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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 2016

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 2016, 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 2016

		Six months ended 30 June	
		2016	2015
	NOTES	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*3*	**181,249**	137,930
Cost of sales		**(171,479)**	(154,139)
Gross profit/(loss)		**9,770**	(16,209)
Other income		**789**	41
Impairment loss recognised in respect of trade receivables		**(3,802)**	(31,021)
Impairment loss recognised in respect of property, plant and equipment	*9*	**–**	(10,978)
Selling and distribution costs		**(11,395)**	(16,032)
Administrative expenses		**(46,186)**	(32,303)
Equity-settled share option expenses		**(11,020)**	(10,407)
Finance costs		**(3,156)**	(839)
Loss before taxation	*5*	**(65,000)**	(117,748)
Taxation	*6*	**2,234**	2,974
Loss and total comprehensive expense for the period		**(62,766)**	(114,774)
Loss and total comprehensive expense for the period attributable to:			
Owners of the Company		**(63,108)**	(115,033)
Non-controlling interests		**342**	259
		(62,766)	(114,774)
Loss per share	*8*		
Basic and diluted		**(RMB2.36 cents)**	(RMB7.00 cents)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2016

	NOTES	**At 30 June 2016 *RMB'000* (Unaudited)**	At 31 December 2015 *RMB'000* (Audited)
Non-current assets			
Property, plant and equipment	*9*	**12,494**	12,155
Goodwill		**312,725**	305,823
Other intangible assets	*10*	**77,141**	92,623
Prepaid lease payments		**264**	410
		402,624	411,011
Current assets			
Inventories		**56,731**	59,185
Trade receivables	*11*	**170,001**	213,257
Bills receivables	*12*	**16,064**	17,100
Loan receivables	*13*	**150,590**	50,346
Other receivables, deposits and prepayments		**41,193**	39,455
Prepaid lease payments		**156**	156
Restricted bank deposits		**3,638**	1,749
Bank balances and cash		**72,946**	83,709
		511,319	464,957
Current liabilities			
Trade and bills payables	*14*	**46,967**	40,369
Other payables and accruals		**51,425**	33,710
Tax liabilities		**6,965**	8,569
Bank borrowing	*15*	**20,171**	20,361
		125,528	103,009
Net current assets		**385,791**	361,948
Total assets less current liabilities		**788,415**	772,959
Non-current liability			
Deferred tax liabilities		**12,467**	15,675
Promissory Notes	*16*	**214,675**	207,737
		227,142	223,412
Net asset		**561,273**	549,547
Capital and reserves			
Share capital	*17*	**248,105**	213,708
Reserves		**311,859**	334,883
		559,964	548,591
Non-controlling interests		**1,309**	956
Total equity		**561,273**	549,547

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2016

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.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2016 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2015.

In the current interim period, the Group has applied, for the first time, amendments Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are mandatorily effective for the current interim period.

The application of the amendments to HKFRSs in the current interim period has had no material impact on the amounts reported 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.

An analysis of revenue is as follows:

	For the six months ended	
	2016	2015
	RMB'000	*RMB'000*
Revenue from trading of advanced steel flow control products	**77,808**	121,514
Revenue from trading of paper converting equipment and other relating equipment	**18,531**	13,639
Revenue from E-Commerce business	**79,796**	–
Revenue from money lending business	**5,114**	2,777
	181,249	137,930

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 business; and (iv) E-commerce. 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 2016 (Unaudited)

	Money lending business RMB'000	Manufacture and sale of advanced steel flow control products RMB'000	Manufacture and sale of paper converting equipment and other relating equipment RMB'000	E-Commerce RMB'000	Consolidated RMB'000
Revenue	**5,114**	**77,808**	**18,531**	**79,796**	**181,249**
Segment profit/(loss)	**4,097**	**(39,169)**	**(1,512)**	**(12,354)**	**(48,938)**
Staff costs (including retirement benefit scheme contributions)					**(925)**
Operating lease rentals					**(342)**
Unallocated corporate expenses					**(14,795)**
Loss before taxation					**(65,000)**

For the six months ended 30 June 2015 (Unaudited)

