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 AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

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 2016, 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 2016

	NOTES	**2016** *RMB'000*	2015 *RMB'000*
Revenue	*4*	**357,840**	288,942
Cost of sales		**(340,735)**	(315,487)
Gross profit/(loss)		**17,105**	(26,545)
Other income		**2,395**	730
Impairment loss		**(2,012)**	(143,485)
Selling and distribution costs		**(20,297)**	(29,553)
Administrative expenses		**(69,861)**	(34,653)
Other expenses		**(26,612)**	(32,547)
Equity-settled share option expenses		**(11,024)**	(10,407)
Loss on early redemption of promissory note		**(26,191)**	–
Finance costs		**(5,494)**	(2,426)
Loss before taxation	*5*	**(141,991)**	(278,886)
Taxation	*6*	**4,052**	7,618
Loss for the year		**(137,939)**	(271,268)
Attributable to:			
Owners of the Company		**(138,695)**	(271,432)
Non-controlling interests		**756**	164
		(137,939)	(271,268)
Loss per share:			
Basic and diluted	*8*	**(RMB4.86 cents)**	(RMB14.14 cents)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	2016	2015
	RMB'000	*RMB'000*
LOSS FOR THE YEAR	**(137,939)**	(271,268)
OTHER COMPREHENSIVE INCOME		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**28,213**	19,307
OTHER COMPREHENSIVE INCOME FOR THE YEAR	**28,213**	19,307
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR	**(109,726)**	(251,961)
Total comprehensive expense for the year attributable to:		
Owners of the Company	**(110,517)**	(252,132)
Non-controlling interests	**791**	171
	(109,726)	(251,961)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	NOTES	2016 RMB'000	2015 RMB'000
Non-current assets			
Property, plant and equipment		**12,824**	12,155
Goodwill	9	**327,005**	305,823
Intangible assets	10	**63,309**	92,623
Prepaid lease payments		**254**	410
		403,392	411,011
Current assets			
Inventories		**62,298**	59,185
Trade receivables	11	**155,229**	213,257
Bills receivables	12	**12,315**	17,100
Loan receivables	13	**221,241**	50,346
Other receivables, deposits and prepayments		**45,920**	39,455
Prepaid lease payments		**156**	156
Restricted bank deposits		**2,054**	1,749
Bank balances and cash		**40,070**	83,709
		539,283	464,957
Current liabilities			
Trade and bills payables	14	**50,949**	40,369
Other payables and accruals		**29,504**	33,710
Tax liabilities		**7,937**	8,569
Bank and other borrowings		**84,462**	20,361
		172,852	103,009
Net current assets		**366,431**	361,948
Total assets less current liabilities		**769,823**	772,959
Non-current liabilities			
Deferred tax liabilities		**10,243**	15,675
Promissory notes	15	**195,730**	207,737
		205,973	223,412
Net assets		**563,850**	549,547
Capital and reserves			
Share capital	16	**266,401**	213,708
Reserves		**295,702**	334,883
		562,103	548,591
Non-controlling interests		**1,747**	956
Total equity		**563,850**	549,547

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 and 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 HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

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 Hong Kong Institute of Certified Public Accountants ("HKICPA").

a) Amendments to HKFRS 10, HKFRS 12 and HKAS 28 Investment Entities: Applying the Consolidation Exception

The amendments mainly clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with HKFRS 10. The Company is not an investment entity but is a listed entity, the consolidation exception set out in the amendments will not be applicable to the Company and hence the application of these amendments has had no impact on the Group's consolidated financial statements.

b) Amendments to HKFRS 11 Accounting for Acquisitions of Interests in Joint Operations

The amendments provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in HKFRS 3 Business Combinations. Specifically, the amendments state that the relevant principles on accounting for business combinations in HKFRS 3 and other standards should be applied. The amendments also require that a joint operator to disclose the relevant information required by HKFRS 3 and other standards for business combinations. The amendments require prospective application; prospectively in annual periods beginning on or after 1 January 2016. The Group did not have any such transactions in the current year and hence the application of these amendments has had no impact on the Group's consolidated financial statements.

