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 2015, 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 2015

	NOTES	**2015** *RMB'000*	2014 *RMB'000*
Revenue	*4*	**288,942**	240,916
Cost of sales		**(315,487)**	(267,004)
Gross loss		**(26,545)**	(26,088)
Other income		**730**	835
Impairment loss		**(143,485)**	(54,892)
Selling and distribution costs		**(29,553)**	(27,484)
Administrative expenses		**(34,653)**	(25,591)
Other expenses		**(32,547)**	(47,306)
Equity-settled share option expenses		**(10,407)**	–
Finance costs		**(2,426)**	(1,050)
Loss before taxation	*5*	**(278,886)**	(181,576)
Taxation	*6*	**7,618**	7,874
Loss for the year		**(271,268)**	(173,702)
Attributable to:			
Owners of the Company		**(271,432)**	(173,702)
Non-controlling interests		**164**	–
		(271,268)	(173,702)
Loss per share:			
Basic and diluted		**(RMB14.14 cents)**	(RMB11.55 cents)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	2015	2014
	RMB'000	*RMB'000*
LOSS FOR THE YEAR	**(271,432)**	(173,702)
OTHER COMPREHENSIVE INCOME		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**19,307**	–
OTHER COMPREHENSIVE INCOME FOR THE YEAR	**19,307**	–
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR	**(252,125)**	(173,702)
Total comprehensive expense for the year attributable to:		
Owners of the Company	**(252,296)**	(173,702)
Non-controlling interests	**171**	–
	(252,125)	(173,702)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	NOTES	**2015** *RMB'000*	2014 *RMB'000*
Non-current assets			
Property, plant and equipment		**12,155**	75,136
Goodwill	*9*	**305,823**	6,542
Intangible assets	*10*	**92,623**	12,050
Deposit paid for acquisition of a subsidiary		**–**	55,125
Prepaid lease payments		**410**	15,560
		411,011	164,413
Current assets			
Inventories		**59,185**	39,900
Trade receivables	*11*	**213,257**	257,465
Bills receivables	*12*	**17,100**	42,708
Loan receivables	*13*	**50,346**	–
Other receivables, deposits and prepayments		**39,455**	19,098
Prepaid lease payments		**156**	391
Tax recoverable		**–**	2,963
Restricted bank deposits		**1,749**	1,869
Bank balances and cash		**83,709**	102,678
		464,957	467,072
Current liabilities			
Trade and bills payables	*14*	**40,369**	46,342
Other payables and accruals		**33,710**	22,854
Tax liabilities		**8,569**	5,528
Bank borrowings		**20,361**	20,000
		103,009	94,724
Net current assets		**361,948**	372,348
Total assets less current liabilities		**772,959**	536,761
Non-current liabilities			
Deferred tax liabilities		**15,675**	10,213
Promissory notes	*15*	**207,737**	–
		223,412	10,213
Net assets		**549,547**	526,548
Capital and reserves			
Share capital		**213,708**	133,169
Reserves		**334,883**	393,379
		548,591	526,548
Non-controlling interests		**956**	–
Total equity		**549,547**	526,548

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, manufacturing and sale of advanced steel flow control products, manufacture and sale of paper converting equipment and other relating equipment, E-commerce, E-commerce solutions and related support services and selling of information technology products, as well as, money lending.

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 the Hong Kong Companies Ordinance Cap. 622 (the "Ordinance").

The financial-reporting requirements of Part 9 "Accounts and Audit" of the Ordinance comes into operation for the preparation of these consolidated financial statements and as a result, there are changes to the presentation and disclosures of certain information as compared with the 2014 consolidated financial statements. There is no impact on the Group's financial position or performance, however, the Ordinance, would have impacts on the preparation and disclosures on the consolidated financial statements.

3. APPLICATION OF NEW AND REVISED HKFRSs

In the current year, the Group has applied, for the first time, the following new interpretation and amendments to HKFRSs (hereinafter collectively referred to as the "new and revised HKFRSs") issued by the HKICPA.

