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25 June 2010

The Directors
Sinoref Holdings Limited
DBS Asia Capital Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") relating to Sinoref Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended 31 December 2009 (the "Relevant Periods") for inclusion in the prospectus of the Company dated 25 June 2010 (the "Prospectus") in connection with the proposed listing of the Company's share on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange").

The Company was incorporated as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 4 February 2010. Pursuant to a corporate reorganisation ("Corporate Reorganisation"), as more fully explained in the section headed "Group reorganisation" in Appendix VI to the Prospectus, the Company became the holding company of the companies comprising the Group on 7 June 2010.

All the companies comprising the Group have adopted 31 December as their financial year end date.

Particulars of the Company's subsidiaries at the date of this report are as follows:

Name of subsidiary	Place and date of incorporation/ establishment	Equity interest attributable to the Company	Issued and fully paid share capital/ registered capital	Principal activities
Sinoref (BVI) Limited	British Virgin Islands ("BVI") 12 January 2010	100%	US$2	Investment holding
Sinoref (Hong Kong) Limited	Hong Kong 17 February 2010	100%	HK$1	Investment holding
華耐國際(宜興)高級陶瓷有限公司 ("Sinoref Yixing")#	People's Republic of China ("PRC") 20 July 2005	100%	RMB47,040,600	Manufacture and sales of advanced steel flow control products

All of the subsidiaries are wholly owned indirectly by the Company except for Sinoref (BVI) Limited which is wholly owned directly by the Company.

Wholly foreign owned enterprise registered in the PRC.

No audited financial statements have been prepared for the Company since its date of incorporation as it has not carried on any business other than the transactions related to the Corporate Reorganisation.

No audited financial statements have been prepared for Sinoref (BVI) Limited since its date of incorporation as there is no statutory requirement in BVI to do so. Deloitte Touche Tohmatsu is the statutory auditor of Sinoref (Hong Kong) Limited since its incorporation. No audited financial statements have been prepared for Sinoref (Hong Kong) Limited since its incorporation as the company has not carried on any business other than the transactions related to the Corporate Reorganisation.

For the purpose of this report, we have, however, reviewed the relevant transactions of the Company, Sinoref (BVI) Limited and Sinoref (Hong Kong) Limited since their respective dates of incorporation and carried out such procedures as we considered necessary for inclusion of the financial information relating to these companies in the Prospectus.

The statutory financial statements of Sinoref Yixing were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises established in the PRC and were audited by 宜興達華會計師事務所有限公司, the certified public accountants registered in the PRC for the Relevant Periods.

For the purpose of this report, the directors of Sinoref Yixing have prepared financial statements for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements"). We have undertaken an independent audit on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 "Prospectus and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information of the Group for the Relevant Periods set out in this report has been prepared from the Underlying Financial Statements on the basis set out in note 1 to the Financial Information, after making such adjustments as we consider appropriate for the purpose of preparing our report for the inclusion in the Prospectus.

The Underlying Financial Statements are the responsibility of the directors of Sinoref Yixing who approved their issue. The Company's directors are responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of presentation set out in note 1 to the Financial Information, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Group as at 31 December 2007, 2008 and 2009, and of the combined results and combined cash flows of the Group for the Relevant Periods.

A. FINANCIAL INFORMATION

COMBINED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 December		
		2007	**2008**	**2009**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	*6*	40,006	67,206	156,896
Cost of sales		(17,739)	(27,815)	(51,508)
Gross profit		22,267	39,391	105,388
Other income	*8*	39	95	72
Selling and distribution costs		(3,915)	(6,654)	(13,109)
Administrative expenses		(4,457)	(5,588)	(6,263)
Other expenses	*9*	–	–	(2,000)
Finance costs	*10*	(529)	(1,062)	(195)
Profit before taxation		13,405	26,182	83,893
Taxation	*13*	–	(1,211)	(13,817)
Profit for the year and total comprehensive income for the year	*14*	13,405	24,971	70,076
Earnings per share				
Basic *(RMB)*	*15*	0.01	0.03	0.08