c) **Amendments to HKAS 1 Disclosure Initiative**

The amendments clarify that an entity need not provide a specific disclosure required by a HKFRS if the information resulting from that disclosure is not material (even if the HKFRS contains a list of specific requirements or describes them as minimum requirements). The amendments also give guidance on the bases of aggregating and disaggregating information for disclosure purposes. The amendments emphasize that an entity should consider whether to provide additional disclosures when compliance with the specific requirements in HKFRSs is insufficient to enable users of financial statements to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance. Furthermore, the amendments require that an entity's share of the other comprehensive income of associates and joint ventures accounted for using the equity method should be presented separately from those arising from the Group, and should be separated into the share of items that, in accordance with other HKFRSs: (i) will not be reclassified subsequently to profit or loss; and (ii) will be reclassified subsequently to profit or loss when specific conditions are met.

As required by the amendments, the share of other comprehensive income of associates and joint ventures had been separately presented and had been separated into (i) will not be reclassified subsequently to profit or loss; and (ii) will be reclassified subsequently to profit or loss when specific conditions are met. Other than such a change in presentation, the application of these amendments has not resulted in any impact on the financial performance or financial position of the Group.

d) **Amendments to HKAS 16 and HKAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation**

The amendments to HKAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that revenue-based amortisation is not an appropriate basis for amortisation of an intangible asset. The amendments states that such a presumption can only be rebutted in the following two limited circumstances:

- when the intangible asset is expressed as a measure of revenue; or
- when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

With regard to the Group's property, plant and equipment and intangible assets, the Group did not use revenue-based depreciation method and hence the amendments have not have any impact on the Group's financial position and financial performance. Rather, the Group has been using the straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets respectively.

e) **Amendments to HKAS 16 and HKAS 41 Agriculture: Bearer Plants**

The amendments define a bearer plant that is a living plant that:

a) is used in the production or supply of agricultural produce;

b) is expected to bear produce for more than one period; and

c) has a remote likelihood of being sold as agricultural produce except for incidental scrap sales.

The amendments require that biological assets that meet the definition of a bearer plant should be accounted for as property, plant and equipment in accordance with HKAS 16, instead of HKAS 41. The produce growing on bearer plants continues to be accounted for in accordance with HKAS 41.

The application of these amendments has had no impact on the Group's consolidated financial statements as the Group is not engaged in agricultural activities.

f) Annual Improvements to HKFRSs 2012-2014 Cycle

The Annual Improvements to HKFRSs 2012-2014 Cycle include a number of amendments to various HKFRSs, which are summarized below.

Firstly, the amendments to HKFRS 5 introduce specific guidance for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa). The amendments clarify that such a change should be considered as a continuation of the original plan of disposal and hence requirements set out in HKFRS 5 regarding the change of sale plan do not apply.

Secondly, the amendments to HKFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets.

Thirdly, the amendments to HKAS 19 clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high quality corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead. The Group did not have any defined benefit scheme.

The application of these amendments has had no effect on the Group's consolidated financial statements.

g) 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[1]
HKFRS 15 and amendments to HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Leases[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[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 HKAS 7	Disclosure Initiative[4]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[4]

1 Effective for annual periods beginning on or after 1 January 2018

2 Effective for annual periods beginning on or after 1 January 2019

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

4 Effective for annual periods beginning on or after 1 January 2017

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; 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:

Segment revenue and results

For the year ended 31 December 2016

	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	149,795	34,410	12,537	161,098	357,840
Gross profit/(loss)	(18,968)	5,925	11,108	19,040	17,105
Segment profit/(loss)	(72,802)	(2,847)	9,053	(28,331)	(94,927)
Unallocated corporate income					616
Staff costs (including retirement benefit scheme contributions)					(1,868)
Operating lease rentals					–
Unallocated corporate expenses					(45,812)
Loss before taxation					(141,991)

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 profit/(loss)	(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)

