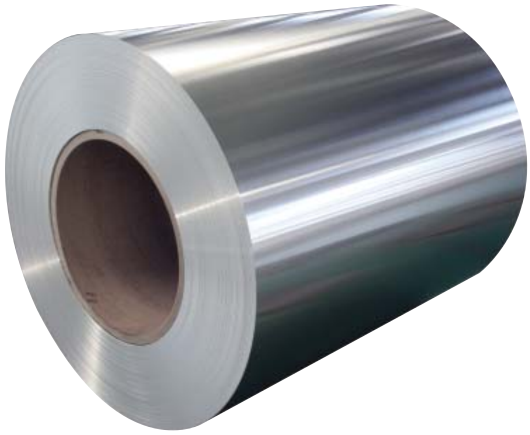
鑫仁铝业
XINREN ALUMINUM

Optimise. Invest. Enhance.

XINREN ALUMINUM HOLDINGS LIMITED
ANNUAL REPORT 2012

contents



At XinRen, we remain firmly focused on our long-term plans for growth and development. Despite industry-wide challenges, particularly those posed by rising costs and the sharp fall in aluminum prices last year, we have pushed on with a range of strategic initiatives since our public listing that will place XinRen among China's leading aluminum producers.

Across the Group, we have taken steps to ***Optimise*** our capital, manpower and energy resources, as well as ***Invest*** in integrating every aspect of our business, all of which will ***Enhance*** our competitive edge.

Our Xinjiang Plant is a prime example of how we plan to forge an even more competitive and efficient cost structure.

We have taken charge of our own destiny and see a bright future ahead. Our efforts will expedite our vision to make our mark globally as a fully integrated aluminum producer, offering cost and operational efficiencies that few can match.

CORPORATE PROFILE

XinRen Aluminum Holdings Limited (XinRen or the Group) is a vertically integrated maker of primary aluminum products in the PRC that is led by a highly experienced management. Established in the 1970s, the Group is involved in key stages of the upstream value chain of smelting, fabrication and trading, where it derives revenue from the sale of ingots and plates, as well as sheets, coils and foils – which are used in a diverse range of sectors such as transport, construction and packaging.

XinRen already enjoys one of the local sector's most efficient cost structures. Its initial 21% stake in China Leading International Group Limited – which has given it a stake in a primary aluminum smelter, Xinjiang Production and Construction Corps Agricultural Division Eight Xinjiang Tianshan Aluminum Plant Co., Ltd. (Xinjiang Plant) – will further enhance the Group's already strong competitive edge over its PRC peers. Major advantages will be gained from Xinjiang Plant's cost-competitive smelting facility and its in-house independent power plant, consisting of two generating units running at full capacity from 2QFY13.

With Xinjiang Plant, XinRen is set to increase its lead as an integrated upstream producer in the industry, and it will remain among the country's most cost-efficient aluminum producers.

The Group plans to further expand and comprehensively integrate its smelting and fabrication capacity to tap the growing demand for aluminum products, both at home and overseas.

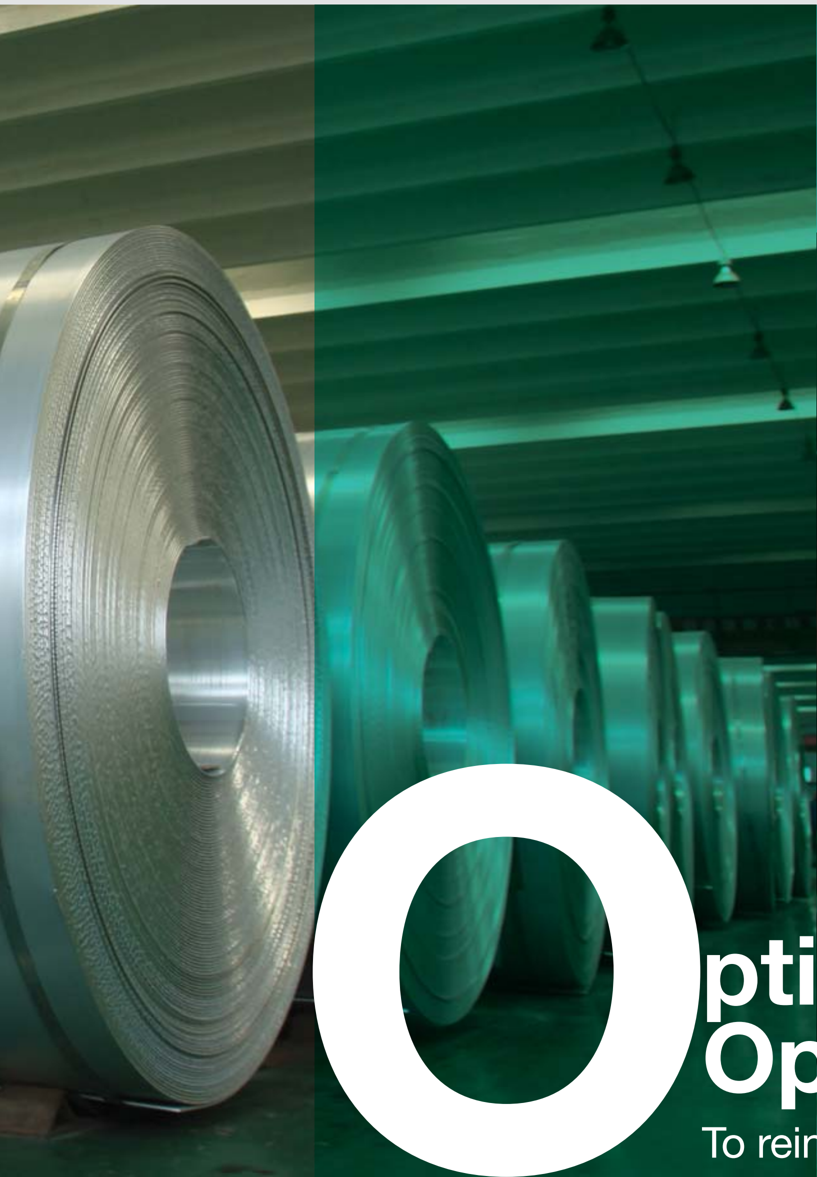
MAP OF OPERATIONS

SMELTING		
Products	Operations	Production Capacity
Primary aluminum (ingots and plates)	Liupanshui Plant	145,000 tpa (216 reduction pots)
	Yichang Plant	130,000 tpa (208 reduction pots)

FABRICATION		
Products	Operations	Production Capacity
Fabricated aluminum (sheets, coils, foils)	Jiangyin Plant	50,000 tpa

TRADE & MARKETING		
Products	Operations	Business
Alumina & aluminum products	XinRen Aluminum Holdings (Singapore) Shanghai Shuangpai (PRC) Fengbo Trading (PRC)	Sales and marketing of aluminum products within China, as well as export/import activities

XINJIANG PLANT		
Products	Operations	Production Capacity
Ingots	Aluminum Smelting Plant	447,000 tpa - Two thirds in production currently
	Independent Power Plant	2x350MW

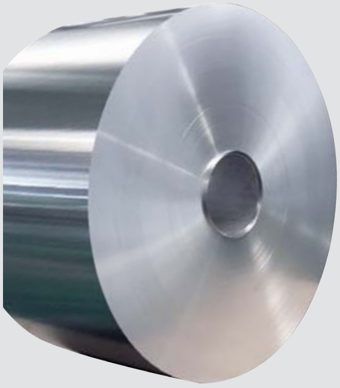


Optimise Operations

To reinforce its lead in the industry – especially in China's heavily regulated and highly fragmented sector – XinRen has examined its operations and consolidated its strengths while dismantling barriers to growth.

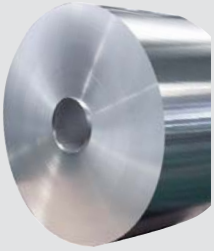
Acquired two smelting plants in Liupanshui, Guizhou and Yichang, Hubei

Provides full control over core smelting business, thus ensuring operational efficiency and stability



Secured long-term alumina contracts till 31 December 2017

Locks in uninterrupted supply of key raw material at competitive prices



Our plants are strategically located near major transportation facilities and coal-rich regions

Ensures stable electricity supply and expedites delivery of raw materials and distribution of end-products

CHAIRMAN'S STATEMENT

"Despite the current industry downturn, the Group took steps needed to integrate our operations and carve out a more efficient cost structure, steps that are drawing us ever nearer to being a major upstream integrated aluminum producer in the PRC."

Dear Valued Shareholders,

The year was a difficult one, not just for the aluminum industry, but across a vast swathe of sectors and geographies. In our sector, aluminum producers mainly suffered from two factors: (i) weakened selling prices for aluminum; and (ii) increase of operating costs. These challenges certainly tested our mettle, but the many initiatives taken in recent years to improve our cost structure and optimise our operations gave us an invaluable edge.

HOW WE FARED IN FY12

XinRen Aluminum Holdings Limited (XinRen or the Group) posted a revenue of RMB6.4 billion for the financial year ended 31 December 2012 (FY12). Simultaneously, the hefty increase in electricity tariffs narrowed margins and curtailed profits, resulting in a net attributable loss of RMB65.8 million for the year.

We have softened the impact of these challenges by locking in supplies of alumina at a significant discount to market prices, which enabled us to rein in our input costs. In addition, strategically locating all our plants in or near key hubs also gave us easy access to both customers and suppliers, which helped keep transportation costs in check.

Other proactive measures that buffered the Group against the worst of the storm included imposing even tighter controls over our working capital requirements. The latter enabled XinRen to achieve strong net cashflow from operating activities of RMB121.0 million in FY12.

Further, the Group's bottom line was supported by maiden earnings from its 21% stake in Xinjiang Plant, acquired in May 2012. The plant, which is currently ramping up its smelting production, contributed a pre-tax profit of RMB15.4 million for FY12 while our fabrication arm added RMB25.7 million.

STRATEGY AND POSITIONING

Despite the current industry downturn, the Group took steps to integrate our operations and carve out a more efficient cost structure, steps that are drawing us ever nearer to being a major upstream integrated aluminum producer in the PRC. Surely and steadily, we have been laying the building blocks for a sustainable and profitable business as we fortify our lead in the industry.

Foremost was our move to acquire an initial 21% stake in China Leading International Group Limited, through which, a stake in a highly cost-competitive primary aluminum smelter, Xinjiang Production and Construction Corps Agricultural Division Eight Xinjiang Tianshan Aluminum Plant Co., Ltd. (Xinjiang Plant) is secured. Currently, Xinjiang Plant is in its first phase of development, and two thirds of the mega facility's smelting capacity of 447,000 tonnes per annum has commenced production in 2013. The facility will enjoy significant cost savings from its on-site power plant as it taps on the cheap and abundant coal resources in the Xinjiang Uyghur Autonomous Region (Xinjiang Province).

As Xinjiang Plant ramps up its smelting production as well as the capacity of its power plants, the cost efficiencies and operational synergies created from the integration of all these facilities under one roof is expected to propel growth, accelerating XinRen's plans to become a major integrated aluminum producer in China.

Other strategic moves to enhance our competitive edge include the decision to build an all-new 100,000 tpa carbon anode plant at Liupanshui in Guizhou province. Our RMB300 million investment in Xinxin Carbon will enable us to lower our production costs – a key priority for all aluminum producers. By moving further upstream in the aluminum value chain, the Group will enjoy savings of up to RMB800 per tonne of carbon anode and attain greater operational efficiency as the plant commenced full production in December 2012.

To further optimise our operations and boost operational efficiency, we also decided to gain full control over our smelting operations in FY11 by acquiring the Liupanshui and Yichang plants. Our agreement with the previous shareholders to settle the remaining consideration of RMB382.4 million in FY12 by issuing new shares to them allows the Group to retain cash, which can be used to fund growth and expansion.

PROSPECTS AND OUTLOOK

We are cautiously optimistic about prospects for the aluminum industry. In China, per capita consumption of aluminum is expected to climb because of rising consumer affluence and rapid urbanisation, which will help spur demand for aluminum across a wide range of markets, from automobiles to electronics to consumer goods. However, concerns over the health of the US and European economies, low aluminum selling prices and burgeoning costs will continue to challenge the sector.

Even so, our calculated moves to optimise operations, integrate our business and sharpen our competitive edge on all fronts have begun to bear fruit. Thus, we are confident that we will be able to retain and even improve on our current lead in the industry as FY13 sees us improve our performance.

In addition, we are working actively to strengthen the Group's balance sheet, entering into negotiations to finance current short-term loans through new long-term loans.

ACKNOWLEDGMENTS AND APPRECIATION

On behalf of the Board, I would like to thank the management and staff for their dedication and perseverance in helping the Group overcome the many obstacles we have faced in the past few years.

We also want to convey our deep gratitude to all our shareholders and business partners – their faith in us has never faltered, and this conviction has sustained our resolve to rise above the challenges and stay true to our vision.

We look forward to your continued support as we march into FY13 confident that we are drawing that much closer to becoming one of China's most cost-competitive fully integrated aluminum producers.

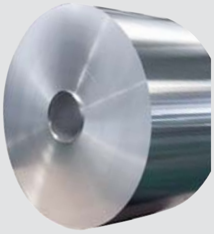
Zeng Chaoyi
Executive Chairman

nvest in Integration

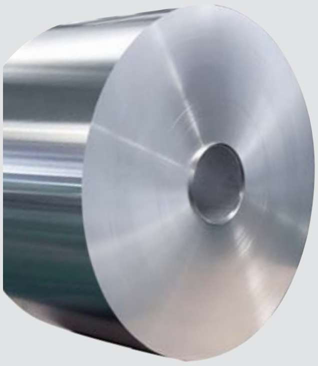
These investments advance efforts to integrate our smelting and fabrication operations, extend our control over the aluminum supply chain and expand our marketing and trading network – creating synergies to maximise productivity and minimise costs.

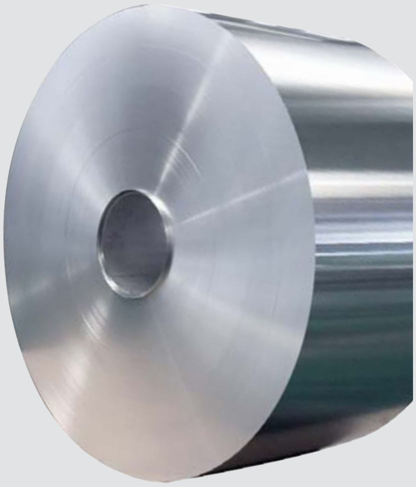
An all-new producing carbon anode plant, Xinxin Carbon, in Guizhou

Will ensure ready supply of key production component



Will generate cost savings of up to RMB800 per tonne of carbon anode





FINANCIAL & OPERATIONS REVIEW

OVERVIEW

FY12 was a difficult year for aluminum producers worldwide as the slump in aluminum prices and rising costs, particularly of electricity, narrowed margins and weakened profits. Several players were dragged into the red.

Despite the challenging operating environment, XinRen remained focused to put in place initiatives to build a long term sustainable and profitable business while keeping a tight rein on costs. The Group believes that these strategic steps will position XinRen to become one of the major aluminum producers in the PRC.

FINANCIAL REVIEW

For the financial year ended 31 December 2012 (FY12), the Group witnessed a downswing in aluminum prices which fell from an average of RMB15,600 per tonne to RMB14,500, a decrease of 7.1% year on year (yoy). Together with lower export sales, which fell from 99,000 metric tons (MT) in FY11 to 81,000 MT, XinRen posted a 6.6% decline in revenue of RMB6.4 billion in FY12.

Rising electricity costs in the PRC dented the Group's profitability severely. This was aggravated by higher finance costs and other expenses. The latter increased by 280% yoy due mainly to provisions taken on written-down inventories and foreseeable loss to be incurred as the selling price is expected to be fixed below the cost of sales in FY13. As a result, the Group reported a net attributable loss of RMB65.8 million in FY12 against a profit of RMB421.8 million the year before.

On a positive note, however, the Group's 21%-owned Xinjiang Plant contributed maiden earnings of RMB15.4 million to XinRen's bottom line in FY12.

HIGHLIGHTS OF BALANCE SHEET & CASH FLOW

In May 2012, the Group completed the acquisition of an initial 21% stake in Xinjiang Plant through China Leading International Group Limited for RMB1,890.0 million. This largely caused XinRen's long term assets to swell by 83.3% to RMB4,288.6 million as at 31 December 2012.

In spite of the tough operating conditions, XinRen was able to generate a positive net cashflow from operations of RMB121.0 million due to tight controls on its working capital needs.

SEGMENTAL PERFORMANCE

Smelting Division

Revenue from smelting segment decreased by 11.0% to RMB3,570.6 million in FY12. This was mainly due to the dip in the average selling price of primary aluminum ingots in FY12. In addition, the division also saw a decrease in the export sales volume of aluminum plates. As a result, the smelting arm posted a pre-tax loss of RMB68.2 million against a profit of RMB424.3 million in FY11.

Fabrication Division

The Group's fabrication arm recorded a revenue of RMB567.1 million in FY12 compared to RMB573.2 million in FY11. This fairly steady turnover was due to the consistent sales volume of fabricated products that was similar to the previous year. However, the segment's pre-tax profit fell 68.1% to RMB25.7 million due to lower sales volume for higher margin fabricated products.

Trading Division

In FY12 the trading division experienced higher trading activity. This helped to offset the low selling prices of aluminum products so that the division was able to hold its revenue at RMB2.3 billion for the year. After factoring all the operating costs, the division posted a loss before taxation of RMB25.6 million against a previous loss of RMB22.7 million.

COMPLETION OF KEY STRATEGIC INVESTMENTS

Acquisition of an initial 21% stake in Xinjiang Plant

In FY12, the Group acquired an initial 21% stake in China Leading International Group Limited, and through this acquisition, a stake in a highly cost-competitive primary aluminum smelter, Xinjiang Production and Construction Corps Agricultural Division Eight Xinjiang Tianshan Aluminum Co., Ltd. (Xinjiang Plant). This acquisition was officially completed on 9 May 2012. With this mega asset in hand, the Group was able to commence the step up of its efforts to scale up its operations and enjoy the cost efficiencies and synergies from Xinjiang Plant's smelting facility as well as power plants, all in one location.

Currently, the Xinjiang Plant is undergoing its first phase of development. Its smelting facility has a capacity of 447,000 tonnes per annum (tpa), two thirds of which are currently in production.

With both power generating units fully running from 2QFY13, the Xinjiang Plant is expected to incur lower electricity cost as the on-site power plant taps on the cheap and abundant coal resources in Xinjiang Province.

Carbon anode plant

To further enhance its cost competitiveness, XinRen completed a key investment in the upstream aluminum value chain in FY12. The Group's newly constructed 100,000 tpa carbon anode plant in Liupanshui started production in December 2012.

Carbon anode is a key cost component in the production of primary aluminum and XinRen expects the plant to provide cost savings amounting to as much as RMB800 per tonne of carbon anode in FY13.

Acquisition of smelting plants

In FY12, the Group settled the outstanding consideration of RMB382.4 million for the acquisition of Liupanshui and Yichang smelting plants. This was funded via the issue of 152.97 million new XinRen shares at S$0.50 each, which was approved by shareholders at the extraordinary general meeting held in August 2012.