Amendments to HKAS 19	Defined benefit plans: Employee contributions
Amendments to HKFRSs	Annual improvements to HKFRSs 2010 – 2012 cycle
Amendments to HKFRSs	Annual improvements to HKFRSs 2011 – 2013 cycle

The application of these new and revised standards and interpretations in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

(ii) New and revised HKFRSs issued but not yet effective

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

HKFRS 9	Financial instruments[2]
HKFRS 15	Revenue from contracts with customers[2]
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations[1]
Amendments to HKAS 1	Disclosure initiative[1]
Amendments to HKAS 16	Clarification of acceptable methods of depreciation and and HKAS 38 amortisation[1]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants[1]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception[1]
Amendments to HKFRSs	Annual improvements to HKFRSs 2012-2014 cycle[1]

1 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

2 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

3 Effective for annual periods beginning on or after a date to be determined.

The Directors anticipate that the application of the above new and revised HKFRSs, amendments or interpretations will have no material impact on the results and the financial position 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 four 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, iii) money lending, which is arisen from the acquisition of Time Credit Limited and iv) E-commerce, which is arisen from the acquisition of Soaring International Holdings Limited. 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:

Segment revenue and results

For the year ended 31 December 2015

	Manufacture and sale of advanced steel flow control products *RMB'000*	Manufacture and sale of paper converting equipment and other relating equipment *RMB'000*	Money lending *RMB'000*	E-Commerce *RMB'000*	Consolidated *RMB'000*
Revenue	**231,696**	**25,069**	**5,332**	**26,845**	**288,942**
Gross (loss) profit	**(37,272)**	**2,391**	**3,805**	**4,531**	**(26,545)**
Segment loss	**(165,621)**	**(55,422)**	**(35,596)**	**(2,494)**	**(259,133)**
Unallocated corporate income					**1**
Staff costs (including retirement benefit scheme contributions)					**(1,954)**
Operating lease rentals					**(122)**
Unallocated corporate expenses					**(17,678)**
Loss before taxation					**(278,886)**

For the year ended 31 December 2014

	Manufacture and sale of advanced steel flow control products *RMB'000*	Manufacture and sale of paper converting equipment and other relating equipment *RMB'000*	Consolidated *RMB'000*
Revenue	221,912	19,004	240,916
Gross (loss) profit	(28,741)	2,653	(26,088)
Segment loss	(167,591)	(5,335)	(172,926)
Unallocated corporate income			98
Staff costs (including retirement benefit scheme contributions)			(1,893)
Operating lease rentals			(665)
Unallocated corporate expenses			(6,190)
Loss before taxation			(181,576)

Segment loss represents the loss incurred by each segment include depreciation, amortisation and impairment, but 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.

Segment assets and liabilities

For the year ended 31 December 2015

	Manufacture and sale of advanced steel flow control products *RMB'000*	Manufacture and sale of paper converting equipment and other relating equipment *RMB'000*	Money lending *RMB'000*	E-Commerce *RMB'000*	Consolidated *RMB'000*
ASSETS					
Segment assets	280,790	36,646	182,953	348,804	849,193
Unallocated corporate assets					26,775
Consolidated total assets					875,968
LIABILITIES					
Segment liabilities	39,107	35,933	2,831	33,351	111,222
Unallocated corporate liabilities					215,199
Consolidated total liabilities					326,421

	Manufacture and sale of advanced steel flow control products *RMB'000*	Manufacture and sale of paper converting equipment and other relating equipment *RMB'000*	Money lending *RMB'000*	E-Commerce *RMB'000*	Others *RMB'000*	Consolidated *RMB'000*
Other segment information						
Amounts included in the measure of segment profit or loss or segment assets:						
Addition to non-current assets	624	7	–	60	9,220	9,911
Depreciation of property, plant and equipment	13,699	1,672	1	18	197	15,587
Impairment loss recognised in respect of trade receivables	10,316	5,080	–	–	–	15,396
Impairment loss recognised in respect of property, plant and equipment	34,607	23,400	–	–	–	58,007
Impairment loss recognised in respect of intangible assets	–	9,800	–	–	–	9,800
Impairment loss recognised in respect of prepaid lease payments	9,393	5,600	–	–	–	14,993
Impairment loss recognised in respect of goodwill	–	6,542	38,747	–	–	45,289
Amortisation of prepaid lease payments	235	156	–	–	–	391
Amortisation of intangible assets	–	1,297	–	5,339	–	6,636
Research and development costs	32,547	–	–	–	–	32,547

For the year ended 31 December 2014

	Manufacture and sale of advanced steel flow control products *RMB'000*	Manufacture and sale of paper converting equipment and other relating equipment *RMB'000*	Consolidated *RMB'000*
ASSETS			
Segment assets	458,459	85,405	543,864
Unallocated corporate assets			87,621
Consolidated total assets			631,485
LIABILITIES			
Segment liabilities	60,907	37,324	98,231
Unallocated corporate liabilities			6,706
Consolidated total liabilities			104,937