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 2016

	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	204,861	41,357	317,906	367,051	931,175
Unallocated corporate assets					11,500
Consolidated total assets					942,675
LIABILITIES					
Segment liabilities	35,110	41,925	66,050	32,111	175,196
Unallocated corporate liabilities					203,629
Consolidated total liabilities					378,825

	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 property, plant and equipment	1,033	400	–	–	209	1,642
Depreciation of property, plant and equipment	98	984	6	121	409	1,618
Interest income	–	(191)	(54)	–	(32)	(277)
Interest expense	–	1,105	–	–	4,389	5,494
Income tax expense	–	–	1,494	666	–	2,160
Impairment loss recognised in respect of trade receivables	1,534	478	–	–	–	2,012
Amortisation of prepaid lease payments	–	156	–	–	–	156
Amortisation of intangible assets	–	953	–	33,182	–	34,135
Research and development costs	26,612	–	–	–	–	26,612

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 property, plant and equipment	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
Interest income	(59)	(42)	(3)	(3)	(1)	(108)
Interest expense	–	1,261	–	–	1,165	2,426
Income tax expense	–	–	1,515	1,069	–	2,584
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

Information about geographical areas

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

	For the year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
The People's Republic of China ("PRC") (country of domicile)	**141,995**	214,087
Europe	**124,111**	45,842
Asia (other than the PRC and Hong Kong)	**15,547**	10,064
North America	**56,682**	10,531
Africa	**–**	622
Oceania	**5,597**	424
Hong Kong	**13,908**	7,372
	357,840	288,942

Non-current assets

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Hong Kong	**390,639**	408,323
PRC	**12,753**	2,688
	403,392	411,011

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 2016 (2015: Nil).

5. LOSS BEFORE TAXATION

	2016	2015
	RMB'000	*RMB'000*
Loss before taxation has been arrived at after charging (crediting):		
Auditor's remuneration	**651**	553
Impairment loss recognised in respect of trade receivables	**2,012**	15,396
Impairment loss recognised in respect of property, plant and equipment	**–**	58,007
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	**156**	391
Amortisation of other intangible assets	**34,135**	6,636
Cost of inventories recognised as an expense	**292,580**	306,195
Depreciation of property, plant and equipment	**1,618**	15,587
Minimum lease payments in respect of office premises	**1,490**	544
(Gain)/loss on disposal of property, plant and equipment	**(28)**	97
Net exchange gain	**(1,153)**	(211)
Research and development costs (included in other expenses)	**26,612**	32,547
Staff costs (including directors' emoluments)		
– Salaries and other benefits	**36,572**	39,626
– Retirement benefit scheme contributions	**2,606**	3,297
– Equity-settled share option expenses	**11,024**	10,407
	50,202	53,330
Less: Staff costs included in research and development costs	**(2,009)**	(2,166)
	48,193	51,164

6. TAXATION

	2016 *RMB'000*	2015 *RMB'000*
Hong Kong Profits Tax:		
– Current year	**2,160**	993
– Under provision in prior years	**–**	1,591
Deferred tax:		
– Current year	**(6,212)**	(10,202)
	(4,052)	(7,618)

Hong Kong Profits Tax was calculated at 16.5% (2015: 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%.

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 2016, deferred tax income of RMB871,000 (2015: RMB9,343,000) 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 2016 and 2015, 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:

	2016	2015
	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	**(138,695)**	(271,432)

	Number of shares 2016	Number of shares 2015
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**2,853,748**	1,919,628

The calculation of diluted loss per share for each of the two years ended 31 December 2016 and 2015 had not taken into consideration the assumed exercised of the Company's outstanding share options and warrant as it would reduce the loss per share.

