SINOREF

SINOREF HOLDINGS LIMITED
華耐控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1020)

ANNUAL RESULTS

The board (the "Board") of directors (the "Directors") of Sinoref Holdings Limited (the "Company" or "Sinoref") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2014, 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 2014

	NOTES	**2014** **RMB'000**	2013 RMB'000
Revenue	*4*	**240,916**	186,436
Cost of sales		**(267,004)**	(161,891)
Gross (loss) profit		**(26,088)**	24,545
Interest income on bank deposits		**835**	1,300
Impairment loss recognised in respect of trade receivables		**(30,623)**	–
Impairment loss recognised in respect of property, plant and equipment		**(24,269)**	(29,131)
Selling and distribution costs		**(27,484)**	(20,608)
Administrative expenses		**(25,591)**	(17,175)
Other expenses		**(47,306)**	(15,671)
Finance costs		**(1,050)**	–
Loss before taxation	*5*	**(181,576)**	(56,740)
Taxation	*6*	**7,874**	(36)
Loss and total comprehensive expense for the year attributable to owners of the Company		**(173,702)**	(56,776)
Loss per share	*8*		
Basic and diluted		**(RMB11.55 cents)**	(RMB4.73 cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	NOTES	**2014** **RMB'000**	2013 *RMB'000*
Non-current assets			
Property, plant and equipment		**75,136**	73,475
Goodwill	*9*	**6,542**	–
Other intangible assets	*10*	**12,050**	–
Deposit paid for acquisition of a subsidiary	*11*	**55,125**	–
Prepaid lease payments		**15,560**	9,628
		164,413	83,103
Current assets			
Inventories		**39,900**	22,939
Trade receivables	*12*	**257,465**	172,365
Bills receivables	*13*	**42,708**	32,854
Other receivables, deposits and prepayments		**19,098**	2,254
Prepaid lease payments		**391**	235
Tax recoverable		**2,963**	2,681
Restricted bank deposits		**1,869**	–
Bank balances and cash		**102,678**	312,322
		467,072	545,650
Current liabilities			
Trade and bills payables	*14*	**46,342**	28,712
Other payables and accruals		**22,854**	17,456
Tax liabilities		**5,528**	5,528
Bank borrowing	*15*	**20,000**	–
		94,724	51,696
Net current assets		**372,348**	493,954
Total assets less current liabilities		**536,761**	577,057
Non-current liability			
Deferred tax liabilities		**10,213**	13,720
		526,548	563,337
Capital and reserves			
Share capital	*16*	**133,169**	104,201
Reserves		**393,379**	459,136
Total equity		**526,548**	563,337

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, manufacture and sale of advanced steel flow control products and manufacture and sale of paper converting equipment and other relating equipment.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS(s)") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules ("Listing Rules") Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

3. APPLICATION OF NEW AND REVISED HKFRSs

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities
Amendments to HKAS 32	Offsetting financial assets and financial liabilities
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting
HK(IFRIC) – INT 21	Levies

The application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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 14	Regulatory deferral accounts[2]
HKFRS 15	Revenue from contracts with customers[3]
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations[5]
Amendments to HKAS 1	Disclosure initiative[5]
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation[5]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants[5]
Amendments to HKAS 19	Defined benefit plans: Employee contributions[4]
Amendments to HKAS 27	Equity method in separate financial statements[5]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[5]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception[5]
Amendments to HKFRSs	Annual improvements to HKFRSs 2010-2012 cycle[6]
Amendments to HKFRSs	Annual improvements to HKFRSs 2011-2013 cycle[4]
Amendments to HKFRSs	Annual improvements to HKFRSs 2012-2014 cycle[5]

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

2 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with earlier application permitted.

3 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

4 Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

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

6 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted.

The Directors anticipate that the application of these new and revised HKFRSs, amendments or interpretations will have no material impact on the consolidated financial statements of the Group.

4. OPERATING SEGMENTS

HKFRS 8 "Operating segments" requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the executive directors) ("CODM") in order to allocate resources to segments and to assess their performance.