	Money lending business RMB'000	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	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)

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	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Loss before taxation has been arrived at after charging (crediting):		
Cost of inventories recognised as an expense	**152,225**	154,013
Depreciation of property, plant and equipment	**1,195**	7,853
Amortisation of prepaid lease payments	**146**	196
Amortisation of other intangible assets	**17,269**	648
Net exchange (gain)/loss	**(8)**	965
Research and development costs (included in administrative expenses)	**13,468**	16,738
Interest income	**(49)**	(3)
Gain on disposal of property, plant and equipment	**(28)**	–
Equity-settled share option expenses	**11,020**	10,407

6. TAXATION

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Hong Kong Profit Tax:		
Current period	**1,263**	–
PRC Enterprise Income Tax:	**–**	–
Current period		
Deferred tax:		
Current period	**(3,497)**	(2,974)
	(2,234)	(2,974)

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 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 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 six months ended 30 June 2016, deferred tax income of RMB3,497,000 (six months ended 30 June 2015: RMB2,974,000) 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 2015: 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	
	2016	2015
	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	**(63,108)**	(115,033)

	Six months ended 30 June	
	2016	2015
	'000	*'000*
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**2,669,972**	1,629,243

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 2016 and 2015 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 2016, the Group acquired plant, machinery and equipment at a cost of RMB60,000, furniture and fixtures and office equipment at a cost of RMB36,000, and motor vehicles at a cost of RMB1,242,000 (2015: plant, machinery and equipment at a cost of RMB348,000 and furniture and fixtures and office equipment at a cost of RMB6,000). The Group also acquired furniture and fixtures and office equipment at RMB67,000, which resulted from acquisition of Time Credit Limited during the six months ended 30 June 2015. The total additions of property, plant and equipment during the six month ended 30 June 2016 were RMB1,338,000 (2015: RMB421,000).

An impairment loss of RMB nil was recognised during the current interim period (2015: RMB10,978,000) 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 of carrying value of approximately RMB77,141,000. The intangible assets are amortised over their estimated useful life of 3 years using the straight line method.

11. TRADE RECEIVABLES

The credit period granted by the Group to certain customers is within 180 days (2015: 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 2016 *RMB'000* **(Unaudited)**	At 31 December 2015 *RMB'000* (Audited)
0 – 30 days	**24,653**	21,808
31 – 60 days	**14,835**	22,753
61 – 90 days	**16,396**	20,576
91 – 120 days	**13,434**	38,956
121 – 180 days	**17,083**	17,872
181 days to within 1 year	**83,600**	91,292
	170,001	213,257

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 RMB3,802,000 (2015: RMB31,021,000) recognised during the six months ended 30 June 2016 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.

12. 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 2016 *RMB'000* **(Unaudited)**	At 31 December 2015 *RMB'000* (Audited)
0 – 90 days	**1,835**	1,390
91 – 120 days	**360**	4,117
121 – 180 days	**1,460**	2,723
Over 180 days	**12,409**	8,870
	16,064	17,100

At 30 June 2016, the carrying value of bills receivables included bills endorsed to suppliers on a full recourse basis that are not yet due amounting to RMB2,245,000 (31 December 2015: RMB2,583,000). 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.

12. BILLS RECEIVABLES (CONTINUED)

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 period.

Loan receivables bear interest at rates, and with credit periods, mutually agreed between the contracting parties. Loan receivables are secured by 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:

	At 30 June 2016 *RMB'000* **(Unaudited)**	At 31 December 2015 *RMB'000* (Audited)
Within 3 months	**1,091**	1,034
3 months to 1 year	**129,323**	14,909
Over 1 year	**20,176**	34,403
	150,590	50,346

Loan receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no history of default.

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 2016 *RMB'000* **(Unaudited)**	At 31 December 2015 *RMB'000* (Audited)
0 – 30 days	**18,964**	18,613
31 – 60 days	**10,011**	8,074
61 – 90 days	**4,642**	1,227
Over 90 days	**13,350**	12,455
	46,967	40,369

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

At 30 June 2016, included in the trade payables was RMB2,245,000 (31 December 2015: RMB2,583,000) secured over bills receivables endorsed to suppliers that were not yet due for payment.