9. GOODWILL

	2016	2015
	RMB'000	*RMB'000*
Cost:		
At 1 January	**351,112**	6,542
Acquisition of subsidiaries	**–**	333,058
Exchange realignment	**23,866**	11,512
At 31 December	**374,978**	351,112
Accumulated impairment:		
At 1 January	**45,289**	–
Provided for the year	**–**	45,289
Exchange realignment	**2,684**	–
At 31 December	**47,973**	45,289
Carrying value:		
At 31 December	**327,005**	305,823

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

	Note	2016 RMB'000	2015 RMB'000
Money lending	*(i)*	**75,895**	70,978
E-Commerce	*(ii)*	**251,110**	234,845
		327,005	305,823

(i) 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 16% per annum (2015: 15.37% per annum). Cash flows beyond the 5-year period are extrapolated with 3% growth rate. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin. Such estimation is based on the unit's past performance and management's expectations of the market development. No impairment loss is recognised for the year ended 31 December 2016 (2015: RMB38,747,000).

(ii) 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 for the year ended 31 December 2016 and 2015.

10. INTANGIBLE ASSETS

	Technology know-how *RMB'000*	Customer relationship *RMB'000*	Total *RMB'000*
Cost:			
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 and at 1 January 2016	99,316	10,733	110,049
Exchange realignment	6,724	–	6,724
At 31 December 2016	106,040	10,733	116,773
Accumulated amortisation and impairment:			
At 1 January 2015	159	760	919
Provided for the year	5,563	1,073	6,636
Impairment loss	1,853	7,947	9,800
Exchange realignment	71	–	71
At 31 December 2015 and at 1 January 2016	7,646	9,780	17,426
Provided for the year	33,182	953	34,135
Exchange realignment	1,903	–	1,903
At 31 December 2016	42,731	10,733	53,464
Carrying amount:			
At 31 December 2016	63,309	–	63,309
At 31 December 2015	91,670	953	92,623

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

No impairment loss of intangible assets has been recognised during the year ended 31 December 2016. 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, 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 (2015: within 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:

	2016	2015
	RMB'000	*RMB'000*
0 – 30 days	**24,950**	21,808
31 – 60 days	**13,831**	22,753
61 – 90 days	**13,617**	20,576
91 – 120 days	**13,552**	38,956
121 – 180 days	**17,443**	17,872
181 days to within 1 year	**71,836**	91,292
	155,229	213,257

Aging of trade receivables which are past due but not impaired:

	2016	2015
	RMB'000	*RMB'000*
0 – 30 days	**9,126**	10,114
31 – 60 days	**8,083**	12,144
61 – 90 days	**7,956**	11,910
91 – 120 days	**7,724**	30,955
121 – 180 days	**5,995**	9,878
181 days to within 1 year	**71,836**	91,292
	110,720	166,293

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 RMB2,012,000 (2015: RMB15,396,000) recognised during the year ended 31 December 2016 was 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:

	2016	2015
	RMB'000	*RMB'000*
0 – 90 days	**3,458**	1,390
91 – 120 days	**–**	4,117
121 – 180 days	**1,510**	2,723
Over 180 days	**7,347**	8,870
	12,315	17,100

At 31 December 2016, the carrying value of bills receivables include bills endorsed to suppliers on a full recourse basis that are not yet due amounting to RMB4,968,000 (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 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.

	2016	2015
	RMB'000	*RMB'000*
Bills receivables endorsed to suppliers with full recourse:		
Carrying amount of transferred assets	**4,968**	2,583
Carrying amount of associated liabilities	**(4,968)**	(2,583)
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:

	2016	2015
	RMB'000	*RMB'000*
Within 3 months	**99,844**	1,034
3 months to 1 year	**99,276**	14,909
Over 1 year which contain a repayment on demand clause	**22,121**	34,403
	221,241	50,346

The interest rate was fixed at the contract date. The average effective interest rate was at 5.25% to 24% per year as at 31 December 2016 (2015: 5.25% to 21%).

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.

	2016	2015
	RMB'000	*RMB'000*
0 – 30 days	**23,821**	18,613
31 – 60 days	**7,530**	8,074
61 – 90 days	**5,184**	1,227
Over 90 days	**14,414**	12,455
	50,949	40,369

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

At 31 December 2016, included in the trade payables was RMB4,968,000 (2015: RMB2,583,000) 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

	2016	2015
	RMB'000	*RMB'000*
At 1 January	**207,737**	–
Issuance upon acquisition of Time Credit Limited (i)	**–**	26,023
Issuance upon acquisition of Soaring International Group (ii)	**–**	174,996
Accrued interest charged	**4,389**	1,165
Loss on early redemption	**26,191**	–
Settlement by issuance of shares	**(56,720)**	–
Exchange realignment	**14,133**	5,553
At 31 December	**195,730**	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 3% per annum. The PN 1 is classified as non-current liabilities and are carried at amortised cost until settlement on due date.