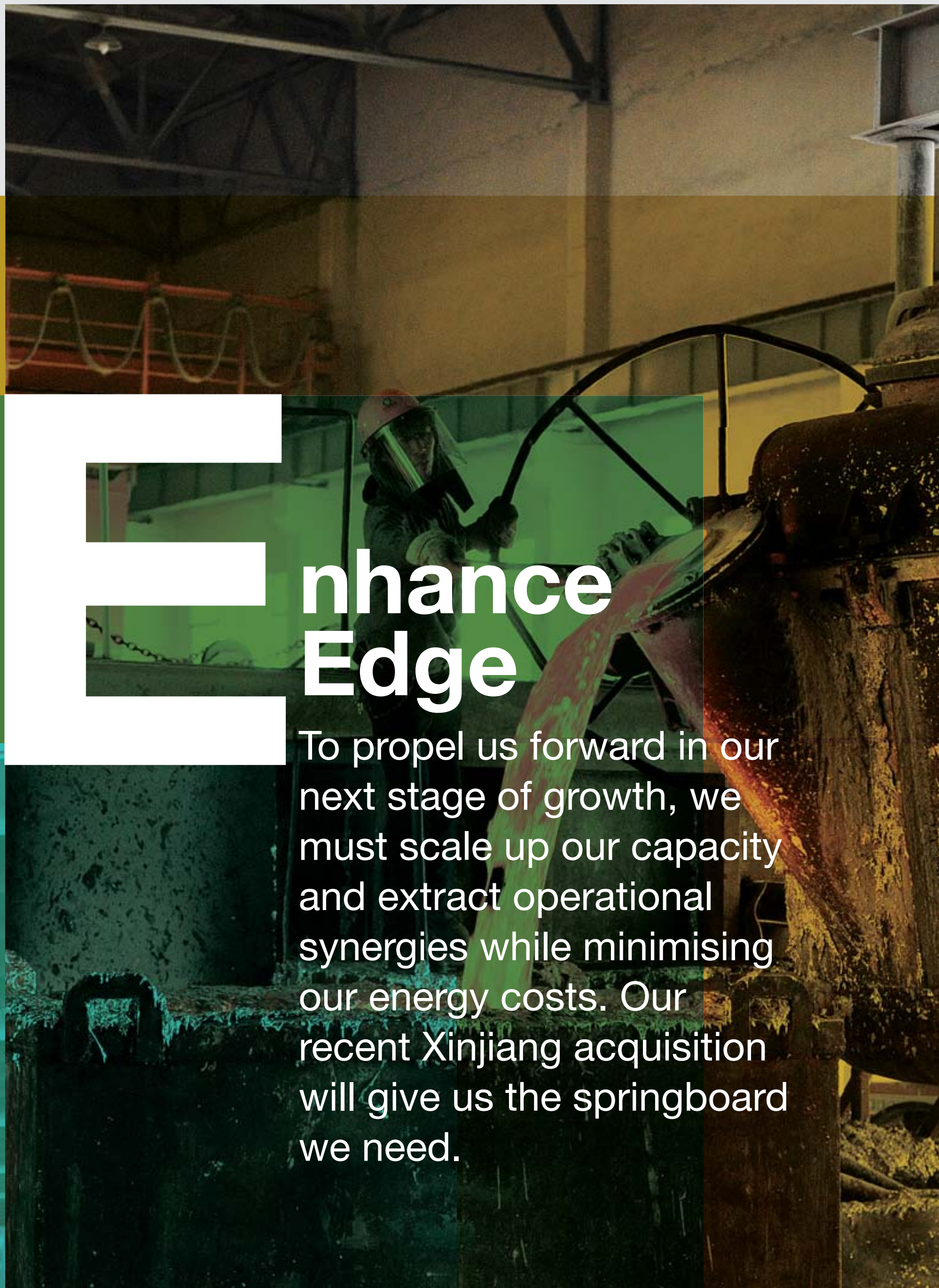
LOOKING AHEAD

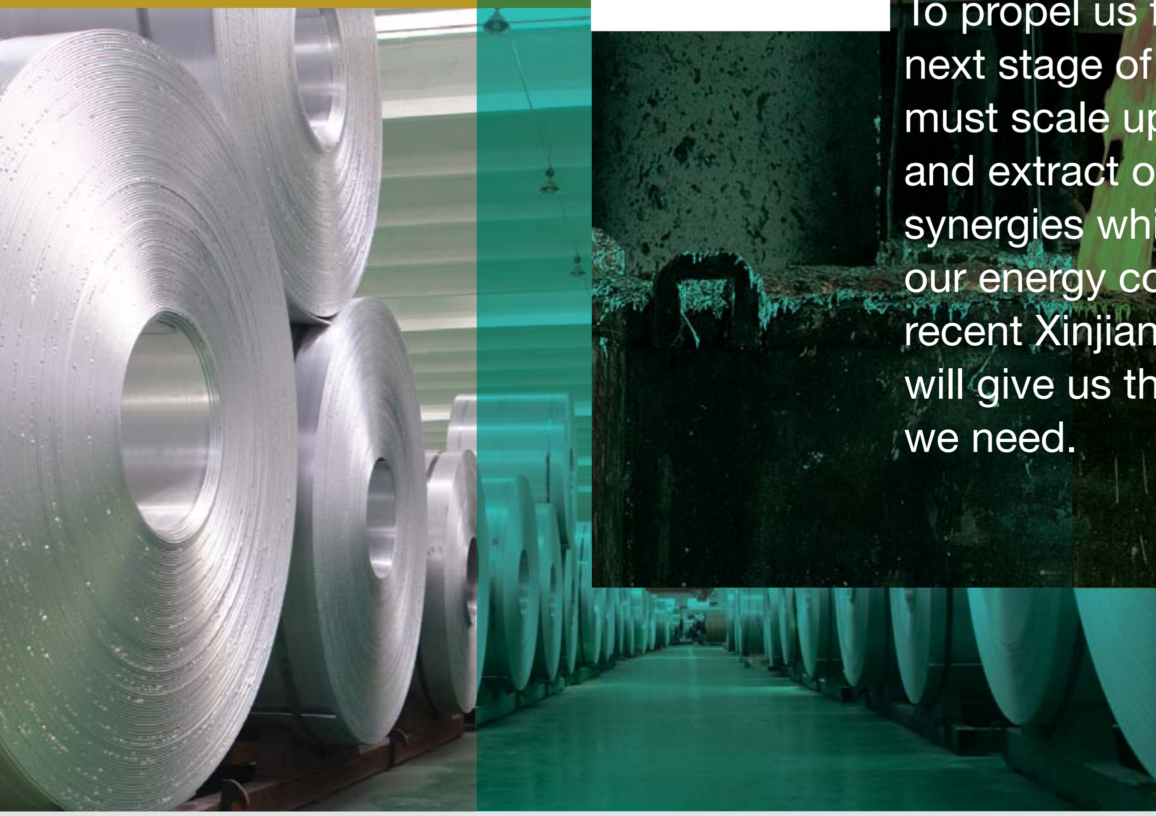
Aluminum prices are expected to remain volatile and electricity costs will stay high in FY13. However, the Group remains cautiously optimistic of a better year ahead as it expects contributions from its existing strategic investments to improve its performance in FY13.

Stepping up the development of Xinjiang Plant

With the first development phase expected to be completed in the current financial year, XinRen plans to step up the remaining development phases of Xinjiang Plant. This is because the plant's lower cost structure will help the Group to lock in improved profitability and earnings in the medium to long term.

At the same time, the Group will work to strengthen its balance sheet keeping a tight rein over its working capital requirements and refinancing its current short-terms loans into longer term borrowings.



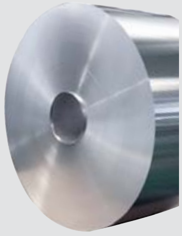


Enhance Edge

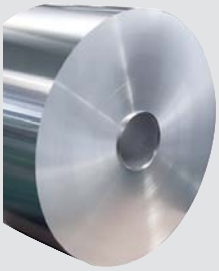
To propel us forward in our next stage of growth, we must scale up our capacity and extract operational synergies while minimising our energy costs. Our recent Xinjiang acquisition will give us the springboard we need.

Acquisition of Xinjiang Plant (through an initial 21% stake in China Leading International)

XinRen gains a mega smelting facility with an on-site power plant that can tap the rich coal resources in Xinjiang Province

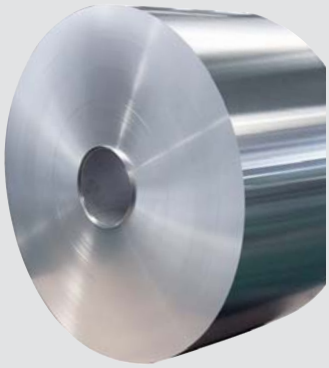


Two thirds of Xinjiang Plant's smelting capacity of 447,000 tonnes per annum is currently in production



Electricity generation from on-site power plant to substantially reduce a major cost component

New synergies and cost efficiencies will boost returns and enable XinRen to move ahead with long-term expansion plans



XINJIANG PLANT – A STRATEGIC INVESTMENT

ACQUISITION OF XINJIANG PLANT – GIANT LEAP FORWARD

The Xinjiang initiative forms a pivotal part of the Group's long-term strategy to propel XinRen into the next stage of growth by ramping up capacity while tamping down costs. Already one of China's most cost-efficient aluminum producers, XinRen can now secure cost and operational efficiencies that will significantly magnify its lead as an integrated upstream player in the industry both at home and abroad.

SEIZING A STRATEGIC STAKE

In May 2012, XinRen completed its acquisition of an initial 21% interest in China Leading International Group Limited (CLI), which owns a highly cost-competitive primary aluminum smelter with operations in Xinjiang Province. The RMB1.89 billion acquisition thus gave the Group a crucial stake in Xinjiang Production and Construction Corps Agricultural Division Eight Xinjiang Tianshan Aluminum Plant Co., Ltd. (Xinjiang Plant).

With the 21% stake in hand, XinRen is entitled to appoint three of the five directors on the boards of CLI and Xinjiang Plant, as well as the latter's chief executive officer. Hence, the Group has the authority to manage the facility and full access to the financial records of CLI and its subsidiaries.

Furthermore, XinRen has the right to exercise a call option to acquire another 30% equity interest in CLI within the next five years. Doing so would give the Group a major controlling stake in a strategic asset that is central to driving growth over the next 10 years and securing XinRen a premier position as a fully integrated aluminum producer in China.

GAINING AN UNPRECEDENTED ADVANTAGE

Once complete, Xinjiang Plant will be a fully integrated smelting facility, covering an area of 573 hectares. To be developed in phases, this mega facility will boast a total production capacity of 1.6 million tonnes per annum (tpa) for smelting, as well as its own independent power plants, which will be able to generate 10x350 MW of electricity – all housed under one roof.

The Group will reap rich rewards from this strategic investment in Xinjiang.

- **Low electricity costs.** Located in coal-rich Xinjiang province, the facility will be able to tap the area's abundant resources to feed its independent power plants. Xinjiang holds about 40% of China's reserves of coal, which is sold there at a fraction of the average prices countrywide. Xinjiang Plant will thus secure a huge cost advantage as energy costs account for about a third of the gross aluminum production outlay.
- **Approved capacity expansion.** To restructure and consolidate China's aluminum industry, the government is restricting the expansion of existing capacities and even the construction of new aluminum plants. However, Xinjiang Plant has received regulatory approval to develop a mega facility on its site. XinRen's current smelting operations are already running at full capacity, so this timely investment will enable the Group to overcome the regulatory constraints, and enjoy solid revenue and profit growth as new capacities are added to Xinjiang Plant.

- **Synergies from an integrated facility.** Xinjiang Plant will garner substantial synergies and cost efficiencies from both its immense scale and running truly integrated operations all under a single roof. In particular, the savings gained from being able to generate electricity in-house using cheap coal will drastically enhance the Group's cost structure, allowing XinRen to lock in wider margins on its operations.

ENJOYING IMMEDIATE BENEFITS – PHASE 1 DEVELOPMENT

Xinjiang Plant uses 460 kA pre-baked electrobaths to produce aluminum – an advanced technology that is both energy-efficient and environment-friendly. It is thus able to lower electricity unit consumption per tonne to about 13,200 kWh, whereas Xinren's 240 kA pre-baked eletrobaths consume 13,700 kWh.

Phase 1 has amplified this cost advantage with the development of an on-site independent power plant consisting of two power-generating units with a capacity of 350MW each. With both units running at full capacity from 2QFY13, Xinjiang Plant's electricity cost is expected to range far lower than the average of RMB0.55-0.60 per kWh reported by aluminum producers in other provinces.

The Xinjiang Plant also owns an aluminum smelting facility with a total capacity of 447,000 tpa. Currently two-thirds of the smelting capacity is in production.

SURGING AHEAD IN THE NEXT LAP – PHASE 2 AND BEYOND

With Phase 1 under its belt, the Group expects to ramp up its production gradually. Phase 2 of the project, which will add another 432,000 tpa in smelting capacity, will be rolled out at a later stage. This second expansion is expected to be funded through a combination of internally generated cashflow from the sales of Phase 1 output and bank borrowings.

Once complete, Xinjiang Plant will be a fully integrated smelting facility, covering an area of 573 hectares.

BOARD OF DIRECTORS

MR ZENG CHAOYI
Executive Chairman

Mr Zeng Chaoyi (曾超懿) is our Executive Chairman, responsible for directing the strategic direction and growth of the Group. Backed by more than 17 years of experience in the aluminum industry, he oversees the daily operations of our manufacturing arm, as well as its business development and strategic planning.

In 2003, Mr Zeng received the title of Shanghai Foreign Trade Advanced Individual (上海市外贸工作先进个人) from the Shanghai Foreign Trade and Economic Cooperation Committee. In 2004, he was conferred the National Venture Star (全国创业之星) Award by the China Rural Labor Resources Development Society, the China Aid Foundation for Poverty Alleviation and the China State Development Research Centre. Mr Zeng holds a bachelor's in history from Xiangtan University.

MR ZENG CHAOLIN
Executive Director & Chief Executive Officer

Mr Zeng Chaolin (曾超林) is an Executive Director on our Board and the Group's Chief Executive Officer, responsible for overseeing all its operations. In 2007, he was named the Yichang Economy Individual of the Year for 2006 (2006年宜昌经济年度人物) by the Yichang Development and Reform Committee, the Yichang Economic Committee and the Three Gorges News Society. In 2008, he was also named Outstanding People's Entrepreneur for Enterprise Development and New Rural Development for 2007 (企业发展与新农村建设2007百姓喜爱的优秀企业家) by the Yichang Federation of Industry and Commerce. Mr Zeng graduated with a bachelor's in international trade from Hunan University in 2003.

MR ZENG XIAOQIAO @ ZENG XIAOSHAN
Executive Director

Mr Zeng Xiaoqiao @ Zeng Xiaoshan (曾小桥@曾小山) is an Executive Director on our Board. A veteran of the aluminum business for more than 30 years, he founded our Group in 2002. He served as a representative on the 10th National People's Congress between 2003 and 2008, and has served as a representative on the 11th People's Congress for Hunan Province since 2008.

Mr Zeng has received numerous accolades, including the China Township Entrepreneur (中华人民共和国农业部第四届全国乡镇企业家) Award in 2001 from the Ministry of Agriculture. He was also named one of the 18 Most Influential Persons in the PRC's Non-Ferrous Metal Industry (有色金属行业有影响力人物) by *China Non-Ferrous Metal News* in 2005. He was among those conferred the Top 10 Economic Contributors in Shaoyang City Award (邵阳十大贡献经济人物奖) in 2009 by the Publicity Committee of Shaoyang City.

MR LIANG HONGBO
Executive Director

Mr Liang Hongbo (梁洪波) is an Executive Director on our Board. He began his career in Yichang Changjiang Aluminum, as manager of its supply department in 2002, responsible for the purchase and supply of materials for engineering projects. Promoted to general manager of the company in 2005, he has since been responsible for its operations and capital management. Mr Liang obtained his master's in industrial economics at the Capital University of Economics and Business in Beijing in 2000.

MS ZENG MINGLIU
Executive Director

Ms Zeng Mingliu (曾明柳) is an Executive Director on our Board and has more than 17 years of experience in the aluminum business. She is responsible for the Group's overall administrative and human resource affairs and finances. She graduated with a diploma in accounting from the Hunan Province Shaoyang City Supply and Marketing School in 1992. She was conferred the Jiangyin City Advanced Worker (江阴市先进工作者) Award in 2009 by the Jiangyin People's Government and the Jiangyin City Communist Party Committee, and the Jiangsu Outstanding Entrepreneur (江苏省优秀企业家) Award in 2010 by the Jiangsu Brand Promotion Committee and the Jiangsu Quality Development Committee.

MR CHEN TIMOTHY TECK LENG @ CHEN TECK LENG

Non-Executive Lead Independent Director & Audit Committee Chairman

Mr Chen Timothy Teck Leng @ Chen Teck Leng (陈德仁) is the Lead Independent Director on our Board and the Chairman of its Audit Committee. Mr Chen has three decades of management experience in banking, insurance, international finance and corporate advisory work. He has held positions in international financial institutions including Bank of America, Wells Fargo Bank, Bank of Nova Scotia and Sun life Financial Inc. He was formerly the General Manager, China, for Sun Life Financial Inc., and the President & CEO of Sunlife Everbright Life Insurance Company in China.

Mr Chen currently sits on the boards of several SGX-listed companies. He has been an independent director and audit committee chairman for Tianjin Zhongxin Pharmaceutical Group Corporation Limited and TMC Education Corporation Ltd. He is also an independent director for Hu An Cable Holdings Ltd. and Logistic Holdings Ltd.

Mr Chen earned his Bachelor of Science degree from University of Tennessee and his Master's of Business Administration degree from Ohio State University. He received his Certified Corporate Director (ICD.D) designation from the Canadian Institute of Corporate Directors.

MR LOH WENG WHYE

Non-Executive Lead Independent Director & Nominating Committee Chairman

Mr Loh Weng Whye (罗永威) is an Independent Director on our Board and the Chairman of Nominating Committee. He is a veteran in the infrastructure development and energy & power industries in Singapore and across the region with over 40 years of experience in senior appointments with the civil service, government-linked companies and the private sector. He was formerly President/CEO of ST Energy Pte Ltd and SembCorp Energy Pte Ltd, and the founding General Manager (Projects) of Tuas Power Ltd. He was appointed Adviser to Green Dot Capital, an investment and holding company under Temasek Holdings, and was Senior Adviser to YTL Power International Bhd in the S$3.8 billion mega acquisition of PowerSeraya Ltd.

Mr Loh sits/sat on the boards of Singapore and overseas corporations, including SGX mainboard-listed companies such as BH Global Marine Limited, XinRen Aluminum Holdings Ltd, Leeden Limited, China New Town Development Co Limited, United Envirotech Ltd and Malaysia company Layar Positif Sdn Bhn. He also holds advisory and board appointments with various public and charitable organisations. He served on the mechanical & production engineering advisory and consultative panels of the National University of Singapore and Nanyang Technological University for many years.

Holding MSc (Ind Engg) and BEng (Mech) degrees, Mr Loh is a Professional Engineer (Er), Member of the Singapore Institute of Directors (MSID), and was elected a Fellow of the Institution of Engineers Singapore (FIES) in 1995.

MR LIU JINGAN

Non-Executive Independent Director & Remuneration Committee Chairman

Mr Liu Jingan (刘静安) is an Independent Director on our Board and the Chairman of its Remuneration Committee. He has amassed more than 40 years of experience in the light metal alloys industry since graduating from Central South University in Hunan with an engineering degree in non-ferrous metals and alloys and heat processing in 1964. From October 1994 to October 1999, he was accorded the status of honorary professor by the university.

Mr Liu has won numerous awards for research and development, including China Non-Ferrous Metals Industry Science and Technology Awards in 2005 and 2006. In addition, he received the Beijing Science and Technology Award in 2006, and the PRC Ministry of Education, Sciences and Technology Progress Award in 2009.

He is also active in many industry associations, having been a member of the China Non-Ferrous Metal Alloys Processing Society since 1995, and a technical consultant to the China Non-Ferrous Metals Processing Society since 1993.

KEY MANAGEMENT

MS LI YAZHOU
Vice-General Manager (Operations)

Ms Li Yazhou (李亚州) is our Vice-General Manager for Operations. She is responsible for assisting the CEO in the day-to-day operations of the Group, supported by more than 10 years of experience in the aluminum business. She graduated from Shaoyang College in Hunan as an English major. In 2007, Ms Li was conferred the Guizhou Province Outstanding Female Entrepreneur (贵州优秀女企业家) Award by the Guizhou Province Women's Federation, the Guizhou Federation of Industry and Commerce, the Guizhou Small Medium Enterprises Union and the Guizhou Communist Youth League. In 2008, she received the National Venture Star (创业之星) Award from the China Rural Labor Resources Development Society, the China Aid Foundation for Poverty Alleviation and the China State Development Research Centre.

MS LIM JOO SENG
Chief Financial Officer

Ms Lim Joo Seng (林友欣) is our Chief Financial Officer and was appointed to the Group in 2010. She is responsible for overseeing investor relations, financial and management accounting matters of the Group. Prior to joining XinRen, she spent more than five years as audit manager with Deloitte Touche Tohmatsu CPA Ltd. in Shanghai. She has more than 10 years of combined experience in audit, finance and accounting. Ms Lim has been a member of CPA Australia and the Malaysian Institute of Accountants since 2003. She holds a bachelor's in commerce from Macquarie University in Australia.