COMBINED STATEMENTS OF FINANCIAL POSITION

		At 31 December		
		2007	2008	2009
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets				
Property, plant and equipment	*16*	53,120	49,054	45,344
Prepaid land lease payments	*17*	11,036	10,801	10,566
		64,156	59,855	55,910
Current assets				
Inventories	*18*	5,133	6,133	8,604
Trade receivables	*19*	12,573	8,910	46,490
Bills receivable	*20*	200	7,890	12,625
Other receivables and prepayments		680	792	141
Prepaid land lease payments	*17*	235	235	235
Bank balances and cash	*21*	5,793	20,005	65,500
		24,614	43,965	133,595
Current liabilities				
Trade payables	*22*	426	525	1,602
Other payables and accruals	*23*	10,460	3,193	16,028
Amount due to a director	*24*	10,000	–	–
Amounts due to related companies	*25*	7,208	–	–
Secured bank borrowings				
– due within one year	*26*	9,000	9,000	–
Discounted bills with recourse	*20*	–	6,390	9,012
Tax liabilities		–	–	4,995
		37,094	19,108	31,637
Net current (liabilities) assets		(12,480)	24,857	101,958
Total assets less current liabilities		51,676	84,712	157,868
Capital and reserves				
Paid-in capital	*27*	40,187	47,041	47,041
Reserves		11,489	36,460	106,536
Net assets attributable to owners of the Company		51,676	83,501	153,577
Non-current liability				
Deferred taxation	*28*	–	1,211	4,291
		51,676	84,712	157,868

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Paid-in capital *RMB'000*	Statutory reserves *RMB'000* *(Note)*	(Accumulated loss) retained profits *RMB'000*	Total *RMB'000*
At 1 January 2007	32,627	–	(1,916)	30,711
Increase of registered capital of Sinoref Yixing	7,560	–	–	7,560
Profit for the year representing total comprehensive income for the year	–	–	13,405	13,405
Transfer to statutory reserves	–	1,174	(1,174)	–
At 31 December 2007	40,187	1,174	10,315	51,676
Increase of registered capital of Sinoref Yixing	6,854	–	–	6,854
Profit for the year representing total comprehensive income for the year	–	–	24,971	24,971
Transfer to statutory reserves	–	2,691	(2,691)	–
At 31 December 2008	47,041	3,865	32,595	83,501
Profit for the year representing total comprehensive income for the year	–	–	70,076	70,076
Transfer to statutory reserves	–	6,844	(6,844)	–
At 31 December 2009	47,041	10,709	95,827	153,577

Note:

In accordance with the relevant laws and regulations of the PRC, Sinoref Yixing is required to provide for PRC statutory reserves, including enterprise expansion fund and general reserve fund, by way of appropriations from its statutory net profit (based on the subsidiary's PRC statutory financial statements) but before dividend distributions.

All appropriations to the funds are made at the discretion of Sinoref Yixing's board of directors. The board of directors shall decide on the amounts to be appropriated based on its profitability each year.

The enterprise expansion fund may be used to increase registered capital subject to approval from the relevant PRC authorities. The general reserves fund may be used to offset accumulated losses or increase the registered capital subject to approval from the relevant PRC authorities.

COMBINED STATEMENTS OF CASH FLOWS

	Year ended 31 December		
	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*
OPERATING ACTIVITIES			
Profit before taxation	13,405	26,182	83,893
Adjustments for:			
Interest income	(39)	(51)	(72)
Interest expense	529	1,062	195
Gain on disposal of property, plant and equipment	–	(16)	–
Depreciation of property, plant and equipment	4,226	4,503	4,591
Release of prepaid land lease payments	235	235	235
Operating cash flows before movements in working capital	18,356	31,915	88,842
Increase in inventories	(3,689)	(1,000)	(2,471)
(Increase) decrease in trade receivables	(12,573)	3,663	(37,580)
Increase in bills receivable	(200)	(7,690)	(4,735)
Decrease (increase) in other receivables and prepayments	596	(112)	651
Increase in trade payables	371	99	1,077
Increase (decrease) in other payables and accruals	4,058	(1,719)	13,558
Net cash generated from operations	6,919	25,156	59,342
PRC income tax paid	–	–	(5,742)
NET CASH FROM OPERATING ACTIVITIES	6,919	25,156	53,600
INVESTING ACTIVITIES			
Interest received	39	51	72
Purchase of property, plant and equipment	(18,737)	(6,101)	(1,604)
Proceeds on disposal of property, plant and equipment	–	132	–
NET CASH USED IN INVESTING ACTIVITIES	(18,698)	(5,918)	(1,532)
FINANCING ACTIVITIES			
Interest paid	(529)	(1,062)	(195)
Repayment to a director	–	(10,000)	–
Advances from (repayments to) related companies	7,208	(7,208)	–
New bank borrowings raised	12,000	9,000	–
Repayment of bank borrowings	(9,000)	(9,000)	(9,000)
Additions of discounted bills with recourse	–	6,390	2,622
Capital contributions from shareholders	7,560	6,854	–
NET CASH FROM (USED IN) FINANCING ACTIVITIES	17,239	(5,026)	(6,573)
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,460	14,212	45,495
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	333	5,793	20,005
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH	5,793	20,005	65,500

NOTES TO THE COMBINED FINANCIAL INFORMATION

1. BASIS OF PRESENTATION OF FINANCIAL INFORMATION

Sinoref Yixing was established on 20 July 2005. It was 95% owned by Sinoref International Limited, a limited company incorporated in the BVI and 5% owned by Sino Super (Hong Kong) Limited, a limited company incorporated in Hong Kong prior to the Corporate Reorganisation.