On 14 November 2016, the Company early redeemed the PN 1 in full by way of issuing 207,400,000 ordinary shares of the Company at the price of HK$0.166. The fair value of the said ordinary shares at the date of issuance was approximately HK$56,720,000 (based on market price of HK$0.31). As such, loss on early redemption of promissory notes of approximately HK$26,191,000 has been recognised during the year ended 31 December 2016.

(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.

16. SHARE CAPITAL

	Number of shares at HK$0.10 per share *'000*	Amount *HK$'000*
Authorised:		
At 1 January 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 31 December 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
As at 31 December 2015 and 1 January 2016	2,569,228	256,923
Issue of shares upon exercising of warrants *(note e)*	384	38
Issue of shares on 16 May 2016 *(note f)*	409,000	40,900
Issue of shares on 14 November 2016 *(note g)*	207,400	20,740
At 31 December 2016	3,186,012	318,601
Shown in the consolidated financial statements		
At 31 December 2015	**RMB'000 equivalent**	213,708
At 31 December 2016	**RMB'000 equivalent**	266,401

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. The net proceed of approximately HK$52.8 million was used for general working capital.

(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. The net proceed of approximately HK$109 million was used for general working capital.

(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 allotted and issued at HK$0.32 per share upon acquisition of Soaring International Group.

(e) During the year ended 31 December 2016, 80,000, 12,000, 800 and 291,200 shares were issued upon exercising of warrants on 27 January 2016, 30 March 2016, 30 March 2016 and 7 April 2016 respectively. The net proceed of approximately HK$0.1 million was used for general working capital.

(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 allotted and issued at HK$0.166 per share to not less than six placees. The net proceed of approximately HK$66.78 million was used for general working capital.

(g) On 14 November 2016, the company early redeemed the PN 1 in full by way of issuing 207,400,000 ordinary shares of the Company at the price of HK$0.166. The fair value of the said ordinary shares at the date of issuance was approximately HK$56,720,000 (based on market price of HK$0.31). As such, loss on early redemption of promissory notes of approximately HK$26,191,000 has been recognised during the year ended 31 December 2016.

MARKET REVIEW

In 2016, the global economy was still in recovery from debt crises of previous time, and all those political and economic crises in United States of America and Europe continued to affect the world economy, leading to 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, as informed by the Commerce Ministry of China. The National Bureau of Statistics of China reported the gross domestic product (GDP) for the full year of 2016 was at a growth rate at about 6.7%, was the weakest growth in 26 years, and lower than the 2016 GDP growth rate of 7.9%.

According to the World Steel Association (worldsteel), the world crude steel production reached 1,628.5 million tonnes (Mt) for the year 2016, up by 0.8% as compared to 2015. China made more than half the world's steel but a slowdown in its economy and sagging global demand had left the industry with excess capacity. The National Bureau of Statistics reported that China's crude steel production in 2016 reached 808.4 Mt, up by 1.2% on 2015 and China's share of world crude steel production increased from 49.4% in 2015 to 49.6% in 2016.

Throughout 2016, China's authorities tackled excess steel production through consolidation and closed the inefficient and polluting factories; moreover, the oversupply condition of steel in market remained unresolved in China. Total steel product inventory level in China remained high and many unfavourable factors including price slide and raw material costs of steel had put huge pressure on and posted harsh challenges to the production and operation of steel enterprises. As our steel flow control product business plant was closely related to the steel industry in China, its business growth was so adversely affected in 2016.