15. BANK BORROWING

The bank borrowing is secured by the Group's leasehold land and building with a net carrying value of RMB420,000 (2015: RMB566,000) and RMB444,000 (2015: RMB1,121,000) respectively, at the end of the reporting period and repayable within one year.

16. PROMISSORY NOTES

	At 30 June 2016 *RMB'000*	At 31 December 2015 *RMB'000*
At 1 January	**207,737**	–
Issuance upon acquisition of Time Credit Limited *(note i)*	**–**	26,023
Issuance upon acquisition of Soaring International Group *(note ii)*	**–**	174,996
Accrued interest charged	**2,211**	1,165
Exchange realignment	**4,727**	5,553
At 30 June/31 December	**214,675**	207,737

Notes:

(i) 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 to their principal amount 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.

(ii) 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 to their principal amount calculated at the effective interest rate of 2% per annum. The PN 2 is 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 1 January 2015, 30 June 2015,	3,000,000	300,000
Increase in authorised share capital *(note c)*	17,000,000	1,700,000
At 31 December 2015, 1 January 2016 and 30 June 2016	20,000,000	2,000,000
Issued and fully paid:		
At 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
Issue of shares on 9 November 2015 *(note d)*	520,000	52,000
At 31 December 2015	2,569,228	256,923
Issue of shares upon exercising of warrants *(note e)*	384	38
Issue of share on 16 May 2016 *(note e)*	409,000	40,900
At 30 June 2016	2,978,612	297,861
Shown in the condensed consolidated financial statements		
At 31 December 2015 (Audited)	RMB'000 equivalent	213,708
At 30 June 2016 (Unaudited)	RMB'000 equivalent	248,105

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.

(c) On 15 September 2015, the Company proposed to increase its authorised share capital, which became effective on 7 October 2015. The authorised share capital of the Company increased from HK$300,000,000 divided into 3,000,000,000 shares to HK$2,000,000,000 divided into 20,000,000,000 shares.

(d) On 9 November 2015, 520,000,000 ordinary shares of HK$0.10 each were alloted and issued at HK$0.32 per share upon acquisition of Soaring International Group.

(e) During the interim period ended 30 June 2016, 80,000, 12,000, 800 and 291,200 shares were issued upon exercising of warrants on 19 January 2016, 22 March 2016, 23 March 2016 and 1 April 2016 respectively.

(f) On 16 May 2016, pursuant to the placing and subscription agreement dated 20 April 2016, 409,000,000 ordinary shares of HK$0.10 each were alloted and issued at HK$0.166 per share.

18. 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	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Short-term benefits	**815**	907
Retirement benefit scheme contributions	**13**	–
	828	907

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

Save as disclosed in elsewhere to the consolidated financial statements, the Group have the following related party transactions.

			Six months ended 30 June	
			2016	2015
Name of related party	**Relationship**	**Nature of transaction/balance**	***RMB'000***	*RMB'000*
			(Unaudited)	(Unaudited)
Lu Yongchao	chief executive officer	Loan interest received	**59**	–
		Loan interest receivable	**7**	–
		Loan receivable	**2,526**	–
Yip Sum Yu	Non-executive Director	Loan interest received	**25**	–

19. ACQUISITION OF SUBSIDIARIES

(i) Time Credit Limited

On 3 November 2014, the Company entered into a sale and purchase agreement with an independent third party, for the acquisition of 90% equity interest in Time Credit Limited, a company engaged in money lending business, at an aggregate consideration of approximately HK$140,000,000. The acquisition was completed on 23 March 2015.

Acquisition-related costs amounting to RMB265,000 have been excluded from the cost of the acquisition and have been recognised directly as an expense in the year ended 31 December 2015 and included in the "administrative expenses" line item in the consolidated statement of profit or loss and other comprehensive income.