Pursuant to the Corporate Reorganisation as set out in the section headed "Group reorganisation" in the Appendix VI to the Prospectus, 5% equity interest in Sinoref Yixing owned by Sino Super (Hong Kong) Limited was transferred to Sinoref International Limited by shares swap and Sinoref Yixing became a wholly-owned subsidiary of Sinoref International Limited. Thereafter, two new investment holding companies, Sinoref (BVI) Limited and its wholly-owned subsidiary, Sinoref (Hong Kong) Limited were incorporated and interspersed between Sinoref International Limited and Sinoref Yixing. On 4 February 2010, the Company was incorporated by Sinoref International Limited and became its wholly-owned subsidiary. On 7 June 2010, the Company acquired 100% equity interest in Sinoref (BVI) Limited from Sinoref International Limited and in exchange for which the Company allotted and issued, at the direction of Sinoref International Limited, 1,000,000 shares credited as fully paid to the shareholders of Sinoref International Limited in proportion to their respective shareholdings in Sinoref International Limited and the Company becomes the holding company of the Group.

Pursuant to the above Corporate Reorganisation, which was principally completed by establishing the Company, Sinoref (BVI) Limited and Sinoref (Hong Kong) Limited as the parent of Sinoref Yixing, the Company became the holding company of the companies comprising the Group on 7 June 2010. The Group comprising the Company and its subsidiaries resulting from the Corporate Reogranisation is regarded as a continuing entity.

The combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows are prepared as if the current group structure had been in existence throughout the Relevant Periods, or since the respective dates of incorporation/establishment of the relevant entities, where this is a shorter period. The combined statements of financial position as at 31 December 2007, 2008 and 2009 present the assets and liabilities of the companies comprising the Group which had been incorporated/established at the end of each reporting period as if the current group structure had been in existence at those dates.

The Financial Information is presented in Renminbi ("RMB"), the currency of the primary economic environment in which Sinoref Yixing operates.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The HKICPA has issued a number of Hong Kong Accounting Standards ("HKAS(s)"), Hong Kong Financial Reporting Standards ("HKFRS(s)"), amendments and interpretations ("HK(IFRIC) – Int") (hereinafter collectively referred to as the "new HKFRSs") which are effective for the Group's financial year beginning on 1 January 2009. For the purposes of preparing and presenting the Financial Information of the Group for the Relevant Periods, the Group has consistently adopted all these new HKFRSs throughout the Relevant Periods.

At the date of this report, the HKICPA has issued the following new and revised standards, amendments and interpretations that are not yet effective. The Group has not early applied these standards, amendments or interpretations.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKFRSs (Amendments)	Improvements to HKFRSs 2010[3]
HKAS 24 (Revised)	Related Party Disclosures[7]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[5]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[4]
HKFRS 1 (Amendment)	Limited Exemptions from Comparative HKFRS 7 Disclosures for First-time Adopters[6]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[4]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[8]
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[7]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[6]

1 Effective for annual periods beginning on or after 1 July 2009
2 Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate
3 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate
4 Effective for annual periods beginning on or after 1 January 2010
5 Effective for annual periods beginning on or after 1 February 2010
6 Effective for annual periods beginning on or after 1 July 2010
7 Effective for annual periods beginning on or after 1 January 2011
8 Effective for annual periods beginning on or after 1 January 2013

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the combined financial statements of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared under the historical cost basis and in accordance with the accounting policies below which conform with HKFRSs issued by the HKICPA. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

Basis of combination

The combined financial information incorporates the financial statements of companies now comprising the Group.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on combination.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of sales tax.

Revenue from sales of goods are recognised when goods are delivered and title has passed.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

Prepaid land lease payments

The prepaid lease payments represent payment for land use rights, which are initially recognised at cost and released to combined statements of comprehensive income over the lease term on a straight-line basis.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Impairment of tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted-average method.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

Financial instruments

Financial assets and financial liabilities are recognised in the combined statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified as loans and receivables. All regular way purchases or sale of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation as convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, other receivables, bills receivable and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss of financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been affected.