The Group's operating activities are attributable to two operating segments focusing on i) the manufacture and sale of advanced steel flow control products; and ii) the manufacture and sale of paper converting equipment and other relating equipment, which is arisen from the acquisition of Accurate Trade International Limited and its subsidiaries ("Accura Group") as set out in note 17. 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 2014

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

For the year ended 31 December 2013

	Manufacture and sale of advanced steel flow control products *RMB'000*	Manufacture and sale of paper converting equipment and other relating equipment *RMB'000*	Consolidated *RMB'000*
Revenue	186,436	–	186,436
Gross profit	24,545	–	24,545
Segment loss	(50,108)	–	(50,108)
Unallocated corporate income			–
Staff costs (including retirement benefit scheme contributions)			(2,072)
Operating lease rentals			(844)
Unallocated corporate expenses			(3,716)
Loss before taxation			(56,740)

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

Segment assets and liabilities

For the year ended 31 December 2014

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

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

For the year ended 31 December 2013

	Manufacture and sale of advanced steel flow control products *RMB'000*	Manufacture and sale of paper converting equipment and other relating equipment *RMB'000*	Consolidated *RMB'000*
ASSETS			
Segment assets	615,793	–	615,793
Unallocated corporate assets			12,960
Consolidated total assets			628,753
LIABILITIES			
Segment liabilities	58,265	–	58,265
Unallocated corporate liabilities			7,151
Consolidated total liabilities			65,416

	Manufacture and sale of advanced steel flow control products *HK$'000*	Manufacture and sale of paper converting equipment and other relating equipment *HK$'000*	Others *HK$'000*	Consolidated *HK$'000*
Other segment information				
Amounts included in the measure of segment profit or loss or segment assets:				
Addition to non-current assets	3,592	–	–	3,592
Depreciation of property, plant and equipment	12,581	–	9	12,590
Impairment loss recognised in respect of property, plant and equipment	29,131	–	–	29,131
Amortisation of prepaid lease payments	234	–	–	234
Research and development costs	14,007	–	–	14,007

Information about geographical areas

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

	For the year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
The People Republic of China ("PRC") (country of domicile)	**204,163**	160,489
Europe	**32,733**	25,941
Asia (other than the PRC)	**4,020**	6
	240,916	186,436

Over 60% of the Group's non-current assets are located in the PRC.

Information about major customers

Revenue from a customer generated from the manufacture and sale of advanced steel flow control products amounting to RMB28,529,000 (2013: RMB24,565,000) individually represents more than 10% of the Group's revenue.

5. LOSS BEFORE TAXATION

	2014	2013
	RMB'000	*RMB'000*
Loss before taxation has been arrived at after charging (crediting):		
Auditor's remuneration	**614**	1,031
Allowance for inventories (included in cost of sales)	**946**	–
Amortisation of prepaid lease payments	**352**	234
Amortisation of other intangible assets	**919**	–
Cost of inventories recognised as an expense	**264,217**	158,836
Depreciation of property, plant and equipment	**12,345**	12,590
Minimum lease payments in respect of office premises	**662**	839
Minimum lease payments in respect of an office equipment	**3**	5
Loss on disposal of property, plant and equipment	**23**	–
Net exchange loss	**1,931**	253
Research and development costs (included in other expenses)	**32,656**	14,007
Staff costs (including directors' emoluments)		
– Salaries and other benefits	**36,663**	29,584
– Retirement benefit scheme contributions	**1,441**	1,189
– Share-based payments (included in administrative expenses)	**–**	384
	38,104	31,157
Less: Staff costs included in research and development costs	**(2,203)**	(853)
	35,901	30,304

6. TAXATION

	2014 *RMB'000*	2013 *RMB'000*
Current tax:		
PRC Enterprise Income Tax	**–**	–
(Over) underprovision in prior years	**(282)**	36
Deferred tax:		
Current year	**(7,592)**	–
	(7,874)	36

Provision for the PRC Enterprise Income Tax was made based on the estimated taxable profits calculated in accordance with the relevant income tax laws and regulations applicable to the Company's PRC subsidiaries.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

On 6 August 2012, one of the PRC subsidiaries obtained a Hi-tech certificate which is valid for three years. According to GuoShuiHan [2009] No.203, entities qualifying for the Hi-tech status could enjoy a PRC Enterprise Income Tax preferential treatment starting from the year of obtaining the Hi-tech certificate. As a result, this PRC subsidiary was subject to a PRC Enterprise Income Tax of 15% for three years commencing from 2012.