The fair value of the identifiable assets and liabilities of Time Credit Limited at the date of acquisition was as follows:

	Fair Value
	RMB'000
Property, plant and equipment	17
Loan receivable	42,094
Other receivable	126
Cash and cash equivalents	71
Other payables	(34,448)
	7,860
Non-controlling interest	(785)
Goodwill on acquisition	103,318
	110,393
Consideration satisfied by:	
Cash	84,370
Promissory note	26,023
	110,393
Net cash outflow arising on acquisition:	
Deposit paid during the year ended 31 December 2014	55,125
Cash consideration paid during the year ended 31 December 2015	(29,245)
Cash and bank balances acquired	71
	(29,174)

(ii) Soaring International Holdings Limited and its subsidiaries ("Soaring International Group")

On 15 May 2015, the Company entered into a sale and purchase agreement with independent third parties, for the acquisition of 100% equity interest in Soaring International Holdings Limited, an investment holding company whose subsidiaries are principally engaged in E-Commerce, at an aggregate consideration of approximately HK$367,680,000. The acquisition was completed on 9 November 2015.

Pursuant to the sales and purchase agreement, the earnings before interest, taxes, depreciation and amortisation guarantee for Soaring International Group's shall not be less than HK$10,000,000 for the year ending 31 March 2016 (the "EBITDA Guarantee"). In the event of EBITDA Guarantee cannot be met, the vendors shall pay a compensation amount of actual shortfall multiple of 38 times, to the Company. The fair value of the EBITDA guarantee of Soaring International Group was insignificant at the date of acquisition based on valuation performed by an independent valuer, by using a probabilistic model.

Acquisition-related costs amounting to RMB1,363,000 have been excluded from the cost of the acquisition and have been recognised directly as an expense in the year ended 31 December 2015 and included in the "administrative expenses" line item in the consolidated statement of profit or loss and other comprehensive income.

The fair value of the identifiable assets and liabilities of Soaring International Group at the date of acquisition was as follows:

	Fair Value
	RMB'000
Property, plant and equipment	169
Intangible assets	94,970
Trade receivables	2,251
Prepayment, deposits and other receivables	2,034
Inventory	6,572
Cash and bank balances	6,724
Trade and bills payables	(5,956)
Other payables	(757)
Tax payables	(147)
Bank loan	(415)
Amount due to directors	(8,541)
Deferred tax liabilities	(15,334)
	81,570
Goodwill on acquisition	229,740
	311,310
Considerations satisfied by:	
Considerations shares	136,314
Promissory note	174,996
	311,310
Net cash inflow arising on acquisition:	
Cash and bank balances acquired	6,724

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 2016. It was slightly above market expectations and driven by a faster increase in industrial output and retail sales, the Gross Domestic Product (GDP) in China advanced an annual 6.7 percent in the second quarter of 2016 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 794.8 million tonnes (Mt), down by 1.9 percent when compared with the same period last year. China Iron and Steel Association (CISA) said that China's crude steel production for June 2016 was approximately 69.5 Mt, an increase of 1.7 percent when compared to that of June 2015. The increase fit with the splurge in state-backed infrastructure investment seen in recent months. CISA said that China reduced steel capacity by 13 Mt in the first half of 2016, about 30 percent of the planned cuts for the whole year, and capacity cuts would intensify in the second half of the year as the government aimed to reduce steel production by 45 Mt in 2016. The CISA experts had also expected steel prices likely to fall again as idle capacity comes online, soon after large and medium-sized iron and steel companies in China turned a profit in the first half of 2016.

Steel makers have faced difficulties over the past few years, due to shrinking demand and excessive capacity building up during decades of rapid expansion. The pressure of cutting overcapacity still remains for the steel sector, with the progress slow in some regions. However, steel price have risen in the past few months amid temporarily strained supply as some producers scaled back output to avoid losses.

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. 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 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.

The Group's 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 the first half year of 2016, 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 increased selling and distribution costs to maintain a steady sales volume. The business and financial performances of the subsidiary still strived hard to maintain its leading positions in the market for the period under review.

Time Credit Limited (TCL), the subsidiary of the Group engaged in money lending business in Hong Kong had developed sound and effective business growth. This subsidiary generated good revenues on first mortgage property loans to customers for their long and short term financial needs. The well-established brand name of "TCL" maintained the loan portfolio that contributed to a steady growth of our customer base and market share during the period under review.