The recent property market in Hong Kong is rebounding and seems to show the promising growth in terms of property price and transaction volume, the anticipated rise of interest rate, the volatile global economy and the new measure from the Hong Kong Government to increase the stamp duty on sales and purchase of properties have led us to be more cautious when managing our mortgage loan business. We consider the above periodical prudent measures are necessary during the time of unstable and uncertain economic environment and these measure would produce a more healthy and solid position in our mortgage loan business, which would have an impact on our net interest income and mortgage loan portfolio.

At present, there are a lot of business opportunities available to electronic commerce (e-commerce) business, which is experiencing rapid growth in Asia Pacific region and particularly in PRC. The hypercompetitive e-commerce industry needs also to have efficient logistics in support to satisfy customers with speed and security. Recently e-commerce giant eBay has set to launch a new guaranteed delivery program for shoppers to speed up shipping of ordered items on its platform. This new policy will help shoppers with faster and more precise delivery dates. Apart from that, the buyer has the option to return the guaranteed item at no cost if purchase delivery has arrived late. As our e-commerce subsidiary business trades through eBay platform, so we find this new program providing us safety and precise delivery to customers in remote areas, and will enhance our expansion in e-commerce business growth.

BUSINESS REVIEW

The whole Group (Sinoref 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 and electronic commerce (E-Commerce) business.

The Group's steel flow control product manufacturing plant is still the Group's main source of business, principally engaged in the manufacture and sale of advanced steel flow control products including subentry nozzle, stopper, tundish nozzle and ladle shroud. In 2016, steel manufacturers in China continued 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 strived hard to maintain its leading positions in the market for the year ended 31 December 2016.

During 2016, the property market in Hong Kong has experienced a rebound both in property price and transaction volume, and turned active and energetic again. However, having considered the unstable global economy, anticipated rising interest rate in the United States of America, and keen and competitive mortgage loan market in Hong Kong, we believe that the property market nowadays in Hong Kong is highly unpredictable and challenging; and that a prudent and cautious approach for conducting our mortgage loan business is necessary and essential.

Time Credit Limited (TCL), the subsidiary of the Group engaged in money lending business in Hong Kong under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) had developed sound and effective business growth. This subsidiary mainly generated good revenues on first mortgage property loans to customers for their long and short term financial needs. The well-established and recognized brand name of "TCL" maintained the loan portfolio that contributed to a steady growth of our customer base and market share during the year 2016.

On 8 March 2016, the subsidiary (TCL) as the lender entered into the 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. And the loan agreement constituted a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

In recent years, the e-commerce industry in Asia Pacific has been hypercompetitive, retailers are moving beyond competing on price to competing on logistics, getting packages to more people with greater speed and security. And retailers with a stake in the future of e-commerce cannot settle for low prices alone, but must continue advancing their own capabilities.

The IT business subsidiary of the Group that we named as "Soaring or VTZero", has principally engaged in the e-commerce industry specializing on B2C retailing through the eBay and Amazon platforms and internet wholesale businesses with a focus on overseas consumers, logistics management and sourcing. Our e-commerce business has kept up with the market innovation and trends on our product sales in overseas markets, with our logistics in easy pick up locations and efficient delivery. During the year 2016, the enterprise had continued growing their business on existing platform with remarkable results in revenue. Besides, it also generated good revenue in its IT project solution for different type of corporate customers.

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, the Group 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, processor and distributor of special long steel products, Carboref GmbH. During the period under review, the Group recorded an overseas revenue from approximately RMB31 million in 2015 to approximately RMB27.4 million in 2016. The Group will continue to enhance its 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 2016, one of the Group's PRC subsidiaries has attained four new registered invention patents. This bring the Group's total to 33 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 2016, Sinoref's research and development team has 39 professionals, and the expenses on research and development amounted to approximately RMB26.6 million, representing approximately 7.4% of the Group's total revenue.

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

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2016, the Group's revenue was approximately RMB357.8 million (2015: RMB288.9 million). The increase in revenue was mainly due to (i) the Group's e-commerce business expansion in overseas market; and (ii) the significant drop in its average selling price to boost its sales. Total sales volume of advanced steel flow control products decreased by approximately 34% to approximately 9,920 tonnes from 14,939 tonnes for the year ended 31 December 2016.

