The revenue contributed by its paper converting equipment business was approximately RMB13.6 million for the six months ended 30 June 2015.

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 2015, the Group's cost of sales increased by approximately 29.5% from approximately RMB119.0 million for the six months ended 30 June 2014 to approximately RMB154.1 million. The significant increase was mainly attributable to the increase in our sale volume during the period under review.

Gross Loss

Due to the sluggish market demand in the steel industry, the Group experienced a gross loss of approximately RMB16.2 million for the six months ended 30 June 2015. For the six months ended 30 June 2014, the Group recorded a gross loss of approximately RMB11.6 million. The gross loss was mainly resulted from our significant cut down on our average products price in order to capture the market in the current competitive environment.

Impairment Loss Recognised in Respect of Property, Plant and Equipment

Due to the weakening of steel market in China and the 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 RMB11.0 million has been recognised for the six months ended 30 June 2015 (for the six months ended 30 June 2014: RMB18.4 million).

Impairment Loss Recognised in Respect of Trade Receivables

As the repayment ability of Chinese steel enterprises deteriorates, an impairment loss for trade receivables has been recognised. For the six months ended 30 June 2015, impairment loss for trade receivables amounted to approximately RMB31.0 million (for the six months ended 30 June 2014: RMB25.9 million).

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 2015, the Group's selling and distribution costs increased by approximately RMB3.3 million to RMB16.0 million, representing an increase of around 26.0% from approximately RMB12.7 million for the six months ended 30 June 2014. The increase was mainly attributable to the increase in sales volume during the period under review.

Administrative Expenses

The Group's administrative expenses increased by around 15.8% from approximately RMB27.9 million for the six months ended 30 June 2014 to approximately RMB32.3 million for the same period ended 30 June 2015. The significant increase was mainly attributable to the increase in research and development expenses of approximately RMB16.7 million. The Group has devoted more resources to research and development for creating more new products to meet with our customers' needs.

Finance Costs

The Group's finance costs were approximately RMB0.8 million for the six months ended 30 June 2015 (for the six months ended 30 June 2014: RMB0.4 million). The interest rate for bank loan was at a fixed interest rate of 6.38% per annum (2014: 6.9%).

Taxation

One of the Group's PRC subsidiaries has successfully obtained the Chinese High-tech Enterprise Certification (中國高新技術企業認證). Consequently, this PRC subsidiary was entitled to the PRC Enterprise Income Tax ("EIT") rate of 15% until 2015. The EIT rate for another PRC subsidiary is 25%.

Loss and total Comprehensive Expense for the Period

As a result of the abovementioned challenges, the Group's loss and total comprehensive expense for the period was RMB114.8 million while the loss and total comprehensive expense was approximately RMB92.3 million for the six months ended 30 June 2014. The loss was mainly due to a combination of factors, which include (i) the significant drop of our average products price; (ii) impairment loss in respect of property, plant and equipment and (iii) impairment loss in respect of trade receivables. The Group's basic loss per share was approximately RMB7.00 cents for the six months ended 30 June 2015, compared to a basic loss per share of approximately RMB6.50 cent for the six months ended 30 June 2014.

Interim Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: nil).

Capital Structure, Liquidity and Financial Resources

During the period under review, the Group had completed two placing of existing Shares and subscription of new Shares of the Company ("Shares"). The first placing and the subscription were completed on 16 April 2015 and 8 May 2015 respectively and a total of 170,000,000 Shares were allotted and issued at HK$0.31 per new Share. The net proceeds raised were approximately HK$52 million. For first placing, approximately 30 million was used for debt repayment, approximately 0.9 million was used for general administration expenses, and the balance as deposit in bank. The second placing and the subscription ("Second Top-up Placing") were completed on 2 June 2015 and 17 June 2015 respectively and a total of 313,000,000 Shares were allotted and issued at HK$0.35 per new Share. The net proceeds raised were approximately HK$109 million. For second placing, the net proceeds were intended to be used as general working capital and/or funds finance potential investment projects.

For the six months ended 30 June 2015, the Group's net cash used in operating activities was approximately RMB93.6 million (for the six months ended 30 June 2014: RMB107.9 million net cash from operating activities) and the Group's bank balances and cash as at 30 June 2015 was approximately RMB101.9 million (31 December 2014: RMB102.7 million).

Total equity of the Group as at 30 June 2015 was approximately RMB550.5 million (31 December 2014: RMB526.5 million). The Group has an outstanding bank loan of approximately RMB20.0 million as at 30 June 2015 (31 December 2014: RMB20.0 million). The loan carries a fixed interest at 6.38% (31 December 2014: 6.9%) per annum and is repayable within one year.

As at 30 June 2015, the Group's gearing ratio, which was calculated on the basis of total borrowings as a percentage of shareholder equity, was 8.4% (as at 31 December 2014: 3.8%).