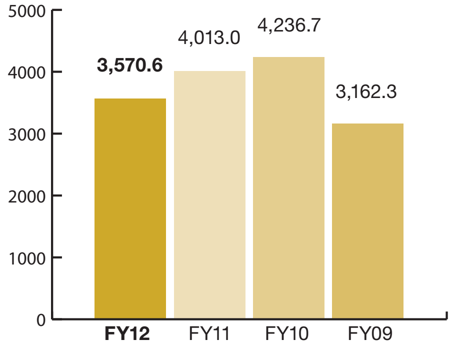
FINANCIAL HIGHLIGHTS

Income Statement (RMB'm)	FY12	FY11	FY10	FY09
Revenue	**6,394.8**	6,845.7	6,214.6	4,263.4
Gross Profit	**186.5**	668.9	778.0	572.5
Net (loss)/profit attributable to owners of the parent	**(65.8)**	421.8	381.4	306.0

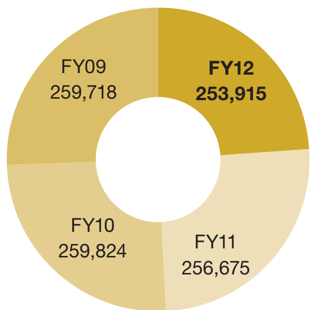
Balance Sheet (RMB'm)	FY12	FY11	FY10	FY09
Non-current assets	**4,288.6**	2,339.7	1,974.1	1,893.2
Current assets	**4,074.3**	3,102.5	2,830.3	2,044.4
Current liabilities	**6,202.6**	3,208.5	2,893.7	2,997.8
Shareholders' equity	**1,991.0**	1,701.0	1,309.3	413.7

Segmental Performance

SMELTING

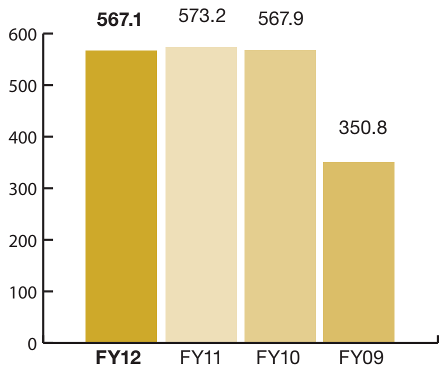


REVENUE (RMB'm)

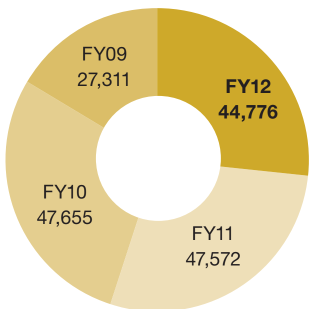


SALES VOLUME (tonnes)

FABRICATION



REVENUE (RMB'm)



SALES VOLUME (tonnes)

CORPORATE CALENDAR

February 2012

- Entered into a sale and purchase agreement with Wealth Checker Limited for an initial acquisition of 21% equity interest in China Leading International Group Limited (CLI) and, through this, a stake in a highly cost-competitive primary aluminum smelter, Xinjiang Production and Construction Corps Agricultural Division Eight Xinjiang Tianshan Aluminum Plant Co., Ltd. (Xinjiang Plant).
- Entered into an agreement with the previous shareholders of Liupanshui Plant and Yichang Plant to convert the outstanding debt of RMB382,420,000 owing to them for the acquisition of these two smelting plants into 152,968,000 new ordinary shares.

April 2012

- Proposed Scrip Dividend Scheme to shareholders.
- Held FY2012 Annual General Meeting and Extraordinary General Meeting (EGM).
- Shareholders approved the acquisition of the initial 21% equity interest in CLI, which indirectly owns 100% stake in Xinjiang Plant, at EGM.
- Received all required Construction Permits and Construction Planning Permits for Phase 1 development of Xinjiang Plant.

May 2012

- Completed acquisition of the initial 21% equity interest in CLI, which indirectly owns 100% stake in Xinjiang Plant.

June 2012

- Alloted 59,579,528 new ordinary shares at S$0.31 per new share to shareholders who participated in the Scrip Dividend Scheme.

August 2012

- Minority shareholders approved the issue of 152,968,000 new ordinary shares at S$0.50 per new share to the previous shareholders of Liupanshui Plant and Yichang Plant as full and final settlement for the outstanding debt owing to them for the acquisition of the two smelting plants.

financial statements contents

CORPORATE GOVERNANCE REPORT

The Board of Directors (the "Board") of XINREN ALUMINUM HOLDINGS LIMITED ("XinRen" or the "Company") is committed to maintain high standards of corporate governance within and throughout the Company and its subsidiaries (collectively known as, the "Group") by following closely the recommendations of the Code of Corporate Governance 2005 (the "Code") issued by the Council on Corporate Disclosure and Governance. Pursuant to Rule 710 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST") (the "Listing Manual"), this Report sets out the Company's corporate governance practices with specific reference to the principles of the Code.

1. BOARD MATTERS

Principle 1: Board's Conduct of its Affairs

The Board is entrusted with the responsibility for the overall management of the Group with primary function to protect interest of shareholders and to enhance long-term value and returns for its shareholders. Besides carrying out its statutory responsibilities, the Board is also responsible for the following key matters:

(a) approving broad policies, strategies and objectives of the Group and monitor the achievement of these objectives;

(b) review management performance;

(c) conduct periodic reviews of the Group's internal control, risk management, financial performance, compliance practices and resources allocation;

(d) approving annual budgets, major funding proposals, investment and divestment proposals; and

(e) provide oversight in the proper conduct of the Group's business and assume responsibility for corporate governance.

The Board conducts meetings on a quarterly basis to coincide with the announcement of the Group's quarterly and full year financial results and as and when it deems necessary. The Articles of Association of the Company allows Directors to convene meetings by tele-conferencing or video conferencing.

The Board is also being informed about the operation of the Group through regular updates by management in periods other than the quarterly meetings.

The following are matters which require the Board's approval:

(a) material acquisitions and disposal of assets;

(b) corporate or financial restructuring;

(c) share issuance, dividends and other returns to shareholders;

(d) matters as specified under the Company's Interested Person Transaction Policy; and

(e) any major investment or expenditure.

To assist in the execution of its responsibilities, the Board has formed three committees, namely the Audit Committee, the Remuneration Committee and the Nominating Committee. In addition, in order to strengthen the independence of the Board, the Company has appointed a Lead Independent Director, Mr Chen Timothy Teck Leng @ Chen Teck Leng.

CORPORATE GOVERNANCE REPORT

The Board may, as it deems necessary, form a committee and appoint members with requisite knowledge and experience to review and monitor performance of specific investments of the Group.

Directors with no previous Board experience have to undergo orientation and training programme to develop the requisite individual skills. They are given training appropriate to the level of their previous experience and are provided with extensive background information about the Group's history and core values, its strategic direction and corporate governance practices as well as industry-specific knowledge. Directors also have the opportunity to visit the Group's operational facilities and meet with management to gain a better understanding of the Group's business operation.

Principle 2: Board's Composition and Balance

The Board as at 31 December 2012 comprises eight Directors of whom five are Executive Directors and three are Independent Directors.

The Board has the appropriate mix of core competencies and diversity of experience, grasp of corporate strategy and potential to contribute to the Company's businesses. The profile of the Directors is set out on pages 16 and 17 of this Annual Report.

The Board considers the present board size and number of committees facilitate effective decision-making and are appropriate given the nature and scope of the business of the Group's operations.

The independence of each Director is also reviewed by the Nominating Committee ("NC"). The NC adopts the Code's definition of what constitutes an independent director in its review. As a result of the NC's review of the independence of each Director, the NC is of the view that the Independent Non-Executive Directors of the Company are independent, and further, that no individual or small group of individuals dominate the Board's decision making process.

Principle 3: Chairman and Chief Executive Officer

Mr Zeng Chaoyi is the Executive Chairman of the Company, and Mr Zeng Chaolin is the Chief Executive Officer ("CEO") of the Company.

The Board is of the view that there is already a sufficiently strong independent element in the Board which could enable the independent exercise of objective judgment on business and corporate affairs of the Group, taking into account the number of independent directors sitting on the Board together with the size and scope of the affairs and operations of the Group.

Furthermore, in view of the sibling relationship between the Executive Chairman and the CEO, the Board has appointed Mr Chen Timothy Teck Leng @ Chen Teck Leng as Lead Independent Director right from the first formation of the Board of Directors of the listed company. (Ref. Guideline 3.3 of the Code).

Apart from the day-to-day operations of the Group, Chairman Mr Zeng Chaoyi also undertakes responsibility in managing the business of the Board and the Board committees and exercising control over the quality, quantity, accuracy and timeliness of information flow between the Board and Management of the Company as well as between the Company and its shareholders. He encourages constructive relations between the Board and Management and between the Executive Directors and the Independent Directors.

He also takes a leading role in ensuring the Company's compliance with corporate governance guidelines and monitors and translates the Board's decisions and plans/wishes into executive action.

CORPORATE GOVERNANCE REPORT

2. NOMINATION MATTERS

Principle 4: Board Membership

NC makes recommendation to the Board on all board appointments. All the members of the committees including the Chairman are independent. The nature of the Director's appointment on the Board and details of their membership on the Board committees as at 31 December 2012 are set out as below:

Board of Directors	Board Membership	Audit	Remuneration	Nominating
Zeng Chaoyi	Executive Chairman	–	–	–
Zeng Xiaoqiao	Executive	–	–	–
Zeng Chaolin	Executive	–	–	–
Zeng Mingliu	Executive	–	–	–
Liang Hongbo	Executive	–	–	–
Chen Timothy Teck Leng @ Chen Teck Leng	Lead Independent Director	Chairman	Member	Member
Loh Weng Whye	Independent Director	Member	Member	Chairman
Liu Jingan	Independent Director	Member	Chairman	Member

The NC has adopted terms of reference that describes its duties and responsibilities.

The principal functions of the NC include, but are not limited to, the following:

(a) re-nomination of the Directors having regard to the Director's contribution and performance;

(b) reviewing the independence of the Directors annually; and

(c) deciding whether or not a Director is able to and has been adequately carrying out his duties as a Director.

New Directors are appointed only after the NC has reviewed and nominated them by taking into consideration the qualification and experience of each candidate, his/her ability to enhance the effectiveness of the Board and to add value to the Group's business in line with its strategic objectives.

New Directors who are appointed by the Board will submit themselves for re-election at the annual general meeting following their appointment. In accordance with the provisions of the Company's Articles of Association, at least one-third of the Directors are required to retire from office at every annual general meeting. Every Director must retire from office at least once in every three years. A retiring Director is eligible and may be nominated for re-election.

CORPORATE GOVERNANCE REPORT

Principle 5: Board Performance

The NC has established and implemented processes for monitoring and evaluating the performance of the Board as a whole and effectiveness and contribution of individual directors. At the same time, the processes also identify weaker areas where improvements can be made. The Board and individual directors can direct more effort in those areas for achieving better performance of the Board and better effectiveness of individual directors.

The attendances of each Board member at meetings of the Board and other committees in respect of the financial year ended 31 December 2012 are as follows:

Name	Board of Directors		Audit Committee		Nominating Committee		Remuneration Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Current Directors								
Zeng Chaoyi	6	5	–	–	–	–	–	–
Zeng Xiaoqiao	6	5	–	–	–	–	–	–
Zeng Chaolin	6	5	–	–	–	–	–	–
Zeng Mingliu	6	5	–	–	–	–	–	–
Liang Hongbo	6	6	–	–	–	–	–	–
Chen Timothy Teck Leng @ Chen Teck Leng	6	6	6	6	3	3	2	2
Loh Weng Whye	6	6	6	6	3	3	2	2
Liu Jingan	6	6	6	5	3	3	2	2

Principle 6: Access to Information

To enable the Board to fulfill its responsibility, Management strives to provide Board members with adequate information for Board and committee meetings on an on-going basis. The Directors have separate and independent access to the Group's senior management at all times.

All Board members have separate and independent access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that board procedures are followed and that applicable rules and regulations are complied with. The appointment and removal of the Company Secretary is a matter for the Board as a whole.

Board members are aware that they, whether as a group or individually, in the furtherance of their duties, can take independent professional advice, if necessary, at the Company's expense.

CORPORATE GOVERNANCE REPORT

3. REMUNERATION MATTERS

Principle 7: Procedures for Developing Remuneration Policies

The Board has a Remuneration Committee ("RC") comprising three members, all of whom, including the Chairman are independent. No director is involved in deciding his own remuneration.

The RC has adopted terms of reference that describes its duties and responsibilities.

The principal functions of the RC are, *inter alia*, to:

(a) review and recommend to the Board a framework of remuneration for the Directors and key executives;

(b) determine the specific remuneration packages for each Executive Director; and

(c) recommend the fees of the Directors.

In its review, the RC's objective is to establish and maintain a level of remuneration that would be appropriate to attract, retain and motivate the Directors and key executives to run the Group successfully. The RC also ensures that the remuneration policies and systems of the Group support the Group's objectives and strategies.

Principle 8: Level of Mix of Remuneration

In setting the remuneration packages of the Executive Directors, the Company takes into consideration the remuneration and employment conditions and makes a comparative study of the packages of executive directors in comparable companies/industries as well as the Group's relative performance.

Non-Executive Directors are paid a basic fee and an additional fee for serving on any of the committees. The Chairman of each of these committees is compensated for his additional responsibilities. Such fees are approved by the shareholders of the Company as a lump sum payment at the Annual General Meeting of the Company.

CORPORATE GOVERNANCE REPORT

Principle 9: Disclosure on Remuneration

The breakdowns of the remuneration of the Directors for the financial year ended 31 December 2012 are as follows:

Name	Fees	Salary	Bonus	Other Benefits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current Directors					
Zeng Chaoyi	–	2,040	340	–	2,380
Zeng Xiaoqiao	–	1,530	255	–	1,785
Zeng Chaolin	–	1,785	297	–	2,082
Zeng Mingliu	–	1,530	255	–	1,785
Liang Hongbo	–	1,530	255	–	1,785
Chen Timothy Teck Leng @ Chen Teck Leng	500	–	–	–	500
Loh Weng Whye	350	–	–	–	350
Liu Jingan	60	–	–	–	60

At present, the Company does not have any employee share option scheme.

The range of gross remuneration paid to each of the executives who are not Directors of the Company is as follows:

Name	Salary	Bonus	Other Benefits	Total
	%	%	%	%
RMB 1,000,000 – RMB 1,499,999				
Li Yazhou	86	14	–	100
RMB 500,000 – RMB 999,999				
Lim Joo Seng	87	13	–	100

Save for the remuneration of Ms. Li Yazhou as disclosed above, who is the spouse of the Company's Executive Chairman, Mr. Zeng Chaoyi, none of the directors' immediate family members are employees of the Company or any of its principal subsidiaries, thus, no disclosure is required for employee whom remuneration exceed $150,000 per annum for the financial year ended 31 December 2012.

CORPORATE GOVERNANCE REPORT

4. ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

In presenting the full year financial statements and quarterly financial result announcements to shareholders, it is the aim of the Board to provide the shareholders with a balanced and understandable assessment of the Group's performance, position and prospects.

Management currently provides the Board with a continual flow of relevant information on a timely basis in order that it may effectively discharge its duties. The Board members are also provided with up-to-date financial reports, summary and analysis on the Group's performance for monitoring and decision making.

Principle 11: Audit Committee

The Board has an Audit Committee ("AC") comprising three members, all of whom, including the Chairman are independent. The Independent Directors do not have any existing business or professional relationship of a material nature with the Group, other Directors or substantial shareholders.

The AC assists the Board in discharging its responsibilities to safeguard the assets, maintain adequate accounting records and develop and maintain effective systems of internal control, with the overall objective of ensuring that Management creates and maintains an effective control environment in the Group.

The AC provides a channel of communication between the Board, Management and the external auditors on matters relating to audit.

The AC has adopted terms of reference that clearly set out its authority and duties.

The AC meets periodically to perform the functions including but not limited to:

(a) review the audit plans of the external auditors and internal auditors, including the results of the external and internal auditors' review and evaluation of the Group's system of internal controls;

(b) review the annual consolidated financial statements and the external auditors' report on those financial statement and discuss any significant adjustments, major risk areas, changes in accounting policies, compliance with Singapore financial reporting standards, concerns and issues arising from their audits including any matter which the auditors may wish to discuss in the absence of management, where necessary, before submission to the Board for approval;

(c) review the periodic consolidated financial statements comprising the income statement and the balance sheet and such other information required by the Listing Manual, before submission to the Board for approval;

(d) review and discuss with the external and internal auditors, any suspected fraud, irregularity or infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position and Management's response;

(e) review the co-operation given by Management to the external auditors;

(f) recommend the appointment, re-appointment and removal of the external auditors to the Board;

(g) review and ratify any interested person transactions falling within the scope of Chapter 9 of the Listing Manual;

(h) review any potential conflict of interests;

CORPORATE GOVERNANCE REPORT

(i) review annually the adequacy of internal financial, operational and compliance controls, and risk management policies and systems established by management;

(j) undertake such other reviews and projects as may be requested by the Board, and report to the Board its findings from time to time on matters arising and requiring the attention of the AC; and

(k) undertake such other functions and duties as may be required by the statute or the Listing Manual, and by such amendments made thereto from time to time.

The AC has reviewed the independence of the external auditor including the volume of non-audit services supplied by them and is satisfied with their position as an independent external auditor and recommends to the Board, the nomination of the external auditor for re-appointment at the Annual General Meeting of the Company. There is no disagreement between the Board and the AC regarding the selection, appointment, resignation or dismissal of external auditors.

The Company confirms that it has complied with 712 and 715 of the Listing Manual in engaging Ernst & Young LLP, registered with the Accounting and Corporate Regulatory Authority, Singapore, as the external auditor of the Company.

The aggregate amount of fees paid and payable by the Group to the external auditors for the financial year ended 31 December 2012 is approximately S$627,000, of which audit fees amounted to approximately S$539,000 and non-audit fees amounted to approximately S$88,000.

The AC has full access to, and cooperation from Management including the external auditors, and has full discretion to invite executive director and any officer to attend its meetings. The AC also has power to investigate any matter brought to its attention, within its terms of reference, with the power to retain professional advice at the Company's expense.

The AC meets with the external and internal auditors, without the presence of Management at least once a year.

Principle 12: Internal Control

The Board recognises that no internal control system will preclude all errors and irregularities. The system is designed to manage rather than to eliminate the risk of failure to achieve business objectives. The controls are to provide reasonable, but not absolute, assurance to safeguard shareholders' investments and the Group's assets.

The AC has engaged external and internal auditors to review the adequacy of the Group's system of internal controls, ensure internal control weaknesses are ratified and if necessary, update the SGX-ST on any findings and any follow-up action taken by the AC.

The AC will ensure that a review of the effectiveness of the Group's material internal controls, including financial, operational and compliance controls and risk management, is conducted annually. In this respect, the AC will review the audit plans, and the findings of the auditors and will ensure that the Group follows up on the auditors' recommendations raised, if any, during the audit processes.

The Board affirms its overall responsibility for the Group's systems of internal controls and risk management, and for reviewing the adequacy and integrity of those systems on an annual basis. It should be noted, however, that such systems are designed to manage rather than to eliminate the risk of failure to achieve business objective. In addition, it should be noted that any system could provide only reasonable and not absolute assurance against material misstatement of loss (including the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislations, regulations and best practices, and the identification and containment of business/enterprise risks).

CORPORATE GOVERNANCE REPORT

As at the date hereof, after taking into account the above factors as well as the assistance/services rendered to the Company by both its internal and external auditors, the Board is of the view that the present internal controls of the Group are satisfactory for the nature and the size of the Group's operations and business and will endeavour to continue to put in place more robust internal control procedures as the Group continues to grow. The AC similarly concurs with the views of the Board on the adequacy of the present internal controls of the Group to address its financial, operational and compliance risk areas.

Principle 13: Internal Audit

In accordance with the AC's recommendation, the Company has appointed Deloitte Touche Tohmatsu as an Internal Auditor (IA) to undertake the following duties:

(a) assess if adequate system of internal controls are in place to protect the fund and assets of the Group and to ensure control procedures are complied with;

(b) assess if operation of the business processes under review are conducted efficiently and effectively; and

(c) identify and recommend improvement to internal control procedures, where required.

The IA reports directly to the AC Chairman on internal audit matters and to Management on administrative matters.

To ensure the adequacy of the internal audit function, the AC reviews and approves the internal audit plan on an annual basis.

The Group has put in place a Whistleblowing Policy whereby the staff can access the Whistleblowing Co-ordinator, as well as the IA and AC, who act jointly and severally as Whistleblowing Protection Officers, to raise concerns about improprieties or suspected fraud within the Group.