	Manufacture and sale of advanced steel flow control products *RMB'000*	Manufacture and sale of paper converting equipment and other relating equipment *RMB'000*	Others *RMB'000*	Consolidated *RMB'000*
Other segment information				
Amounts included in the measure of segment profit or loss or segment assets:				
Addition to non-current assets	9,648	30	55,125	64,803
Depreciation of property, plant and equipment	10,940	1,395	10	12,345
Impairment loss recognised in respect of trade receivables	30,623	–	–	30,623
Impairment loss recognised in respect of property, plant and equipment	24,269	–	–	24,269
Allowances on inventories	284	662	–	946
Amortisation of prepaid lease payments	235	117	–	352
Amortisation of intangible assets	–	919	–	919
Research and development costs	32,656	–	–	32,656

Information about geographical areas

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

	For the year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
The People Republic of China ("PRC") (country of domicile)	**214,087**	204,163
Europe	**45,842**	32,733
Asia (other than the PRC and Hong Kong)	**10,064**	4,020
North America	**10,531**	–
Africa	**622**	–
Oceania	**424**	–
Hong Kong	**7,372**	–
	288,942	240,916

Non-current assets

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
Hong Kong	**408,323**	55,139
PRC	**2,688**	109,274
	411,011	164,413

The non-current asset information above is based on the location of assets.

Information about major customers

No individual customer contributed more than 10% of the Group's revenue for the year ended 31 December 2015 (2014: revenue from a customer generated from the manufacture and sale of advanced steel flow control products amounting to RMB28,529,000 individually represents more than 10% of the Group's revenue).

5. LOSS BEFORE TAXATION

	2015	2014
	RMB'000	*RMB'000*
Loss before taxation has been arrived at after charging (crediting):		
Auditor's remuneration	**553**	614
Allowance for inventories (included in cost of sales)	**–**	946
Impairment loss recognised in respect of trade receivables	**15,396**	30,623
Impairment loss recognised in respect of property, plant and equipment	**58,007**	24,269
Impairment loss recognised in respect of intangible assets	**9,800**	–
Impairment loss recognised in respect of prepaid lease payments	**14,993**	–
Impairment loss recognised in respect of goodwill	**45,289**	–
Amortisation of prepaid lease payments	**391**	352
Amortisation of other intangible assets	**6,636**	919
Cost of inventories recognised as an expense	**306,195**	264,217
Depreciation of property, plant and equipment	**15,587**	12,345
Minimum lease payments in respect of office premises	**544**	662
Minimum lease payments in respect of an office equipment	**–**	3
Loss on disposal of property, plant and equipment	**–**	23
Net exchange (gain)/loss	**(211)**	1,931
Research and development costs (included in other expenses)	**32,547**	32,656
Staff costs (including directors' emoluments)		
– Salaries and other benefits	**39,626**	36,663
– Retirement benefit scheme contributions	**3,297**	1,441
– Share-based payments (included in administrative expenses)	**–**	–
	42,923	38,104
Less: Staff costs included in research and development costs	**(2,166)**	(2,203)
	40,757	35,901

6. TAXATION

	2015	2014
	RMB'000	*RMB'000*
Hong Kong Profits Tax:		
– Current year	**993**	–
– Under provision in prior years	**1,591**	–
PRC Enterprise Income Tax:		
– Over provision in prior years	**–**	(282)
Deferred tax:		
– Current year	**(10,202)**	(7,592)
	(7,618)	(7,874)

Hong Kong Profits Tax was calculated at 16.5% (2014: 16.5%) on the estimated assessable profits arising in Hong Kong for both years.

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 24 August 2015, one of the PRC subsidiaries obtained a Chinese High-Tech Enterprise 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 2015.

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 2014, deferred tax income of RMB9,343,000 (2014: RMB7,334,000) in respect of the undistributed earnings of the Company's PRC subsidiary has been reversed in the consolidated statement of profit or loss and other comprehensive income.

7. DIVIDENDS

No dividend was paid or proposed by the Company during the years ended 31 December 2015 and 2014, nor has any dividend been proposed since the end of the reporting period.

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:

	2015	2014
	RMB'000	*RMB'000*
Loss		
Loss for the year attributable to the owners of the Company for the purpose of basic and diluted loss per share	**(271,432)**	(173,702)

	Number of shares 2015	Number of shares 2014
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**1,919,628**	1,503,742

The calculation of diluted loss per share for each of the two years ended 31 December 2015 had not taken into consideration the assumed exercised of the Company's outstanding share options as it would reduce the loss per share.