According to a joint circular of the Ministry of Finance and State Administration of Taxation – Cai Shui 2008 No. 1, dividend distributed out of the profits of PRC entities generated after 1 January 2008 are subject to PRC Enterprise Income Tax which is withheld by the PRC entity at 5% of the dividend distributed. During the year ended 31 December 2014, deferred tax income of RMB7,334,000 (2013: nil) 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 2014 and 2013, 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:

	2014	2013
	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	**(173,702)**	(56,776)

	Number of shares 2014	Number of shares 2013
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**1,503,742**	1,200,000

The calculation of diluted loss per share for each of the two years ended 31 December 2014 had not taken into consideration the assumed exercised of the Company's outstanding share options as it would reduce the loss per share.

9. GOODWILL

	2014	2013
	RMB'000	*RMB'000*
CARRYING VALUE		
At 1 January	**–**	–
Arising on acquisition of subsidiaries (note 17)	**6,542**	–
At 31 December	**6,542**	–

For the purposes of impairment testing, goodwill arising from acquisition of the Accura Group has been allocated to the cash-generating unit ("CGU") operating under the segment "Manufacture and sale of paper converting equipment and other relating equipment". During the year ended 31 December 2014, management of the Group determines that there are no impairment of the CGU containing goodwill.

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

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

10. OTHER INTANGIBLE ASSETS

Other intangible assets included RMB2,236,000 technology know-how and RMB10,733,000 customer relationship which are arisen from acquisition of subsidiaries in note 17. The intangible assets are amortised over their estimated useful life of 10 years using the straight line method. Amortisation of RMB919,000 (2013: nil) had been made during the year ended 31 December 2014.

11. DEPOSIT PAID FOR ACQUISITION OF A SUBSIDIARY

On 3 November 2014, the Company, as purchaser, entered into a conditional sale and purchase agreement (the "Agreement") with Ms. Lam Wai Ha, an independent third party, as vendor, to acquire 90% equity interest in Time Credit Limited at a consideration of RMB110,250,000 (equivalent to HK$140,000,000). Time Credit Limited is engaged in the money lending business in Hong Kong. In the opinion of the Directors, the acquisition will enable the Group to enter into the money lending business and diversify the revenue stream of the Group. RMB55,125,000 (equivalent to HK$70,000,000) of the consideration has been settled by a cash deposit upon signing of the Agreement. RMB29,138,000 (equivalent to HK$37,000,000) of the consideration will be settled in cash on the completion date and the remaining RMB25,988,000 (equivalent to HK$33,000,000) of the consideration will be settled by issuing of promissory note by the Company in favour of Ms. Lam Wai Ha on the completion date. Upon completion of the acquisition, Time Credit Limited will become a non-wholly owned subsidiary of the Company. As at the date of the issuance of this announcement, the acquisition has not been completed subject to fulfillment of certain terms and conditions. Accordingly, the financial impact of the above transaction to the Group is not disclosed. The details of the acquisition were disclosed in the announcement of the Company dated 3 November 2014.

12. TRADE RECEIVABLES

The credit period granted by the Group to certain customers is within 180 days (2013: 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:

	2014	2013
	RMB'000	*RMB'000*
0 – 30 days	**23,189**	18,802
31 – 60 days	**22,561**	16,124
61 – 90 days	**25,486**	19,021
91 – 120 days	**26,417**	16,301
121 – 180 days	**36,587**	24,106
181 days to within 1 year	**89,811**	66,747
Over 1 year	**33,414**	11,264
	257,465	172,365

13. BILLS RECEIVABLES

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

	2014 *RMB'000*	2013 *RMB'000*
0 – 90 days	**2,513**	–
91 – 120 days	**–**	–
121 – 180 days	**1,204**	408
Over 180 days	**38,991**	32,446
	42,708	32,854

At 31 December 2014, the carrying value of bills receivables include bills endorsed to suppliers on a full recourse basis that are not yet due amounting to RMB23,814,000 (2013: RMB17,822,000). 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.