5. COMMUNICATIONS WITH SHAREHOLDERS

Principle 14: Communication with Shareholders

The Company engages in regular, effective and fair communication with shareholders. On a regular and timely basis, the Company disseminates material information via SGXNET and its official website.

Principle 15: Greater Shareholders Participation

The Group strives for timeliness and transparency in its disclosures to the shareholders and the public. In addition to the regular dissemination of information on major developments through SGXNET, the Company also responds to enquiries from investors, analysts, fund managers and the press. However, the Company does not practise selective disclosure as all price-sensitive information is always released through SGXNET.

There are separate resolutions at general meetings on each substantially separate issue.

The Company is in full support of shareholders participation at general meetings. Shareholders are given the opportunity to enquire from Directors and Management on any matters concerning the Company and the Group during general meetings.

In addition to Board committees, the external auditors are also invited to attend Annual General Meeting to assist the Directors to address shareholders' queries about the conduct of audit and the preparation and contents of the auditors' report.

CORPORATE GOVERNANCE REPORT

6. INTERESTED PERSON TRANSACTIONS ("IPT")

The AC is satisfied that the review procedures for IPTs and the reviews to be made periodically by the AC in relation thereto are adequate to ensure that the IPTs will be transacted on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders.

The Company's disclosure according to Rule 907 of the Listing Manual in respect of IPT is not required for the financial year ended 31 December 2012.

7. DEALINGS IN SECURITIES

In line with Chapter 12, Rule 1207(19) of the Listing Manual, the Company has in place a policy on dealings in securities. The Directors and employees are prohibited from securities dealings whilst they are in possession of price-sensitive information. The Company issues regular circulars to its Directors, principal officers and relevant officers who have access to unpublished material price-sensitive information to remind them of the prohibition and to remind them of the requirement to report their dealing in shares of the Company.

The Directors and employees are also prohibited from dealing in the securities of the Company during the period commencing two weeks prior to the announcement of the Company's financial statements for each of the first three quarters of its financial year and one month before the announcement of the Company's financial statements for the full financial year.

Directors and employees of the Group are observed not to deal in the Company's shares on short term consideration and when he or she is in possession of unpublished price-sensitive information relating to the Group. They are expected to observe the insider trading laws at all times even when dealing in securities within permitted trading period.

8. MATERIAL CONTRACT

Save as disclosed under the proposed allotment and issuance of 152,968,000 new shares to the Guizhou Liupanshui Shuangyuan Aluminum Co., Ltd. ("Liupanshui") shareholders and Yichang Changjiang Aluminum Co., Ltd. ("Yichang") shareholders as settlement for the outstanding consideration for the acquisition of Liupanshui and Yichang, there are no other material contract entered by the Group or its subsidiaries involving the interest of the Chief Executive Officer, any Director or controlling shareholder of the Company subsisting in the financial year ended 31 December 2012.

9. RISK MANAGEMENT

Management will regularly review the Group's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks within the Group's policies and strategies. The Management reviews all significant control policies and procedures and highlight all significant matters to the Directors and the AC. Please refer to Principle 12 on Internal Controls.

CORPORATE GOVERNANCE REPORT

10. USE OF PROCEEDS RECEIVED BY THE COMPANY DURING ITS INITIAL PUBLIC OFFERING EXERCISE ("IPO")

As at 31 December 2012, approximately S$91.1 million have been used for the purposes as stated in the Prospectus dated 19 October 2010. The details of the deployment are as follows:

	Intended use of proceeds from IPO	Cumulative amount deployed up to 31 Dec 2012	Amount to be deployed as at 31 Dec 2012
	S$'000	S$'000	S$'000
Increasing the capacity of Jiangyin fabrication plant	52,900	47,900	5,000
Strategic investments, acquisitions and general corporate purpose	14,400	14,400	–
Working capital	28,800	28,800	–
Total, net of IPO expenses	96,100	91,100	5,000

DIRECTORS' REPORT

The directors are pleased to present their report to the members together with the audited consolidated financial statements of XinRen Aluminum Holdings Limited (the "Company") and its subsidiary companies (collectively the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2012.

DIRECTORS

The directors of the Company in office at the date of this report are:

Zeng Chaoyi
Zeng Chaolin
Zeng Mingliu
Zeng Xiaoqiao @ Zeng Xiaoshan
Liang Hongbo
Loh Weng Whye
Chen Timothy Teck Leng @ Chen Teck Leng
Liu Jingan

Zeng Xiaoqiao @ Zeng Xiaoshan, Chen Timothy Teck Leng @ Chen Teck Leng and Loh Weng Whye will retire under Article 94 of Company's Articles of Association, and, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting.

Liu Jingan will retire under Section 153(6) of the Companies Act (Chapter 50) and, being eligible, offers himself for re-election at the forthcoming Annual General Meeting.

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under section 164 of the Singapore Companies Act, Chapter. 50, an interest in shares and share options of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

	Direct interest		Deemed interest	
Name of directors	**At the beginning of financial year or date of appointment**	**At the end of financial year**	**At the beginning of financial year or date of appointment**	**At the end of financial year**
The Company				
Ordinary shares				
Zeng Chaoyi	–	–	777,000,000	980,097,032
Zeng Chaolin	–	–	777,000,000	980,097,032
Zeng Mingliu	–	–	777,000,000	980,097,032
Zeng Xiaoqiao @ Zeng Xiaoshan	–	–	777,000,000	980,097,032
Liang Hongbo	–	–	777,000,000	980,097,032

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2013.

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

DIRECTORS' REPORT

DIRECTORS' CONTRACTUAL BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

AUDIT COMMITTEE

The audit committee ("AC") carried out its functions in accordance with section 201B (5) of the Singapore Companies Act, Chapter. 50, including the following:

- Reviews the audit plans of the internal and external auditors of the Company, and reviews the internal auditors' evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Company's management to the external and internal auditors;

- Reviews the quarterly and annual financial statements and the auditors' report on the annual financial statements of the Company before their submission to the board of directors;

- Reviews effectiveness of the Company's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditors;

- Meets with the external auditors, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC;

- Reviews legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;

- Reviews the cost effectiveness and the independence and objectivity of the external auditors;

- Reviews the nature and extent of non-audit services provided by the external auditors;

- Recommends to the board of directors the external auditors to be nominated, approves the compensation of the external auditors, and reviews the scope and results of the audit;

- Reports actions and minutes of the AC to the board of directors with such recommendations as the AC considers appropriate; and

- Reviews interested person transactions in accordance with the requirements of the Listing Manual of the Singapore Exchange Securities Trading Limited.

The AC, having reviewed all non-audit services provided by the external auditors to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditors. The AC has also conducted a review of interested person transactions.

The AC convened four meetings during the year with full attendance from all members. The AC has also met with internal and external auditors, without the presence of the Company's management, at least once a year.

The Board of directors and the AC have reviewed the adequacy of the Group's internal controls that address the Group's financial, operational and compliance risks. Based on the review conducted, the Board of directors and the AC are of the opinion that whilst the system of internal controls currently in place are adequate in meeting the current scope of the Group's business operations, more robust internal control procedures shall be put in place as the Group continues to grow and expand its business operations.

Further details regarding the AC are disclosed in the Report on Corporate Governance.

DIRECTORS' REPORT

AUDITORS

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditors.

On behalf of the Board of directors:

Zeng Chaolin Director	**Liang Hongbo** Director

Singapore
5 April 2013

STATEMENT BY DIRECTORS

We, Zeng Chaolin and Liang Hongbo, being two of the directors of XinRen Aluminum Holdings Limited, do hereby state that, in the opinion of the directors,

(i) the accompanying balance sheets, consolidated statement of comprehensive income, statements of changes in equity, and consolidated cash flow statement together with notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2012 and the results of the business, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date, and

(ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of directors:

Zeng Chaolin
Director

Liang Hongbo
Director

Singapore
5 April 2013

INDEPENDENT AUDITOR'S REPORT

To the Members of XinRen Aluminum Holdings Limited

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of XinRen Aluminum Holdings Limited (the "Company") and its subsidiary companies (collectively the "Group") set out on pages 39 to 94, which comprise the balance sheets of the Group and the Company as at 31 December 2012, the statements of changes in equity of the Group and the Company and the consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and a summary of the significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

To the Members of XinRen Aluminum Holdings Limited

EMPHASIS OF MATTER

We draw attention to Note 2.2 to the financial statements. The Group incurred a net loss of RMB 66 million for the financial year ended 31 December 2012 and as at that date, the Group and Company's current liabilities exceeded their current assets by RMB 2,128 million and RMB 1,334 million respectively. These factors indicate the existence of a material uncertainty which may cast significant doubt about the Group and Company's ability to continue as going concerns. The ability of the Group and Company to continue as going concerns is dependent on the Group and Company's ability to generate positive cashflows from operations and to obtain continued and new funding from the lenders. If the Group and Company are unable to continue in operational existence for the foreseeable future, the Group and Company may be unable to discharge their liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheets. In addition, the Group and Company may have to reclassify long term assets and liabilities as current assets and liabilities. No such adjustments have been made to these financial statements. Our opinion is not qualified in respect of this matter.

OPINION

In our opinion, the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2012 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the accounting and other records required by the Act to be kept by the Company incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

ERNST & YOUNG LLP
Public Accountants and Certified Public Accountants

Singapore
5 April 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2012

	Note	Group 2012 RMB'000	Group 2011 RMB'000
Revenue	4	6,394,812	6,845,715
Cost of sales		(6,208,358)	(6,176,857)
Gross profit		186,454	668,858
Other items of income			
Finance income		15,855	9,476
Other income		23,749	48,642
Other items of expense			
Selling and distribution expenses		(51,777)	(68,951)
Administrative expenses		(101,743)	(77,638)
Finance costs		(123,542)	(95,724)
Other expenses		(27,860)	(7,335)
Share of result of a jointly controlled entity	9	15,383	–
(Loss)/profit before taxation	5	(63,481)	477,328
Taxation	6	(2,351)	(55,575)
(Loss)/profit after taxation		(65,832)	421,753
Other comprehensive loss:			
Net loss on available-for-sale financial assets	28	(1,259)	(716)
Foreign currency translation	28	(4,627)	(26,245)
Other comprehensive loss for the year		(5,886)	(26,961)
Total comprehensive (loss)/income for the year		(71,718)	394,792
(Loss)/profit attributable to:			
Owners of the parent		(65,832)	421,753
Total comprehensive (loss)/income attributable to:			
Owners of the parent		(71,718)	394,792
(Loss)/earnings per share (in cents)			
Basic (RMB cents)	7	(5.58)	38.44
Diluted (RMB cents)	7	(5.58)	38.44

The accounting policies and explanatory notes form an integral part of the financial statements

BALANCE SHEETS

as at 31 December 2012

	Note	Group 2012 RMB'000	Group 2011 RMB'000	Company 2011 RMB'000	Company 2012 RMB'000
Non-current assets					
Property, plant and equipment	8	2,327,497	2,282,676	3,692	3,876
Investment in a jointly controlled entity	9	1,902,658	–	1,890,000	–
Land use rights	10	50,979	49,775	–	–
Investment in subsidiaries		–	–	75,838	844
Amount due from a subsidiary	15	–	–	382,420	–
Deferred expenses	11	3,400	3,625	–	–
Deferred tax assets	25	4,062	3,671	–	–
		4,288,596	2,339,747	2,351,950	4,720
Current assets					
Inventories	12	831,797	822,431	–	–
Prepayments	13	677,582	546,850	–	–
Amount due from a jointly controlled entity	14	477,327	–	–	–
Amounts due from related parties	15	–	21,296	–	–
Amounts due from subsidiaries	15	–	–	23,564	273,312
Amounts due from directors	20	16,038	4,004	–	–
Income tax receivable		14,360	6,441	152	–
Trade and other receivables	16	716,622	576,005	194,860	307,000
Deferred expenses	11	205,184	166,536	209,025	168,898
Short term investments	17	3,037	4,028	–	–
Short term deposits, secured	18	942,839	572,839	–	–
Cash and cash equivalents	18	189,561	382,072	8,419	97,449
		4,074,347	3,102,502	436,020	846,659
Current liabilities					
Loans and borrowings	19	3,317,322	2,332,518	–	–
Amounts due to related parties	15	19,871	–	–	–
Amounts due to subsidiaries	15	–	–	470,156	22,290
Payable arising from acquisition of a jointly controlled entity	21	1,130,105	–	1,130,105	–
Trade and other payables	22	526,833	310,200	6,128	5,704
Deferred revenue	11	163,785	119,636	163,785	119,636
Advances from customers	23	1,036,078	395,668	–	–
Accrued operating expenses	24	7,048	4,828	–	–
Income tax payable		1,560	45,635	–	18,297
		6,202,602	3,208,485	1,770,174	165,927
Net current (liabilities)/assets		(2,128,255)	(105,983)	(1,334,154)	680,732
Non-current liabilities					
Deferred tax liabilities	25	139,297	120,368	–	–
Loans and borrowings	19	30,000	30,000	–	–
Amounts due to equity holders	26	–	382,420	–	–
Net assets		1,991,044	1,700,976	1,017,796	685,452
Equity attributable to equity holders of the parent					
Share capital	27	995,377	522,260	995,377	522,260
Treasury shares	27	(6,927)	(3,140)	(6,927)	(3,140)
Revenue reserve		800,441	1,000,235	64,648	196,561
Other reserves	28	202,153	181,621	(35,302)	(30,229)
Total equity		1,991,044	1,700,976	1,017,796	685,452

The accounting policies and explanatory notes form an integral part of the financial statements

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2012

	Attributable to equity holders of the parent					
Group	**Share capital (Note 27) RMB'000**	**Treasury shares (Note 27) RMB'000**	**Revenue reserve RMB'000**	**Other reserves (Note 28) RMB'000**	**Total reserves RMB'000**	**Total RMB'000**
Balance at 1 January 2011	522,260	–	625,222	161,842	787,064	1,309,324
Profit for the year	–	–	421,753	–	421,753	421,753
Other comprehensive income for the year	–	–	–	(26,961)	(26,961)	(26,961)
Total comprehensive income for the year	–	–	421,753	(26,961)	394,792	394,792
<u>Contributions by and distributions to owners</u>						
Purchase of treasury shares	–	(3,140)	–	–	–	(3,140)
Total transactions with owners in their capacity as owners	–	(3,140)	–	–	–	(3,140)
<u>Others</u>						
Appropriation to statutory reserve	–	–	(46,740)	46,740	–	–
Total others	–	–	(46,740)	46,740	–	–
Balance at 31 December 2011 and 1 January 2012	522,260	(3,140)	1,000,235	181,621	1,181,856	1,700,976
Loss for the year	–	–	(65,832)	–	(65,832)	(65,832)
Other comprehensive loss for the year	–	–	–	(5,886)	(5,886)	(5,886)
Total comprehensive loss for the year	–	–	(65,832)	(5,886)	(71,718)	(71,718)
<u>Contributions by and distributions to owners</u>						
Issuance of new shares	382,420	–	–	–	–	382,420
Purchase of treasury shares	–	(3,787)	–	–	–	(3,787)
Issuance of shares under scrip dividend scheme	90,697	–	(90,697)	–	(90,697)	–
Dividend on ordinary shares	–	–	(16,847)	–	(16,847)	(16,847)
Total transactions with owners in their capacity as owners	473,117	(3,787)	(107,544)	–	(107,544)	361,786
<u>Others</u>						
Appropriation to statutory reserve	–	–	(5,117)	5,117	–	–
Appropriation to special reserve	–	–	(21,301)	21,301	–	–
Total others	–	–	(26,418)	26,418	–	–
Balance at 31 December 2012	995,377	(6,927)	800,441	202,153	1,002,594	1,991,044

The accounting policies and explanatory notes form an integral part of the financial statements

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2012

Company	Share capital (Note 27) RMB'000	Treasury shares (Note 27) RMB'000	Revenue reserve RMB'000	Other reserves (Note 28) RMB'000	Total reserves RMB'000	Total RMB'000
	Attributable to equity holders of the parent					
Balance at 1 January 2011	522,260	–	54,561	(3,347)	51,214	573,474
Profit for the year	–	–	142,000	–	142,000	142,000
Other comprehensive income for the year	–	–	–	(26,882)	(26,882)	(26,882)
Total comprehensive income for the year	–	–	142,000	(26,882)	115,118	115,118
<u>Contributions by and distributions to owners</u>						
Purchase of treasury shares	–	(3,140)	–	–	–	(3,140)
Balance at 31 December 2011 and 1 January 2012	522,260	(3,140)	196,561	(30,229)	166,332	685,452
Loss for the year	–	–	(24,369)	–	(24,369)	(24,369)
Other comprehensive loss for the year	–	–	–	(5,073)	(5,073)	(5,073)
Total comprehensive loss for the year	–	–	(24,369)	(5,073)	(29,442)	(29,442)
<u>Contributions by and distributions to owners</u>						
Issuance of new shares	382,420	–	–	–	–	382,420
Purchase of treasury shares	–	(3,787)	–	–	–	(3,787)
Issuance of shares under scrip dividend scheme	90,697	–	(90,697)	–	(90,697)	–
Dividend on ordinary shares	–	–	(16,847)	–	(16,847)	(16,847)
Balance at 31 December 2012	995,377	(6,927)	64,648	(35,302)	29,346	1,017,796

The accounting policies and explanatory notes form an integral part of the financial statements

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2012

	2012 RMB'000	2011 RMB'000
Operating profit before changes in working capital (Note 18(c))	133,531	622,309
Increase in inventories	(27,344)	(139,815)
(Increase)/decrease in prepayments	(146,588)	66,185
Decrease/(increase) in amounts due from directors and related parties	29,133	(25,300)
Increase in trade and other receivables	(140,617)	(233,429)
Increase in deferred expenses	(47,129)	(160,405)
Increase in amount due from a jointly controlled entity	(477,327)	–
Decrease in amounts due to directors and related parties	–	(3,479)
Increase in trade and other payables	216,633	84,305
Increase in advances from customers	640,410	50,623
Increase in deferred revenue	44,149	119,636
Increase/(decrease) in accrued operating expenses	2,220	(26,039)
Cash generated from operating activities	227,071	354,591
Interest income received	15,855	9,476
Interest expense paid	(86,189)	(63,751)
Tax refunded	–	10,539
Tax paid	(35,808)	(123,528)
Net cash generated from operating activities	120,929	187,327
Cash flows from investing activities		
Purchase of property, plant and equipment	(140,147)	(470,699)
Payment for land use rights	(1,400)	(7,834)
Purchase of investment in a jointly controlled entity	(759,895)	–
Repayment of equity loan	–	(60,000)
Prepayment for purchase of property, plant and equipment	(7,214)	(63,827)
Investment income from short term investments	1,104	–
Proceeds from disposal of property, plant and equipment	–	58
Net cash used in investing activities	(907,552)	(602,302)
Cash flows from financing activities		
Proceeds from loans and borrowings	4,603,603	3,851,551
Repayment of loans and borrowings	(3,618,799)	(3,705,548)
Purchase of treasury shares	(3,787)	(3,140)
Dividend paid on ordinary shares	(16,847)	–
(Increase)/decrease in short term deposits, secured	(370,000)	131,658
Net cash generated from financing activities	594,170	274,521
Net decrease in cash and cash equivalents	(192,453)	(140,454)
Effect of exchange rate changes on cash and cash equivalents	(58)	(4,490)
Cash and cash equivalents at beginning of year	382,072	527,016
Cash and cash equivalents at end of year (Note 18(b))	189,561	382,072

The accounting policies and explanatory notes form an integral part of the financial statements

NOTES TO THE FINANCIAL STATEMENTS

31 December 2012

1. CORPORATE INFORMATION

1.1 The Company

XinRen Aluminum Holdings Limited (the "Company") was incorporated in the Republic of Singapore on 29 August 2006 as a private company limited by shares and was listed on the Singapore Exchange Securities Trading Limited ("SGX-ST") on 27 October 2010.

The registered office and principal place of business of the Company is 250 North Bridge Road, #15-01 Raffles City Tower, Singapore 179101. The principal activities of the Company are trading and investment holding.