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 8% from RMB315.5 million in 2015 to approximately RMB340.7 million in 2016. The significant increase was mainly attributable to the increase in the sale volume during the year.

Gross Profit/(Loss)

The Group experienced a gross profit of approximately RMB17.1 million for the year ended 31 December 2016. For the year ended 31 December 2015, the Group recorded a gross loss of approximately RMB26.5 million. The gross profit was mainly resulted from the effective cost control in money lending and e-commerce business, however, due to the sluggish market demand, gross loss still occur in steel industry.

Impairment Loss

As the repayment ability of Chinese steel enterprises deteriorates, an impairment loss for trade receivables amounted to approximately RMB2.0 million has been recognised for the year ended 31 December 2016 (2015: RMB15.4 million).

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 decreased to approximately RMB20.3 million, representing a decrease of approximately 31.3% from approximately RMB29.6 million for the previous year. The decrease was mainly attributable to the decrease in sales commission and transportation costs.

Administrative Expenses and Other Expenses

The Group's administrative expenses and other expenses increased by approximately 43.6% from approximately RMB67.2 million for year ended 31 December 2015 to approximately RMB96.5 million for the year ended 31 December 2016. The Group has devoted resources to research and development, amounting to approximately RMB26.6 million for the year ended 31 December 2016 for creating more new products to meet with its customers' needs.

Finance Costs

The Group's finance costs were approximately RMB5.5 million for the year ended 31 December 2016 (2015: RMB2.4 million). The interest rate for bank loan was at a fixed interest rate of 4.92% per annum (2015: 6.4% 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 31 December 2017. 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 RMB137.9 million, compared to approximately RMB271.3 million for the previous year. The loss was mainly due to a combination of factors, which include (i) the significant drop of its average product price; and (ii) early redemption of promissory note. The Group's loss per share decreased from RMB14.14 cents for the year ended 31 December 2015 to RMB4.86 cents in 2016.

Final Dividends

The Board does not recommend the payment of a final dividend for year ended 31 December 2016 (2015: Nil).

Capital Structure, Liquidity and Financial Resources

During the year ended 31 December 2016, the Group's net cash used in operating activities was approximately RMB104.4 million (2015: net cash used in operating activities RMB121.5 million) and the Group's bank balances and cash was approximately RMB40.1 million (2015: RMB83.7 million).

Total equity of the Group as at 31 December 2016 was approximately RMB563.9 million (2015: RMB549.5 million). The Group has an outstanding bank and other loan and promissory notes of approximately RMB84.5 million and RMB195.7 million, respectively as at 31 December 2016 (2015: RMB20.4 million and RMB207.7 million).

Material Acquisitions and Disposals of Subsidiaries and Associated Companies

During the year ended 31 December 2016, 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 2016, the Group pledged certain of its buildings and leasehold land with aggregate net carrying value of approximately RMB0.80 million (2015: RMB1.69 million) as collaterals for the bank loan granted to the Group. Gearing ratio is calculated based on total debt at the end of the year divided by total assets at the end of the year multiplied by 100%. As at 31 December 2016, the gearing ratio of the Group was 23.0% (2015: 26%).

CONTINGENT LIABILITIES

As at 31 December 2016, 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 the Group aware of any pending or potential material legal proceedings involving the Group.

HUMAN RESOURCES AND STAFF REMUNERATION

As at 31 December 2016, the Group had 438 staff members employed in mainland China and Hong Kong (2015: 455). Total staff costs for the year were approximately RMB39.2 million (2015: RMB42.9 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. The Group operates share option scheme for the purpose to provide incentives and rewards to eligible directors and employees of the Group who contribute to the success of the Group's operations. The Group granted 80 million share options to its eligible employees during the financial year as announced on 13 January 2016. The remuneration payable to the senior management of the Company (excluding Directors and chief executive) for the year ended 31 December 2016 is within the range of HK$0 to HK$1,000,000.