Pledge of Assets

As at 30 June 2015, the Group pledged certain of its property, plant and equipment and land use rights with aggregate carrying value of approximately RMB31.5 million (as at 31 December 2014: 32.3 million) as collaterals for the bank borrowing granted to the Group.

Material Acquisitions and Disposals of Subsidiaries and Associated Companies

Except for the acquisition of Time Credit Limited by the Company as details in note 20 to the condensed consolidated financial statements, there was no material acquisition/disposal during the period under review.

During the period under review, except for investments in its subsidiaries, the Company did not hold any significant investment in equity interest in any other company.

The Group has always been investing significantly in research and development activities. Such expenditure amounted to about RMB16.7 million for the period ended 30 June 2015.

Capital Commitments and Future Plans for Material Investments or Capital Assets

As of 30 June 2015, the total capital commitments by the Group amounted to approximately RMB7.4 million which were mainly made up of contracted/authorised commitments in respect of the acquisition of property, plant and equipment.

Contingent Liabilities

As at 30 June 2015, the Group had not provided any form of guarantee to 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 2015, the Group had 384 staff members employed in mainland China and Hong Kong (2014: 382). During the period under review, 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.

Events after the Reporting Period

Details of significant events occurring after the reporting period are set out in note 21 to the condensed consolidated financial statements.

Future Prospects

Going forward while we expect market competition to remain stiff, the steel industry has had weak performances in the first half of 2015, our management is then cautious of its outlook in the second half of the year, given that there are continuously improving economic conditions under the supportive economic policies of the government on existing infrastructure and construction.

The recent economic transition to a new normal economy in China is affecting the early-cycle commodities such as steel. China's steelmakers has reduced output as the slide of steel prices has underscored the weakening domestic demand while the China economic climate seeks to shift away from investment-led growth to a consumption-driven economy, which in turn has been deepening a slowdown in construction.

The Chinese government would ever follow-through on a plan to shrink the steel industry. In fact, steel mills in China face "massive losses" as prices decline while demand reaches its seasonal low during the summer months. The second quarter business is even tougher than the first half of 2015 for the mills. It is recently announced by the Ministry of Environmental Protection that the government intends on playing a more active role in making the steel industry more environmentally sustainable. Thus, the Chinese government will soon offer legal and financial incentives to steel mills that use scrap metal as a raw material, in the hopes of weaning the industry off far more polluting and energy-intensive iron ore production.

Above all, the PRC government has continuously dedicated significant efforts to eliminate obsolete and excess capacity in steel industry and it is believed that this will create a healthier and balanced supply-demand condition. With the new financial incentives to steel mills and related government policies, we expect the oversupply situation of steel in China can be eased, and we believe that it will gradually boost the demand for our advanced steel flow control products.

To enhance shareholders' value, the Group will follow its strategy to review potential business opportunities and investments from time to time. In addition to the business of manufacturing steel flow control products, the Group is also identifying proper investments with growth potential and capable of providing steady cash flows and profits in the long term. On 13 July 2015, the Company entered into a memorandum of understanding (MOU) with the Investor in relation to the proposed investments by the Investor in the Company. The Investor is an asset management company established in the PRC and approved by the China Securities Regulatory Commission. More details about the MOU can be found in the announcement on 13 July 2015. This can be a good opportunity for the Group to develop a new business platform through the network of the Investor to establish revenue stream in our future business choices.

OTHER INFORMATION

Compliance with the Corporate Governance Code

The Company had complied with all the code provisions (the "Code Provisions") as set out in the Corporate Governance Code and Corporate Governance Report, contained in Appendix 14 to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the six months ended 30 June 2015, except for Code Provision A.6.7 in respect of the attendant of independent non-executive directors and other non-executive directors in the general meetings.

According to Code Provision A.6.7, independent non-executive Directors and other non-executive Directors should attend general meetings and develop a balanced understanding of the views of shareholders. Due to other business engagement, our independent non-executive Directors and one of our non-executive Directors could not attend 2014 annual general meeting held on 28 April 2015. However, at the 2014 annual general meeting, there were executive Directors and some non-executive Directors present to enable the Board to develop a balanced understanding of the views of the shareholders of the Company.

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 six months ended 30 June 2015.

Review of Accounts

The audit committee of the Company has reviewed the condensed consolidated financial statements for the six months ended 30 June 2015, including the accounting principles and practices adopted by the Group, in conjunction with Elite Partners CPA Limited.

Purchase, Sale or Redemption of the Company's Listed Securities

During the six months ended 30 June 2015, 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

Hong Kong, 28 August 2015

As at the date of this announcement, the executive Directors are Mr. Xu Yejun and Mr. Sin Kwok Wai Ronald, the non-executive Director is Mr. Chow Chi Wa and Ms. Yip Sum Yu and the independent non-executive Directors are Mr. Cao Ke, Mr. Tong Yiu On and Mr. Li Yik Sang.