1.2 The Subsidiary Companies

The Company, through direct legal ownership has direct or indirect interests in the subsidiary companies as follow:

Name	Principal activities	Country incorporation and place of business	Proportion (%) of ownership interest	
			2012	2011
Held by the Company:				
Jiangyin Xinren International Trading Co., Ltd.	Investment holding	PRC	100	100
Held through Jiangyin Xinren International Trading Co., Ltd.:				
Jiangyin Xinren Technology Co., Ltd.	Fabrication and trading of aluminum related products	PRC	100	100
Shanghai Fengbo International Trading Co., Ltd.	Trading of aluminum related products	PRC	100	100
Shanghai Shuangpai. Aluminum Co., Ltd	Trading of aluminum related products	PRC	100	100
Shuicheng Xinren Trading Co., Ltd.	Provision of management services	PRC	100	100
Yichang Xinren Trading Co., Ltd.	Provision of management services	PRC	100	100

NOTES TO THE FINANCIAL STATEMENTS

31 December 2012

1. CORPORATE INFORMATION (CONT'D)

1.2 The Subsidiary Companies (cont'd)

Name	Principal activities	Country incorporation and place of business	Proportion (%) of ownership interest 2012	Proportion (%) of ownership interest 2011
Held through Jiangyin Xinren International Trading Co., Ltd. (cont'd):				
Shuicheng County Xinxin Carbon Co., Ltd.	Manufacture of carbon and coal chemical products	PRC	100	100
Held through Jiangyin Xinren Technology Co., Ltd.:				
Guizhou Liupanshui Shuangyuan Aluminum Co., Ltd. *	Manufacture of aluminum ingots through smelting process	PRC	100	100
Yichang Changjiang Aluminum Co., Ltd. *	Manufacture of aluminum ingots through smelting process	PRC	100	100

* *In 2011, the Company has completed the acquisition of 100% of the equity interest in both Guizhou Liupanshui Shuangyuan Aluminum Co., Ltd. ("Liupanshui Shuangyuan") and Yichang Changjiang Aluminum Co., Ltd. ("Yichang Changjiang"). The acquisition was made by its wholly-owned subsidiary, Jiangyin Xinren Technology Co., Ltd. for an aggregate consideration of RMB 442,400,000.*

1.3 Seasonality of operations

The Group is affected by the Chinese New Year holidays, during which many of the customers do not accept delivery for a period of 2 to 3 weeks. Other than that, the Group's operations are not subjected to significant seasonal variations in revenue.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards ("FRS").

The financial statements of the Group have been prepared on a historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Chinese Renminbi ("RMB") and all values in the tables are rounded to the nearest thousand ("RMB'000") as indicated.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 *Fundamental accounting concept*

As at 31 December 2012, the Group and Company's current liabilities exceeded their current assets by RMB 2,128 million (2011: RMB 106 million) and RMB 1,334 million (2011: net current assets position of RMB 681 million) respectively and this may cast doubt on the validity of the going concern assumption used in the preparation of these financial statements. In the opinion of the directors, the Group and Company are able to continue as going concerns despite their net current liabilities positions as the Directors are of the view that the Group and Company will be able to continue to generate net cash inflows from operating activities for a period of 12 months from the date these financial statements were approved as well as obtain continued and new funding from lenders to enable the Group and Company to meet their financial obligations as and when they fall due .

If the Group and Company are unable to continue in operational existence for the foreseeable future, the Group and Company may be unable to discharge their liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheets. In addition, the Group and Company may have to reclassify long term assets and liabilities as current assets and liabilities. No such adjustments have been made to these financial statements.

2.3 *Changes in accounting policies*

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards and Interpretations of FRS ("INT FRS") that are effective for annual periods beginning on or after 1 January 2012. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company.

2.4 *Standards issued but not yet effective*

The Group has not adopted the following FRS and INT FRS that have been issued but not yet effective:

Description	*Effective for annual periods beginning on or after*
Amendments to FRS 1 *Presentation of Items of Other Comprehensive Income*	1 July 2012
Revised FRS 19 *Employee Benefits*	1 January 2013
FRS 113 *Fair Value Measurements*	1 January 2013
Amendments to FRS 107 Disclosure – *Offsetting Financial Assets and Financial Liabilities*	1 January 2013
Improvements to FRSs 2012	
– Amendment to FRS 1 *Presentation of Financial Statements*	1 January 2013
– Amendment to FRS 16 *Property, Plant and Equipment*	1 January 2013
– Amendment to FRS 32 *Financial Instruments: Presentation*	1 January 2013
INT FRS 120 *Stripping Costs in Production Phase of a Surface Mine*	1 January 2013
Revised FRS 27 *Separate Financial Statements*	1 January 2014
Revised FRS 28 *Investments in Associates and Joint Ventures*	1 January 2014
FRS 110 *Consolidated Financial Statements*	1 January 2014
FRS 111 *Joint Arrangements*	1 January 2014
FRS 112 *Disclosure of Interests in Other Entities*	1 January 2014
Amendments to FRS 32 *Offsetting Financial Assets and Financial Liabilities*	1 January 2014

NOTES TO THE FINANCIAL STATEMENTS

31 December 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Standards issued but not yet effective (cont'd)

Except for the Amendments to FRS 1, FRS 111, Revised FRS 28 and FRS 112, the directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of the Amendments to FRS 1, FRS 111, Revised FRS 28 and FRS 112 are described below.

Amendments to FRS 1 Presentation of Items of Other Comprehensive Income

The Amendments to FRS 1 Presentation of Items of Other Comprehensive Income (OCI) is effective for financial periods beginning on or after 1 July 2012.

The Amendments to FRS 1 changes the grouping of items presented in OCI. Items that could be reclassified to profit or loss at a future point in time would be presented separately from items which will never be reclassified. As the Amendments only affect the presentations of items that are already recognised in OCI, the Group does not expect any impact on its financial position or performance upon adoption of this standard.

FRS 111 Joint Arrangements and Revised FRS 28 *Investments in Associates and Joint Ventures*

FRS 111 and the revised FRS 28 are effective for financial periods beginning on or after 1 January 2014.

FRS 111 classifies joint arrangements either as joint operations or joint ventures. Joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement whereas joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. FRS 111 requires the determination of joint arrangement's classification to be based on the parties' rights and obligations under the arrangement, with the existence of a separate legal vehicle no longer being the key factor. FRS 111 disallows proportionate consolidation and requires joint ventures to be accounted for using the equity method. The revised FRS 28 was amended to describe the application of equity method to investments in joint ventures in addition to associates.

Currently, the Group's investments in jointly controlled entities are accounted for using the equity method. Upon adoption of FRS 111, the Group does not expect any impact to the Group's financial statements presentation.

FRS 112 *Disclosure of Interests in Other Entities*

FRS 112 *Disclosure of Interests in Other Entities* is effective for financial periods beginning on or after 1 January 2014.

FRS 112 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. FRS 112 requires an entity to disclose information that helps users of its financial statements to evaluate the nature and risks associated with its interests in other entities and the effects of those interests on its financial statements. As this is a disclosure standard, it will have no impact to the financial position and financial performance of the Group when implemented in 2014.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

– De-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when controls is lost;
– De-recognises the carrying amount of any non-controlling interest;
– De-recognises the cumulative translation differences recorded in equity;
– Recognises the fair value of the consideration received;
– Recognises the fair value of any investment retained;
– Recognises any surplus or deficit in profit or loss;
– Re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

2.6 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The accounting policy for borrowing costs is set out in Note 2.17. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment loss. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.6 Property, plant and equipment (cont'd)

Depreciation of an asset begins when it is available for use and is computed on a straight-line basis over the estimated useful life of the asset as follows:

Buildings	20 to 50 years
Machinery and equipment	5 to 20 years
Motor vehicles	5 years
Office equipment	3 to 5 years
Capital maintenance	5 years

Construction-in-progress represents buildings, machinery and equipment under construction. Construction-in-progress is not depreciated until such time as the relevant assets are completed and put into operational use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

2.7 Land use rights

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation. The land use rights are amortised on a straight-line basis over the lease term of 50 years.

2.8 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transaction can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.8 Impairment of non-financial assets (cont'd)

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

2.9 Subsidiaries

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

2.10 Jointly controlled entity

The Group has interests in joint venture that is a jointly controlled entity. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest.

The consolidated financial statements include the Group's share of the total recognised gains and losses of its jointly controlled entity on an equity accounted basis from the date that joint control commences until the date that joint control ceases. When the Group's share of losses exceeds the carrying amount of the investment, the investment is reported as nil and recognition of losses is discontinued except to the extent of the Group's commitment.

In the Company's separate financial statements, investment in jointly controlled entity is stated at cost less impairment loss. The carrying amount of the jointly controlled entity is reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount is estimated and any impairment loss is recognised whenever the carrying amount exceeds the recoverable amount. The impairment loss is charged to profit or loss.

Upon loss of joint control, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the former joint venture entity upon loss of joint venture control and the aggregate of the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial assets depends on their reclassification as follows:

(a) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

(b) Available-for-sale financial assets

Available-for-sale financial assets include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated as fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial asset) is de-recognised when:

(a) The Group transfers the contractual rights to receive the cash flows of the financial asset; or

(b) The Group retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients in a "past-through" arrangement; or

(c) The Group has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 Financial assets (cont'd)

Derecognition (cont'd)

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset, is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option on the transferred asset, the extent of the group's continuing involvement is the amount of the transferred asset that the group may repurchase, except that in the case of a written put option on an asset measured at fair value, the extent of the group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Regular way of purchase or sale of a financial asset

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e. the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

2.12 Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

(a) Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the 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). If a loan has a variable interest rate, the discounted rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.12 Impairment of financial assets (cont'd)

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(b) Available-for-sale financial assets

In the case of equity investments classified as available-for-sale, objective evidence of impairment include (i) significant financial difficulty of the issuer or obligor, (ii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered; and (iii) a significant or prolonged decline in the fair value of the investment below its costs. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from other comprehensive income and recognised in profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in profit or loss; increase in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increases can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed in profit or loss.

2.13 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.14 Inventories

Inventories are stated at the lower of cost and net realizable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

– Raw materials and supplies: purchase costs on a weighted average basis

– Finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a weighted average basis.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sales.

2.15 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive), as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.16 Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.16 *Financial liabilities (cont'd)*

Subsequent measurement (cont'd)

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognised in profit or loss.

The Group has not designated any financial liabilities upon initial recognition at fair value through profit or loss.

Other financial liabilities

After initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit or loss.

2.17 *Borrowing costs*

Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are being incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.18 *Employee benefits*

(a) Defined contribution plan

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. The Singapore company in the Group makes contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. In addition, the subsidiary companies in the People's Republic of China ("PRC") pay fixed contributions into the retirement insurance and medical insurance schemes organised by the social security bureau and has no further payment obligations once the contributions have been paid. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(b) Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they accrue to the employees. The estimated liability for leave is recognised for services rendered by employees up to balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.19 Foreign currencies

The Group's consolidated financial statements are presented in RMB, whereas the Company's functional currency is United States dollar ("USD"). The Group's consolidated financial statements are presented in RMB as Group's operations are mainly conducted in the People's Republic of China and in RMB. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate of exchange ruling at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the balance sheet date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

(b) Consolidated financial statements

For consolidation purpose, the assets and liabilities of foreign operations are translated into RMB at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income relating to that particular foreign operation is recognised in the profit or loss.

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognised in profit or loss. For partial disposals of associates or jointly controlled entities that are foreign operations, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

The Group has elected to recycle the accumulated exchange differences in the separate component of other comprehensive income that arises from the direct method of consolidation, which is the method the Group uses to complete its consolidation.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.20 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

(a) Sale of goods

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer, usually on delivery of goods. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) Interest income

Interest income is recognised using the effective interest method.

2.21 Taxes

(a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

– Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.21 Taxes (cont'd)

(b) Deferred tax (cont'd)

Deferred income tax assets are recognised for all deductible temporary differences (other than those mentioned above), carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income tax relating to items recognised directly in equity is recognised directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(c) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

– Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

– Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

2.22 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segment and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 30, including the factors used to identify the reportable segments and the measurement basis of segment information.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.23 Share capital and share issue expenses

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.24 Treasury shares

The Group's own equity instruments, which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount of treasury shares and the consideration received, if reissued, is recognised directly in equity. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively.

2.25 Contingencies

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

- (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
- (ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

2.26 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement. For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of INT FRS 104.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.26 Leases (cont'd)

As lessee

Finance leases, which effectively transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

2.27 Related parties

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and Company if that person:

- (i) Has control or joint control over the Company;
- (ii) Has significant influence over the Company; or
- (iii) Is a member of the key management personnel of the Group or Company or of a parent of the Company.

(b) An entity is related to the Group and the Company if any of the following conditions applies:

- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- (ii) The entity is controlled or jointly controlled by a person identified in (a);
- (iii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.28 Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the balance sheet and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3.1 Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

(a) Income and deferred taxes

Significant judgement is involved in determining the Group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities/(assets) for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. As at 31 December 2012, the carrying amount of the Group's income tax payable was approximately RMB 1,560,000 (2011: RMB 45,635,000). As at 31 December 2012, the Group's deferred tax assets and liabilities were approximately RMB 4,062,000 (2011: RMB 3,671,000) and RMB 139,297,000 (2011: RMB 120,368,000) respectively.

(b) Going concern assumption

As at 31 December 2012, the Group and Company's current liabilities exceeded their current assets by RMB 2,128 million (2011: RMB 106 million) and RMB 1,334 million (2011: net current assets position of RMB 681 million) respectively. The financial statements have been prepared on a going concern basis as the directors are confident that the Group and Company are able to generate positive operating cashflows from operations to enable it to meet their financial obligations as and when they fall due. Judgement is involved in determining some of the assumptions used in the assessment. In making this judgement, the Group and Company evaluates among other factors, the historical prices of aluminium ingots, prices of alumina and the production capacity of its production facilities.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2012

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these property, plant and equipment to be within 3 to 50 years. The carrying amount of the Group's property, plant and equipment as 31 December 2011 and 2012 were disclosed in Note 8. Changes in the expected level of usage could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. If the estimated useful lives increase or decrease by 10% from management's estimates, the Group's depreciation would decrease or increase by approximately RMB 12,000,000 (2011: RMB 11,000,000).

(b) Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

(c) Impairment of financial assets

The determination of impairment of financial asset requires significant judgement. The Group evaluates, among other factors, the duration and extent to which the fair value of a financial asset is less than its cost; and the financial health of a near-term business outlook for the financial asset, including factors such as industry and sector performance, operational and financing cash flow.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2012

4. REVENUE

Revenue represents invoiced trading sales to customers and excludes Value Added Tax.

5. (LOSS)/PROFIT BEFORE TAXATION

The following items have been included in arriving at (loss)/profit before taxation:

	Group	
	2012 RMB'000	2011 RMB'000
Other income:		
– government subsidy[1]	9,061	31,319
– sale of scraps	11,559	7,621
– foreign exchange gain	737	9,469
– others	2,392	233
Interest income	15,855	9,476
Finance costs:		
– interest expense	(86,189)	(63,751)
– bank charges[2]	(37,353)	(30,485)
– others	–	(1,488)
Loss on disposal of property, plant and equipment	(99)	–
Inventories written-down (Note 12)	(17,978)	–
Provision for foreseeable loss (Note 11)	(8,706)	–
Staff costs	(84,706)	(76,874)
Amortisation for land use rights	(196)	(1,279)
Depreciation of property, plant and equipment	(118,296)	(111,182)

(1) Government subsidy represents (i) a non-recurring subsidy granted by the local government in respect of technology upgrade for one of the Group's production plants; and (ii) a subsidy provided by the local governments to one of the Group's smelting plants in respect of electricity costs. There are no unfulfilled conditions to the aforesaid subsidies.

(2) Bank charges represents mainly to charges incurred for notes payable.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2012

6. TAXATION

Major components of income tax expense

The major components of income tax expense for the years ended 31 December are:

	Group	
	2012 **RMB'000**	**2011** **RMB'000**
Consolidated income statement		
Current income tax		
– Current year	6,909	64,228
– Over provision in respect of previous years	(23,096)	(40,177)
Deferred income tax		
– Current year	16,251	21,312
– Withholding tax on profit appropriation	2,287	10,212
	2,351	55,575

Relationship between tax expense and accounting (loss)/profit

A reconciliation between tax expense and the product of accounting (loss)/profit multiplied by the applicable corporate tax rate for the years ended 31 December is as follows:-

	Group	
	2012 **RMB'000**	**2011** **RMB'000**
(Loss)/profit before taxation	(63,481)	477,328
Tax at the domestic rates applicable to profits in the countries where the Group operates	(13,407)	82,121
Non-deductible expenses	4,320	1,766
Income not subject to taxation	–	(13)
Effect of income taxed at concessionary rate	(2,571)	3,221
Effect of partial tax exemption and tax relief	(1,570)	(2,550)
Deferred tax assets not recognised	36,859	995
Over provision in respect of previous years	(23,096)	(40,177)
Withholding tax on profit appropriation	2,287	10,212
Others	(471)	–
Income tax expense recognised in profit or loss	2,351	55,575

NOTES TO THE FINANCIAL STATEMENTS

31 December 2012

6. TAXATION (CONT'D)

The tax rates used in computing taxes for entities incorporated in the PRC were 15% to 25% for the financial years ended 31 December 2011 and 2012. In 2010, Jiangyin Xinren Technology Co., Ltd. was granted the Advanced and New Technology Enterprise status by the local tax authority and is subject to a preferential tax rate of 15% for three financial years with 31 December 2010 being the first year of the entitlement. The PRC entities registered in Shanghai, the PRC were taxed at preferential rates of 24% and 25% for the financial years ended 31 December 2011 and 2012, respectively. The other PRC entities were taxed at 25% for the financial years ended 31 December 2011 and 2012.

In 2011, the Company was awarded the Global Trader Programme status ("GTP") by International Enterprise Singapore ("IE Singapore"). Being awarded the GTP allows the Company to enjoy a concessionary tax rate on its qualified offshore income at 10% which will be determined based on the trade turnover, business spending and commitment to the Singapore economy, compared to the uniform corporate tax rate of 17%.

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

7. (LOSS)/EARNINGS PER SHARE

(Loss)/earnings per share (basic and diluted) are calculated by dividing the Group's (loss)/profit for the year attributable to owners of the parent by:

(a) the weighted average of total number of issued shares of the Company of 1,180,124,987 excluding treasury shares as of 31 December 2012; and

(b) the weighted average of total number of issued shares of the Company of 1,097,302,466 excluding treasury shares for the year ended 31 December 2011.

NOTES TO THE FINANCIAL STATEMENTS

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8. PROPERTY, PLANT AND EQUIPMENT

Group	Buildings RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Capital maintenance RMB'000	Construction -in -progress RMB'000	Total RMB'000
Cost							
At 1 January 2011	493,487	1,522,977	14,056	38,728	127,741	119,408	2,316,397
Additions	1,906	12,144	1,584	5,953	26,310	422,802	470,699
Transfers	13,201	23,639	–	–	–	(36,840)	–
Disposals	–	–	(278)	–	–	–	(278)
At 31 December 2011 and 1 January 2012	508,594	1,558,760	15,362	44,681	154,051	505,370	2,786,818
Additions	766	11,463	–	2,659	54,504	93,824	163,216
Transfers	241,128	78,037	–	–	–	(319,165)	–
Written off	–	–	–	–	(25,861)	–	(25,861)
Disposals	(158)	–	–	–	–	–	(158)
At 31 December 2012	750,330	1,648,260	15,362	47,340	182,694	280,029	2,924,015
Accumulated depreciation							
At 1 January 2011	56,904	249,256	10,169	11,157	65,694	–	393,180
Charge for the year	9,505	67,555	1,486	6,130	26,506	–	111,182
Disposals	–	–	(220)	–	–	–	(220)
At 31 December 2011 and 1 January 2012	66,409	316,811	11,435	17,287	92,200	–	504,142
Charge for the year	13,795	68,520	1,096	6,422	28,463	–	118,296
Written off	–	–	–	–	(25,861)	–	(25,861)
Disposals	(59)	–	–	–	–	–	(59)
At 31 December 2012	80,145	385,331	12,531	23,709	94,802	–	596,518
Net carrying amount							
At 31 December 2011	442,185	1,241,949	3,927	27,394	61,851	505,370	2,282,676
At 31 December 2012	670,185	1,262,929	2,831	23,631	87,892	280,029	2,327,497

NOTES TO THE FINANCIAL STATEMENTS

31 December 2012

8. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company	**Office equipment RMB'000**
Cost	
At 1 January 2011	2,807
Additions	2,504
At 31 December 2011 and 1 January 2012	5,311
Additions	1,702
At 31 December 2012	7,013
Accumulated depreciation	
At 1 January 2011	388
Charge for the year	1,047
At 31 December 2011 and 1 January 2012	1,435
Charge for the year	1,886
At 31 December 2012	3,321
Net carrying amount	
At 31 December 2011	3,876
At 31 December 2012	3,692

Certain buildings are pledged to secure bank loans amounting to approximately RMB 72,008,000 (2011: RMB 205,027,000) for financial year ended 31 December 2012. Certain machinery and equipment are pledged to secure loans and borrowings amounting to approximately RMB 1,171,971,000 and RMB 196,366,000 for financial years ended 31 December 2011 and 2012, respectively. Information regarding loans and borrowings are disclosed in Note 19.