9. GOODWILL

	2015	2014
	RMB'000	*RMB'000*
Cost:		
At 1 January	**6,542**	–
Acquisition of subsidiaries	**333,058**	6,542
Exchange realignment	**11,512**	–
At 31 December	**351,112**	6,542
Accumulated impairment:		
At 1 January	**–**	–
Provided for the year	**45,289**	–
At 31 December	**45,289**	–
Carrying value:		
At 31 December	**305,823**	6,542

Goodwill is allocated to the Group's cash generated units ("CGU") identified according to business segment as follows:

	Note	**2015**	2014
		RMB'000	*RMB'000*
Manufacture and sale of paper converting equipment and other relating equipment	*(i)*	**–**	6,542
Money lending	*(ii)*	**70,978**	–
E-Commerce	*(iii)*	**234,845**	–
		305,823	6,542

(i) Manufacture and sale of paper converting equipment and other relating equipment

During the year ended 31 December 2014, the Group acquired the entire issued share capital of Accurate Trade International Limited and its subsidiaries ("Accura Group") and therefore goodwill of approximately RMB6,542,000 was recognised upon completion of the acquisition.

The recoverable amount of the CGU has been determined based on a value in use calculation. That calculation adopted cash flow projections covering a 5-year period, based on financial budgets approved by the management with discount rate of 13.57% (2014: 16.11%) per annum. 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. During the year ended 31 December 2015, due to the unsatisfactory performance of this CGU, the Group recognised an impairment loss of approximately RMB6,542,000 (2014: Nil).

(ii) Money lending

During the year ended 31 December 2015, the Group acquired 90% issued share capital of Time Credit Limited and therefore goodwill of approximately RMB103,318,000 was recognised upon completion of the acquisition.

The recoverable amount of the CGU has been determined based on a value in use calculation. That calculation adopted cash flow projections covering a 5-year period, based on financial budgets approved by the management with discount rate of 15.37% per annum. Cash flows beyond the 5-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. During the year ended 31 December 2015, the Group recognised an impairment loss of approximately RMB38,747,000 (2014: Nil).

(iii) E-Commerce

During the year ended 31 December 2015, the Group acquired entire issued share capital of Soaring International Holdings Limited and therefore goodwill of approximately RMB229,740,000 was recognised upon completion of the acquisition.

The recoverable amount of the CGU has been determined based on a value in use calculation. That calculation adopted cash flow projections covering a 5-year period, based on financial budgets approved by the management with discount rate of 14.12% per annum. Cash flows beyond the 5-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. No impairment loss has been recognised for this CGU.

10. INTANGIBLE ASSETS

	Technology know-how *RMB'000*	Customer relationship *RMB'000*	Total *RMB'000*
Cost:			
At 1 January 2014	–	–	–
Arising from acquisition of subsidiaries	2,236	10,733	12,969
At 31 December 2014 and at 1 January 2015	2,236	10,733	12,969
Exchange realignment	2,110	–	2,110
Arising from acquisition of subsidiaries	94,970	–	94,970
At 31 December 2015	99,316	10,733	110,049
Accumulated amortisation and impairment:			
At 1 January 2014	–	–	–
Provided for the year	159	760	919
At 31 December 2014 and at 1 January 2015	159	760	919
Exchange adjustments	71	–	71
Provided for the year	5,563	1,073	6,636
Impairment loss	1,853	7,947	9,800
At 31 December 2015	7,646	9,780	17,426
Carrying amount:			
At 31 December 2015	**91,670**	**953**	**92,623**
At 31 December 2014	**2,077**	**9,973**	**12,050**

The above intangible assets have finite useful life. Such intangible assets are amortised on a straight-line basis over the following periods:

Technology know-how	3 to 10 years
Customer relationship	10 years

During the year ended 31 December 2015, as a result of the decline in the performance of the manufacture and sale of paper converting equipment and other relating equipment segment, the Group carried out a review of the recoverable amount of the Group's technology know-how and customer relationship. The review led to the recognition of an impairment loss of HK$9,800,000 (2014: Nil), which has been recognised in profit or loss. The recoverable amounts of the relevant asset have been determined on their value in use. The discount rate in measuring the amounts of value in use was 13.57%.

11. 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 ageing 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:

	2015	2014
	RMB'000	*RMB'000*
0 – 30 days	**21,808**	23,189
31 – 60 days	**22,753**	22,561
61 – 90 days	**20,576**	25,486
91 – 120 days	**38,956**	26,417
121 – 180 days	**17,872**	36,587
181 days to within 1 year	**91,292**	89,811
Over 1 year	**–**	33,414
	213,257	257,465

The aging of trade receivables which are past due but not impaired are as follow:

	2015	2014
	RMB'000	*RMB'000*
0 – 30 days	**10,114**	20,645
31 – 60 days	**12,144**	17,530
61 – 90 days	**11,910**	20,532
91 – 120 days	**30,955**	23,782
121 – 180 days	**9,878**	32,316
181 days to within 1 year	**91,292**	89,811
Over 1 year	**–**	33,414
	166,293	238,030

The Group has not provided for certain trade receivables which are past due but not impaired because the Directors 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 RMB15,396,000 (2014: RMB30,623,000) recognised during the year ended 31 December 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 been in severe financial difficulties.