For loans and receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade and bills receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including trade payables, other payables, amounts due to a director and related companies, secured bank borrowings and discounted bills with recourse are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the group entities are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the combined statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods, and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is recognised on differences between the carrying amount of assets and liabilities in the combined financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Retirement benefits costs

Payments to the defined contribution retirement benefits plan are charged as expenses when employees have rendered service entitling them to the contributions.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, which are described in note 3, the management has made various estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates are based on past experience, expectations of the future and other information that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Useful lives of property, plant and equipment

In applying the accounting policy on property, plant and equipment with respect to depreciation, management estimates the useful lives of various categories of property, plant and equipment according to the industrial experiences over the usage of property, plant and equipment and also by reference to the relevant industrial norm. If the actual useful lives of property, plant and equipment is less than the original estimate useful lives due to changes in commercial and technological environment, such difference will impact the depreciation charge for the remaining period.

Estimated allowances for inventories

The management estimates the net realisable value of inventories based primarily on the latest market prices and current market conditions. The Group carries out an inventory review at the end of each reporting period and makes allowance on obsolete and slow moving items to write off or write down inventories to their net realisable values. Where the expectation on the net realisable value is lower than the carrying amount, an impairment may arise.

Estimated impairment of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2007, 2008 and 2009, the carrying amounts of trade receivables are RMB12,573,000, RMB8,910,000 and RMB46,490,000 respectively.

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK DISCLOSURES

Categories of financial instruments

	At 31 December		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Financial assets			
Loans and receivables (including cash and cash equivalents)	18,873	36,877	124,629
Financial liabilities			
Amortised cost	33,036	17,095	11,047

Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, other receivables, bills receivables, bank balances, trade payables, other payables, amounts due to a director and related companies, secured bank borrowings and discounted bills with recourse.

Details of these financial instruments are disclosed in respective notes. The risk associated with these financial instruments and the polices on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

Certain purchase transactions of the Group are denominated in foreign currencies, which expose the Group to foreign currency risk. The Group does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The financial assets and financial liabilities that are denominated in foreign currencies are insignificant at the end of each reporting period, therefore, no sensitivity analysis of foreign currencies against RMB is disclosed.

Interest rate risk

The Group was exposed to fair value interest rate risk at the end of each reporting period in relation to the fixed-rate secured bank borrowings and discounted bills with recourse. The Group's exposure to cash flow interest rate risk in relation to bank balances is considered as insignificant. The Group does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Credit risk

As the end of each reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the combined statements of financial position. The Group has adopted a policy of only dealing with creditworthy counterparties, as a means of mitigating the risk of financial loss from defaults.

Bank balances are placed in various authorised institutions and the directors of the Company consider the credit risk of such authorised institutions is low.

The Group has concentration of credit risk as 25% (2008: 19%; 2009: 10%) and 86% (2008: 62%; 2009: 47%) of the total trade receivables at 31 December 2007, 2008 and 2009 was due from the Group's largest customer and the five largest customers respectively. In order to minimise the concentration risk, the management of the Group has delegated staff responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amount. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

At 31 December 2007, the Group was in net current liabilities position. In 2007 and 2008, the Group relied on advances from a director of the Company and related companies, secured bank borrowings and discounted bills with recourse as significant sources of liquidity. In 2009, the internally generated funds were sufficient to maintain the liquidity of the Group and no advances from a director and related companies and bank borrowings were utilised at 31 December 2009.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate	**Less than 3 months**	**3 months to 1 year**	**Total undiscounted cash flows**	**Total**
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2007					
Trade payables	–	426	–	426	426
Other payables	–	6,402	–	6,402	6,402
Amount due to a director	–	10,000	–	10,000	10,000
Amounts due to related companies	–	7,208	–	7,208	7,208
Fixed interest rates secured bank borrowings	7.49	168	9,287	9,455	9,000
		24,204	9,287	33,491	33,036
As at 31 December 2008					
Trade payables	–	525	–	525	525
Other payables	–	1,180	–	1,180	1,180
Fixed interest rates secured bank borrowings	7.56	170	9,516	9,686	9,000
Discounted bills with recourse	4.29	4,390	2,000	6,390	6,390
		6,265	11,516	17,781	17,095
As at 31 December 2009					
Trade payables	–	1,602	–	1,602	1,602
Other payables	–	433	–	433	433
Discounted bills with recourse	2.81	6,451	2,561	9,012	9,012
		8,486	2,561	11,047	11,047

Fair values

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost at the end of each reporting period approximate their fair values.