NOTES TO THE FINANCIAL STATEMENTS

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9. INVESTMENT IN A JOINTLY CONTROLLED ENTITY

	Group		Company	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Unquoted shares at cost	1,890,000	–	1,890,000	–
Share of post acquisition reserve	15,383	–	–	–
Unrealised profit upon consolidation	(2,725)	–	–	–
	1,902,658	–	1,890,000	–

The Group has acquired 21% (2011: Nil) equity interest in a jointly controlled entity, China Leading International Group Limited on 9 May 2012.

Details of the jointly controlled entity are as follows:

Name	Principal activities	Country incorporation and place of business	Proportion (%) of ownership interest 2012	2011
Held by Company:				
China Leading International Group Limited	Investment holding	British Virgin Islands	21	–
Held by China Leading International Group Limited:				
Art Billion Corporation Limited	Investment holding	Hong Kong	100	–
Xinjiang Zhaokun Trading Co., Ltd	Trading of aluminum related products	PRC	100	–
Xinjiang Houfu Investment Co., Ltd	Investment holding	PRC	100	–
Xinjiang Production and Construction Corps Agricultural Division Eight Xinjiang Tianshan Aluminum Plant Co., Ltd	Manufacture of aluminum ingots through smelting process	PRC	100	–

NOTES TO THE FINANCIAL STATEMENTS

31 December 2012

9. INVESTMENT IN A JOINTLY CONTROLLED ENTITY (CONT'D)

The aggregate amounts of each of current assets, non-current assets, current liabilities, non-current liabilities, income and expenses related to the Group's interests in the jointly-controlled entity are as follows:

	Group	
	2012 RMB'000	2011 RMB'000
Assets and liabilities:		
Current assets	688,757	–
Non-current assets	1,495,815	–
Total assets	2,184,572	–
Current liabilities	(1,327,783)	–
Non-current liabilities	(263,137)	–
Total liabilities	(1,590,920)	–
Income and expenses:		
Income	497,095	–
Expenses	(481,712)	–

NOTES TO THE FINANCIAL STATEMENTS

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10. LAND USE RIGHTS

	Group	
	2012 RMB'000	**2011 RMB'000**
Cost		
At 1 January	56,993	49,159
Additions	1,400	7,834
	58,393	56,993
Accumulated amortisation		
At 1 January	7,218	5,939
Amortisation for the year	196	1,279
At 31 December	7,414	7,218
Net carrying amount	50,979	49,775

The Group has land use rights over 5 plots of state-owned land in the PRC where the Group's operating facilities reside. The land use rights have remaining tenures ranging from 41 years to 45 years as at 31 December 2012 (2011: 42 years to 46 years).

Certain land use rights are pledged to secure bank loans amounting to approximately RMB 28,440,000 and RMB 10,187,000 for financial years ended 31 December 2011 and 2012.

The amortisation of land use rights is included in the "Administrative expenses" line in the consolidated statement of comprehensive income.

11. DEFERRED REVENUE DEFERRED EXPENSES

Current deferred revenue and deferred expenses relate to inventories sold with titles to the goods transferred but prices of these inventories have not been determined as at balance sheet date.

Current deferred expenses include a provision for foreseeable loss of RMB 8,706,000 (2011: Nil) which is related to the recognition of the cost of sales for export which was deferred because the selling price had not been fixed and the selling price were expected to be fixed below the cost of sales in 2013.

Non-current deferred expenses relate to payment for right to use land by one of the PRC subsidiaries and assignment of this right is currently in the process of being reviewed and approved. The deferred expenses have been amortised upon commencement of use by the PRC subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

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12. INVENTORIES

	Group	
	2012 RMB'000	2011 RMB'000
Raw materials	350,761	356,816
Work-in-progress	205,154	245,811
Finished goods	97,236	201,333
Spares and consumables	15,491	18,471
Inventories at cost	668,642	822,431
Finished goods at net realisable value	163,155	–
Total inventories	831,797	822,431
Inventories recognised as an expense in cost of sales	6,203,348	6,165,042
Inventories written down recognised as an expense in profit or loss	17,978	–
Inventories pledged to banks	16,648	434,045

13. PREPAYMENTS

Prepayments mainly relate to advances made for the purchase of raw materials and construction materials.

14. AMOUNT DUE FROM A JOINTLY CONTROLLED ENTITY

Amount due from a jointly controlled entity is principally trade in nature, unsecured, repayable on demand and are expected to be settled in cash.

15. AMOUNTS DUE FROM/(TO) RELATED PARTIES AMOUNTS DUE FROM/(TO) SUBSIDIARIES – CURRENT AND NON-CURRENT

Amounts due from/(to) related parties are principally trade in nature, unsecured, repayable on demand and are expected to be settled in cash.

Non-current amount due from a subsidiary relates to the amount due to the Company for the acquisitions of those subsidiary companies previously held under contractual arrangements which acquisitions were completed through issuance of the Company's shares (Note 26) and recorded in a subsidiary company. The amount is unsecured and expected to be settled in cash.

The remaining amounts are principally trade in nature, unsecured, repayable on demand and are expected to be settled in cash.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2012

16. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Trade and other receivables:				
Trade receivables	400,235	430,321	193,005	305,104
Bills receivables	116,244	55,534	–	–
Refundable VAT and other taxes	60,322	32,870	–	–
Advances to employees	6,673	6,954	–	314
Other receivables	133,148	50,326	1,855	1,582
Total trade and other receivables	716,622	576,005	194,860	307,000
Add:				
Amounts due from a jointly controlled entity (Note 14)	477,327	–	–	–
Amounts due from related parties (Note 15)	–	21,296	–	–
Amounts due from subsidiaries (Note 15)	–	–	405,984	273,312
Amounts due from directors (Note 20)	16,038	4,004	–	–
Short term deposits, secured (Note 18)	942,839	572,839	–	–
Cash and cash equivalents	189,561	382,072	8,419	97,449
Less:				
Refundable VAT and other taxes	(60,322)	(32,870)	–	–
Total loans and receivables	2,282,065	1,523,346	609,263	677,761

Trade receivables

Trade receivables are non-interest bearing and are generally on up to 30 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Trade receivables denominated in foreign currencies at 31 December are as follows:

	Group		Company	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
USD	4,601	366	–	–

Bills receivables

These receivables are non-interest bearing and are generally transferred to pay off trade creditors.

Advances to employees

Advances to employees are unsecured, interest-free and are payable on demand.

Other receivables

Other receivables mainly relate to the government subsidy income receivables and are non-interest bearing.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2012

16. TRADE AND OTHER RECEIVABLES (CONT'D)

Receivables that are past due but not impaired

The Group has trade receivables that are past due at the balance sheet date but not impaired, amounting to approximately RMB 232,884,000 and RMB 246,915,000 for the financial years ended 31 December 2011 and 2012 respectively. These receivables are unsecured and the analysis of their aging at the balance sheet date is as follows:

	Group		Company	
	2012 RMB'000	**2011 RMB'000**	**2012 RMB'000**	**2011 RMB'000**
Trade receivables past due:				
Less than 90 days	168,126	43,307	119,098	16,194
90 to 180 days	32,483	138,281	–	134,179
181 to 365 days	10,609	42,919	–	18,578
More than 1 year	35,697	8,377	–	–
	246,915	232,884	119,098	168,951

The Group had no trade receivables that are impaired as at 31 December 2011 and 2012.

17. SHORT TERM INVESTMENTS

Short term investments relate to unit trusts held by the Group and are classified as available-for-sale financial instrument.

18. SHORT TERM DEPOSITS, SECURED CASH AND CASH EQUIVALENTS

(a) *Short term deposits secured*

Short term deposits are secured in connection with the notes payable (Note 19).

(b) *Cash and cash equivalents*

Cash and cash equivalents relates to cash and bank balances.

Included in cash and bank balances are amounts denominated in foreign currencies as follows:

	Group		Company	
	2012 RMB'000	**2011 RMB'000**	**2012 RMB'000**	**2011 RMB'000**
USD	4,031	75,988	–	–
RMB	–	750	–	750
SGD	7,001	74,155	7,001	74,155

NOTES TO THE FINANCIAL STATEMENTS

31 December 2012

18. SHORT TERM DEPOSITS, SECURED (CONT'D) CASH AND CASH EQUIVALENTS (CONT'D)

(b) Cash and cash equivalents (cont'd)

Cash at banks earn interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of up to six months.

	Group		Company	
	2012	**2011**	**2012**	**2011**
Interest rates on short-term deposits (per annum)	0.08%-3.14%	0.08%-3.30%	0.08%	0.08%

(c) Cash flow from operating activities

	Group	
	2012 RMB'000	**2011 RMB'000**
(Loss)/profit before taxation	(63,481)	477,328
Adjustments for:-		
Depreciation of property, plant and equipment	118,296	111,182
Loss on disposal of property, plant & equipment	99	–
Provision for foreseeable loss	8,706	–
Inventories written off	17,978	–
Amortisation of land use rights	196	1,279
Interest expense	86,189	63,751
Interest income	(15,855)	(9,476)
Investment income	(1,104)	–
Unrealised exchange gain	(3,199)	(9,611)
Exchange realignment	1,089	(12,144)
Share of result in a jointly controlled entity	(15,383)	–
Operating profit before changes in working capital	133,531	622,309

19. LOANS AND BORROWINGS

	Group	
	2012 RMB'000	**2011 RMB'000**
Fixed rate bank loans, unsecured	–	40,000
Fixed rate bank loans, secured	356,733	112,000
Floating rate bank loans, unsecured	70,000	–
Floating rate bank loans, secured	780,630	845,978
Notes payable, secured	2,139,959	1,364,540
	3,347,322	2,362,518
Comprising:		
Current portion	3,317,322	2,332,518
Non-current portion	30,000	30,000
	3,347,322	2,362,518

NOTES TO THE FINANCIAL STATEMENTS

31 December 2012

19. LOANS AND BORROWINGS (CONT'D)

Loans and borrowings denominated in foreign currencies at 31 December are as follows:

	Group		Company	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
USD	125,710	126,018	–	–

The effective interest rates of loans and borrowings are as follow:-

	Group	
	2012	2011
Fixed rate bank loans	5.60%-10.20%	6.67%-11.15%
Floating rate bank loans	5.60%-12.00%	5.81%-7.22%

Fixed rate and floating rate of bank loans have various maturity dates till:

Fixed rate bank loans	28 Dec 2013	29 Dec 2012
Floating rate bank loans		
– current	29 Feb 2012	–
– non-current	18 Feb 2015	11 Jan 2013

Fixed rate bank loans

These loans are secured by guarantees from the following:-

	Group	
	2012 RMB'000	2011 RMB'000
A subsidiary of the Group	–	70,000

Floating rate bank loans

These loans are secured by charges over land use rights (Note 10), buildings (Note 8), inventories (Note 12) and machinery and equipment (Note 8) and/or guarantees by the following:-

Directors	–	50,000
Subsidiaries of the Group	125,710	351,018
Directors and subsidiaries	80,000	120,000
	205,710	521,018

Notes payables

These notes payables are secured by guarantees from the following:-

	Group	
	2012 RMB'000	2011 RMB'000
Directors and subsidiaries	382,000	234,000
A subsidiary of the Group	329,550	168,000

NOTES TO THE FINANCIAL STATEMENTS

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20. AMOUNTS DUE FROM DIRECTORS

Amounts due from directors are prepayments to the directors for expenses to be incurred in the normal course of business, unsecured and repayable on demand. Amounts due from directors are expected to be settled in cash.

21. PAYABLE ARISING FROM ACQUISITION OF A JOINTLY CONTROLLED ENTITY

The amount relates to an outstanding payable arising from acquisition of a jointly controlled entity (Note 9). Subsequent to year end, the final two instalments of RMB 378,000,000 each has been deferred to the end of 2014. The amounts are unsecured and expected to be settled in cash.

22. TRADE AND OTHER PAYABLES

	Group		Company	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Trade and other payables:				
Trade payables	373,298	141,083	3,206	4,564
Other payables	153,535	169,117	2,922	1,140
Total trade and other payables	526,833	310,200	6,128	5,704
Add:				
Loans and borrowings (Note 19)	3,347,322	2,362,518	–	–
Amounts due to related parties (Note 15)	19,871	–	–	–
Amounts due to subsidiaries (Note 15)	–	–	470,156	22,290
Payable arising from acquisition of a jointly controlled entity (Note 21)	1,130,105	–	1,130,105	–
Accrued operating expenses (Note 24)	7,048	4,828	–	–
Amounts due to equity holders (Note 26)	–	382,420	–	–
Total financial liabilities carried at amortised cost	5,031,179	3,059,966	1,606,389	27,994

Trade and other payables are unsecured and non-interest bearing. Trade payables are normally settled on 60-day terms while other payables have an average term of six months.

23. ADVANCES FROM CUSTOMERS

Advances from customers relate to prepayments from customers for orders to be fulfilled by the Group.

24. ACCRUED OPERATING EXPENSES

	Group	
	2012 RMB'000	2011 RMB'000
Accrued payroll-related expenses	5,800	4,753
Sundry accruals	1,248	75
	7,048	4,828

NOTES TO THE FINANCIAL STATEMENTS

31 December 2012

25. DEFERRED TAX (ASSETS)/LIABILITIES

	Group	
	2012 RMB'000	2011 RMB'000
Deferred tax assets		
– Differences in depreciation and amortisation	(4,062)	(3,511)
– Accruals and provisions	–	(160)
	(4,062)	(3,671)
Deferred tax liabilities		
– Differences in depreciation and amortisation	103,664	87,022
– Withholding tax on dividend appropriation	35,633	33,346
	139,297	120,368
Deferred tax liabilities, net	135,235	116,697

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxation authority.

Unrecognised temporary differences relating to investment in subsidiaries:

As at 31 December 2012, deferred tax liability has been recognised for withholding tax that would be payable on certain undistributed earnings of the PRC subsidiaries which are directly held by the Group. There are no unrecognised temporary differences relating to investment in subsidiaries as the Group has determined that portion of the undistributed earnings of its PRC subsidiaries will not be distributed in the foreseeable future to be insignificant.

26. AMOUNTS DUE TO EQUITY HOLDERS

Amounts due to equity holders relates to the Group's 100% equity interest in Liupanshui Shuangyuan and Yichang Changjiang that were not previously owned by the Group were acquired during the year and became wholly-owned subsidiaries of the Group (Note 1.2).

On 28 February 2012, the Company entered into a debt conversion agreement with Zeng Chaoyi, Li Yazhou, Zeng Chaolin, Zeng Xiaoqiao @ Zeng Xiaoshan, Deng Eying, Zeng Mingliu, Zeng Hong and Zeng Yiliu for the proposed issuance of an aggregate of 152,968,000 new ordinary shares in the capital of the Company at issue price of SGD 0.50 per new share for the settlement of the entire outstanding amount of RMB 382,420,000 (Note 27(a)).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2012

27. SHARE CAPITAL AND TREASURY SHARES

(a) Share capital

	Group and Company	
	2012	**2011**
	RMB'000	**RMB'000**
Issued and fully paid ordinary shares		
Balance as at 1 January		
1,096,200,000 (2011: 1,098,000,000) ordinary shares	522,260	522,260
Issue of 59,579,528 (2011: Nil) new		
ordinary shares under scrip dividend scheme	90,697	–
Issue of 152,968,000 (2011: Nil) ordinary		
shares under debt conversion agreement (Note 26)	382,420	–
Balance as at 31 December		
1,306,567,528 (2011: 1,096,200,000) ordinary shares	995,377	522,260

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction. The shares do not have par value.

(b) Treasury shares

Treasury shares relate to ordinary shares of the Company that is held by the Company.

The Company exercised the share buy-back mandate to purchase 2,180,000 (2011: 1,800,000) shares in the Company through purchases on the Singapore Exchange during the year. The total amount paid to acquire the shares was RMB 3,787,000 (2011: 3,140,000) and presented as a component within shareholders' equity.

28. OTHER RESERVES

Other reserves comprise:

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Statutory reserve fund	130,812	125,695	–	–
Capital surplus reserve	84,090	84,090	–	–
Fair value adjustment reserve	806	2,065	–	–
Foreign currency translation reserve	(34,856)	(30,229)	(35,302)	(30,229)
Special reserve	21,301	–	–	–
At 31 December	202,153	181,621	(35,302)	(30,229)

NOTES TO THE FINANCIAL STATEMENTS

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28. OTHER RESERVES (CONT'D)

Statutory reserve fund

In accordance with the law applicable to the subsidiaries of the Group in the PRC, the subsidiaries are required to make appropriation to a Statutory Reserve Fund ("SRF"). At least 10% of the statutory after tax profits as determined in accordance with the applicable PRC accounting standards and regulations must be allocated to the SRF until the cumulative total of the SRF reaches 50% of the respective subsidiaries' registered capital. Subject to approval from the relevant PRC authorities, the SRF may be used to offset any accumulated losses or increase the registered capital of the subsidiaries. The SRF is not available for dividend distribution to shareholders.

	Group	
	2012	**2011**
	RMB'000	**RMB'000**
At 1 January	125,695	78,955
Transferred from revenue reserve	5,117	46,740
At 31 December	130,812	125,695

Capital surplus reserve

Capital surplus reserve represents the additional contribution by equity holders of the Company.

Fair value adjustment reserve

Fair value adjustment reserve represents the cumulative fair value changes, net of tax, of available-for-sale financial assets until they are disposed of or impaired.

	Group	
	2012	**2011**
	RMB'000	**RMB'000**
At 1 January	2,065	2,781
Fair value adjustment	(1,259)	(716)
At 31 December	806	2,065

Foreign currency translation reserve

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
At 1 January	(30,229)	(3,984)	(30,229)	(3,347)
Foreign currency translation	(4,627)	(26,245)	(5,073)	(26,882)
At 31 December	(34,856)	(30,229)	(35,302)	(30,229)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2012

28. OTHER RESERVES (CONT'D)

Special reserve

Special reserve mainly represents funds set aside for the purpose of certain safety production activities. Pursuant to certain regulations issued by the State Administration of Work Safety of the PRC and other relevant regulatory bodies, the PRC subsidiaries of the Group is required to set aside funds mainly for smelting activities at prescribed rates. These funds can be used for maintenance and/or improvements of safety of these activities, and is not available for distribution to shareholders.

29. DIVIDENDS

	Group and Company	
	2012 RMB'000	2011 RMB'000
Declared and paid during the year		
Dividends on ordinary shares		
– First and final exempt (one-tier) dividend for 2012: SGD 2 cents equivalent to RMB 10 cents (2011: Nil) per share	16,847	–
Value of scrip dividends allotted and issued		
– Issuance of 59,579,528 shares (2011: Nil) at an issue price of SGD 31 cents equivalent to RMB 152 cents in lieu of first and final dividend, net of expenses	90,697	–
Proposed but not recognised as liability as at 31 December		
Dividends on ordinary shares, subject to shareholders' approval at the annual general meeting		
– First and final exempt (one-tier) dividend for 2012: Nil (2011: SGD 2 cents equivalent to RMB 10 cents) per share	–	109,839

30. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services, and has three reportable operating segments as follows:

(i) The Smelting segment is in the business of smelting alumina and manufacturing and supplier of aluminum ingots.

(ii) The Fabrication segment is in the business of fabricating and supplier of aluminum-related products.

(iii) The Trading segment is in the business of trading aluminum and aluminum ingots.