12. BILLS RECEIVABLES

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

	2015	2014
	RMB'000	*RMB'000*
0 – 90 days	**1,390**	2,513
91 – 120 days	**4,117**	–
121 – 180 days	**2,723**	1,204
Over 180 days	**8,870**	38,991
	17,100	42,708

At 31 December 2015, the carrying value of bills receivables include bills endorsed to suppliers on a full recourse basis that are not yet due amounting to RMB2,583,000 (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 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.

	2015	2014
	RMB'000	*RMB'000*
Bills receivables endorsed to suppliers with full recourse:		
Carrying amount of transferred assets	**2,583**	23,814
Carrying amount of associated liabilities	**(2,583)**	(23,814)
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.

13. LOAN RECEIVABLES

The Group's loan receivables arose from the money lending business during the year.

Loan receivables bear interest at rates, and with credit periods, mutually agreed between the contracting parties. Loan receivables are secured by properties and personal guarantees by the debtors/certain individuals. Overdue balances are reviewed regularly and handled closely by senior management.

The loan receivables at the end of the reporting period are analysed by the remaining period to contractual maturity date as follows:

	2015	2014
	RMB'000	*RMB'000*
Within 3 months	**1,034**	–
3 months to 1 year	**14,909**	–
Over 1 year which contain a repayment on demand clause	**34,403**	–
	50,346	–

The interest rate was fixed at the contract date. The average effective interest rate was at 5.25% to 21% per year as at 31 December 2015.

The loan receivables were neither past due nor impaired relate to certain debtors for whom there was no recent history of default.

14. TRADE AND BILLS PAYABLES

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

	2015	2014
	RMB'000	*RMB'000*
0 – 30 days	**18,613**	19,117
31 – 60 days	**8,074**	7,166
61 – 90 days	**1,227**	6,636
Over 90 days	**12,455**	13,423
	40,369	46,342

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

At 31 December 2015, included in the trade payables was RMB2,583,000 (2014: RMB23,814,000) 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.

15. PROMISSORY NOTES

On 23 March 2015, the Company issued promissory notes for an aggregate principal amount of HK$33,000,000 at 3% interest per annum (the "PN 1") upon completion of the acquisition of Time Credit Limited to Ms. Lam Wai Ha, an independent third party not connected to the Group. The PN 1 is due on the second anniversary of the date of issue.

The fair value of PN 1 was approximately HK$33,004,000 (approximately to RMB26,023,000) as at the issue date, calculated at the effective interest rate of 2.994% per annum. The PN 1 is classified as non-current liabilities and are carried at amortised cost until settlement on due date.

On 9 November 2015, the Company issued promissory notes for an aggregate principal amount of HK$213,600,000 at 2% interest per annum (the "PN 2") upon completion of the acquisition of Soaring International Holdings Limited to Mr. Lee Yim and Mr. Ng Hang Fai Calvin, independent third parties not connected to the Group. The PN 2 are due on the third anniversary of the date of issue.

The fair value of PN 2 was approximately HK$213,618,000 (approximately to RMB174,996,000) as at the issue date, calculated at the effective interest rate of 2% per annum. The PN 2 are classified as non-current liabilities and are carried at amortised cost until settlement on due date.

MARKET REVIEW

In 2015, the global economy was in recovery from the issues of debt crises, but all those political and economic crises in the United States of America and Europe continued to affect the world economy, leading to a decline in demand for the commodity-based products, and a more volatile financial market worldwide.

The Chinese economy remained on the path of moderation, and has successfully transformed economic growth from being mainly driven by investment and foreign trade to being driven by domestic demand, according to the Commerce Ministry of China. In line with market expectations, as strength in services and consumption had offset weaker manufacturing and exports, the National Bureau of Statistics of China reported the gross domestic product (GDP) for the full year of 2015 was at a growth rate at about 6.9%, being the weakest growth in 25 years, which is lower than the 2014 GDP growth rate of about 7.3%.

According to the World Steel Association, the world crude steel production reached 1,622.8 million tonnes (Mt) for the year 2015, down by -2.8% compared to that of 2014. China's authorities have had some success in efforts to lower steel production and close the polluting plants. The National Bureau of Statistics reported that China's crude steel output fell 2.3% to approximately 803.8 million tonnes (Mt) in 2015 from the previous year, and was the first year of contraction of steel output since 1981.