PROSPECTS

According to the International Monetary Fund (IMF), GDP growth rate in the Asia Pacific region are expected to hold steady in 2017, 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. Recently the IMF has upgraded its growth forecast for the Chinese economy for the year 2017 to 6.5 percent, and 2017 is considered to be a more challenging year for our Group as compared to the situation in 2016.

World crude steel production for the 67 countries reporting to the worldsteel was 136.5 Mt in January 2017, a 7.0% increase compared to January 2016; and 126.6 Mt in February 2017, a 4.1% increase compared to February 2016. Overcapacity of steel is a worldwide industry problem and efforts by Chinese government and enterprises to restructure the steel industry and reduce excess capacity in China have made headways. The Commerce Ministry of China has commented that the steel mills in China are battling losses and overcapacity, and Chinese steelmakers are not engaged in dumping of surplus goods into the European Union (EU). China is both the world's largest steel producer and consumer. The BMI Research forecast has said that a domestic demand in China will narrow the global steel market surplus to 3.2 Mt in 2017 from 10.9 Mt in 2016. And a recent report by BMI Research has also commented that China will produce 825 Mt of crude steel in 2017, a 0.5 % increase from 2016; and will consume 87% of this production.

Our subsidiary engaged in steel flow control product manufacturing will closely monitor the industrywide policies and their impacts in market. It will continue applying its leading technologies to meet those 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 our money lending subsidiary has engaged more efforts in advertising and referral business, 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.

The tightening measures in mortgage rates and a supervisory role in banks' credit assessments that the HKMA implemented have provided a significant part of growth for the non-bank moneylenders, whom are less regulated and can benefit from the flexible loan-to-value rates and interest rates. The seamless and efficient approval process of these non-bank moneylenders have attracted a growing number of homebuyers and individual loan borrowers. We notice the latest market trends and understand our competitive threats, plan cautiously and prudentially on our corporate strategy to engage our money lending business in a safe and profitable manner in Hong Kong. To minimize the potential credit and default risks in our mortgage loans and interest receivables, we continued to tighten our credit policy when granting mortgage loans to our customers and to re-balance and adjust our mortgage loan portfolio by providing more first-mortgage loan products to our high net worth customers with sound credit history and quality.

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. It will continue focusing on first-mortgage property loans business and are confident about the future performance of its property mortgage loan portfolio, interest income and profit; and we believe that it will generate promising returns to our shareholders.

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. However, 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, specializing on B2C retailing through the platforms including Amazon and eBay 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 build own warehouses in Middle America, East of United States and UK etc.

In future, this subsidiary will further extend its e-commerce business with sales channels through new platforms like Walmart and Cdiscount and develop more business in the non-English speaking markets, such as Western European countries, Japan and India. Besides, it will continue serving different corporate customers for their IT solution projects.

Bonus Warrant Issue

On 8 December 2015, Sinoref Holdings Limited (the "Company") had issued a circular relating to the Bonus Warrant Issue. 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 and 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 Warrant Issue, 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.

Facing the changing market situations, the Group will continue to implement different prudent and stable operation strategies, based on the solid foundation laid down over the past years. In fact, our efforts and business improvements in recent years been recognized and have attracted various strategic investors for possible investments on our Group that we have made our announcement in May 2016. In the long run, the Group will continue making strategic choices and create commercial synergies among subsidiary businesses to develop their existing and potential growth areas and evaluate suitable investments that help generate more and 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 2016, 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 engagements, two independent non-executive Directors and one of the non-executive Directors could not attend the 2015 annual general meeting held on 10 June 2016; and two independent non-executive Directors could not attend the extraordinary general meeting held on 25 October 2016. However, both at the 2015 annual general meeting and the 2016 extraordinary 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 2016.

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 2016.

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 2016 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
Zhu Min
Chairman

Hong Kong, 31 March 2017

As at the date of this announcement, the executive Directors are Mr. Zhu Min, Mr. Gao Xiang, Mr. Lu Yongchao, Mr. Xu Yejun and Mr. Sin Kwok Wai Ronald; 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.