The IT business subsidiary of the Group that we named as "Soaring or VTZero", which principally engages in the e-commerce industry specializing 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 growing their business on existing platform with remarkable results in revenue.

Consolidation in Customer Base

Building on its strong reputation in the steel industry and leading technologies in the design and manufacturing of advanced steel flow control products, which as the major business of the Group has further consolidated its customer base in the PRC market. During the period under review, the manufacturing plant has wellsecured business with strategic customers. Meanwhile, the plant 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, the Group will continue to explore business opportunities with domestic steel manufacturers to drive further business growth.

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's steel flow control product manufacturing plant 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, its overseas revenue was approximately RMB15.2 million. 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 Directors will consider possible acquisition that will broaden the revenue base and provide an excellent opportunity for the Group business development in future.

Enhanced Research and Development

As at 30 June 2016, the Group's steel flow control product manufacturing plant has a total of 33 registered patents. The strong research and development capability is a core competitive edge of the manufacturing plant 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. For the six months ended 30 June 2016, the plant research and development team has 31 professionals, and the expenses on research and development amounted to approximately RMB13.5 million, representing approximately 7.4% of the Group's total revenue. As a result, the manufacturing plant has adopted a number of leading self-developed technologies which enable the business 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 2016, the Group's revenue from steel flow control products was approximately RMB77.8 million, representing an decrease of approximately 36.0% as compared with approximately RMB121.5 million for the same period in 2015. The revenue decrease was mainly due to the selective retention of more profitable customers. Total sale volume decreased by approximately 35.8% from 8,087 tonnes for the six months ended 30 June 2015 to 5,192 tonnes for the same period in 2016.

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 RMB18.5 million for the six months ended 30 June 2016.

Money Lending

The Group's had acquired money lending business in 23 March 2015.The revenue contributed by this business was approximately RMB5.1 million for the six months ended 30 June 2016.

E-Commerce

The Group's had acquired e-commerce business in 9 November 2015 through the acquisition of the Soaring International Holdings Limited. The revenue contributed by this business was approximately RMB79.8 million for the six months ended 30 June 2016.

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 2016, the Group's cost of sales increased by approximately 11.3% from approximately RMB154.1 million for the six months ended 30 June 2015 to approximately RMB171.5 million. The significant increase was mainly attributable to the increase of sale revenue during the period under review.

Gross Profit

The Group engaged in the different industries had a gross profit of approximately RMB9.8 million for the six months ended 30 June 2016. For the six months ended 30 June 2015, the Group recorded a gross loss of approximately RMB16.2 million. The gross profit was mainly resulted from the optimization of more profitable customers in the industries competitive environment.

Impairment Loss Recognised in Respect of Property, Plant and Equipment

Taking into account of the business situation of the Group and the recoverability of the relevant carrying amounts of the Group's plant and equipment exceeded their recoverable amounts, there was no impairment loss recognised for the six months ended 30 June 2016 (for the six months ended 30 June 2015: RMB11.0 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 2016, impairment loss for trade receivables amounted to approximately RMB3.8 million (for the six months ended 30 June 2015: RMB31.0 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 2016, the Group's selling and distribution costs decreased by approximately RMB4.6 million to RMB11.4 million, representing an decrease of around 28.9% from approximately RMB16.0 million for the six months ended 30 June 2015. The decrease was mainly attributable to the decrease in sales volume of the advanced steel flow control products during the period under review.

Administrative Expenses

The Group's administrative expenses increased by around 43.0% from approximately RMB32.3 million for the six months ended 30 June 2015 to approximately RMB46.2 million for the same period ended 30 June 2016. The increase was mainly due to the cost from the money lending business and e-commerce business that were acquired on 23 March 2015 and 9 November 2015 respectively.

Finance Costs

The Group's finance costs were approximately RMB3.2 million for the six months ended 30 June 2016 (for the six months ended 30 June 2015: RMB0.8 million). The interest rate for bank loan was at a fixed interest rate of 4.92% per annum (2015: 6.38%).