The China Iron & Steel Association (CISA) reported that the steel consumption in China fell by 5.4% in 2015 as compare to that of last year; the debt ratio of major steel mills rose 1.6 percentage points to 70.1% from a year ago, taking the big mills' debt to RMB3.27 trillion, signalling the struggles of the steel industry. In fact, 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. Steel price slumped by 73.3% to RMB1,600 per tonne over the past two years, a result of weak domestic demand that led to crippling overcapacity across the sector, then many small industry players were forced to close down due to a break in their capital chain.

BUSINESS REVIEW

The Group comprises its main business source engaged in the manufacture and sale of advanced steel flow control products, and its other subsidiary businesses engaged in the manufacture of paper converting equipments, money lending business, electronic commerce (e-commerce) and information technology (IT) solution business.

Our steel flow control product manufacturing plant is the Group's main business source, principally engaged in the manufacture and sale of advanced steel flow control products including subentry nozzle, stopper, tundish nozzle and ladle shroud. In 2015, steel manufacturers in China were struggling hard to survive with low profitability in business and reduced outputs under the huge pressure and challenges amidst the deteriorating global market and the fluctuating iron ore prices. Likewise, our steel flow product manufacturing plant competing with others in the market with lower sales margin had further incurred higher research and development costs, with increased selling and distribution costs to maintain a higher sales volume. The business and financial performances of the subsidiary were therefore negatively affected; nevertheless, it still strived hard to maintain its leading positions in the market for the period under review.

During the year ended 31 December 2015, the Group had made use of the placing proceeds to develop a sound foundation in the money lending business in Hong Kong through the acquisition of Time Credit Limited (TCL) in late March 2015. This subsidiary generated revenues on mortgage and personal loans with focus primarily on providing short-term and long-term property mortgage loans to customers to meet their financial needs.

In spite of the challenging conditions in the market, our continuous efforts to focus business on property mortgage loan in the well-established brand name of "TCL" maintained the loan portfolio which contributed to a steady growth of our customer base and market share during the period under review.

On 9 November 2015, the Group acquired an IT business enterprise i.e. Soaring International Holdings Limited, which principally engage in the e-commerce industry specialising on B2C retailing through the eBay platform and internet wholesale businesses with a focus on overseas consumers, logistics management and sourcing. During the period under review, the enterprise had continued to grow their business on existing platform with good results in revenue.

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 major business of the Group has further consolidated its customer base in the PRC market. During the year ended 31 December 2015, the Group has well-secured business with strategic customers. 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 a moderate recovery and the management understands the importance of diversifying its customer base and has devoted substantial efforts to further expand the overseas market. The steel flow control product subsidiary of 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. During the period under review, the Group recorded an overseas revenue from approximately RMB36.8 million in 2014 to approximately RMB31.0 million in 2015. We will continue to enhance our global brand awareness of Sinoref with the view to strive for a leading position in the industry.

Enhanced Research and Development

For the year ended 31 December 2015, one of the Group's PRC subsidiaries has attained four new registered invention patents. This bring the Group's total to 29 registered patents as at the end of the year. Its strong research and development capability is a core competitive edge of Sinoref that has helped the subsidiary become China's second largest advanced steel flow control product manufacturer in China.

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 significantly boosted its investment in research and development to further diversify its business. For the year ended 31 December 2015, Sinoref's research and development team has 33 professionals, and the expenses on research and development amounted to approximately RMB32.5 million, representing approximately 11.3% 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 2015, the Group's revenue was approximately RMB288.9 million (2014: RMB240.9 million). The increase in revenue was mainly due to (i) our expansion in overseas market; and (ii) the significant drop in our average selling price to boost our sales. Total sales volume of advanced steel flow control products increased by approximately 11.5% to approximately 14,939 tonnes from 13,403 tonnes for the year ended 31 December 2015.

Cost of Sales

The Group's cost of sales mainly comprised costs of raw materials, labour, depreciation and other direct costs of sales. During the year, the Group's cost of sales increased by approximately 18.2% from RMB267.0 million in 2014 to approximately RMB315.5 million in 2015. The significant increase was mainly attributable to the increase in the sale volume during the year.

Gross Loss

Due to the sluggish market demand in the steel industry, the Group experienced a gross loss of approximately RMB26.5 million for the year ended 31 December 2015. For the year ended 31 December 2014, the Group recorded a gross loss of approximately RMB26.1 million. The gross loss was mainly resulted from its significant cut down on our average products price in order to capture the market in the current competitive environment.