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes amounts due to a director and related companies, secured bank borrowings and discounted bills with recourse as disclosed in notes 24, 25, 26 and 20 and equity attributable to equity holders of the Company, comprising issued capital and retained profits.

The management of the Group reviews the capital structure on a continuous basis taking into account the cost of capital and the risk associated with the capital. The Group will balance its overall capital structure through payment of dividend, issuance of new shares as well as the raising of new debts or the repayment of existing debt.

The Group's overall strategy remains unchanged during the Relevant Periods.

6. REVENUE

Revenue represents the net amounts received and receivable for goods sold less returns and discounts in the normal course of business.

7. OPERATING SEGMENTS

HKFRS 8 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 board of directors) in order to allocate resources to the segment and to assess its performance.

For management purpose, the Group operates in one business unit based on their products, and has one reportable operating segment: manufacture and sales of advanced steel flow control products. The board of directors monitors the revenue of its business unit as a whole based on the monthly sales and delivery reports for the purpose of making decisions about resource allocation and performance assessment.

Information about products

The revenue of the major products is analysed as follows:

	Year ended 31 December		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Manufacture and sales of advanced steel flow control products:			
Subentry Nozzle	16,329	28,307	69,026
Stopper	11,607	19,042	45,700
Tundish Nozzle	6,318	14,146	32,992
Ladle Shroud	5,752	5,711	9,178
	40,006	67,206	156,896

Information about geographical areas

As all the Group's revenue is derived from customers based in the PRC and all the Group's identifiable assets and liabilities are located in the PRC, no geographical segment information is presented.

Information about major customers

Revenues from customers for the three years ended 31 December 2009 contributing over 10% of the total sales of the Group are as follows:

	Year ended 31 December		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Customer A	14,573	11,292	19,261
Customer B	12,202	9,133	N/A*
Customer C	5,394	9,048	N/A*
Customer D	4,119	N/A*	N/A*
Customer E	N/A*	11,119	N/A*
Customer F	N/A*	9,265	17,688

* The corresponding revenue did not contribute over 10% of the total sales of the Group.

Four types of products were sold to each of the customers A, B, C, E and F while only Ladle Shroud, Stopper and Subentry Nozzle were sold to customer D.

8. OTHER INCOME

	Year ended 31 December		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Other income comprises:			
Bank interest income	39	51	72
Exchange gains	–	28	–
Gain on disposal of property, plant and equipment	–	16	–
	39	95	72

9. OTHER EXPENSES

The amount represents professional fees and other expenses related to the listing of shares of the Company. Pursuant to HKAS 32 Financial Instruments: Presentation, the transaction costs of an equity transaction are accounted for as a deduction from equity to the extent they are directly attributable to the issuing of new shares. The remaining costs are recognised as an expense when incurred.

10. FINANCE COSTS

They represented the interests on bank borrowings and discounted bills with recourse wholly repayable within five years.

11. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the director during the Relevant Periods were as follows:

	Xu Ye Jun *RMB'000*	Gao Zhi Long *RMB'000*	Zhang Lan Yin *RMB'000*	Gu Ao Xing *RMB'000*	Total *RMB'000*
For the year ended 31 December 2007					
Fees	–	–	–	–	–
Salaries and allowances	97	–	500	26	623
Contributions to retirement benefits scheme	1	–	–	1	2
Total emoluments	98	–	500	27	625

	Xu Ye Jun *RMB'000*	Gao Zhi Long *RMB'000*	Zhang Lan Yin *RMB'000*	Gu Ao Xing *RMB'000*	Total *RMB'000*
For the year ended 31 December 2008					
Fees	–	–	–	–	–
Salaries and allowances	98	–	500	62	660
Contributions to retirement benefits scheme	3	–	–	3	6
Total emoluments	101	–	500	65	666

	Xu Ye Jun *RMB'000*	Gao Zhi Long *RMB'000*	Zhang Lan Yin *RMB'000*	Gu Ao Xing *RMB'000*	Total *RMB'000*
For the year ended 31 December 2009					
Fees	–	–	–	–	–
Salaries and allowances	198	–	500	62	760
Contributions to retirement benefits scheme	3	–	–	3	6
Total emoluments	201	–	500	65	766

None of the directors waived any emoluments during the Relevant Periods.

12. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, one, one and two were directors of the Company for the years ended 31 December 2007, 2008 and 2009 respectively, details of whose emolument are included in the disclosures above. The emoluments of the remaining individuals were as follows:

	Year ended 31 December		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Salaries and allowances	727	725	452
Contributions to retirement benefits scheme	52	65	31
	779	790	483

The emoluments of the four, four and three highest paid individuals (other than the director) for the years ended 31 December 2007, 2008 and 2009 were less than RMB880,000 (equivalent to HK$1,000,000).