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

NOTES TO THE FINANCIAL STATEMENTS

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30. SEGMENT INFORMATION (CONT'D)

	Smelting		Fabrication		Trading		Adjustments and eliminations			Consolidated financial statements	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000		2012 RMB'000	2011 RMB'000
Revenue:											
– external customers	3,570,601	4,012,963	567,116	573,178	2,257,095	2,259,574	–	–		6,394,812	6,845,715
– inter-segment	3,638,816	564,087	59,891	46,292	53,255	102,526	(3,751,962)	(712,905)	A	–	–
Total revenue	7,209,417	4,577,050	627,007	619,470	2,310,350	2,362,100	(3,751,962)	(712,905)		6,394,812	6,845,715
Results:											
Finance income	7,676	5,748	6,448	3,728	1,731	–	–	–		15,855	9,476
Depreciation and amortisation	(88,536)	(80,133)	(19,193)	(15,148)	(10,763)	(17,180)	–	–		(118,492)	(112,461)
Other non-cash expenses	24,964	–	–	–	1,720	–	–	–	B	26,684	–
Share of result of a jointly controlled entity	15,383	–	–	–	–	–	–	–		15,383	–
Segment profit/(loss)	(68,193)	424,271	25,707	80,690	(25,606)	(22,678)	4,611	(4,955)	C	(63,481)	477,328
Assets:											
Additions to non-current assets	152,523	343,455	2,350	122,413	9,743	12,665	–	–	D	164,616	478,533
Segment assets	8,951,003	6,260,670	2,640,736	1,128,623	1,774,778	1,677,338	(5,003,574)	(3,624,382)	E	8,362,943	5,442,249
Segment liabilities	6,655,768	4,228,824	2,247,287	924,337	1,557,749	1,358,235	(4,088,905)	(2,770,123)	F	6,371,899	3,741,273

NOTES TO THE FINANCIAL STATEMENTS

31 December 2012

30. SEGMENT INFORMATION (CONT'D)

Note

A Inter-segment revenues and cost of sales are eliminated on consolidation.

B Other non-cash expenses consist of inventories written down and provision for foreseeable losses as presented in the respective notes to the financial statements

C The following items are deducted from segment (loss)/profit to arrive at "(Loss)/profit before taxation" presented in the consolidated statements of comprehensive income:

	2012 RMB'000	2011 RMB'000
Profit from inter-segment sales	(10,772)	(4,955)
Share of results of a jointly controlled entity	15,383	–
	4,611	(4,955)

D Additions to non-current assets consist of additions to property, plant and equipment (Note 8) and land use rights (Note 10).

E The following items have been added to/(deducted from) segment assets to arrive at the total assets reported in the balance sheet :

	2012 RMB'000	2011 RMB'000
Deferred tax assets	4,062	3,671
Income tax receivable	14,360	6,441
Inter-segment assets	(5,021,996)	(3,634,494)
	(5,003,574)	(3,624,382)

F The following items have been added to/(deducted from) segment liabilities to arrive at the total liabilities reported in the balance sheet :

	2012 RMB'000	2011 RMB'000
Deferred tax liabilities	139,297	120,368
Income tax payable	1,560	45,635
Inter-segment liabilities	(4,229,762)	(2,936,126)
	(4,088,905)	(2,770,123)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2012

30. SEGMENT INFORMATION (CONT'D)

Geographical information

Revenue information based on the geographical location of the customers is as follows:

	2012 RMB'000	2011 RMB'000
PRC	5,084,870	5,026,680
Switzerland	1,237,087	1,819,035
Others	72,855	–
	6,394,812	6,845,715

Non-current assets amounting to RMB 461,949,000 (2011: RMB 3,876,000) and RMB 3,826,647,000 (2011: RMB 2,335,871,000) are located in Singapore and PRC respectively. Non-current assets consist of property, plant and equipment, land use rights, deferred expenses, deferred tax assets and investment in jointly controlled entity.

Information about a major customer

Revenue from one major customer amount to RMB 1,237,087,000 (2011: RMB 1,727,121,000), arising from sales by the Smelting segment.

31. COMMITMENTS

(a) Operating lease commitments

In addition to the land use rights disclosed in Note 10, the Group had the following minimum lease payments under operating leases on premises with initial or remaining term of one year or more:

	Group	
	2012 RMB'000	2011 RMB'000
Non-cancellable amounts payable		
within 1 year	3,444	4,878
within 2 to 5 years	3,437	482
	6,881	5,360

Certain leases include options to renew the leases after the expiry of the initial tenure. Lease payments under these leases are usually fixed for the entire initial tenure. There are no restrictions placed upon the lessee by entering into these leases.

Minimum lease payments recognised as an expense in the statement of comprehensive income for the financial year ended 31 December 2012 amounted to approximately RMB 4,940,157 (2011: RMB 4,660,291).

NOTES TO THE FINANCIAL STATEMENTS

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31. COMMITMENTS (CONT'D)

(b) *Purchase commitments*

	Group	
	2012 RMB'000	2011 RMB'000
Non-cancellable purchases (in tonnes)		
within 1 year	655	655
within 2 to 5 years	1,204	1,849
	1,859	2,504

Purchase commitments relate to non-cancellable purchases of alumina based on committed tonnage as at respective year ends.

(c) *Capital commitments*

Non-cancellable purchases within 2 to 5 years	54,979	101,252

Capital commitments relate to non-cancellable capital expenditure in respect of property, plant and equipment based on contract as at respective year ends.

NOTES TO THE FINANCIAL STATEMENTS

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32. RELATED PARTY DISCLOSURES

(a) *Related party transactions*

In addition to the related party information disclosed elsewhere in Notes 14, 15 and 20 to the financial statements, the following significant transactions between the Group and its related parties took place on terms agreed between the parties:

	Group		Company	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Purchase of goods from subsidiaries	–	–	1,272,136	1,748,570
Purchase of goods from a jointly controlled entity	15,397	–	–	–
Sales of goods to a jointly controlled entity	104,308	–	–	–
Advances from a jointly controlled entity	73,172	–	–	–
Advances to a jointly controlled entity	(204,899)	–	–	–
Advances from related parties	31,317	663	–	–
Advances to related parties	(9,946)	(24,745)	–	–
Advances from directors	–	3,874	–	80
Advances to directors	(12,131)	(8,571)	(50)	(2,384)

Related parties disclosed above relates to companies for which there are common directors as the Company.

(b) *Compensation of directors and key management personnel*

	Group	
	2012 RMB'000	2011 RMB'000
Short-term employee benefits paid to key management personnel	13,175	10,289
Comprise amounts paid to:		
Directors of the Company	10,727	8,112
Other key management personnel	2,448	2,177
	13,175	10,289

NOTES TO THE FINANCIAL STATEMENTS
31 December 2012

33. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to safeguard the Group's ability as going concern. The Group manages the capital structure and makes adjustments to it in light of changes in economic or operating conditions. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, issue new shares or obtain external borrowing to finance the operations of the Group.

The immediate focus is to continue to optimise its operations with prudent cash management so as to maximise shareholders' value. The Group will continue to be guided by prudent financial policies.

There was no change to the Group's approach to capital management during the financial years ended 31 December 2012 and 2011.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise predominantly bank loans, cash and short term deposits. The main purpose of these financial instruments is to finance the Group's operations. All financial transactions with the banks are governed by banking facilities duly accepted with Board of Directors resolutions with banking mandates which define the permitted financial instruments and facilities limits, approved by the Board of Directors. All financial transactions require dual signatories. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Group is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk. The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the management. The audit committee provides independent oversight to the effectiveness of the risk management process. It is, and has been throughout the current and previous financial year, the Group's policy that no derivatives shall be undertaken for trading and speculative purposes.

The following sections provide details regarding the Group's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from trade and other receivables. For other financial assets, the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

<u>Exposure to credit risk</u>

At the balance sheet date, the Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the balance sheets.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2012

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(a) Credit risk (cont'd)

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the industry sector profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the balance sheet date is as follows:

	Group			
	2012		2011	
	RMB'000	% of total	RMB'000	% of total
Smelting	298,742	75%	377,269	88%
Fabrication	84,545	21%	27,965	6%
Trading	16,948	4%	25,087	6%
	400,235	100%	430,321	100%

As at 31 December 2012, approximately:

– 48% (2011: 71%) of the Group's trade receivables were due from 1 major customer located in Switzerland.

– 5% (2011: 5%) of the Group's trade receivables were due from debtors which were previously related parties.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and cash equivalents and investment securities that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired.

Information regarding financial assets that are either past due or impaired is disclosed in Note 16 (Trade and other receivables).

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of short term loan facilities.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2012

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) Liquidity risk (cont'd)

The Group's liquidity risk management policy is that to maintain sufficient liquid financial assets and short term loan facilities with different banks and business alliances. At the end of the reporting period, approximately 99% (2011: 99%) of the Group's loans and borrowings will mature in less than one year based on the carrying amount reflected in the financial statements.

The group assessed the concentration risk with respect to refinancing its debt and concluded it to below. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing lenders.

The table below summarises the maturing profile of the Group's and the Company's financial assets and liabilities at the end of the reporting period based on contractual undiscounted repayment obligation.

	2012			
Group	**One year or less RMB'000**	**One to five years RMB'000**	**Over five years RMB'000**	**Total RMB'000**
Financial assets:				
Amount due from a jointly controlled entity (Note 14)	477,327	–	–	477,327
Amounts due from directors (Note 20)	16,038	–	–	16,038
Trade and other receivables (Note 16)	716,622	–	–	716,622
Short term deposits, secured (Note 18)	942,839	–	–	942,839
Cash and cash equivalents (Note 18)	189,561	–	–	189,561
Total undiscounted financial assets	2,342,387	–	–	2,342,387
Financial liabilities:				
Payable arising from acquisition of a jointly controlled entity (Note 21)	1,130,105	–	–	1,130,105
Trade and other payables (Note 22)	526,833	–	–	526,833
Loans and borrowings (Note 19)	3,350,278	30,039	–	3,380,317
Accrued operating expenses (Note 24)	7,048	–	–	7,048
Amounts due to related parties (Note 15)	19,871	–	–	19,871
Total undiscounted financial liabilities	5,034,135	30,039	–	5,064,174
Total net undiscounted financial liabilities	(2,691,748)	(30,039)	–	(2,721,787)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2012

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) Liquidity risk (cont'd)

Group	2011			
	One year or less RMB'000	**One to five years RMB'000**	**Over five years RMB'000**	**Total RMB'000**
Financial assets:				
Amounts due from related parties (Note 15)	21,296	–	–	21,296
Amounts due from directors (Note 20)	4,004	–	–	4,004
Trade and other receivables (Note 16)	576,005	–	–	576,005
Short term deposits, secured (Note 18)	572,839	–	–	572,839
Cash and cash equivalents (Note 18)	382,072	–	–	382,072
Total undiscounted financial assets	1,556,216	–	–	1,556,216
Financial liabilities:				
Trade and other payables (Note 22)	310,200	–	–	310,200
Loans and borrowings (Note 19)	2,397,582	30,043	–	2,427,625
Accrued operating expenses (Note 24)	4,828	–	–	4,828
Amounts due to equity holders (Note 26)	–	382,420		382,420
Total undiscounted financial liabilities	2,712,610	412,463	–	3,125,073
Total net undiscounted financial liabilities	(1,156,394)	(412,463)	–	(1,568,857)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2012

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) Liquidity risk (cont'd)

Company	2012 One year or less RMB'000	One to five years RMB'000	Over five years RMB'000	Total RMB'000
Financial assets:				
Trade and other receivables (Note 16)	194,860	–	–	194,860
Amounts due from subsidiaries (Note 15)	23,564	382,420	–	405,984
Cash and cash equivalents (Note 18)	8,419	–	–	8,419
Total undiscounted financial assets	226,843	382,420	–	609,263
Financial liabilities:				
Payable arising from acquisition of a jointly controlled entity (Note 21)	1,130,105	–	–	1,130,105
Trade and other payables (Note 22)	6,128	–	–	6,128
Amounts due to subsidiaries (Note 15)	470,156	–	–	470,156
Total undiscounted financial liabilities	1,606,389	–	–	1,606,389
Total net undiscounted financial (liabilities)/assets	(1,379,546)	382,420	–	(997,126)

	2011			
Financial assets:				
Trade and other receivables (Note 16)	307,000	–	–	307,000
Amount due from a subsidiary (Note 15)	273,312	–	–	273,312
Cash and cash equivalents (Note 18)	97,449	–	–	97,449
Total undiscounted financial assets	677,761	–	–	677,761
Financial liabilities:				
Trade and other payables (Note 22)	5,704	–	–	5,704
Amounts due to subsidiaries (Note 15)	22,290	–	–	22,290
Total undiscounted financial liabilities	27,994	–	–	27,994
Total net undiscounted financial assets	649,767	–	–	649,767

NOTES TO THE FINANCIAL STATEMENTS

31 December 2012

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from their loans and borrowings. All of the Group's financial assets and liabilities at floating rates are contractually re-priced at intervals of less than 12 months from the end of the reporting period.

The Group's policy is to manage interest costs using a mix of fixed and floating rate debts taking into consideration the funding requirements of the Group.

Sensitivity analysis for interest rate risk

At 31 December 2011 and 2012, if interest rates had been 100 basis points lower/higher with all other variables held constant, the Group's profit net of tax would have been approximately RMB 872,000 and RMB 2,582,000 higher/lower respectively, arising mainly as a result of lower/higher interest expense on short term deposits, cash at bank and floating rate loans and borrowings.

(d) Foreign exchange risk

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group's entities, primarily RMB and USD. The foreign currencies in which these transactions are denominated are mainly USD. Approximately 21% (2011: 27%) of the Group's sales are denominated in foreign currencies whilst the costs are denominated in the respective functional currencies of the Group's entities. The Group's trade and other receivables and trade and other payables balances at the balance sheet date have similar exposures.

The Group also holds short term deposits and cash and cash equivalents denominated in foreign currencies for working capital purposes. As at 31 December 2011 and 2012, such foreign currency balances have been disclosed in Note 18 to the financial statements.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit net of tax to a reasonably possible change in the respective exchange rates against the respective functional currencies of the Group entities, with all other variables held constant.

	Group Profit net of tax	
	2012 RMB'000	**2011 RMB'000**
Against RMB		
USD – strengthened 10% (2011: 10%)	(8,905)	(4,005)
– weakened 10% (2011: 10%)	8,905	4,005
SGD – strengthened 10% (2011: 10%)	624	6,669
– weakened 10% (2011: 10%)	(624)	(6,669)

NOTES TO THE FINANCIAL STATEMENTS

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35. FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) *Fair value of financial instrument that are carried at fair value*

The following table shows an analysis of the financial instruments carried at fair value by level of fair value hierarchy:

	Group	
	2012	**2011**
	RMB'000	**RMB'000**
	Quoted prices in active markets for identified instruments (Level 1)	Quoted prices in active markets for identified instruments (Level 1)
Financial assets:		
– short term investments (Note 17)	3,037	4,028

Fair value hierarchy

The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy have the following levels:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Determination of fair value

Fair value of short term investments is determined directly by reference to their published market bid price at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2012

35. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

(b) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

Cash and cash equivalents and short term deposits, secured (Note 18), amounts due from/(to) directors (Note 20), amounts due from/(to) related parties (Note 15), amounts due from/(to) subsidiaries (Note 15), trade and other receivables (Note 16), floating rate bank loans and borrowings (Note 19), trade and other payables (Note 22), amount due from jointly controlled entity (Note 14) and payable arising from acquisition of jointly controlled entity (Note 21)

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the balance sheet date.

(c) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

The fair value of financial liabilities that are not carried at fair value and whose carrying amount is not reasonable approximation of fair value are as follows:

	Group			
	2012		2011	
	Carrying amount RMB'000	Fair value RMB'000	Carrying amount RMB'000	Fair value RMB'000
Financial liabilities:				
Fixed rate bank loans (Note 19)	356,733	295,877	152,000	142,374
Amounts due to equity holders (Note 26)	–	–	382,420	–

	Company			
	2012		2011	
	Carrying amount RMB'000	Fair value RMB'000	Carrying amount RMB'000	Fair value RMB'000
Financial assets:				
Amount due from a subsidiary (Note 15)	382,420	–	–	–

<u>Determination of fair value</u>

Fixed rate bank loans (Note 19)

Fair value of fixed rate bank loans as disclosed in the table are estimated by discounting the expected future cash flows at market incremental lending rate for similar types of borrowings at the balance sheet date.

Amount due from a subsidiary (Note 15) and amounts due to equity holders (Note 26)

The fair value of amount due from a subsidiary and amounts due to equity holders is not determinable as the timing of the future cash flows arising from the amounts cannot be estimated reliably.

NOTES TO THE FINANCIAL STATEMENTS

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36. FOREIGN CURRENCY EXCHANGE

The RMB is not fully convertible into foreign currencies. All foreign exchange transactions involving RMB must take place either through the People's Bank of China ("PBOC") or other institutions authorised to buy and sell foreign currency. The exchange rate adopted for the foreign exchange transactions is the rate of exchange quoted by the PBOC which are determined largely by supply and demand.

Foreign currency payments, including the remittance of earnings outside the PRC, must be arranged through banks authorised to conduct foreign exchange business.

37. EVENTS OCCURRING AFTER THE REPORTING PERIOD

(i) On 20 March 2013, the Company entered into a supplemental agreement with Wealth Checker Limited ("Wealth Checker") to defer the last two instalment payments of RMB 756,000,000 that is payable for the acquisition of the 21% equity interest in a jointly controlled entity until December of 2014.

(ii) On 20 March 2013, a supplemental agreement was entered into with a customer to defer the repayment of advance received amounting to RMB 480,000,000 until at least end of December 2014.

38. AUTHORISATION OF FINANCIAL STATEMENTS

The audited consolidated financial statements as at and for the financial year ended 31 December 2012 were authorised for issue in accordance with a resolution of the directors on 5 April 2013.

STATISTICS OF SHAREHOLDINGS

As at 11 March 2013

Class of shares	:	Ordinary Shares
Voting rights excluding treasury shares	:	One vote per ordinary share
No. of issued shares excluding treasury shares	:	1,306,567,528
No. of treasury shares	:	3,980,000
Percentage of treasury shares	:	0.30%

DISTRIBUTION OF HOLDERS OF SHARES BY SIZE OF SHAREHOLDINGS AS AT 11 MARCH 2013

Size of Shareholdings	No. of Holders	%	No. of Shares	%
1 – 999	6	0.30	2,596	0.00
1,000 – 10,000	845	41.87	5,826,089	0.44
10,001 – 1,000,000	1,137	56.34	53,131,706	4.07
1,000,001 and above	30	1.49	1,247,607,137	95.47
TOTAL	**2,018**	**100.00**	**1,306,567,528**	**100.00**

TWENTY-TWO LARGEST HOLDERS OF SHARES AS AT 11 MARCH 2013

No.	Name of Holders of Shares	No. of Shares	%
1	Sunshine International Global Capital Ltd	430,401,161	32.94
2	Jiacai International Ltd	419,874,516	32.14
3	Phillip Securities Pte Ltd	91,050,515	6.97
4	UOB Kay Hian Pte Ltd	54,485,425	4.17
5	Shunqi International Ltd.	39,441,581	3.02
6	OCBC Securities Private Ltd	32,871,806	2.52
7	Citibank Nominees Singapore Pte Ltd	24,547,839	1.88
8	ABN Amro Nominees Singapore Pte Ltd	20,322,290	1.56
9	BNP Paribas Nominees Singapore Pte Ltd	18,261,600	1.40
10	Tan Jiankang	17,871,000	1.37
11	Raffles Nominees (Pte) Ltd	13,310,968	1.02
12	Hanwen International Group Ltd.	11,742,645	0.90
13	HSBC (Singapore) Nominees Pte Ltd	9,748,645	0.75
14	Shenchang International Ltd.	9,642,387	0.74
15	Royal Bank of Canada (Asia) Ltd	9,300,000	0.71
16	DBS Nominees Pte Ltd	7,261,226	0.56
17	Jintudi Group Ltd	6,883,000	0.53
18	Yansheng Ltd	6,119,000	0.47
19	DBS Vickers Securities (S) Pte Ltd	5,705,000	0.44
20	Maybank Kim Eng Securities Pte Ltd	3,729,000	0.29
	TOTAL	1,232,569,604	94.38

Note: The percentages are computed based on 1,306,567,528 ordinary shares (excluding 3,980,000 shares held as treasury shares) as at 11 March 2013.

STATISTICS OF SHAREHOLDINGS

As at 11 March 2013

SUBSTANTIAL SHAREHOLDERS AS AT 11 MARCH 2013

	Name of Substantial Shareholders	No. of share in which substantial shareholders have direct interest	No. of share in which substantial shareholders are deemed to have interest
1	Sunshine International Global Capital Ltd	430,401,161	
2	Jiacai International Ltd	419,874,516	
3	Zeng Chaoyi		980,097,032(1)
4	Zeng Chaolin		980,097,032(2)
5	Zeng Xiaoqiao @ Zeng Xiaoshan		980,097,032(3)
6	Zeng Mingliu		980,097,032(4)
7	Liang Hongbo		980,097,032(5)
8	Deng Eying		980,097,032(6)
9	Zeng Hong		980,097,032(5)
10	Li Yazhou		980,097,032(1)
11	Zeng Yiliu		980,097,032(7)

Note:

(1) Mr. Zeng Chaoyi, the Company's executive Chairman, owns 100.0% and is the sole director of Sunshine International Global Capital Ltd.. Mr. Zeng Chaoyi is the son of Mr. Zeng Xiaoqiao @ Zeng Xiaoshan and Mdm. Deng Eying, and is the brother of Mr. Zeng Chaolin, Ms. Zeng Mingliu, Ms. Zeng Yiliu and Ms. Zeng Hong, and Mr. Zeng Chaoyi and his wife, Ms. Li Yazhou, the Company's vice general manager, are deemed to be interested in the Shares held by each of them through Hanwen International Group Ltd., Shunqi International Ltd., Jiacai International Ltd., Jintudi Group Ltd., Xijin Ltd. and Yansheng Ltd., respectively.