Impairment Loss

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 and prepaid lease payment exceeded their recoverable amounts. An impairment loss of approximately RMB44.0 million has been recognised for the year ended 31 December 2015 (2014: RMB24.3 million). Also, as the repayment ability of Chinese steel enterprises deteriorates, an impairment loss for trade receivables amounted to approximately RMB10.3 million has been recognised for the year ended 31 December 2015 (2014: RMB30.6 million).

Due to the weaken demand and price of paper converting equipment in China, an impairment loss for goodwill, property, plant and equipment, intangible assets and prepaid lease payment amounted to approximately RMB45.3 million has been recognised for the year ended 31 December 2015 (2014: Nil). Also, as the repayment ability of the related customer, an impairment loss for trade receivable amounted to approximately RMB5.1 million has been recognised for the year ended 31 December 2015 (2014: Nil).

Also, due to the unsatisfactory performance of the money lending business, the Group recognised an impairment loss for goodwill of approximately RMB38.8 million for the year ended 31 December 2015 (2014: Nil).

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, its selling and distribution costs increased to approximately RMB29.6 million, representing an increase of approximately 7.5% from approximately RMB27.5 million for the previous year. The increase was mainly attributable to the increase in sales volume.

Administrative Expenses and Other Expenses

The Group's administrative expenses and other expenses decreased by approximately 7.8% from approximately RMB72.9 million for year ended 31 December 2014 to approximately RMB67.2 million for the year ended 31 December 2015. The Group has devoted resources to research and development, amounting to approximately RMB32.5 million for the year ended 31 December 2015 for creating more new products to meet with its customers' needs.

Finance Costs

The Group's finance costs were approximately RMB2.4 million for the year ended 31 December 2015 (2014: RMB1.1 million). The interest rate for bank loan was at a fixed interest rate of 6.4% per annum (2014: 6.9% per annum).

Taxation

The PRC steel flow product manufacturing subsidiary of the Company has successfully obtained the Chinese High-tech Enterprise Certification (中國高新技術企業認證). Consequently, this PRC subsidiary is entitled to the PRC Enterprise Income Tax ("EIT") rate of 15% until 2018. The EIT rate for another PRC subsidiary of the Company engaged in production of paper machineries is 25%.

Loss for the Year

As a result of the challenging conditions, the Group's loss for the year was approximately RMB271.3 million, compared to approximately RMB173.7 million for the previous year. The loss was mainly due to a combination of factors, which include (i) the significant drop of our average product price; and (ii) impairment loss in respect of property, plant and equipment, trade receivables, intangible assets, prepaid lease payment and goodwill. The Group's loss per share increased from RMB11.55 cents for the year ended 31 December 2014 to RMB14.14 cents in 2015.

Final Dividends

The Board does not recommend the payment of a final dividend for year ended 31 December 2015 (2014: Nil).

Capital Structure, Liquidity and Financial Resources

During the year ended 31 December 2015, the Group's net cash used in operating activities was approximately RMB121.5 million (2014: net cash used in operating activities RMB238.1 million) and the Group's bank balances and cash was approximately RMB83.7 million (2014: RMB102.7 million).

Total equity of the Group as at 31 December 2015 was approximately RMB549.5 million (2014: RMB526.5 million). The Group has an outstanding bank loan and promissory notes of approximately RMB20.4 million and RMB207.7 million, respectively as at 31 December 2015 (2014: RMB20.0 million and Nil).

Material Acquisitions and Disposals of Subsidiaries and Associated Companies

The acquisition of Time Credit Limited, a company engaged in money lending business and Soaring International Holdings Limited, a company whose subsidiaries engaged in E-commerce business, were completed on 23 March 2015 and 9 November 2015 respectively.

During the year ended 31 December 2015, except for investments in its subsidiaries, the Company did not hold any significant investment in equity interest in any other company.

Pledge of Assets

As at 31 December 2015, the Group pledged certain of its buildings and leasehold land with aggregate net carrying value of approximately RMB1.69 million (2014: RMB32.3 million) as collaterals for the bank loan granted to the Group.

CONTINGENT LIABILITIES

As at 31 December 2015, 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 2015, the Group had 455 staff members employed in mainland China and Hong Kong (2014: 371). Total staff costs for the year were approximately RMB42.9 million (2014: RMB38.1 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

According to the International Monetary Fund (IMF), GDP growth rate in the Asia Pacific region are expected to hold steady in 2016, despite the geopolitical tensions, disruptive asset price shifts, stagnation and low inflation in advanced economies. The region will continue outperforming the rest of the world over the medium term; while the Chinese economy is shifting to a more sustainable pace, growth is projected to pick up elsewhere in the region. 2016 is considered to be a more challenging year for our Group as compared to 2015.