During the Relevant Periods, no emolument was paid by the Group to any of the directors or the five individuals with the highest emoluments in the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

13. TAXATION

	Year ended 31 December		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Current taxation:			
PRC Enterprise Income Tax	–	–	10,737
Deferred taxation *(note 28)*:			
Current year	–	1,211	3,080
	–	1,211	13,817

Provision for the PRC Enterprise Income Tax for the Relevant Periods was made based on the estimated taxable profits calculated in accordance with the relevant income tax laws and regulations applicable to Sinoref Yixing.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New EIT Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New EIT Law (the "Implementation Regulations"). The New EIT Law and the Implementation Regulations unify the Enterprise Income Tax rate for domestic and foreign enterprises at 25% from 1 January 2008.

Pursuant to an approval document issued by the State Tax Bureau of Yixing District dated 1 March 2010, Sinoref Yixing was entitled to the exemption from the PRC Enterprise Income Tax for the first two years commencing from the first profit-making year of operations, after offsetting all unexpired tax losses from previous years, and thereafter to a 50% relief from the PRC Enterprise Income Tax for the following three years. As a result, Sinoref Yixing was exempt from the PRC Enterprise Income Tax for the years ended 31 December 2007 and 2008 and was subject to the PRC Enterprise Income Tax rate of 12.5% for the year ended 31 December 2009.

According to a joint circular of the Ministry of Finance and State Administration of Taxation – (Cai Shui [2008] No. 1), distributions of the pre-2008 retained profits of a foreign invested enterprise to a foreign investor in 2008 or after are exempted from PRC withholding tax. Accordingly, the retained profits as at 31 December 2007 in Sinoref Yixing will not be subject to PRC withholding tax in future distributions. Dividend distributed out of the profits generated since 1 January 2008 shall be subject to the PRC withholding tax which is withheld by the PRC entity. Deferred tax expense of RMB1,211,000 and RMB3,080,000 charged on the undistributed earnings of Sinoref Yixing has been recognised in the combined statements of comprehensive income for the years ended 31 December 2008 and 2009 respectively.

The taxation for the year can be reconciled to the profit before taxation per the combined statements of comprehensive income as follows:

	Year ended 31 December		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Profit before taxation	13,405	26,182	83,893
Tax at the PRC Enterprise Income Tax rate of 33% (2008 and 2009: 25%)	4,424	6,546	20,973
Tax effect of expenses non-deductible for tax purpose	–	–	500
Tax effect attributable to tax exemptions and concessions granted to Sinoref Yixing	(4,424)	(6,546)	(10,736)
Deferred tax on undistributed earnings of Sinoref Yixing	–	1,211	3,080
Taxation for the year	–	1,211	13,817

14. PROFIT FOR THE YEAR

	Year ended 31 December		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Profit for the year has been arrived at after charging:			
Auditor's remuneration	10	8	10
Cost of inventories recognised as an expense	17,705	27,738	51,339
Depreciation of property, plant and equipment	4,226	4,503	4,591
Release of prepaid lease payments	235	235	235
Staff costs (including directors' emoluments)			
– Salaries and other benefits	5,873	9,390	15,315
– Contributions to retirement benefits scheme	169	287	339
	6,042	9,677	15,654

15. EARNINGS PER SHARE

The calculations of the basic earnings per share for the Relevant Periods are based on the profit for the Relevant Periods and on the assumption that 900,000,000 ordinary shares were in issue throughout the Relevant Periods comprising 2,000,000 ordinary shares in issue as at the date of the Prospectus and 898,000,000 ordinary shares to be issued pursuant to the capitalisation issue as detailed in the paragraph headed "Resolutions in writing of all Shareholders passed on 7 June 2010" in Appendix VI to the Prospectus.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Furniture and fixtures and office equipment	Plant, machinery and equipment	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
COST					
At 1 January 2007	17,384	578	34,186	–	52,148
Additions	1,877	250	1,872	1,199	5,198
At 31 December 2007	19,261	828	36,058	1,199	57,346
Additions	4	71	381	97	553
Disposals	–	–	(132)	–	(132)
At 31 December 2008	19,265	899	36,307	1,296	57,767
Additions	274	71	358	178	881
At 31 December 2009	19,539	970	36,665	1,474	58,648
DEPRECIATION					
Provided for the year and at 31 December 2007	820	133	3,172	101	4,226
Provided for the year	862	155	3,263	223	4,503
Eliminated on disposals	–	–	(16)	–	(16)
At 31 December 2008	1,682	288	6,419	324	8,713
Provided for the year	908	168	3,279	236	4,591
At 31 December 2009	2,590	456	9,698	560	13,304
CARRYING VALUES					
At 31 December 2007	18,441	695	32,886	1,098	53,120
At 31 December 2008	17,583	611	29,888	972	49,054
At 31 December 2009	16,949	514	26,967	914	45,344