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 2018. The EIT rate for another PRC subsidiary is 25%.

Loss and total Comprehensive Expense for the Period

The Group's loss and total comprehensive expense for the period was approximately RMB62.8 million while the loss and total comprehensive expense was approximately RMB114.8 million for the six months ended 30 June 2015. There was an increase of administrative expense as compared with the same period in 2015. However, the Group's loss situation was improved when compared with the same period in 2015. The Group's basic loss per share was approximately RMB2.36 cents for the six months ended 30 June 2016, compared to a basic loss per share of approximately RMB7.00 cent for the six months ended 30 June 2015.

Interim Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: nil).

Capital Structure, Liquidity and Financial Resources

During the period under review, the Group had completed one placing of new Shares of the Company ("Shares"). The placing and the completion of Shares were on 20 April 2016 and 16 May 2016 respectively and a total of 409,000,000 Shares were allotted and issued at HK$0.166 per new Share. The net proceeds raised were approximately HK$66.78 million. For the placing, the net proceeds were intended to be used as general working capital and/or funds to finance future investment of the Group as and when opportunities arise.

For the six months ended 30 June 2016, the Group's net cash used in operating activities was approximately RMB64.6 million (for the six months ended 30 June 2015: RMB93.6 million net cash from operating activities) and the Group's bank balances and cash as at 30 June 2016 was approximately RMB72.9 million (31 December 2015: RMB101.9 million).

Total equity of the Group as at 30 June 2016 was approximately RMB561.3 million (31 December 2015: RMB550.5 million). The Group has an outstanding bank loan of approximately RMB20.0 million as at 30 June 2016 (31 December 2015: RMB20.0 million). The loan carries a fixed interest at 4.92% (31 December 2015: 6.38%) per annum and is repayable within one year.

As at 30 June 2016, the Group's gearing ratio, which was calculated on the basis of total borrowings as a percentage of shareholder equity, was 25.7% (as at 31 December 2015: 26.0%).

Pledge of Assets

As at 30 June 2016, the Group pledged certain of its property, plant and equipment and land use rights with aggregate carrying value of approximately RMB0.86 million (as at 31 December 2015: 1.69 million) as collaterals for the bank borrowing granted to the Group.

Material Acquisitions and Disposals of Subsidiaries and Associated Companies

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 RMB13.5 million for the period ended 30 June 2016.

Contingent Liabilities

As at 30 June 2016, 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 2016, the Group had 428 staff members employed in mainland China and Hong Kong (2015: 384). 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

There was no significant events occurring after the reporting period.

Future Prospects

Going forward while we expect market competition to remain stiff, though the steel industry had a better performance in the first half of 2016, our management is cautious of its outlook in the second half of the year, given that there are continuously call for all-out efforts to meet overcapacity reduction targets in the steel industries by the China government.

With recent improving economic conditions under the supportive economic policies of the government on existing infrastructure and construction, China's steelmakers have reduced output as the fluctuation and slide of steel prices have underscored the weakening domestic demand while the China economic climate seeks to shift away from investment-led growth to a consumption-driven economy.

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 2016, except for Code Provision A.6.7 in respect of the attendance of non-executive directors and independent non-executive directors in the general meetings.

According to Code Provision A.6.7, non-executive Directors and independent non-executive Directors should attend general meetings and develop a balanced understanding of the views of shareholders. Due to other business engagement, one non-executive Director and two independent non-executive Directors could not attend 2015 annual general meeting held on 10 June 2016. However, at the 2015 annual general meeting, there were executive and 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 2016.

Relevant employees who are likely to be in possession of unpublished price-sensitive information regarding the Group are subject to compliance with the Company's Code for Securities Transactions by Relevant Employees (the "RE Code") in respect of their dealings in the securities of the Company. The terms of the RE Code are likewise no less exacting than the required standards set out in the Model Code.

Review of Accounts

The audit committee of the Company has reviewed the condensed consolidated financial statements for the six months ended 30 June 2016, 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 2016, 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, 30 August 2016

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.