World crude steel production for the 66 countries reporting to the World Steel Association was 128 Mt in January 2016, a -7.1% decrease compared to January 2015. Overcapacity is a worldwide industry problem and efforts by Chinese government and enterprises to restructure the steel industry and reduce excess capacity have made headways. Notwithstanding the steel mills in China are battling losses and overcapacity, Chinese steelmakers are not engaged in dumping of surplus goods into the European Union (EU), commented by the Commerce Ministry of China in January 2016.

According to estimates from the CISA, China's steel production and demand are expected to continue to decline and the steel consumption in China will drop a further 3% in 2016. China's crude steel production for January 2016 was 63.2 Mt, a decrease of -7.8% compared to January 2015. It is believed that the China government will devote more attention to meet its capacity reduction target by accelerating the closure of obsolete capacity and restructuring within the steel industry. The subsidiary of the Group engaged in steel flow control product manufacturing has closely monitored the industrywide policies and their impacts and applied its leading technologies to meet evolving production requirements of the steel manufacturers.

Money lending business

According to the Hong Kong 2016/2017 budget, the forecasted GDP growth rate for 2016 is one to two percent, which is lower than the growth rate of 2015. To remain competitive in the market, TCL has engaged more efforts in advertising, so as to promote our money lending products and services in an effective manner. In the view to expand the customer bases and existing portfolio, its loan policy will continue to adopt prudent and flexible business strategies and adjust to market and environmental changes accordingly.

On 8 March 2016, the TCL as the lender entered into a loan agreement with the borrower (an independent third party) pursuant to which the lender had agreed to grant a loan of HK$110 million to the borrower for a term of 12 months. The loan agreement constituted a discloseable transaction of the Company under Chapter 14 of the Listing Rules. For details, please refer to the announcement dated 8 March 2016.

Looking forward, the subsidiary will continue to seize business opportunities on the increasing demand for such mortgage loans, promote its brand name and expand its loan portfolio and customer base by its own channels and through cooperation with strategic partners. The Group is confident about the future performance of its property mortgage loan portfolio, interest income and profit; and it believes that it will generate promising returns to our shareholders in the foreseeable future.

E-commerce business

Year-by-year, the advancement in the e-commerce technology and the rising competition among online stores have raised the expectations that people have around e-commerce platforms. Nevertheless, there is no single ‘one-size-fits-all’ e-commerce platform solution that will work for every business.

Our IT subsidiary engaged principally in the e-commerce business, specialising on B2C retailing through the eBay platform with focus on overseas consumers in existing logistics network will be developing new e-commerce products. These products will provide a marketplace, shopping cart channel, and inventory management that help sellers manage product listings across different sites and manage all inventory moves across different channels and warehouses.

Bonus Warrant Issue

On 8 December 2015, the Company had issued a circular relating to the bonus issue of warrant (the “Bonus Issue of Warrant”). In early January 2016, the Company obtained from the Listing Committee of the Stock Exchange approval for the listing of and permission to deal in the warrants (the “Warrants”) and the warrant shares (the “Warrant Shares”) which may fall to be issued upon exercise of the subscription rights attaching to the Warrants.

A total of 513,845,600 Warrants were issued by the Company to the Shareholders pursuant to the Bonus Issue of Warrant, represented by the warrant certificates, conferring the rights in their registered form to the holders thereof to subscribe in cash for 513,845,600 Warrant Shares at an initial subscription price of HK$0.30 per Warrant Share during the period from 13 January 2016 to 12 July 2017. The stock code of the Warrants is 1562 and the Warrants are traded in board lots of 4,000 units each. Dealings in the Warrants on the Stock Exchange commenced on 14 January 2016.

In the long run, the Group will continue making strategic choices to develop existing and potential growth areas of the subsidiary businesses and evaluate suitable investments that help generate stable income streams.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

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 Listing Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") during the year ended 31 December 2015, except for Code Provision A.6.7 in respect of the attendance 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, the independent non-executive Directors and one of the non-executive Directors could not attend the 2014 annual general meeting held on 28 April 2015. However, at the 2014 annual general meeting, executive Directors and other non-executive Directors were 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 year ended 31 December 2015.

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 statements for the year ended 31 December 2015.

SCOPE OF WORK OF MESSRS. ELITE PARTNERS CPA LIMITED

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 2015 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Elite Partners CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Elite Partners CPA Limited 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. Elite Partners CPA Limited 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

Hong Kong, 31 March 2016

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