The above items of property, plant and equipment are depreciated using the straight-line method and after taking into account of their estimated residual value, at the following rates per annum:

Buildings	4.5%-18%
Furniture and fixtures and office equipment	18%
Plant, machinery and equipment	9%
Motor vehicles	18%

17. PREPAID LAND LEASE PAYMENTS

The Group's prepaid lease payments represent leasehold land in the PRC under medium term leases and are charged to combined statements of comprehensive income over the lease term of 50 years from January 2006.

	At 31 December		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Prepaid land lease payments of the Group are analysed for reporting purposes as:			
Non-current asset	11,036	10,801	10,566
Current asset	235	235	235
	11,271	11,036	10,801

The Group has pledged its leasehold land with a carrying value of RMB11,271,000, RMB11,036,000 and RMB10,801,000 at 31 December 2007, 2008 and 2009 respectively to secure general banking facilities granted to the Group. As at 31 December 2007, 2008 and 2009, the Group has utilised the banking facilities amounted to RMB9,000,000, RMB9,000,000 and Nil respectively.

18. INVENTORIES

	At 31 December		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	3,103	4,513	3,447
Work-in-progress	1,321	1,355	2,345
Finished goods	709	265	2,812
	5,133	6,133	8,604

19. TRADE RECEIVABLES

The credit period granted by the Group to certain customers is within 90 days, while other customers are due immediately when goods are delivered. An aged analysis of the Group's trade receivables (by goods delivery date) at the end of the reporting period is as follows:

	At 31 December		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
0 – 30 days	3,822	3,130	16,500
31 – 60 days	4,859	2,317	21,895
61 – 90 days	2,681	2,702	7,995
91 – 120 days	1,211	761	100
	12,573	8,910	46,490

Included in the Group's trade receivable balances are debtors with aggregate carrying amount of RMB10,806,000, RMB7,342,000 and RMB38,358,000 at 31 December 2007, 2008 and 2009 respectively, which are past due as at the end of each reporting period for which the Group has not provided for impairment loss.

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

	At 31 December		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
0 – 30 days	3,426	2,626	13,676
31 – 60 days	3,488	1,593	17,536
61 – 90 days	2,681	2,362	7,046
91 – 120 days	1,211	761	100
	10,806	7,342	38,358

The Group has not provided for the 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. The Group does not hold any collateral over these balances.

In determining the recoverability of the trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the end of each reporting period. In addition, the Group reviews the recoverable amount of each individual trade receivable at the end of each reporting period and considers to make impairment losses for irrecoverable amount, if necessary.

All the trade receivables are denominated in RMB.

20. BILLS RECEIVABLE/DISCOUNTED BILLS WITH RECOURSE

The aged analysis of bills receivable at the end of each reporting period are analysed as follows:

	At 31 December		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Within 90 days	200	5,540	9,864
91 – 120 days	–	1,350	2,261
121 – 180 days	–	1,000	500
	200	7,890	12,625

At 31 December 2008 and 2009, the carrying values of bills receivable include bills discounted with recourse amounted to RMB6,390,000 and RMB9,012,000 respectively continue to be recognised as assets in the combined financial statements as the Group still exposes to credit risk on these receivables at the end of each reporting period. Accordingly, the cash received from discounted bills are recognised as current liabilities in the combined statements of financial position.

All the bills receivable and discounted bills with recourse are denominated in RMB. The discounted bills with recourse carried interest at average rates of 4.29% and 2.81% at 31 December 2008 and 2009 respectively.

The maturity dates of bills discounted with recourse are less than six months at 31 December 2008 and 2009.

21. BANK BALANCES AND CASH

Bank balances carried interest at average interest rates of 0.72%, 0.36% and 0.36% per annum at 31 December 2007, 2008 and 2009 respectively.