(2) Mr. Zeng Chaolin, the Company's Chief Executive Officer and executive Director, owns 100.0% and is the sole director of Jiacai International Ltd.. Mr. Zeng Chaolin is the son of Mr. Zeng Xiaoqiao @ Zeng Xiaoshan and Mdm. Deng Eying, and is the brother of Mr. Zeng Chaoyi, Ms. Zeng Mingliu, Ms. Zeng Yiliu and Ms. Zeng Hong, is deemed to be interested in the Shares held by each of them through Hanwen International Group Ltd., Shunqi International Ltd., Sunshine International Global Capital Ltd., Jintudi Group Ltd., Xijin Ltd. and Yansheng Ltd., respectively.

(3) Mr. Zeng Xiaoqiao @ Zeng Xiaoshan, the Group's founder and the Company's executive Director, owns 100.0% and is the sole director of Hanwen International Group Ltd.. Mr. Zeng Xiaoqiao @ Zeng Xiaoshan is the father of Mr. Zeng Chaoyi, Mr. Zeng Chaolin, Ms. Zeng Mingliu, Ms. Zeng Yiliu and Ms. Zeng Hong, and the husband of Mdm. Deng Eying, and is deemed to be interested in the Shares held by each of them through Sunshine International Global Capital Ltd., Jiacai International Ltd., Jintudi Group Ltd., Xijin Ltd., Yansheng Ltd. and Shunqi International Ltd., respectively.

(4) Ms. Zeng Mingliu, the Company's executive Director, owns 100.0% and is the sole director of Jintudi Group Ltd.. Ms. Zeng Mingliu is the daughter of Mr. Zeng Xiaoqiao @ Zeng Xiaoshan and Mdm. Deng Eying, and is the sister of Mr. Zeng Chaoyi, Mr. Zeng Chaolin, Ms. Zeng Yiliu and Ms. Zeng Hong, and is deemed to be interested in the Shares held by each of them through Hanwen International Group Ltd., Shunqi International Ltd., Sunshine International Global Capital Ltd., Jiacai International Ltd., Xijin Ltd. and Yansheng Ltd., respectively.

(5) Mr. Liang Hongbo, the Company's executive Director, is the husband of Ms. Zeng Hong. Ms. Zeng Hong owns 100.0% and is the sole director of Yansheng Ltd.. Ms. Zeng Hong is the daughter of Mr. Zeng Xiaoqiao @ Zeng Xiaoshan and Mdm. Deng Eying, and is the sister of Mr. Zeng Chaoyi, Mr. Zeng Chaolin, Ms. Zeng Yiliu and Ms. Zeng Mingliu, and Mr. Liang Hongbo is deemed to be interested in the Shares held by each of them through Yansheng Ltd., Hanwen International Group Ltd., Shunqi International Ltd., Sunshine International Global Capital Ltd., Jiacai International Ltd., Xijin Ltd. and Jintudi Group Ltd., respectively.

(6) Mdm. Deng Eying owns 100.0% and is the sole director of Shunqi International Ltd.. Mdm. Deng Eying is the mother of Mr. Zeng Chaoyi, Mr. Zeng Chaolin, Ms. Zeng Mingliu, Ms. Zeng Yiliu and Ms. Zeng Hong, and the wife of Mr. Zeng Xiaoqiao @ Zeng Xiaoshan, and is deemed to be interested in the Shares held by each of them through Hanwen International Group Ltd., Sunshine International Global Capital Ltd., Jiacai International Ltd., Jintudi Group Ltd., Xijin Ltd and Yansheng Ltd., respectively.

(7) Ms. Zeng Yiliu owns 100.0% and is the sole director of Xijin Ltd. Ms. Zeng Yiliu is the daughter of Mr. Zeng Xiaoqiao @ Zeng Xiaoshan and Mdm. Deng Eying and the sister of Mr. Zeng Chaoyi, Mr. Zeng Chaolin, Ms. Zeng Mingliu and Ms. Zeng Hong and is deemed to be interested in Shares held by each of them through through Hanwen International Group Ltd., Shunqi International Limited, Sunshine International Global Capital Ltd., Jiacai International Ltd., Jintudi Group Ltd and Yansheng Ltd., respectively.

On the basis of the information available to the Company as at 11 March 2013, approximately 24.99% of the Company's total number of issued shares excluding treasury shares is held in the hands of the public. This is in compliance with Rule 723 of the Listing Manual of the SGX-ST which requires at least 10% of a listed issuer's total number of issued shares excluding treasury shares at all times held by the public.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at Millenia 3, Level 2, The Ritz-Carlton, Millenia Singapore, 7 Raffles Avenue, Singapore 039799 on Friday, 26 April 2013 at 11:30 a.m. to transact the following businesses:

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 December 2012 and the Reports of the Directors and the Auditors thereon. **(Resolution 1)**

2. To re-elect the following directors who are retiring in accordance with the Company's Articles of Association:

   (a) Mr Zeng Xiaoqiao (Retiring under Article 94) **(Resolution 2)**
   (b) Mr Chen Timothy Teck Leng (Retiring under Article 94) **(Resolution 3)**
   (c) Mr Loh Weng Whye (Retiring under Article 94) **(Resolution 4)**

   Mr Chen Timothy Teck Leng upon re-election as a Director of the Company, remains as Chairman of the Audit Committee and a member of Nominating Committee and Remuneration Committee. Mr Chen Timothy Teck Leng will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST").

   Mr Loh Weng Whye upon re-election as a Director of the Company, remains as Chairman of the Nominating Committee and a member of Audit Committee and Remuneration Committee. Mr Loh Weng Whye will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST.

3. To re-appoint Ernst & Young LLP as auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 5)**

4. To approve the payment of Directors' fees of S$182,000 for the financial year ending 31 December 2013 monthly in arrears. **(Resolution 6)**

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following ordinary resolutions with or without modifications:-

5. To re-appoint the following director to hold office until the next annual general meeting pursuant to Section 153(6) of the Companies Act (Chapter 50):

   (a) Mr Liu Jingan **(Resolution 7)**

   Mr Liu Jingan upon re-appointment as a Director of the Company, remains as Chairman of the Remuneration Committee and a member of Audit Committee and Nominating Committee. Mr Liu Jingan will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST.
   [See Explanatory Note 1]

NOTICE OF ANNUAL GENERAL MEETING

6. **Authority to allot and issue new shares**

(i) "That, pursuant to Section 161 of the Companies Act, Cap. 50 (the "Acts") and the listing rules of the SGX-ST, authority be and is hereby given to the Directors of the Company to: **(Resolution 8)**

(a) issue shares in the capital of the Company ("Shares") whether by way of rights, bonus or otherwise; and/or

(b) make or grant offers, agreements or options (collectively, "Instruments") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may, in their absolute discretion, deem fit; and

(ii) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

provided that:

(a) the aggregate number of Shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) (the "Share Issues") shall not exceed 50 per cent (50%) of the Company's total number of issued Shares (excluding treasury shares) (as calculated in accordance with sub-paragraph (b) below), of which the aggregate number of Shares to be issued other than on a pro-rata basis to existing shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed 20 per cent (20%) of the Company's total number of issued Shares (excluding treasury shares) (as calculated in accordance with sub-paragraph (b) below);

(b) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (i) above, the percentage of issued Shares (excluding treasury shares) shall be based on the Company's total number of issued Shares (excluding treasury shares) at the time this Resolution is passed, after adjusting for:

(A) new Shares arising from the conversion or exercise of any convertible securities;

(B) new Shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time that this Resolution is passed; and

(C) any subsequent bonus issue, consolidation or subdivision of Shares;

(iii) in exercising the authority conferred by this Resolution, the Company shall comply with the requirements imposed by the SGX-ST from time to time and the provisions of the Listing Manual of the SGX-ST for the time being in force (in each case, unless compliance has been waived by the SGX-ST), all applicable legal requirements under the Companies Act and otherwise, and the Articles of Association for the time being of the Company; and

(iv) such authority shall, unless revoked or varied by the Company in General Meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier."
[See Explanatory Note 2]

NOTICE OF ANNUAL GENERAL MEETING

7. **Approval for the renewal of Shareholders' Mandate for the Company to buy-back its own shares** **(Resolution 9)**

"That:

(a) for the purposes of Sections 76C and 76E of the Companies Act, Chapter 50 (the "Companies Act"), the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire ordinary shares in the capital of the Company ("Shares") not exceeding in aggregate the Maximum Percentage (as hereafter defined), at such price or prices as may be determined by the Directors from time to time up to the Maximum Price (as hereafter defined), whether by way of:

(i) on-market purchase(s) on the Singapore Exchange Securities Trading Limited ("SGX-ST");and/or

(ii) off-market purchase(s) (if effected otherwise than on the SGX-ST) in accordance with any equal access scheme(s) as may be determined or formulated by the Directors as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act, and otherwise in accordance with all laws, regulations and rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "Share Buy-Back Mandate");

(b) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Buy-Back Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earlier of:

(i) the date of the next annual general meeting of the Company; or

(ii) the date by which the next annual general meeting of the Company is required by law to be held; or

(iii) the time when the Share Buy-Back Mandate is revoked or varied by the Shareholders of the Company in general meeting.

(c) in this Resolution:

"Maximum Percentage" means the number of Shares representing ten per cent. (10%) of the issued ordinary share capital of the Company as at the date of the passing of this Resolution; and

"Maximum Price" in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, commissions, stamp duties, applicable goods and services tax and other related expenses) which shall not exceed:

(i) in the case of a market purchase, one hundred and five per cent. (105%) of the average closing market price. For this purpose, the average closing market price is the average of the closing market prices of the Shares transacted on the SGX-ST over the last five (5) market days (on which transactions in the Shares are recorded) immediately preceding the date of the market purchase by the Company and deemed to be adjusted in accordance with the listing rules of the SGX-ST for any corporate action which occurs after the relevant five (5) day period; and

(ii) in the case of an off-market purchase, one hundred and twenty per cent. (120%) of the highest price a Share is transacted on the SGX-ST on the market day (when transactions in the Shares are recorded) immediately preceding the date on which the Company announces an off-market purchase offer stating the purchase price and the relevant terms of the equal access scheme.

NOTICE OF ANNUAL GENERAL MEETING

(d) The Directors of the Company be and are hereby authorised to take all necessary steps and to negotiate, finalise and enter into all transactions, arrangements and agreements and to execute all such documents (including but not limited to the execution of application forms and transfers) with full and discretionary powers to make or assent to any modifications or amendments thereto in any manner they may deem necessary, expedient, incidental or in the interests of the Company and the Group for the purposes of giving effect to this Resolution and the transactions contemplated thereunder.
[See Explanatory Note 3]

8. To transact any other business of which due notice shall have been given.

By Order of the Board

Teo Meng Keong
Company Secretary

9 April 2013
Singapore

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

1. The proposed Resolution 7, if passed, will authorise the Director, who are over the age of 70, to continue in office as a Director of the Company until the next annual general meeting of the Company.

2. Ordinary Resolution 8, if passed, will authorise the Directors of the Company to, from the date of the passing of Ordinary Resolution 8 to the date of the next Annual General Meeting, issue Shares and to make or grant instruments (such as warrants or debentures) convertible into Shares, and to issue Shares in pursuance of such instruments, up to an amount not exceeding in total 50 per cent (50%) of the total number of issued Shares (excluding treasury shares), with a sub-limit of 20 per cent (20%) of the total number of issued Shares (excluding treasury shares) for issues other than on a pro-rata basis to existing shareholders of the Company. For the purpose of determining the aggregate number of Shares that may be issued, the percentage of issued Shares shall be based on the total number of issued Shares (excluding treasury shares) in the capital of the Company at the time that Ordinary Resolution 8 is passed, after adjusting for:

   (a) new Shares arising from the conversion or exercise of any convertible securities;
   (b) new Shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time that Ordinary Resolution 8 is passed; and
   (c) any subsequent bonus issue, consolidation or sub-division of Shares.

   In exercising the authority conferred by Ordinary Resolution 8, the Company shall comply with the requirements of the SGX-ST (unless waived by the SGX-ST), all applicable legal requirements and the Company's Articles of Association. This authority, will, unless revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier.

3. The Ordinary Resolution 9 proposed in item 7 above, if passed, renews the Share Buy-Back Mandate authorising the Directors of the Company to buy back shares of the Company by way of on-market purchase(s) and/or off-market purchase(s) according to prescribed rules and regulations governed by the Companies Act and the Listing Manual of the SGX-ST.

Notes:

1. A member of the Company entitled to attend and vote at the General Meeting is entitled to appoint not more than two proxies to attend and vote in his stead.

2. A proxy need not be a member of the Company.

3. If the member is a corporation, the instrument appointing a proxy or proxies must be executed under seal or the hand of an attorney duly authorised in writing or a duly authorised officer of that corporation.

4. The instrument appointing a proxy or proxies must be deposited at the Company's Registered Office situated at 250 North Bridge Road #15-01 Raffles City Tower Singapore 179101, not less than 48 hours before the time appointed for the holding of the General Meeting.

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PROXY FORM

XINREN ALUMINUM HOLDINGS LIMITED

(Company Registration No. 200612545H)
(Incorporated in the Republic of Singapore)

IMPORTANT:

1. For investors who have used their CPF monies to buy XINREN ALUMINUM HOLDINGS LIMITED shares, this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely For Information Only.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to vote should contact their CPF Approved Nominees.

Annual General Meeting of XinRen Aluminum Holdings Limited (the "Company") to be held at **Millenia 3, Level 2, The Ritz-Carlton, Millenia Singapore, 7 Raffles Avenue, Singapore 039799, 26 April 2013 at 11:30 a.m.**

I/We________________________________NRIC/Passport No______________

of ____

being a *member/members of XinRen Aluminum Holdings Limited, hereby appoint

Name	Address	NRIC/ Passport No	Proportion of shareholdings to be represented by proxy (%)

and/or (delete as appropriate)

Name	Address	NRIC/ Passport No	Proportion of shareholdings to be represented by proxy (%)

as *my/our *proxy/proxies to attend and vote for *me/us on *my/our behalf and, if necessary, to demand a poll, at the Annual General Meeting of the Company to be held at **Millenia 3, Level 2, The Ritz-Carlton, Millenia Singapore, 7 Raffles Avenue Singapore 039799, 26 April 2013 at 11:30 a.m.** and at any adjournment thereof.

*I/We direct *my/our proxy/proxies to vote for or against the ordinary resolutions to be proposed at the Annual General Meeting as indicated with an "X" in the spaces provided hereunder. If no specific direction as to voting are given, the *proxy/proxies will vote or abstain from voting at *his/their discretion, as he/they will on any other matter arising at the Annual General Meeting.

No.	Resolution	For	Against
1.	To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 December 2012 and the Reports of the Directors and the Auditors thereon		
2.	To re-elect Mr Zeng Xiaoqiao who is retiring pursuant to Article 94 of the Company's Articles of Association		
3.	To re-elect Mr Chen Timothy Teck Leng who is retiring pursuant to Article 94 of the Company's Articles of Association		
4.	To re-elect Mr Loh Weng Whye who is retiring pursuant to Article 94 of the Company's Articles of Association		
5.	To re-appoint Ernst & Young LLP as auditors and to authorise the Directors to fix their remuneration		
6.	To approve the payment of Directors' fees of S$182,000 for the financial year ending 31 December 2013 monthly in arrears		
7.	To re-appoint Mr Liu Jingan who is retiring pursuant to Section 153(6) of the Companies Act (Chapter 50)		
8.	To authorise Directors to allot and issue shares		
9.	To approve renewal of Shareholders' Mandate for the Company to buy-back its own shares		

Dated this __________ day of ____________________ 2013.

Total Number of Shares Held

____
Signature(s) of Member(s)/Common Seal
*Delete accordingly

IMPORTANT: PLEASE READ NOTES OVERLEAF

NOTES:

1. A member of the Company entitled to attend and vote at a General Meeting is entitled to appoint not more than two proxies to attend and vote in his stead. Such proxy need not be a member of the Company.

2. Where a member of the Company appoints two proxies, he shall specify the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each such proxy, failing which the nomination shall be deemed to be alternative.

3. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney duly authorised in writing or duly authorised officer of the corporation.

4. A corporation which is a member of the Company may authorise by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at a General Meeting, in accordance with its Articles of Association and Section 179 of the Companies Act (Chapter 50) of Singapore.

5. The instrument appointing a proxy or proxies, together with the power of attorney or other authority (if any) under which it is signed, or notarially certified copy thereof, must be deposited at the Company's Registered Office situated at 250 North Bridge Road #15-01 Raffles City Tower Singapore 179101, not less than 48 hours before the time appointed for the holding of a General Meeting.

6. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 130A of the Companies Act (Chapter 50) of Singapore), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert that number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members of the Company, he should insert the aggregate number of shares. If no number is inserted, the instrument appointing a proxy or proxies will be deemed to relate to all the shares held by the member of the Company.

7. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of members of the Company whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register as at 48 hours before the time appointed for holding of a General Meeting as certified by The Central Depository (Pte) Limited to the Company.

8. A Depositor shall not be regarded as a member of the Company entitled to attend a General Meeting and to speak and vote thereat unless his name appears on the Depository Register as at 48 hours before the time appointed for holding of a General Meeting.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Zeng Chaoyi,
Executive Chairman

Zeng Chaolin,
Chief Executive Officer and Executive Director

Zeng Xiaoqiao
@ Zeng Xiaoshan,
Executive Director

Zeng Mingliu,
Executive Director

Liang Hongbo,
Executive Director

Chen Timothy Teck Leng
@ Chen Teck Leng,
Non-Executive Lead Independent Director

Loh Weng Whye,
Non-Executive Independent Director

Liu Jingan,
Non-Executive Independent Director

AUDIT COMMITTEE

Chen Timothy Teck Leng
@ Chen Teck Leng,
Chairman

Loh Weng Whye

Liu Jingan

NOMINATING COMMITTEE

Loh Weng Whye,
Chairman

Liu Jingan

Chen Timothy Teck Leng
@ Chen Teck Leng

REMUNERATION COMMITTEE

Liu Jingan,
Chairman

Chen Timothy Teck Leng
@ Chen Teck Leng

Loh Weng Whye

COMPANY SECRETARIES

Teo Meng Keong,
ACIS

Low Siew Tian,
ACIS

REGISTERED OFFICE

250 North Bridge Road
#15-01 Raffles City Tower
Singapore 179101
Telephone : +65 6336 8850
Facismile : +65 6336 8703

SHARE REGISTRAR

Boardroom Corporate & Advisory Service Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

COMPLIANCE ADVISER

Shook Lin & Bok LLP
1 Robinson Road
#18-00 AIA Tower
Singapore 048542

AUDITOR

Ernst & Young LLP
Level 18 North Tower
One Raffles Quay
Singapore 048583
Partner in charge: Ng Boon Heng
(appointed with effect from the financial year ended 31 December 2011)

PRINCIPAL BANKER

Oversea-Chinese Banking Corporation Limited
63 Chulia Street
#05-00 OCBC Centre East
Singapore 049514

Agricultural Bank of China
No. 8, Jin Feng Zhong Road
Huangtang Industrial Zone,
Xuxiake Town
Jiangyin City, Jiangsu Province
People's Republic of China

Bank of Communications
No. 99, Zhong Shan South Road
Huangpu Area
Shanghai 200010
People's Republic of China

Industrial and Commercial bank of China
No. 1, Qing Cheng West Road
Qian Zhou Zhen, Hui Shan Area
Wuxi City, Jiangsu Province
People's Republic of China

INVESTOR RELATIONS ADVISER

OakTree Advisers Pte Ltd
15 Enggor Street
#10-01 Realty Centre
Singapore 079716

鑫仁铝业
XINREN ALUMINUM

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250 North Bridge Road
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