	2014 *RMB'000*	2013 *RMB'000*
Bills receivables endorsed to suppliers with full recourse:		
Carrying amount of transferred assets	**23,814**	17,822
Carrying amount of associated liabilities	**(23,814)**	(17,822)
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.

14. TRADE AND BILLS PAYABLES

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

	2014 *RMB'000*	2013 *RMB'000*
0 – 30 days	**19,117**	11,198
31 – 60 days	**7,166**	6,160
61 – 90 days	**6,636**	2,337
Over 90 days	**13,423**	9,017
	46,342	28,712

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

At 31 December 2014, included in the trade payables was RMB23,814,000 (2013: RMB17,822,000) 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. BANK BORROWING

For the year ended 31 December 2014, the Group obtained a new bank loan amounting to RMB20,000,000 (2013: nil). The loan carries a fixed interest at 6.9% per annum and is repayable within one year from the end of the reporting period.

The bank borrowing is secured by the Group's leasehold land and building with a net carrying value of RMB6,323,000 and RMB25,977,000 respectively at the end of the reporting period.

16. SHARE CAPITAL

	Number of shares at HK$0.10 per share *'000*	Amount *HK$'000*
Authorised:		
At 1 January 2013, 31 December 2013, 1 January 2014 and 31 December 2014	3,000,000	300,000
Issued and fully paid:		
At 1 January 2013, 31 December 2013 and 1 January 2014	1,200,000	120,000
Issue of shares on 20 January 2014 *(note a)*	200,000	20,000
Exercise of share options *(note b)*	2,400	240
Issue of shares on 16 April 2014 *(note c)*	92,052	9,205
Issue of shares on 7 July 2014 *(note d)*	110,000	11,000
Repurchase of ordinary shares *(note e)*	(38,224)	(3,822)
At 31 December 2014	1,566,228	156,623

Shown in the consolidated financial statements

At 31 December 2013	RMB'000 equivalent	104,201
At 31 December 2014	RMB'000 equivalent	133,169

Notes:

(a) On 20 January 2014, pursuant to the placing and subscription agreement dated 10 January 2014, 200,000,000 ordinary shares of HK$0.10 each were allotted and issued at the price of HK$0.38 per share.

(b) On 21 January 2014, 2,400,000 shares of HK$0.10 each were issued at HK$0.476 per share upon exercise of share options under the share option scheme.

(c) On 16 April 2014, 92,052,000 ordinary shares of HK$0.10 each were allotted and issued at HK$0.59 per share upon the acquisition of Accura Group as stated in note 17.

(d) On 7 July 2014, pursuant to the placing and subscription agreement dated 25 June 2014, 110,000,000 ordinary shares of HK$0.10 each were allotted and issued at the price of HK$0.57 per share.

(e) On 23 October 2014, 38,224,000 ordinary shares of HK$0.10 each were repurchased and cancelled at the average price of HK$0.50 per share.

17. ACQUISITION OF SUBSIDIARIES

On 7 March 2014, the Company, as purchaser, entered into a sale and purchase agreement (the "Acquisition Agreement") with an independent third party, Rainbow Phoenix Holdings Limited, as vendor, to acquire 100% equity interest in Accurate Trade International Limited, an investment holding company whose subsidiaries are principally engaged in the manufacture and sale of paper converting equipment and other relating equipment, at an aggregate consideration of approximately RMB55,000,000 (valued using share price of HK$0.62 per share, being the share price of the Company as at the date of entering into the agreement), subject to profit guarantee and adjustments on consideration as stated below. The acquisition has been completed on 16 April 2014. The purpose of the acquisition is to broaden revenue base and it is the Group's strategy to review from time to time potential business opportunity and investment to enhance the shareholders' value.

Consideration transferred

	RMB'000
Consideration shares issued at fair value *(Note)*	43,139

Note: Based on the Acquisition Agreement dated 7 March 2014, the purchase consideration will be satisfied by the issuance of shares in two tranches (the "Consideration Shares") in the following manner:

(i) The first tranche of Consideration Shares, being 92,052,000 Consideration Shares (the "Tranche A Consideration Shares"), was allotted and issued on the completion date; and

(ii) The second tranche of Consideration Shares, initially being 20,456,000 Consideration Shares (the "Tranche B Consideration Shares"), subject to the profit guarantee of the Accura Group of not less than RMB10,000,000 for the year ending 31 December 2014.

In case that the profit guarantee stated in above point (ii) could not be met, the number of Tranche B Consideration Shares to be issued shall be the following:

(Actual profit of the Accura Group/Profit guarantee) x the initial number of Tranche B Consideration Shares and rounded down to the nearest board lot of the Company at the relevant time.

As at the acquisition date, the Directors were of the opinion that the profit guarantee would be met and that 20,456,000 shares would be issuable under the contingent consideration share arrangement. However, as at 31 December 2014, based on the latest result, the profit guarantee has not been met and the Company will not be required to issue new shares as the Tranche B Consideration Shares.

The fair value of the 92,052,000 Tranche A Consideration Shares was valued using share price of HK$0.59 per share, being the share price of the Company on the date of acquisition.

Acquisition-related costs amounting to RMB767,000 have been excluded from the cost of the acquisition and have been recognised directly as an expense in the year and included in the "administrative expenses" line item in the consolidated statement of profit or loss and other comprehensive income.

The net assets of Accura Group at the date of acquisition are as follows:

	Fair value *RMB'000*
Property, plant and equipment	28,709
Prepaid lease payment	6,440
Other intangible assets	12,969
Inventories	12,263
Trade receivables *(Note)*	2,379
Other receivables	5,524
Bank balances and cash	220
Trade payables	(4,024)
Other payables	(3,798)
Short-term bank borrowing	(20,000)
Deferred tax liabilities	(4,085)
	36,597

The fair value of property, plant and equipment, prepaid lease payment and other intangible assets at the date of acquisition was valued by Assets Appraisals Limited, an independent qualified valuer not connected to the Group, by reference to market evidence of transaction price for similar properties for building and prepaid lease payment, depreciated replacement cost approach for remaining categories of property, plant and equipment and the income approach based on the expected future cash flows generated from the related intangible assets.

Note: The trade receivables acquired with a fair value of RMB2,379,000 at the date of acquisition had gross contractual amounts of RMB3,618,000. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to RMB1,239,000.

	RMB'000
Goodwill arising on acquisition	
Consideration shares issued at fair value	43,139
Less: Fair value of identifiable net assets acquired	(36,597)
Goodwill arising on acquisition	6,542

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

	RMB'000
Net cash inflow arising on acquisition	
Bank balances and cash acquired	220

Impact of acquisition on the results of the Group

During the year ended 31 December 2014, the Accura Group contributed approximately RMB19,004,000 to the Group's revenue and loss of approximately RMB5,077,000 to the Group's results in aggregate for the period from the date of acquisition to 31 December 2014.

If the acquisition of the Accura Group had been completed on 1 January 2014, the Group's revenue for the year ended 31 December 2014 would have been approximately RMB243,668,000 and loss for the year ended 31 December 2014 would have been RMB174,980,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2014, nor is it intended to be a projection of future results.

18. CAPITAL COMMITMENT

	2014	2013
	RMB'000	*RMB'000*
Capital expenditure contracted for but not provided in the consolidated financial statements in respect acquisition of a subsidiary	**55,125**	–

MARKET REVIEW

In 2014, the global economy was in its mild recovery from the turbulent issues of debt crises in the United States of America, European countries and the unrest in the Arab world. The aftermath of all these political and economic crises continued to affect the world economy, leading to a decline in demand for the commodities-based products, a fragile commodities market, sluggish commodity selling prices and volatile financial market. The Chinese economy remained on the path of moderation with the gross domestic product reported at a growth rate at about 7.4%. The growth slowdown in the domestic economy, coupled with overcapacity but inadequate demand, excess inventory, inflation of iron ore prices, and continuing decline in steel price have put enormous pressure on the production and operations of steel manufacturers. As a result, a certain amount of large steel manufacturers were still suffering losses. Even worse, many small industry players were forced to be closed down due to a break in the capital chain.

According to calculations published by the China Iron and Steel Association (CISA), apparent crude steel demand in China fell 3.4 % year on year to approximately 738.3 million tonnes in 2014; and the total production rose 0.9 % to 822.7 million tonnes over the year. The steel output of China in 2014 grew at the slowest rate since 1981. The low growth rate in the output suggests that China's authorities have had some success in efforts to lower production and close polluting plants.

BUSINESS REVIEW

The Group is principally engaged in the manufacture and sale of advanced steel flow control products including subentry nozzle, stopper, tundish nozzle and ladle shroud. The production and operation of steel manufacturers were under tremendous pressure and challenges amidst the deteriorating global market and the fluctuating iron ore prices; that in turn lowered the average selling price of the products and profitability of the Group. Moreover, while the Group incurred higher research and development costs, selling and distribution costs also increased due to higher sales volume. The business and financial performances of the Group for 2014 were therefore negatively affected. Nevertheless, the Group strived to maintain its leading positions in the market for the period under review by solidifying the foothold of its existing steel flow control products business, and at the same time developing new businesses and adopted a diversification strategy to explore opportunities for new sources of income.

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 Group has further consolidated its customer base in the PRC market. During the year ended 31 December 2014, the Group has secured another two strategic important new customers, Shanxi Xinxing Kiln & Furnace Group Co. Ltd. (山西新型爐業集團有限公司) and Zhangjiagang Rongsheng Steel-Making Co., Ltd. (張家港榮盛煉鋼有限公司). Meanwhile, the Group continued to be the key supplier of the top 10 steel manufacturers in the PRC, including Baosteel Group, Shougang Group, Hebei Group and Wuhan Steel. Going forward, we will continue to explore business opportunities with domestic steel manufacturers to drive further business growth.

Expanded Overseas Market

During the year under review, the global economy has seen a moderate recovery which has created more international business opportunities. As a result, the management understands the importance of diversifying its customer base and has devoted substantial efforts to further expand the overseas market. The Group has built up the reputation of the brand “Sinoref” among the steel industry over the years and has successfully gained a good reputation of many of the world’s most renowned steel manufacturers, including: the world’s largest steel and mining company, ArcelorMittal; and the world’s largest manufacturer, processer and distributor of special long steel products, Carboref GmbH; and during the period under review, the Group recorded encouraging results in expanding into overseas markets, with overseas revenue rising from approximately RMB25.9 million in 2013 to approximately RMB32.7 million in 2014. We will strive to enhance our global brand awareness with the view to strengthen the Group’s leading position in the industry.

Enhanced Research and Development

For the year ended 31 December 2014, the Group has attained five new utility patents and one new registered invention patent. This brings the Group’s total to 22 registered patents as at the end of the year. The strong research and development capability is a core competitive edge of Sinoref that has helped the Group become China’s second largest advanced steel flow control product manufacturer just a few years after its founding.

Besides 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 2014, Sinoref’s research and development team has 33 professionals, and the expenses on research and development amounted to approximately RMB32.7 million, representing approximately 13.6% of the Group’s total revenue.

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

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2014, the Group's revenue was approximately RMB240.9 million (2013: RMB186.4 million). The increase in revenue was mainly due to (i) our expansion in overseas market; and (ii) the significant drop in our average selling price to boost our sales. Total sales volume increased by approximately 50.3% to approximately 13,403 tonnes from 8,917 tonnes for the year ended 31 December 2014.

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 64.9% from RMB161.9 million in 2013 to approximately to RMB267.0 million in 2014. The significant increase was mainly attributable to the increase in the sale volume during the year.

Gross (Loss) Profit

Due to the sluggish market demand in the steel industry, the Group experienced a gross loss of approximately RMB26.1 million for the year ended 31 December 2014. For the year ended 31 December 2013, the Group recorded a gross profit of approximately RMB24.5 million with approximately 13.2% gross profit margin. The gross loss was mainly resulted from its significant cut down on our average products price in order to capture the market in the current competitive environment.

Impairment Loss Recognised in Respect of Property, Plant and Equipment

Due to the weakening of steel market in China of continuing decline in steel demand and price, the recoverability of the relevant carrying amounts of the Group's plant and equipment exceeded their recoverable amounts. An impairment loss of approximately RMB24.3 million has been recognised for the year ended 31 December 2014 (2013: RMB29.1 million).

Impairment Loss Recognised in Respect of Trade Receivables

As the repayment ability of Chinese steel enterprises deteriorates, an impairment loss for trade receivables has been recognised. For the year ended 31 December 2014, impairment loss for trade receivables amounted to approximately RMB30.6 million (2013: nil).

Selling and Distribution Costs

The Group's selling and distribution costs comprised sales commissions, sales staff costs and transportation costs. During the year under review, its selling and distribution costs increased to approximately RMB27.5 million, representing an increase of approximately 33.4% from approximately RMB20.6 million for the previous year. The increase was mainly attributable to the increase in sales volume.

Administrative Expenses and Other Expenses

The Group's administrative expenses and other expenses increased by approximately 121.9% from approximately RMB32.8 million for year ended 31 December 2013 to approximately RMB72.9 million for the year ended 31 December 2014. The significant increase was mainly attributable to the increase of research and development expenses, amounting to approximately RMB32.7 million for the year ended 31 December 2014. The Group has devoted more resources to research and development for creating more new products to meet with its customers' needs.

Finance Cost

The Group's finance costs were approximately RMB1.1 million for the year ended 31 December 2014 (2013: nil). The interest rate for bank loan was at a fixed interest rate of 6.9% per annum.

Taxation

One of the Group's PRC subsidiaries successfully obtained the Chinese High-tech Enterprise Certification (中國高新技術企業認證). Consequently, this PRC subsidiary was entitled to the PRC Enterprise Income Tax ("EIT") rate of 15% until 2014. The EIT rate for another PRC subsidiary of the Company is 25%.

Loss and Total Comprehensive Expense for the Year

As a result of the challenging conditions, the Group's loss and total comprehensive expense for the year was approximately RMB173.7 million, compared to approximately RMB56.8 million for the previous year. The loss was mainly due to a combination of factors, which include (i) the significant drop of our average product price; (ii) impairment loss in respect of property, plant and equipment; and (iii) impairment loss in respect of trade receivables. The Group's loss per share increased from RMB4.73 cents for the year ended 31 December 2013 to RMB11.55 cents loss per share in 2014.

Final Dividends

The Board does not recommend the payment of a final dividend for year ended 31 December 2014 (2013: Nil).

Capital Structure, Liquidity and Financial Resources

During the year ended 31 December 2014, the Group's net cash used in operating activities was approximately RMB238.1 million (2013: net cash used in operating activities RMB52.1 million) and the Group's bank balances and cash was approximately RMB102.7 million (2013: RMB312.3 million).

Total equity of the Group as at 31 December 2014 was approximately RMB526.5 million (2013: RMB563.3 million). The Group has an outstanding bank loan of approximately RMB20.0 million as at 31 December 2014 (2013: nil).

Material Acquisitions and Disposals of Subsidiaries and Associated Companies

The acquisition of Accurate Trade International Limited was completed on 16 April 2014 by the Company as detailed in note 17. Besides, the Company has entered into a conditional sale and purchase agreement for the acquisition of Time Credit Limited on 3 November 2014 as detailed in note 11.

During the year ended 31 December 2014, except for investments in its subsidiaries, the Company did not hold any significant investment in equity interest in any other company.

The Group has always been investing in research and development activities. Such expenditure amounted to about RMB32.7 million for the year ended 31 December 2014.

Pledge of Assets

As at 31 December 2014, the Group pledged certain of its buildings and leasehold land with aggregate net carrying value of approximately RMB32,300,000 (2013: nil) as collaterals for the bank loan granted to the Group.

CONTINGENT LIABILITIES

As at 31 December 2014, the Group had not provided any form of guarantee for any company outside the Group. The Group is not involved in any current material legal proceedings, nor is our Group aware of any pending or potential material legal proceedings involving the Group.

HUMAN RESOURCES AND STAFF REMUNERATION

As at 31 December 2014, the Group had 371 staff members employed in mainland China and Hong Kong (2013: 287). Total staff costs for the year were approximately RMB38.1 million (2013: RMB31.2 million). During the year, the Group continued to reinforce the training to its staff by providing training and study opportunities for management staff and professional technicians. In addition, the Group has provided a timely update to all staff about the latest government policies of the industry to continuously enhance the professional standard and quality of the staff. Meanwhile, the Group has provided competitive remuneration for staff which encourages them to commit themselves and serve customers wholeheartedly.

PROSPECTS

In the face of the continuous sluggish performance of the steel industry, the PRC government has issued a directive "Guiding Opinions of the State Council on Resolving Serious Production Overcapacity Conflicts"《國務院關於化解產能嚴重過剩矛盾的指導意見》in October 2013, which aims to eliminate 80 million tonnes of steel production capacity by 2017. The government will monitor the results and implement an appraisal system, thereby encouraging local governments to take immediate action. The Group will closely monitor the impact of the changes in industry-wide policies, and apply its leading technologies to meet evolving production requirements of steel manufacturers.

The Group is principally engaged in the manufacture and sale of advanced steel flow control products and the manufacture and sale of paper converting equipment and other relating equipment. Despite the sluggish performance of the steel industry in 2014, the management is cautiously optimistic in its outlook in 2015, given the improving economic conditions and supportive government policies. We believe that the PRC government will devote more attention to meet its capacity reduction target by accelerating the closure of obsolete capacity and restructuring within the steel industry, which will as a result create a healthier and supply-demand balanced environment.

While the steel industry has been delivering disappointing performances and is still facing uncertainties, in addition to the business of manufacturing steel flow control products, we are also evaluating other potential business opportunities, with the aim to enhance our profitability. Both the up- and down-stream business segments in the steel industry will be our targets, yet the Group would take an open attitude to any complementary business with bright market prospects.

On 3 November 2014, the Group has entered into a share transfer agreement with an individual third party, pursuant to which the Group conditionally agreed to acquire 90% of the issued share capital in Time Credit Limited, a company principally engaged in the money lending business. The acquisition is expected to provide the Group an excellent opportunity to engage in a new line of business with growth potential, broaden its source of income and revenue base.

In the long run, the Group's strategy will include evaluating suitable investments that present development opportunities, which provide additional stable income streams that lead to sustainable probability.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

During the financial year under review, the Company had complied with all the applicable code provisions (the "**Code Provisions**") of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules for the period from 1 January 2014 to 31 December 2014, except for the deviations from Code Provision A.2.1 which are explained below.

According to Code Provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Xu Yejun, in addition to his duties as the chairman of the Company, is also responsible for the strategic planning and overseeing all aspects of the Group's operations as the chief executive officer of the Company. This constitutes a deviation from Code Provision A.2.1. Mr. Xu Yejun as one of the founders of the Group has extensive experience and knowledge in the core business of the Group and his duties for overseeing the Group's operations is clearly beneficial to the Group. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Group.

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 2014.

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 2014.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

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 2014 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu 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. Deloitte Touche Tohmatsu on the preliminary announcement.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year.

By order of the Board
Sinoref Holdings Limited
Xu Yejun
Chairman

Hong Kong, 6 March 2015

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