22. TRADE PAYABLES

The credit period granted by the suppliers to the Group is within 30 days. An aged analysis of the Group's trade payables (by goods receipt day) at the end of each reporting period is as follows:

	At 31 December		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
0 – 30 days	156	285	1,426
31 – 60 days	27	2	40
61 – 90 days	201	36	59
Over 90 days	42	202	77
	426	525	1,602

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

23. OTHER PAYABLES AND ACCRUALS

	At 31 December		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Other payables	39	365	341
Payables for acquisition of property, plant and equipment	6,363	815	92
Accrued sales commission	2,320	–	6,450
Accrued professional fees	–	–	2,000
Accrued staff costs	205	815	1,201
Other tax payables	1,533	1,198	5,944
	10,460	3,193	16,028

24. AMOUNT DUE TO A DIRECTOR

The amount due to a director of the Company, Mr. Xu Ye Jun ("Mr. Xu") outstanding at 31 December 2007 was unsecured, interest-free and repayable on demand. The balance was fully repaid in 2008.

25. AMOUNTS DUE TO RELATED COMPANIES

The amounts due to related companies, 宜興市泰科耐火材料有限公司 and 宜興市宏興房地產開發有限公司 outstanding at 31 December 2007 were unsecured, interest-free and repayable on demand. The balances were fully repaid in 2008. The beneficial owners of the related companies were the former shareholders of Sinoref International Limited, the then holding company of Sinoref Yixing.

26. SECURED BANK BORROWINGS

The secured bank borrowings at 31 December 2007 and 2008 were due within one year and denominated in RMB. The bank borrowings were fully repaid in 2009.

At 31 December 2007, Mr. Xu and his spouse and a company in which Mr. Xu's brother has beneficial interest jointly provided guarantees to the bank to secure the credit facilities granted to Sinoref Yixing. At 31 December 2008, Mr. Xu and his spouse and an independent third party of the Group jointly provided guarantees to the bank to secure the credit facilities granted to Sinoref Yixing.

The bank borrowings at 31 December 2007 and 2008 were secured by leasehold land of the Group. The guarantees and the pledge of leasehold land in respect of the bank borrowings have been released upon the full repayment of bank borrowings in January 2009.

In January 2009, another loan facility of RMB8,000,000 is provided by a bank to Sinoref Yixing. At 31 December 2009, the Group has not drawn down the loan facility which will be expired in December 2010. The loan facility is secured by the leasehold land of the Group.

Details of the leasehold land of the Group were set out in note 17.

All the bank borrowings are fixed-rate borrowings. The range of effective interest rates on the Group's interest bearing borrowings is as follows:

At 31 December		
2007	**2008**	**2009**
7.23% – 8.02% per annum	6.99% – 7.84% per annum	–

27. PAID-IN CAPITAL

For the purpose of the preparation of the combined statements of financial position, the balances of paid-in capital at 31 December 2007, 2008 and 2009 represent the amount of registered capital of Sinoref Yixing.

28. DEFERRED TAXATION

	Undistributed earnings of Sinoref Yixing
	RMB'000
At 1 January 2007 and 31 December 2007	–
Charge for the year	1,211
At 31 December 2008	1,211
Charge for the year	3,080
At 31 December 2009	4,291

29. RETIREMENT BENEFITS SCHEMES

The employees of the Company's subsidiary established in the PRC are members of state-managed retirement benefits scheme operated by the PRC government. The subsidiary is required to contribute a specific percentage of its payroll costs to the retirement benefits scheme. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions.

During the Relevant Periods, the total amounts contributed by the Group to the schemes and cost charged to the combined statements of comprehensive income represents contributions payable to the schemes by the Group at rates specified in the rules of the schemes.

30. RELATED PARTY TRANSACTIONS

Other than disclosed in notes 24, 25 and 26, there were no other significant related party transactions during the Relevant Periods.

Compensation of key management personnel

The remuneration of members of key management including directors of the Company during the year ended 31 December 2007, 2008 and 2009 was as follows:

	Year ended 31 December		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Short-term benefits	911	1,142	1,272
Contributions to retirement benefit scheme	26	40	41
	937	1,182	1,313

B. DIRECTORS' REMUNERATION

Under the arrangement currently in force, the aggregate amount of remunerations of the directors of the Company payable for the year ending 31 December 2010 is estimated to be approximately RMB1,500,000.

C. SUBSEQUENT EVENTS

The following transactions took place subsequent to 31 December 2009:

(a) On 7 June 2010, the companies comprising the Group underwent and completed a reorganisation in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited. Further details of the Corporate Reorganisation are set out in the section headed "Group reorganisation" in Appendix VI to the Prospectus.

(b) On 7 June 2010, written resolutions of all the shareholders of the Company were passed to approve the matters set out in the paragraph headed "Resolutions in writing of all Shareholders passed on 7 June 2010" in Appendix VI to the Prospectus.

Save as aforesaid, no other significant events took place subsequent to 31 December 2009.

D. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company or any of its subsidiaries have been prepared in respect of any period subsequent to 31 December 2009.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong