鑫仁铝业
XINREN ALUMINUM

XINREN ALUMINUM HOLDINGS LIMITED
ANNUAL REPORT 2013

STRENGTHS IN ADVERSITY

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STRENGTHS IN ADVERSITY

For yet another year, aluminum producers worldwide had to struggle against harsh industry conditions, which further eroded margins and deepened losses. Undeterred by these challenges, XinRen held fast to its long-term goals, determined to bolster its position as a leading industry player in China.

In the midst of adversity, XinRen was able to make the most of its strengths to rise to the fore. **Clear Foresight** led it to purchase the Xinjiang Plant in 2012 and move swiftly to ramp up production there, while **Focused Execution** has driven and accelerated the process, turning the mega facility into a significant earnings contributor. Moreover, the Group has shrewdly tapped its **Wide Network** of clients and suppliers to secure favourable long-term contracts that have braced both its operating and financial position.

These strengths have enabled the Group to ride out an intensely trying period, and they will remain critical for success as XinRen takes its next step forward.

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 aluminum value chain of smelting and fabrication, 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 consumer, transport and construction.

XinRen already enjoys one of the local sector's most efficient cost structures. The Group's 21% stake in China Leading International Group Limited – and thus its stake in a primary aluminum smelter, Xinjiang Production and Construction Corps Agricultural Division Eight Xinjiang Tianshan Aluminum Plant Co., Ltd. (Xinjiang Plant) – has enhanced its already keen competitive edge over its PRC peers. Extensive advantages will be gained from the Xinjiang Plant's very cost-competitive smelting facility and its in-house independent power plant.

With Xinjiang Plant, XinRen is well placed to increase its lead as an integrated upstream producer in the industry, where it will remain among the country's most cost-efficient aluminum producers. The Group plans to strengthen its position by enhancing the efficiency of its operations and expanding its production capacity to tap the growing demand for aluminum products, both at home and overseas.

SIGNIFICANT EVENTS

JANUARY 2013

Update on Xinjiang Plant: Following a successful trial, one power generating unit (350MW) of its independent power plant commences electricity generation from 4 January 2013, while the second power generating unit (350MW) begins its trial production.

Update on Carbon Anode Plant: Xinxin Carbon commences production in December 2012 after a successful six-month trial.

APRIL 2013

Enters into a supplemental sale and purchase agreement to amend the payment terms for the Group's 21% equity interest in China Leading International Group Limited, which indirectly owns 100% of Xinjiang Plant.

Update on Xinjiang Plant:

i. Independent Power Plant – Its second power generating unit (350MW) commences electricity generation from April 2013.

ii. Smelting Facility – 2/3 of Phase 1 (450,000 tpa) commences commercial production. 1/4 of Phase 2 (430,000 tpa) commences trial production.

Holds FY2012 Annual General Meeting.

SEPTEMBER 2013

Receives the land use right certificate from the relevant land authorities for the land on which XinRen's smelting plant, Liupanshui Shuangyuan, is located. This confers the right to use the land for a term of 50 years.

NOVEMBER 2013

Announces that Mr Zeng Chaoyi will step down as the Group's Executive Chairman due to health reasons, and re-designates Mr Zeng Chaolin (the Group's current Executive Director and Chief Executive Officer) as the Executive Chairman and Chief Executive Officer of the Company with immediate effect.

FEBRUARY 2014

Sells entire shareholding in Yichang Changjiang Aluminum Co., Ltd, which owns the 130,000 tpa primary smelting facility in Yichang, Hubei Province.

MARCH 2014

Completes payment of remaining consideration for the Group's 21% in CLI, which was acquired for a total consideration of RMB1,890 million.

MAP OF OPERATIONS

SMELTING		
Products	**Operations**	**Production Capacity**
Primary aluminum (ingots and plates)	Liupanshui Plant	145,000 tpa (216 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	1) XinRen Aluminum Holdings (Singapore) 2) Shanghai Shuangpai (PRC) 3) 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	Phase 1: 450,000 tpa Phase 2: 430,000 tpa
	Independent Power Plant (all fully operational)	Phase 1: 2x350MW power generating units Phase 2: 2x350MW power generating units

tpa: tonnes per annum

CLEAR FORESIGHT

The Group has shown strong business acumen, in particular when it sought a strategic investment in the Xinjiang Plant. The tremendous low cost structure of this mega facility has already made a difference to Group earnings, offsetting losses elsewhere.

CHAIRMAN'S STATEMENT

Dear Valued Shareholders,

Aluminum producers worldwide went through another challenging year in 2013, as the industry grappled with mounting costs, slowing end-user demand and a global supply overhang. Margins and profitability remained weak as aluminum prices headed southwards to end the year at a new low, while electricity costs continued to rise.

Thanks to our former Chairman, Mr Zeng Chaoyi, who worked assiduously to fortify the competitive position of XinRen Aluminum Holdings (XinRen or the Group), the Group has been able to make the most of its inherent strengths to ride out this adverse period. Under his leadership, the Group nurtured an experienced team who will press on with the mission to build XinRen into a leading aluminum enterprise in China.

YEAR IN REVIEW

As part of a long-ranging initiative to lower the Group's overall cost structure, we pressed forward with a series of measures where we invested heavily in integrating every aspect of our business. Thanks to these moves and the foresight shown in taking a 21% stake in the Xinjiang Plant, which we knew would grow into a significant profit contributor, the Group returned to profit for the year ended 31 December 2013 (FY2013), posting a net attributable profit of RMB61.6 million compared with a net attributable loss of RMB65.8 million previously. The Xinjiang Plant alone contributed a net profit of RMB93.6 million, up 6x from RMB15.4 million for FY2012.

Revenue grew 25.5% to RMB8.0 billion from RMB6.4 billion previously, due mainly to a 133.7% increase in trading sales to RMB5.3 billion. Smelting revenue fell 35.4% to RMB2.3 billion on lower selling prices for primary aluminum ingots as well as lower sales volume as one production line was shut down in the Yichang Plant for repair and maintenance. Fabrication revenue dipped 21.4% to RMB445.6 million on lower sales of fabricated aluminum products.

STRENGTHS IN ADVERSITY

This profit turnaround underscores the Group's resilience in overcoming the still adverse operating conditions in the industry and its ability to find new ways to streamline operations and boost sales. Determined efforts to realise our long-term vision of becoming a major aluminum producer in China set in motion events that have left the Group far stronger and well-placed to forge ahead with its plans for the future. XinRen's extensive operational expertise has enabled the Group to make unprecedented strides in the Xinjiang project in less than two years, while its solid reputation and extensive network have secured important long-term customer contracts that have strengthened its financial position.

Clear Foresight. The Group recognised the potential of Xinjiang Province quite early on, and established a first-mover advantage with the acquisition of a 21% stake in the Xinjiang Plant in 2012 – its largest investment to-date. Management demonstrated clear foresight when it embarked on this milestone initiative, and the results achieved since then have more than validated its decision, as contributions from the mega facility have significantly boosted the Group's performance and buffered it against the worst of these trying times. The Xinjiang Plant has already proven its worth and will evidently be a major profit driver for XinRen in the years ahead.

The investment in the Xinjiang Plant is indeed an investment for the future – the permit to build a mega complex with smelting and fabrication facilities all housed under one roof has enabled the Group to extract considerable operational synergies and efficiencies. It also has regulatory approval for an on-site independent power plant, which means the facility can tap the cheap and abundant coal resources in Xinjiang Province and slash electricity costs – which amount to a third or more of operating costs for most aluminum plants. This very low cost structure has widened the operating margins and produced profits even in the face of the prolonged industry downturn.

The Xinjiang Plant has magnified the Group's lead as an integrated upstream player in China. Moreover, it will inject a stream of steadily growing income as new capacities are progressively added. The Group is well-poised to pull ahead of the competition – at a time when the aluminum industry is coming up against even greater challenges on the cost front following the government's recent decision to impose higher electricity tariffs on plants that are inefficient and outdated.

Focused Execution. The Group, which has the authority to manage Xinjiang Plant, had completed the facility's first development phase by end-2012, bringing both the smelting capacity and the independent power plant online timely. Even as trial production got underway, the Group moved quickly into the second phase. XinRen expects

Mr Zeng Chaolin
Executive Chairman &
Chief Executive Officer

"Determined efforts to realise our long-term vision of becoming a major aluminum producer in China set in motion events that have left the Group far stronger and well-placed to forge ahead with its plans for the future."

to ramp up the production output of the smelting facility to 880,000 tonnes per annum (tpa) by FY2014. Currently, four on-site power generators with a combined capacity of 4x350 MW are fully operational.

The smooth and swift progression achieved in scaling up the smelting capacity and electrical production at the Xinjiang Plant attests to the Group's focused execution, as well as the breadth of its technical and operational expertise, which enabled it to construct and expand the operations at the plant well within budget and on schedule. The plant employs an energy-efficient and environment-friendly technology, which makes use of 460 kA pre-baked electrobaths to produce aluminum. This technological edge along with management's proficiency at formulating ways to improve operational efficiency have dramatically reduced electricity unit consumption per tonne at the plant. Currently, it comes in at 12,700 kWh, considerably lower than the average of 13,200 kWh achieved at the Group's two other plants and way below the industry average of 13,700 kWh[1].

Wide Network. Management has been quick to seize the right opportunities to grow and expand, but it has also kept a watchful eye on the balance sheet. Backed by XinRen's established reputation and strong client relationships, the Group proactively negotiated for contracts to supply aluminum products to some key customers on a long-term basis. The long-term advance payments received as a result have strengthened the Group's financial position tremendously.

With these long-term deposits, the Group was able to repay short-term bank loans and record its smallest net current liability position since its listing in October 2010. Net gearing fell to 3.5% as at 31 December 2013 from 111.2% as at 31 December 2012.

PROSPECTS & OUTLOOK

We expect the operating environment to remain difficult, as China is experiencing slower growth and the aluminum industry is undergoing major structural changes. To curb overcapacity and encourage the use of advanced energy-saving technologies, the government has raised electricity costs for energy-inefficient aluminum smelters that consume more than 13,700 kWh per tonne.

Over the longer term, prospects for the aluminum industry remain sound. China is expected to remain the world's largest growing aluminum market in the years to come, with growth in demand estimated at 8.6% a year for 2010-2015. Aluminum consumption within the country will continue to be boosted by the construction, packaging and automobile sectors.

FORWARD STRATEGY

The Group has embarked on a strategic review of all its assets. To maximise returns on invested capital and improve shareholder value, the Group has taken the decision to divest the Yichang Plant in Hubei Province for RMB400 million. The deal, which will be completed by early May 2014, will de-gear the balance sheet further, and the proceeds will be used for general working capital purposes.

ACKNOWLEDGMENTS & APPRECIATION

On behalf of the Board, I would like to thank Mr Zeng Chaoyi for his invaluable contributions and his successful stewardship in steering XinRen to become one of the leading aluminum producers in China. He stepped down as the Group's Executive Chairman in November 2013 for health reasons. I must also commend the management and staff for their commitment and dedication to turning the Group around. Last but not least, I would like to express my gratitude to shareholders and business partners for their faith in XinRen during these difficult times. I look forward to your continued support in 2014 and beyond as I take the reins and lead XinRen to its next milestone.

(1): http://www.miit.gov.cn/n11293472/n11293832/n11293907/n11368223/15782932.html

FOCUSED EXECUTION

XinRen has taken decisive steps to enhance its operations on every front, from adding a carbon anode plant to investing in the Xinjiang Plant. This incisive focus on execution has allowed it to rapidly scale up operations at the Xinjiang Plant and lock in a growing source of earnings as the facility expands.

FINANCIAL & OPERATIONS REVIEW

OVERVIEW

Aluminum prices continued to slide in 2013, sinking to their lowest levels since mid-2009 and below the production cost of many producers, including those in China. Locally, aluminum producers also had to contend with rising electricity tariffs which eroded margins and profitability even further.

At XinRen, the Group remained undeterred by these challenges. For the past few years, it has been exploring various ways to counter these adverse operating pressures and to further entrench its position within the industry. To this end, the Group made a strategic decision to invest in the Xinjiang Plant and quickly ramp up operations there, making the most of its very low-cost structure to extract solid margins despite the low aluminum prices. Backed by its sterling reputation in the industry, the Group also tapped its wide network to secure long-term customer and alumina contracts.

The Group's foresight and well-honed strengths enabled it to achieve a profit turnaround for the financial year ended 31 December 2013 (FY2013), reversing the losses suffered in FY2012.

FINANCIAL REVIEW

Overall revenue for FY2013 grew 25.5% to RMB8.0 billion, driven mainly by a 133.7% rise in trading sales of primary aluminum products and alumina to RMB5.3 billion. Gross profit, however, slipped 61.5% to RMB71.7 million, dampened by a fall in selling prices and sales volumes for primary aluminum ingots and fabricated products, as well as an increase in electricity and labour costs.

Helped by a one-off fee of RMB60 million for the arrangement of loan facilities for a subsidiary of a jointly controlled entity, and a six-fold increase in the share of contributions from the 21%-owned Xinjiang Plant to RMB93.6 million, the Group was able to return to profit, posting a net attributable profit of RMB61.6 million for FY2013 compared with a loss of RMB65.8 million previously.

SEGMENTAL PERFORMANCE

Smelting Division

Revenue from the smelting division declined 35.4% to RMB2,306 million in FY2013. The main reason was the drop in selling prices for primary aluminum ingots, which fell to RMB13,300 per metric ton (MT) (without value-added tax) in FY2013 from an average of RMB14,500 per MT in FY2012 and a high of RMB16,300 per MT in FY2010. In addition, sales volumes shrank as a production line at the Yichang Plant in Hubei Province was shut down for repair and maintenance work from May 2013. As a result, pre-tax losses at the division widened to RMB209.0 million for FY2013 from RMB68.2 million for FY2012.

Fabrication Division

This segment posted a fall in revenue to RMB445.6 million for FY2013 from RMB567.1 million previously, as sales volumes for fabricated aluminum products dropped, decreasing from 44,800 MT in FY2012 to 38,100 MT in FY2013. However, pre-tax profit rose by 35.9% to RMB34.9 million as the division enjoyed increased sales of higher-margin products.

Trading Division

Trading revenue leapt by 133.7% to RMB5,275 million in FY2013, thanks to increased trading sales of primary aluminum ingots and alumina. After factoring in operating expenses, the division achieved a pre-tax profit of RMB67.6 million for FY2013 compared with a pre-tax loss of RMB25.6 million for FY2012.

BALANCE SHEET HIGHLIGHTS

The Group's ability to lock in long-term supply contracts with key clients led to a significant inflow of long-term customer advances of RMB2,137 million as at 31 December 2013. This increase in customer advances substantially boosted the Group's cash inflow, enabling XinRen to report a net current liability position of only RMB22.7 million – its smallest since listing.

As a result, the Group's financial position has strengthened considerably, with its net gearing coming in at 3.5% for the period ending 31 December 2013 compared with slightly over 111.2% a year earlier. It achieved this even after making a partial payment of RMB558 million for the purchase consideration needed to acquire a 21% stake in China Leading International (CLI). As announced on 11 March 2014, the Group has paid the remaining consideration for its interest in CLI, which was acquired for a total consideration of RMB1,890 million.

STRATEGIC OPERATIONAL REVIEW TO MAXIMISE RETURNS

Divestment of Yichang Changjiang Aluminum

In line with efforts to maximise returns on capital through a constant review of its operations, XinRen entered into a sales-and-purchase agreement in February 2014 to divest its entire shareholding in Yichang Changjiang Aluminum Co., Ltd (Changjiang Aluminum) for RMB400 million to two individuals. Changjiang Aluminum owns a primary smelting facility with a capacity of 130,000 tonnes per annum (tpa) in Yichang, Hubei Province (Yichang Plant).

The divestment will be positive for XinRen as the Yichang Plant has been racking up losses, which ballooned from RMB94 million in FY2012 to RMB181 million in FY2013. The Group's profitability will be immediately enhanced as these losses will no longer figure in its financial results, with effect from 1 January 2014. Furthermore, XinRen will realise a profit from the sale as the consideration for the plant is pegged at a slight premium over its net book value. This profit will be booked into FY2014.

XinRen will receive the consideration of RMB400 million in two tranches – an initial deposit of RMB40 million within 10 days of the effective date of the sale-and-purchase agreement, and the remaining RMB360 million within 60 days of the completion of the transaction. Taking into account the estimated expenses of approximately RMB25 million, the Group will see net proceeds of approximately RMB375 million, which will be used to repay a debt of approximately RMB123.1 million owing to Changjiang Aluminum and for general working capital purposes. These net proceeds will further strengthen the Group's balance sheet.

LOOKING AHEAD

With aluminum prices staying below the output cost for many producers, major global players have announced production cutbacks, and more might do so in the near future. While these measures could help the market move towards a balance over the medium term, they are unlikely to lift aluminum prices in the near term, given the huge oversupply currently.

In China, the aluminum industry is expected to consolidate further, following the government's recent announcement that it will impose higher electricity tariffs on energy-inefficient aluminum smelters that consume more than 13,700 kWh per tonne. Over the long term, we remain positive about the industry's prospects as China is working towards meeting the needs of domestic consumption, which is expanding as aluminum demand from the construction, packaging and automobile sectors increases.

Moving forward, XinRen will continue to optimise operations at its Liupanshui smelting plant and Jiangyin fabrication facility, taking steps to restructure them further to achieve a more efficient cost structure. In addition, the Group will also focus on increasing the production output at Xinjiang Plant to 880,000 tpa in FY2014.

WIDE NETWORK

The Group has built up an extensive network of customers and suppliers – an invaluable resource that has enabled it to secure favourable long-term contracts for both the supply of alumina feedstock and the sale of its products. These have helped to fortify revenue flows and gird up its balance sheet.

BOARD OF DIRECTORS

MR ZENG CHAOLIN
Executive Chairman & Chief Executive Officer

Mr Zeng Chaolin (曾超林) was re-designated as the Group's Executive Chairman and Chief Executive Officer in November 2013, responsible for directing the strategic direction and growth of the Group as well as overseeing all its operations. He has been actively involved in the running of the Group's jointly controlled China Leading International Group Limited, which in turn owns 100% of The Xinjiang Production and Construction Corps Agricultural Division Eight Xinjiang Tianshan Aluminum Plant Co., Ltd (新疆生产建设兵团农八师天山铝业有限公司) (Xinjiang Plant), the key to the Group's next stage of growth.

In 2007, Mr Zeng 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 is responsible for the Group's operations and capital management. 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. 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 is also actively involved in the running of the Group's jointly controlled China Leading International Group Limited. 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 sectors. He has held positions in international finance 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 Yangzijiang Shipbuilding (Holdings) Ltd and TMC Education Corporation Ltd. He is also an independent director for Hu An Cable Holdings Ltd and Logistics Holdings Ltd.

Mr Chen earned his Bachelor of Science degree from the University of Tennessee and his Master's of Business Administration 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 Independent Director
& Nominating Committee Chairman

Mr Loh Weng Whye (罗永威) is an Independent Director on our Board and the Chairman of its 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 Corporation Limited, XinRen Aluminum Holdings Ltd, Leeden Limited, China New Town Development Co Limited, United Envirotech Ltd and Malaysia company Layar Positif Sdn Bhd. He also holds advisory and board appointments with various public and charitable organisations. He served on the mechanical 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) of Singapore, 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.

SENIOR 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 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.

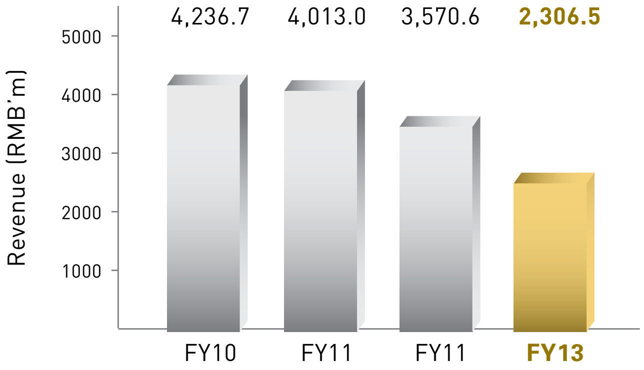
MS LIM JOO SENG
Chief Financial Officer

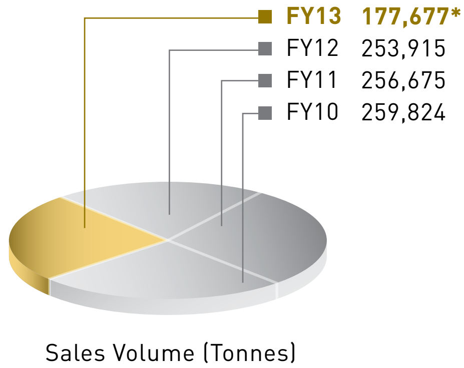
Ms Lim Joo Seng (林友欣) is our Chief Financial Officer and was appointed to the Group in 2010. She is responsible for overseeing investor relations, financial and management accounting matters of the Group. Prior to joining XinRen, she spent more than five years as an audit manager with Deloitte Touche 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

SEGMENTAL PERFORMANCE

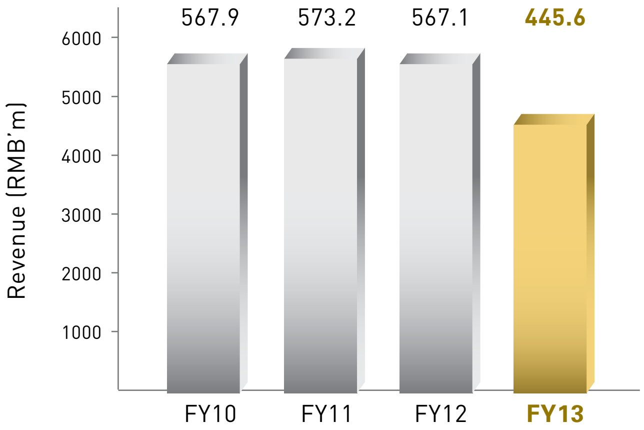
Smelting

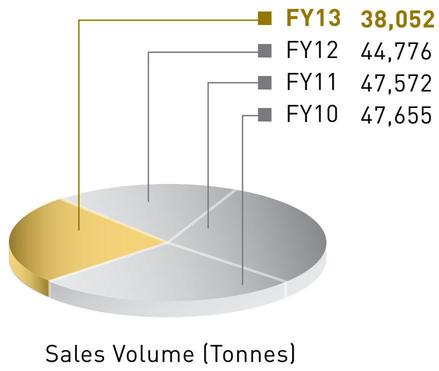




* Yichang Plant - one out of two production lines was closed for repair and maintenance from May 2013

Fabrication





REVENUE CONTRIBUTION BY SEGMENT

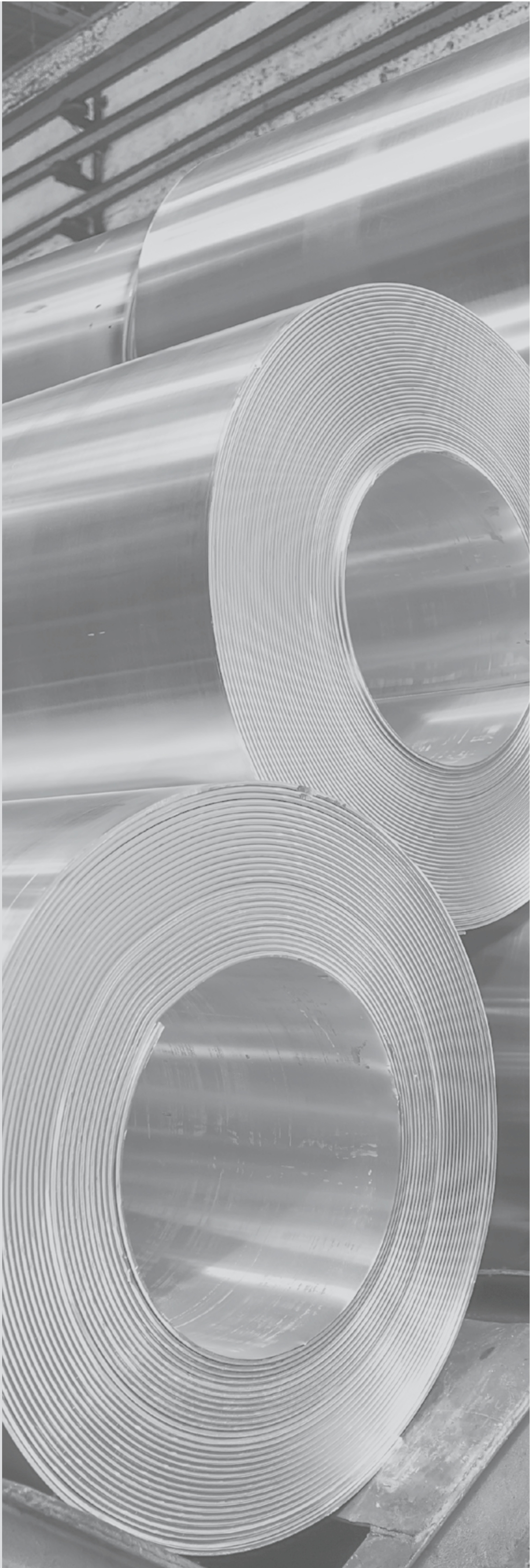
Income Statement (RMB'm)	FY10	FY11	FY12	FY13
Revenue	6,214.6	6,845.7	6,394.8	8,027.2
Gross Profit	778.0	668.9	186.5	71.7
Net (loss)/profit attributable to owners of the parent	381.4	421.8	(65.8)	61.6

Balance Sheet (RMB'm)	FY10	FY11	FY12	FY13
Non-current assets	1,974.1	2,339.7	4,288.6	4,419.8
Current assets	2,830.3	3,102.5	4,074.3	5,424.0
Current liabilities	2,893.7	3,208.5	6,202.6	5,446.7
Shareholders' equity	1,309.3	1,701.0	1,991.0	2,077.3

FINANCIAL STATEMENTS CONTENT

GOVERNANCE

FINANCIAL STATEMENTS



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 2012 (the "2012 CG Code"). The Company will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review such practices from time to time to ensure compliance with the Listing Manual.

1. BOARD MATTERS

Principle 1: Board's Conduct of 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, information technology controls 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.

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.

CORPORATE GOVERNANCE REPORT

Principle 2: Board's Composition and Guidance

The Board as at 31 December 2013 comprises seven Directors of whom four 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 14 and 15 of this Annual Report.

There is therefore a good balance between the Executive and Non-Executive Directors and a strong and independent element on the Board. The requirement of the 2012 CG Code that at least one-third of the Board consists of independent directors is satisfied. The Board noted the requirement for independent directors to make up at least half of the Board where the Chairman of the Board and the Chief Executive Officer is the same person by financial year commencing 1 January 2017.

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 2012 CG 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 stepped down as the Executive Chairman and Director of the Company on 21 November 2013. Since then Mr Zeng Chaolin has been re-designated as Executive Chairman and Chief Executive Officer ("CEO") of the Company.

The Company has not adopted the recommendation of the 2012 CG Code to have different individuals appointed as the Chairman and the CEO. The Board is of the view that it is in the best interest of the Group to adopt a single leadership structure so as to ensure that the decision-making process of the Group would not be unnecessarily hindered as well as to ensure that the Group is able to grasp business opportunities efficiently and promptly.

The Board has also appointed Mr Chen Timothy Teck Leng @ Chen Teck Leng as Lead Independent Director since the listing of the Company. The Company complied with Guideline 3.3(a) of the 2012 CG Code.

Mr Zeng Chaolin manages the day-to-day operations of the Group, and 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 into executive action.

2. NOMINATION MATTERS

Principle 4: Board Membership

NC makes recommendation to the Board on all board appointments. The NC comprises three members, all of whom, including the Chairman are independent. The members of the NC are as follows:-

Mr Loh Weng Whye	(Chairman)	(Independent Director)
Mr Chen Timothy Teck Leng @ Chen Teck Leng	(Member)	(Lead Independent Director)
Mr Liu Jingan	(Member)	(Independent Director)

CORPORATE GOVERNANCE REPORT

The nature of the Director's appointment on the Board and details of their membership on the Board committees as at 31 December 2013 are set out as below:

Board of Directors	Board Membership	Audit	Remuneration	Nominating
Zeng Chaolin	Executive Chairman and Chief Executive Director	-	-	-
Zeng Xiaoqiao	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) to make recommendations to the Board on all board appointments, including re-nominations, having regard to the Director's contribution and performance (for example, attendance, preparedness, participation and candour) including, if applicable, as an Independent Director. All Directors shall be required to submit themselves for re-nomination and re-election at regular intervals and at least once every three years;

(b) to recommend to the Board the review of board succession plans for the Company's Directors, in particular, for the Chairman and CEO;

(c) to determine annually whether or not a Director is independent;

(d) in respect of a director who has multiple board representations on various companies, to decide whether or not such Director is able to and has been adequately carrying out his/her duties as Director, having regard to the competing time commitments that are faced when serving in multiple boards;

(e) to decide how the performance of the Board, the Committees and Directors may be evaluated and propose objective performance criteria, as approved by the Board that allows comparison with its industry peers, and address how the Board has enhanced long terms shareholders' value.

To address the competing time commitments that are faced by the Directors who serve on multiple boards of publicly listed companies, the Board has determined that the maximum number of listed company board representations each Director is allowed to hold is as follows:-

(a) directorships without other executive roles - eight
(b) directorships with other executive roles - four

The NC also leads the process for the search, identification, evaluation and selection of suitable candidates for new directorship. In its search and selection process, the NC considers factors such as the ability of the prospective candidate to contribute to discussions, deliberations and activities of the Board. The NC also reviews the composition of the Board including the mix of expertise, skills and attributes of existing Directors, so as to identify needed and/or desired competencies to supplement the Board's existing attributes.

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.

CORPORATE GOVERNANCE REPORT

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.

Each member of the NC has abstained from voting on any resolution in respect of the assessment of his performance or re-nomination as a Director of the Company. In the event any member of the NC has an interest in a matter being deliberated upon by the NC, he will abstain from participating in the review and approval process relating to that matter. Mr Liu Jingan has abstained from making any recommendation and/or participating in any deliberation of the NC in respect of the assessment of his own performance or re-election as a Director.

The date of initial appointment and last re-election of each Director, together with his directorships in other listed companies, are set out below:-

Director	Position	Date of Initial Appointment	Date of Last Re-election / Re-appointment	Directorships in other listed companies	
				Current	Past three years
Zeng Chaolin	Executive Chairman and CEO	26/04/2010	23/04/2012	-	-
Zeng Xiaoqiao	Executive Director	26/04/2010	23/04/2013	-	-
Zeng Mingliu	Executive Director	26/04/2010	23/04/2012	-	-
Liang Hongbo	Executive Director	26/04/2010	23/04/2012	-	-
Chen Timothy Teck Leng @ Chen Teck Leng	Lead Independent Director	18/10/2010	23/04/2013	1. Yangzijiang Shipbuilding (Holdings) Ltd. 2. HuAn Cable Holdings Ltd. 3. TMC Education Corporation Ltd. 4. Logistics Holdings Ltd.	1. Tianjin Zhongxin Pharmaceutical Group Corporation Ltd. 2. Sunmart Holdings Ltd.
Loh Weng Whye	Independent Director	18/10/2010	23/04/2013	1. BH Global Corporation Limited	1. Leeden Limited 2. China New Town Development Co Limited
Liu Jingan	Independent Director	18/10/2010	23/04/2013	-	-

Key information regarding the Directors is presented in this annual report under the heading "Board of Directors".

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 2013 are as follows:

	Board of Directors		Audit Committee		Nominating Committee		Remuneration Committee	
Name	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Current Directors								
Zeng Chaolin	4	4	-	-	-	-	-	-
Zeng Xiaoqiao	4	4	-	-	-	-	-	-
Zeng Mingliu	4	4	-	-	-	-	-	-
Liang Hongbo	4	4	-	-	-	-	-	-
Chen Timothy Teck Leng @ Chen Teck Leng	4	4	4	4	1	1	1	1
Loh Weng Whye	4	4	4	4	1	1	1	1
Liu Jingan	4	4	4	4	1	1	1	1
Former Director								
Zeng Chaoyi*	4	4	-	-	-	-	-	-

Note:
*Mr Zeng Chaoyi stepped down as the Executive Chairman and Director of the Company on 21 November 2013.

Principle 6: Access to Information

To enable the Board to fulfill its responsibility, Management strives to provide Board members with complete, adequate and timely 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.

The Directors are always provided with relevant information on a timely manner prior to each Board meeting and committee meeting. This is to give the Directors sufficient time to review and consider the matters being tabled and/ or discussed. The Senior Management will be also invited to attend Board Meetings to provide additional insights into matters being discussed, and to respond to any queries that the Directors may have.

In respect of the annual budgets, any material variances between the projections and actual results are disclosed and explained to the Board by the Management during the Board Meetings.

All Board members have separate and independent access to the advice and services of the Company Secretary. The Company Secretary attends all Board Meetings and Meetings of the Board Committees and ensure 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.

Mr Liu Jingan	(Chairman)	(Independent Director)
Mr Chen Timothy Teck Leng @ Chen Teck Leng	(Member)	(Lead Independent Director)
Mr Loh Weng Whye	(Member)	(Independent Director)

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 management personnel;

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

c) in the case of service contracts, to consider what compensation commitments the Directors' or key management personnel's contracts of service, if any, would entail in the event of early termination with a view to be fair and avoid rewarding poor performance; and

d) 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 management personnel 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 and Mix of Remuneration

The RC reviews and recommends to the Board a framework of remuneration for the directors and key management personnel, and determines specific remuneration packages for each executive director. The recommendations of the RC on remuneration of directors would be submitted for endorsement by the entire Board.

All aspects of remuneration, including but not limited to directors' fees, salaries, allowances, bonuses, options and benefits in kind are covered by the RC. Each member of the RC shall abstain from voting on any resolution in respect of his remuneration package.

In setting the remuneration packages of the Executive Directors and key management personnel, the Company takes into consideration the remuneration and employment conditions and makes a comparative study of the packages of executive directors and key management personnel 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 payable quarterly in arrears and approved by the shareholders of the Company at the Annual General Meeting of the Company.

CORPORATE GOVERNANCE REPORT

Principle 9: Disclosure on Remuneration

The breakdowns showing the level and mix of remuneration paid to each director for the financial year ended 31 December 2013 is as follows:-

Name	Salary RMB'000	Bonus RMB'000	Other Benefits RMB'000	-Directors' Fees RMB'000	Total RMB'000
Current Directors					
Zeng Chaolin	1,905	298	-	-	2,203
Zeng Xiaoqiao	2,070	255	-	-	2,325
Zeng Mingliu	1,650	255	-	-	1,905
Liang Hongbo	1,650	255	-	-	1,905
Chen Timothy Teck Leng @ Chen Teck Leng	-	-	-	500	500
Loh Weng Whye	-	-	-	350	350
Liu Jingan	-	-	-	60	60
Former Director					
Zeng Chaoyi*	1,871	303	-	-	2,174

Note:
*Mr Zeng Chaoyi stepped down as the Executive Chairman and Director of the Company on 21 November 2013.

The remuneration paid to each of the top key management personnel who are not Directors of the Company. A breakdown of the level and mix of remuneration of these top two key management personnel is as follows:

Name	Fees %	Salary %	Bonus %	Other Benefits %	Total %
More than S$250,000					
Li Yazhou	-	86	14	-	100
Less than S$250,000					
Lim Joo Seng	-	92	8	-	100

Note: Ms. Li Yazhou and Ms. Lim Joo Seng are the only top key management personnel for the financial year ended 31 December 2013

Shareholders' approval will be sought at the forthcoming AGM of the Company on 28 April 2014, for the payment of Directors' fees proposed for FY2014 amounting to an aggregate of S$182,000.

The total remuneration paid to the top key management personnel was S$505,000 for FY2013.

There are no termination, retirement and post-employment benefits granted to Directors, the CEO or the top two key management personnel.

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

The employees who are immediate family members of a director or the CEO of the Company or any of its principal subsidiaries, whom remuneration exceed S$50,000 per annum for the financial year ended 31 December 2013 is as follows:

Name	Family relationship with director	Salary %
Less than S$100,000		
Zeng Hong	Spouse of Company's Executive Director, Mr Liang Hongbo, sister of Executive Chairman	100
Liu Shu	Spouse of Company's Executive Chairman and Chief Executive Officer, Mr Zeng Chaolin	100

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: Risk Management and Internal Controls

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, compliance and information technology controls and risk management systems, 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).

The Board had received assurance from the CEO and Chief Financial Officer that the financial records as at 31 December 2013 have been properly maintained and the financial statements for the financial year ended 31 December 2013 give a true and fair view of the Company's operations and finances and regarding the effectiveness of the Company's risk management and internal control systems.

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. 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, compliance and information technology controls, and risk management systems risk areas.

Principle 12: 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.

Mr Chen Timothy Teck Leng @ Chen Teck Leng	(Chairman)	(Lead Independent Director)
Mr Loh Weng Whye	(Member)	(Independent Director)
Mr Liu Jingan	(Member)	(Independent Director)

CORPORATE GOVERNANCE REPORT

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 statements 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;

i) review annually the adequacy of internal financial, operational compliance, and information technology 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 carried out the following activities during the year ended 31 December 2013 in the discharge of its functions and duties including the deliberation and review of:

- the unaudited quarterly financial results of the Group and announcements prior submission to the Board for approval and release the results to SGX.
- the internal and external audit plans in terms of their scope of audit prior to their commencement of their annual audit.
- the external auditors' report in relation to audit and accounting issues arising from the audit matters from audit of the Group in meeting with the external auditors without presence of the executive board members and management.
- the adequacy and effectiveness of the Group's internal audit function.
- the audited financial statements of the Group and of the Company prior to submission to the Board of Directors for consideration and approval.
- the external audit and internal audit fees for the financial year ended 31 December 2013 and recommended to the Board for approval.
- the independence and re-appointment of the external auditors and recommended to the Board for approval.

CORPORATE GOVERNANCE REPORT

- Interested person transactions falling within scope of Chapter 9 and 10 of Listing Rules and any potential conflicts of interests.
- Review the Whistle-Blowing Policy of the Group and procedures by which employees of the Group could report the possible improprieties to the AC Chairman.

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.

In appointing the auditing firm for the Company and its subsidiaries, we have complied with Listing Rules 712 and 715.

The aggregate amount of fees paid and payable by the Group to the external auditors for the financial year ended 31 December 2013 is S$516,800/-, of which audit fees amounted to approximately S$430,000/- and non-audit fees amounted to approximately S$86,800/-.

The AC has full access to, and cooperation from Management including the external auditors, and has full discretion to invite executive directors 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.

The AC takes measures to keep abreast of the changes to accounting standards and issues which have impact on financial statements, with training conducted by professionals or external consultants. No former partner or director of the Company's existing auditing firm is a member of the AC.

Whistle-Blowing Policy

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

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 operational risk 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 AC is responsible to approve the hiring, removal, evaluation and compensation of the auditing firm. The internal auditors have full access to all the Group's documents, records, properties and personnel, including access to the AC.

The Internal Auditors carried out its functions in accordance with the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors.

CORPORATE GOVERNANCE REPORT

5. SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Principle 14: Shareholder Rights

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.

The Directors ensure that the shareholders have the opportunity to participate effectively in and vote at general meetings and shareholders will be well informed of the meeting and voting procedures.

Principle 15: Communication with Shareholders

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.

The Company currently does not have a fixed dividend policy. Nonetheless, the Management after reviewing the performance of the Company in the relevant financial period will make appropriate recommendation to the Board. Any dividend declaration will be communicated to shareholders via announcement through SGXNET.

Principle 16: Conduct of Shareholder Meetings

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.

There are separate resolutions at general meetings on each substantially separate issue, shareholders are invited to put forth any questions they may have on the motions to be debated and decided upon. Every shareholder of the Company is entitled to attend and vote at the general meetings of the Company and is allowed to appoint not more than two proxies to vote on his/her behalf at the general meetings during his/her absence.

The proceeding of the general meetings will be properly recorded, including all comments or queries from shareholders relating to the agenda of the meeting, and responses from the Board and Management, and to make these minutes available to shareholders upon their request.

The Board is of the view that voting by poll is time-consuming and would increase the cost of holding general meetings. However, the Board will continue to study the feasibility of conducting poll voting in general meetings on a case to case basis. Unless the context otherwise requires or a poll is demanded in accordance with the provision of the Articles, the Company shall continue to conduct its votes on a show of hands, for the time being.

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 2013.

CORPORATE GOVERNANCE REPORT

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

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 2013.

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 11 on Risk Management Internal Controls.

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

As at 31 December 2013, approximately S$91.9 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 S$'000	Cumulative amount deployed up to 31 Dec 2013 S$'000	Amount to be deployed as at 31 Dec 2013 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 2013.

Directors

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

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

Zeng Mingliu and Liang Hongbo 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	At the end of financial year	At the beginning of financial year	At the end of financial year
The Company				
Ordinary shares				
Zeng Chaolin	–	–	980,097,032	980,097,032
Zeng Mingliu	–	–	980,097,032	980,097,032
Zeng Xiaoqiao @ Zeng Xiaoshan	–	–	980,097,032	980,097,032
Liang Hongbo	–	–	980,097,032	980,097,032

DIRECTORS' REPORT

Directors' interests in shares and debentures (cont'd)

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2014.

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 at the end of the financial year.

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.

DIRECTORS' REPORT

Audit committee (cont'd)

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, in the absence of any evidence to the contrary, the system of internal controls in place are adequate in meeting the current scope of the Group's business operations.

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

Auditor

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

On behalf of the Board of directors:

Zeng Chaolin Director	Liang Hongbo Director

Singapore
28 March 2014

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 2013 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
28 March 2014

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 36 to 93 which comprise the balance sheets of the Group and the Company as at 31 December 2013, 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

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 2013 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 Chartered Accountants
Singapore
28 March 2014

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the financial year ended 31 December 2013

	Note	Group	
		2013 RMB'000	2012 RMB'000
Revenue	4	8,027,161	6,394,812
Cost of sales		(7,955,423)	(6,208,358)
Gross profit		71,738	186,454
Other items of income			
Finance income		33,414	15,855
Other income		109,789	23,749
Other items of expense			
Selling and distribution expenses		(44,282)	(51,777)
Administrative expenses		(95,107)	(101,743)
Finance costs		(150,981)	(123,542)
Other expenses		(31,022)	(27,860)
Share of result of a jointly controlled entity	9	93,591	15,383
Loss before taxation	5	(12,860)	(63,481)
Taxation	6	74,458	(2,351)
Profit/(loss) after taxation		61,598	(65,832)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Net loss on available-for-sale financial assets	27	(245)	(1,259)
Foreign currency translation	27	24,886	(4,627)
Other comprehensive income for the year		24,641	(5,886)
Total comprehensive income/(loss) for the year		86,239	(71,718)
Profit attributable to:			
Owners of the parent		61,598	(65,832)
Total comprehensive income/(loss) attributable to:			
Owners of the parent		86,239	(71,718)
Earnings/(loss) per share (in RMB cents)			
Basic	7	4.71	(5.58)
Diluted	7	4.71	(5.58)

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

BALANCE SHEETS

as at 31 December 2013

		Group		Company	
	Note	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Non-current assets					
Property, plant and equipment	8	2,288,096	2,327,497	1,155	3,692
Investment in a jointly controlled entity	9	1,975,362	1,902,658	1,890,000	1,890,000
Land use rights	10	68,162	50,979	–	–
Investment in subsidiaries		–	–	165,165	75,838
Amount due from a subsidiary	15	–	–	382,476	382,420
Deferred expenses	11	3,177	3,400	–	–
Deferred tax assets	25	84,961	4,062	–	–
		4,419,758	4,288,596	2,438,796	2,351,950
Current assets					
Inventories	12	453,840	831,797	–	–
Prepayments	13	579,098	677,582	–	–
Amount due from a jointly controlled entity	14	50,318	477,327	225,188	–
Amounts due from subsidiaries	15	–	–	–	23,564
Amounts due from directors	20	23,154	16,038	–	–
Income tax receivable		13,118	14,360	103	152
Trade and other receivables	16	818,454	716,622	479,863	194,860
Deferred expenses	11	561,570	205,184	544,416	209,025
Short term investments	17	2,710	3,037	–	–
Short term deposits, secured	18	1,239,449	942,839	–	–
Cash and cash equivalents	18	1,682,282	189,561	1,438,095	8,419
		5,423,993	4,074,347	2,687,665	436,020
Current liabilities					
Loans and borrowings	19	2,945,203	3,317,322	565,183	–
Amounts due to related parties	15	4,635	19,871	–	–
Amounts due to subsidiaries	15	–	–	596,159	470,156
Payable arising from acquisition of a jointly controlled entity	21	572,084	1,130,105	572,084	1,130,105
Trade and other payables	22	393,653	526,833	3,726	6,128
Deferred revenue	11	440,717	163,785	440,717	163,785
Advances from customers	23	1,079,234	1,036,078	–	–
Accrued operating expenses	24	9,642	7,048	–	–
Income tax payable		1,508	1,560	1,360	–
		5,446,676	6,202,602	2,179,229	1,770,174
Net current (liabilities)/assets		(22,683)	(2,128,255)	508,436	(1,334,154)
Non-current liabilities					
Deferred tax liabilities	25	132,709	139,297	–	–
Loans and borrowings	19	49,970	30,000	–	–
Advances from customers	23	2,137,113	–	1,803,793	–
Net assets		2,077,283	1,991,044	1,143,439	1,017,796

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

BALANCE SHEETS

as at 31 December 2013

	Note	Group		Company	
		2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Equity attributable to equity holders of the parent					
Share capital	26	995,377	995,377	995,377	995,377
Treasury shares	26	(6,927)	(6,927)	(6,927)	(6,927)
Revenue reserve		837,185	800,441	169,003	64,648
Other reserves	27	251,648	202,153	(14,014)	(35,302)
Total equity		2,077,283	1,991,044	1,143,439	1,017,796

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 2013

Group	Attributable to equity holders of the parent					
	Share capital (Note 26) RMB'000	Treasury shares (Note 26) RMB'000	Revenue reserve RMB'000	Other reserves (Note 27) RMB'000	Total reserves RMB'000	Total RMB'000
Balance at 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 income for the year	–	–	–	(5,886)	(5,886)	(5,886)
Total comprehensive income for the year	–	–	(65,832)	(5,886)	(71,718)	(71,718)
Contributions by and distributions to owners						
Issuance of new shares	382,420	–	–	–	–	382,420
Purchase of treasury shares	–	(3,787)	–	–	–	(3,787)
Issuance of shares under scrip dividend scheme (Note 28)	90,697	–	(90,697)	–	(90,697)	–
Dividend on ordinary shares (Note 28)	–	–	(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
Others						
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 and 1 January 2013	995,377	(6,927)	800,441	202,153	1,002,594	1,991,044
Profit for the year	–	–	61,598	–	61,598	61,598
Other comprehensive income for the year	–	–	–	24,641	24,641	24,641
Total comprehensive income for the year	–	–	61,598	24,641	86,239	86,239
Others						
Appropriation to statutory reserve	–	–	(5,495)	5,495	–	–
Appropriation to special reserve	–	–	(19,359)	19,359	–	–
Total others	–	–	(24,854)	24,854	–	–
Balance at 31 December 2013	995,377	(6,927)	837,185	251,648	1,088,833	2,077,283

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 2013

	Attributable to equity holders of the parent					
Group	Share capital (Note 26) RMB'000	Treasury shares (Note 26) RMB'000	Revenue reserve RMB'000	Other reserves (Note 27) RMB'000	Total reserves RMB'000	Total RMB'000
Company						
Balance at 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 income for the year	–	–	–	(5,073)	(5,073)	(5,073)
Total comprehensive income for the year	–	–	(24,369)	(5,073)	(29,442)	(29,442)
Contributions by and distributions to owners						
Issuance of new shares	382,420	–	–	–	–	382,420
Purchase of treasury shares	–	(3,787)	–	–	–	(3,787)
Issuance of shares under scrip dividend scheme (Note 28)	90,697	–	(90,697)	–	(90,697)	–
Dividend on ordinary shares (Note 28)	–	–	(16,847)	–	(16,847)	(16,847)
Balance at 31 December 2012 and 1 January 2013	995,377	(6,927)	64,648	(35,302)	29,346	1,017,796
Profit for the year	–	–	104,355	–	104,355	104,355
Other comprehensive income for the year	–	–	–	21,288	21,288	21,288
Total comprehensive income for the year	–	–	104,355	21,288	125,643	125,643
Balance at 31 December 2013	995,377	(6,927)	169,003	(14,014)	154,989	1,143,439

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

CONSOLIDATED CASH FLOW STATEMENTS

for the financial year ended 31 December 2013

	2013 RMB'000	2012 RMB'000
Operating profit before changes in working capital (Note 18(c))	89,073	133,531
Decrease/(increase) in inventories	351,671	(27,344)
Decrease/(increase) in prepayments	102,306	(146,588)
(Increase)/decrease in amounts due from directors and related parties	(22,352)	29,133
Increase in trade and other receivables	(101,832)	(140,617)
Increase in deferred expenses	(347,622)	(47,129)
Decrease/(increase) in amount due from a jointly controlled entity	447,896	(477,327)
(Decrease)/increase in trade and other payables	(133,180)	216,633
Increase in advances from customers	2,180,269	640,410
Increase in deferred revenue	276,932	44,149
Increase in accrued operating expenses	2,594	2,220
Cash generated from operating activities	2,845,755	227,071
Interest income received	33,414	15,855
Interest expense paid	(77,649)	(86,189)
Tax refunded	1,460	–
Tax paid	(13,213)	(35,808)
Net cash generated from operating activities	2,789,767	120,929
Cash flows from investing activities		
Purchase of property, plant and equipment	(67,835)	(140,147)
Payment for land use rights	(18,388)	(1,400)
Purchase of investment in a jointly controlled entity	(558,021)	(759,895)
Prepayment for purchase of property, plant and equipment	(3,823)	(7,214)
Investment income from short term investments	–	1,104
Net cash used in investing activities	(648,067)	(907,552)
Cash flows from financing activities		
Proceeds from loans and borrowings	5,613,233	4,603,603
Repayment of loans and borrowings	(5,965,382)	(3,618,799)
Purchase of treasury shares	–	(3,787)
Dividend paid on ordinary shares	–	(16,847)
Increase in short term deposits, secured	(296,610)	(370,000)
Net cash (used in)/generated from financing activities	(648,759)	594,170
Net increase/(decrease) in cash and cash equivalents	1,492,941	(192,453)
Effect of exchange rate changes on cash and cash equivalents	(220)	(58)
Cash and cash equivalents at beginning of year	189,561	382,072
Cash and cash equivalents at end of year	1,682,282	189,561

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

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 of incorporation and place of business	Proportion (%) of ownership interest	
			2013	**2012**
Held by the Company:				
Jiangyin Xinren International Trading Co., Ltd.	Investment holding and trading of aluminium related products	PRC	100	100
Held through Jiangyin Xinren International Trading Co., Ltd.:				
Jiangyin Xinren Technology Co., Ltd.	Fabrication 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
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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

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.

2.2 *Fundamental accounting concept*

As at 31 December 2013, the Group's current liabilities exceeded current assets by RMB 23 million (2012: RMB 2,128 million) and the Company has a net current assets position of RMB 508 million (2012: net current liabilities position of RMB 1,334 million). 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 are able to continue as a going concern despite its net current liabilities position as the directors are of the view that the Group 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 to meet their financial obligations as and when they fall due. The going concern is further supported by additional funding received through non-current advances from customer and new short term loan facility of USD 55 million from the bank subsequent to year end (Note 36).

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 2013. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

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

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
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
Amendments to the transition guidance of FRS 110 *Consolidated Financial Statements*, FRS 111 *Joint Arrangements* and FRS 112 *Disclosure of Interests in Other Entities*	1 January 2014
Amendments to FRS 110, FRS 112 and FRS 27: *Investment Entities*	1 January 2014
Amendments to FRS 36 *Recoverable Amount Disclosures for Non-financial Assets*	1 January 2014
Amendments to FRS 39 *Novation of Derivatives and Continuation of Hedge Accounting*	1 January 2014
Improvements to FRSs (January 2014)	1 July 2014
Amendments to FRS 19 *Defined Benefit Plans: Employee Contributions*	1 July 2014
Improvements to FRSs (February 2014)	1 July 2014
INT FRS 121 *Levies*	1 January 2014

Except for FRS 112, the directors expect that the adoption of the 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 FRS 112 is described below.

<u>FRS 112 Disclosure of Interests in Other Entities</u>

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 applied in 2014.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

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 2013

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 2013

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 2013

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 classification 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

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

2.11 *Financial assets (cont'd)*

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

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

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

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

2.12 *Impairment of financial assets (cont'd)*

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2013

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

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.

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.

NOTES TO THE
FINANCIAL STATEMENTS

31 December 2013

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

2.16 *Financial liabilities (cont'd)*

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 2013

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 2013

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 2013

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 29, including the factors used to identify the reportable segments and the measurement basis of segment information.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

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 2013

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).

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

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 2013, the carrying amount of the Group's income tax payable was approximately RMB 1,508,000 (2012: RMB 1,560,000). As at 31 December 2013, the Group's deferred tax assets and liabilities were approximately RMB 84,961,000 (2012: RMB 4,062,000) and RMB 132,709,000 (2012: RMB 139,297,000).

(b) *Going concern assumption*

As at 31 December 2013, the Group's net current liabilities exceeded current assets by RMB 23 million (2012: RMB 2,128 million). The financial statements have been prepared on a going concern basis as the directors are confident that the Group is 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 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 2013

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 2012 and 2013 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 14 million (2012: RMB 12 million).

(b) ***Impairment of loans and receivables***

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset under loans and receivables is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loan and receivables at the end of the reporting period is disclosed in Note 16 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

4. REVENUE

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

5. LOSS BEFORE TAXATION

The following items have been included in arriving at loss before taxation:

	Group	
	2013 RMB'000	2012 RMB'000
Other income:		
Government subsidiary [1]	23,426	9,061
Sales of scraps	5,061	11,559
Unrealised foreign exchange gain	–	3,199
Realised foreign exchange loss	–	(2,462)
Arrangement fees	60,290	–
Overprovision for value-added tax in prior years	14,956	–
Others	6,056	2,392
Other expenses:		
Unrealised foreign exchange loss	(18,753)	–
Realised foreign exchange loss	(24,490)	–
Inventories written-down [2]	(13,348)	(17,978)
Reversal of write-down of inventories [3]	17,978	–
Reversal of/(provision) for foreseeable loss [4]	8,540	(8,706)
Others	(949)	(1,176)
Interest income	33,414	15,855
Finance costs:		
Interest expense	(77,649)	(86,189)
Bank charges [5]	(73,332)	(37,353)
Amortisation for land-use rights	(1,205)	(196)
Property, plant and equipment written-off	–	(99)
Depreciation of property, plant and equipment	(137,823)	(118,296)
Staff costs	(90,965)	(84,706)
Audit fees:		
Auditor of the Company	(1,445)	(1,437)
Other auditors	(1,029)	(1,059)
Non-audit fees:		
Auditor of the Company	(425)	(424)

NOTES TO THE FINANCIAL STATEMENTS

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5. LOSS BEFORE TAXATION (CONT'D)

[1] This item relates to: (i) a subsidiary provided by the local government for the electricity costs incurred by one of the Group's smelting plants; and (ii) a land subsidy provided by the local government for one of the Group's subsidiaries. There are no unfulfilled conditions to the aforesaid subsidies.

[2] The provision for inventories written-down was made when the related inventories were expected to be sold below their carrying amounts in the respective years of FY 2014 and FY 2013.

[3] The reversal of write-down of inventories was made when the related inventories were sold above their carrying amounts in FY2013.

[4] In FY2013, the reversal of foreseeable loss was made when the selling price was subsequently fixed above the cost of sales.

In FY2012, the provision for foreseeable loss was made in connection with 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 FY 2013.

[5] The item relates mainly to charges incurred for notes payable.

NOTES TO THE FINANCIAL STATEMENTS

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6. TAXATION

Major components of income tax (credit)/expense

The major components of income tax (credit)/expense for the years ended 31 December are:

	Group	
	2013 RMB'000	2012 RMB'000
Consolidated income statement		
Current income tax		
- Current year	13,591	6,909
- Over provision in respect of previous years	(644)	(23,096)
Deferred income tax		
- Current year	(71,545)	16,251
- Withholding tax on profit appropriation	(15,860)	2,287
	(74,458)	2,351

Relationship between tax (credit)/expense and accounting loss

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

	Group	
	2013 RMB'000	2012 RMB'000
Loss before taxation	(12,860)	(63,481)
Tax at the domestic rates applicable to profits in the countries where the Group operates	(13,988)	(9,562)
Non-deductible expenses	3,839	4,320
Income not subject to taxation	(7,632)	–
Effect of income taxed at concessionary rate	(10,830)	(2,571)
Effect of partial tax exemption and tax relief	(1,537)	(1,570)
Benefits from previously unrecognised tax losses	(2,869)	–
Deferred tax assets not recognised	–	36,859
Over provision in respect of previous years	(644)	(23,096)
Withholding tax on profit appropriation	(15,860)	2,287
Share of profits from jointly controlled entity	(23,398)	(3,845)
Others	(1,539)	(471)
Income tax (credit)/expense recognised in profit or loss	(74,458)	2,351

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

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 2012 and 2013. 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 were taxed at preferential rates of 24% and statutory rate of 25% for the financial years ended 31 December 2012 and 2013, respectively. The other PRC entities were taxed at 25% for the financial years ended 31 December 2012 and 2013.

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 GTP expires on 31 December 2013 and the Company will not be seeking further extension of the programme.

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

7. EARNINGS/(LOSS) PER SHARE

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

(a) the weighted average of total number of issued shares of the Company of 1,306,567,528 excluding treasury shares as of 31 December 2013; and

(b) the weighted average of total number of issued shares of the Company of 1,180,124,987 excluding treasury shares for the year ended 31 December 2012.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2013

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 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 and 1 January 2013	750,330	1,648,260	15,362	47,340	182,694	280,029	2,924,015
Additions	5,919	26,285	804	134	60,746	4,859	98,747
Transfers	47	16,233	–	8	–	(16,288)	–
Written off	–	–	–	–	(72,202)	–	(72,202)
Disposals	–	–	(179)	(1,129)	–	–	(1,308)
Currency realignment	–	–	–	(325)	–	–	(325)
At 31 December 2013	756,296	1,690,778	15,987	46,028	171,238	268,600	2,948,927
Accumulated depreciation							
At 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 and 1 January 2013	80,145	385,331	12,531	23,709	94,802	–	596,518
Charge for the year	19,293	75,730	811	5,893	36,096	–	137,823
Written off	–	–	–	–	(72,202)	–	(72,202)
Disposals	–	–	(179)	(1,129)	–	–	(1,308)
At 31 December 2013	99,438	461,061	13,163	28,473	58,696	–	660,831
Net carrying amount							
At 31 December 2012	670,185	1,262,929	2,831	23,631	87,892	280,029	2,327,497
At 31 December 2013	656,858	1,229,717	2,824	17,555	112,542	268,600	2,288,096

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

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

For the purposes of the consolidated cash flow statement, purchase of property, plant and equipment comprise the following at the end of the reporting period:

	Group	
	2013 RMB'000	2012 RMB'000
Additions to property, plant and equipment	(98,747)	(163,216)
Transfer of property, plant and equipment from inventory (non-cash)	30,912	23,069
Purchase of property, plant and equipment	(67,835)	(140,147)

Company	Office equipment RMB'000
Cost	
At 1 January 2012	5,311
Additions	1,702
At 31 December 2012 and 1 January 2013	7,013
Transfer	(1,278)
Currency realignment	(325)
At 31 December 2013	5,410
Accumulated depreciation	
At 1 January 2012	1,435
Charge for the year	1,886
At 31 December 2012 and 1 January 2013	3,321
Charge for the year	1,314
Transfer	(380)
At 31 December 2013	4,255
Net carrying amount	
At 31 December 2012	3,692
At 31 December 2013	1,155

The Group has certain buildings that are pledged to secure bank loans amounting to approximately RMB 187,874,000 (2012: RMB 72,008,000) for financial year ended 31 December 2013. Certain machinery and equipment are pledged to secure bank loans amounting to approximately RMB 494,621,000 (2013: RMB 1,171,971,000) for financial years ended 31 December 2012 and 2013. Information regarding loans and borrowings are disclosed in Note 19.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

9. INVESTMENT IN A JOINTLY CONTROLLED ENTITY

	Group		Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Unquoted shares at cost	1,890,000	1,890,000	1,890,000	1,890,000
Share of post acquisition reserve	108,974	15,383	–	–
Unrealised profit upon consolidation	(23,612)	(2,725)	–	–
	1,975,362	1,902,658	1,890,000	1,890,000

Details of the jointly controlled entity are as follows:

Name	Principal activities	Country of incorporation and place of business	Proportion (%) of ownership interest	
			2013	2012
Held by Company:				
China Leading International Group Limited	Investment holding	British Virgin Islands	21	21
Held by China Leading International Group Limited:				
Art Billion Corporation Limited	Investment holding	Hong Kong	100	100
Xinjiang Zhaokun Trading Co., Ltd	Trading of aluminium related products	PRC	100	100
Xinjiang Houfu Investment Co., Ltd	Investment holding	PRC	100	100
Xinjiang Production and Constructions Corps Agricultural Division Eight Xinjiang Tianshan Aluminum Plant Co., Ltd	Manufacture of aluminum ingots through smelting process	PRC	100	100

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

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	
	2013 RMB'000	2012 RMB'000
Assets and liabilities:		
Current assets	1,168,606	688,757
Non-current assets	2,286,785	1,495,815
Total assets	3,455,391	2,184,572
Current liabilities	(1,960,718)	(1,327,783)
Non-current liabilities	(798,011)	(263,137)
Total liabilities	(2,758,729)	(1,590,920)
Income and expenses:		
Income	2,093,721	497,095
Expenses	(2,000,130)	(481,712)

10. LAND USE RIGHTS

	Group	
	2013 RMB'000	2012 RMB'000
Cost		
At 1 January	58,393	56,993
Additions	18,388	1,400
	76,781	58,393
Accumulated amortisation		
At 1 January	7,414	7,218
Amortisation for the year	1,205	196
At 31 December	8,619	7,414
Net carrying amount	68,162	50,979

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

10. LAND USE RIGHTS (CONT'D)

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 40 years to 44 years as at 31 December 2013 (2012: 41 years to 45 years).

Certain land use rights are pledged to secure bank loans amounting to approximately RMB 10,187,000 and RMB 31,930,000 for financial years ended 31 December 2012 and 2013 (Note 19).

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 Nil (2012: RMB 8,706,000) 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.

12. INVENTORIES

	Group	
	2013 RMB'000	2012 RMB'000
Raw materials	121,421	350,761
Work-in-progress	174,415	205,154
Finished goods	101,137	97,236
Spares and consumables	8,634	15,491
Inventories at cost	405,607	668,642
Finished goods at net realisable value	48,233	163,155
Total inventories	453,840	831,797
Inventories recognised as an expense in cost of sales	7,951,147	6,203,348
Inventories written-down recognised as an expense in profit or loss	13,348	17,978
Reversal of write-down of inventory recognised in profit or loss	(17,978)	–
Inventories pledged to banks (Note 19)	95,416	16,648

NOTES TO THE FINANCIAL STATEMENTS

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13. PREPAYMENTS

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

14. AMOUNT DUE FROM JOINTLY CONTROLLED ENTITY

Amount due from 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 non-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 and recorded in a subsidiary company. The amount is non-interest bearing, 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.

16. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Trade and other receivables:				
Trade receivables	616,332	400,235	479,863	193,005
Bills receivables	27,814	116,244	–	–
Refundable VAT and other taxes	12,484	60,322	–	–
Advances to employees	6,428	6,673	–	–
Other receivables	155,396	133,148	–	1,855
Total trade and other receivables	818,454	716,622	479,863	194,860
Add:				
Amounts due from jointly controlled entity (Note 14)	50,318	477,327	225,188	–
Amounts due from subsidiaries (Note 15)	–	–	382,476	405,984
Amounts due from directors (Note 20)	23,154	16,038	–	–
Short term deposits, secured (Note 18)	1,239,449	942,839	–	–
Cash and cash equivalents (Note 18)	1,682,282	189,561	1,438,095	8,419
Less: Refundable VAT and other taxes	(12,484)	(60,322)	–	–
Total loans and receivables	3,801,173	2,282,065	2,525,622	609,263

NOTES TO THE FINANCIAL STATEMENTS

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16. TRADE AND OTHER RECEIVABLES (CONT'D)

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 currency at 31 December are as follows:

	Group		Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
USD	1,226	4,601	–	–

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 amounting to RMB 108 million (2012: RMB 72 million) and are non-interest bearing.

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 127,817,000 and RMB 83,559,000 for the financial years ended 31 December 2012 and 2013 respectively. These receivables are unsecured and the analysis of their aging at the balance sheet date is as follows:

	Group		Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Trade receivables past due:				
Less than 90 days	17,624	49,028	100	–
90 to 180 days	7,005	32,483	–	–
181 to 365 days	20,511	10,609	–	–
More than 365 days	38,419	35,697	–	–
	83,559	127,817	100	–

The Group had no trade receivables that are impaired as at 31 December 2012 and 2013.

NOTES TO THE FINANCIAL STATEMENTS

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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 loans and borrowings (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	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
USD	6,814	4,031	–	–
SGD	7,200	7,001	7,200	7,001

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	
	2013	2012	2013	2012
Interest rates on short-term deposits (per annum)	0.10%-3.05%	0.08%-3.14%	0.10%	0.08%

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

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

(c) *Cash flow from operating activities*

	Group	
	2013 RMB'000	2012 RMB'000
Loss before taxation	(12,860)	(63,481)
Adjustments for:-		
Property, plant and equipment written-off	–	99
(Reversal of)/provision for inventories written-down	(4,630)	17,978
(Reversal of)/provision for foreseeable loss	(8,540)	8,706
Depreciation of property, plant and equipment	137,823	118,296
Amortisation of land use rights	1,205	196
Share of profit in jointly controlled entity	(93,591)	(15,383)
Interest expense	77,649	86,189
Interest income	(33,414)	(15,855)
Investment income	–	(1,104)
Unrealised exchange loss/(gain)	18,753	(3,199)
Exchange realignment	6,678	1,089
Operating profit before changes in working capital	89,073	133,531

19. LOANS AND BORROWINGS

	Group		Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Fixed rate bank loans, secured	748,010	356,733	–	–
Floating rate bank loans, unsecured	–	70,000	–	–
Floating rate bank loans, secured	795,153	780,630	565,183	–
Notes payable, secured	1,452,010	2,139,959	–	–
	2,995,173	3,347,322	565,183	–
Comprising:				
Current portion	2,945,203	3,317,322	565,183	–
Non-current portion	49,970	30,000	–	–
	2,995,173	3,347,322	565,183	–

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

	Group		Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
USD	91,454	125,710	–	–

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

19. LOANS AND BORROWINGS (CONT'D)

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

	Group	
	2013	2012
Fixed rate bank loans	3.00%-11.52%	5.60%-10.20%
Floating rate bank loans	1.81%-6.90%	5.60%-12.00%

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

Fixed rate bank loans	30 Jul 2014	28 Dec 2013
Floating rate bank loans		
- current	24 Dec 2014	29 Feb 2012
- non-current	28 Apr 2015	18 Feb 2015

Fixed rate bank loans

These loans are secured by guarantees from the following:-

	Group	
	2013 RMB'000	2012 RMB'000
Subsidiaries of the Group	157,454	–
Directors and subsidiaries of the Group	80,000	–
Subsidiaries and a related party of the Group	40,000	–
Directors and a jointly controlled entity of the Group	246,557	–

Floating rate bank loans

Group

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:-.

Subsidiaries of the Group	–	125,710
Directors and subsidiaries of the Group	–	80,000
	–	205,710

Company

Floating rate bank loans of the Company is secured by short term deposits of RMB 590 million (2012: Nil) placed in the name of a subsidiary of the Group.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

19. LOANS AND BORROWINGS (CONT'D)

Notes payables

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

	Group	
	2013 RMB'000	2012 RMB'000
Directors and subsidiaries of the Group	319,000	382,000
Directors and a jointly controlled entity of the Group	42,000	329,550
A subsidiary of the Group	40,000	–
Short term deposits (Note 18a)	645,250	939,999

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). The final two instalments amounting to RMB 572,084,000 will be due by end of 2014. The amounts are unsecured and expected to be settled in cash.

22. TRADE AND OTHER PAYABLES

	Group		Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Trade and other payables:				
Trade payables	254,943	373,298	–	3,206
Other payables	138,710	153,535	3,726	2,922
Total trade and other payables	393,653	526,833	3,726	6,128
Add:				
Loans and borrowings (Note 19)	2,995,173	3,347,322	565,183	–
Amounts due to related parties (Note 15)	4,635	19,871	–	–
Amounts due to subsidiaries (Note 15)	–	–	596,159	470,156
Payable arising from acquisition of a jointly controlled entity (Note 21)	572,084	1,130,105	572,084	1,130,105
Accrued operating expenses (Note 24)	9,642	7,048	–	–
Total financial liabilities carried at amortised cost	3,975,187	5,031,179	1,737,152	1,606,389

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

23. ADVANCES FROM CUSTOMERS - CURRENT AND NON-CURRENT

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

24. ACCRUED OPERATING EXPENSES

	Group	
	2013 RMB'000	2012 RMB'000
Accrued payroll-related expenses	5,752	5,800
Sundry accruals	3,890	1,248
	9,642	7,048

25. DEFERRED TAX (ASSETS)/LIABILITIES

	Group	
	2013 RMB'000	2012 RMB'000
Deferred tax assets		
- Differences in depreciation and amortisation	(4,961)	(4,062)
- Unutilised tax losses	(80,000)	–
	(84,961)	(4,062)
Deferred tax liabilities		
- Differences in depreciation and amortisation	112,936	103,664
- Withholding tax on dividend appropriation	19,773	35,633
	132,709	139,297
Deferred tax liabilities, net	47,748	135,235

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 income taxes levied by the same authority on the same entity.

Unrecognised temporary differences relating to investment in subsidiaries:

As at 31 December 2013, 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 that will not be distributed in the foreseeable future to be insignificant.

NOTES TO THE FINANCIAL STATEMENTS

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26. SHARE CAPITAL AND TREASURY SHARES

(a) *Share capital*

	Group and Company	
	2013 RMB'000	2012 RMB'000
Issued and fully paid ordinary shares		
Balance as at 1 January		
1,306,567,528 (2012: 1,096,000,000) ordinary shares	995,377	522,260
Issue of Nil (2012: 59,579,528) new ordinary shares under scrip dividend scheme	–	90,697
Issue of Nil (2012: 152,968,000) ordinary shares under debt conversion agreement	–	382,420
Balance as at 31 December 1,306,567,528 (2012: 1,306,567,528) ordinary shares	995,377	995,377

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 Nil (2012: 2,180,000) shares in the Company through purchases on the Singapore Exchange during the year. The total amount paid to acquire the shares was RMB Nil (2012: 3,787,000) and presented as a component within shareholders' equity.

27. OTHER RESERVES

Other reserves comprise:

	Group		Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Statutory reserve fund	136,307	130,812	–	–
Capital surplus reserve	84,090	84,090	–	–
Fair value adjustment reserve	561	806	–	–
Foreign currency translation reserve	(9,970)	(34,856)	(14,014)	(35,302)
Special reserve	40,660	21,301	–	–
At 31 December	251,648	202,153	(14,014)	(35,302)

NOTES TO THE FINANCIAL STATEMENTS

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27. 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	
	2013 RMB'000	2012 RMB'000
At 1 January	130,812	125,695
Transferred from revenue reserve	5,495	5,117
At 31 December	136,307	130,812

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	
	2013 RMB'000	2012 RMB'000
At 1 January	806	2,065
Fair value adjustment	(245)	(1,259)
At 31 December	561	806

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	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
At 1 January	(34,856)	(30,229)	(35,302)	(30,229)
Foreign currency translation	24,886	(4,627)	21,288	(5,073)
At 31 December	(9,970)	(34,856)	(14,014)	(35,302)

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27. 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.

28. DIVIDENDS

	Group and Company	
	2013 RMB'000	2012 RMB'000
Declared and paid during the year		
Dividends on ordinary shares		
- First and final exempt (one-tier) dividend for Nil (2012: SGD 2 cents equivalent to RMB 10 cents) per share	–	16,847
Value of scrip dividends allotted and issued		
- Issuance of Nil (2012: 59,579,528) at an issue price of Nil (2012: SGD 31 cents equivalent to RMB 152 cents) in lieu of first and final dividend, net of expenses	–	90,697

29. 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 alumina 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.

29. SEGMENT INFORMATION (CONT'D)

	Smelting		Fabrication		Trading		Adjustments and eliminations			Consolidated financial statements	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000		2013 RMB'000	2012 RMB'000
Revenue:											
- external customers	2,306,462	3,570,601	445,586	567,116	5,275,113	2,257,095	–	–		8,027,161	6,394,812
- inter-segment	–	3,638,816	–	59,891	–	53,255	–	(3,751,962)	A	–	–
Total revenue	2,306,462	7,209,417	445,586	627,007	5,275,113	2,310,350	–	(3,751,962)		8,027,161	6,394,812
Results:											
Finance income	7,563	7,676	14,417	6,448	11,434	1,731	–	–		33,414	15,855
Depreciation and amortisation	(87,843)	(88,536)	(15,708)	(19,193)	(35,477)	(10,763)	–	–		(139,028)	(118,492)
Other non-cash income/ (expenses)	11,384	(24,964)	–	–	1,786	(1,720)	–	–	B	13,170	(26,684)
Share of result of a jointly controlled entity	93,591	15,383	–	–	–	–	–	–		93,591	15,383
Segment profit/ (loss)	(208,994)	(68,193)	34,926	25,707	67,617	(25,606)	93,591	4,611	C	(12,860)	(63,481)
Assets:											
Additions to non-current assets	116,195	152,523	940	2,350	–	9,743	–	–	D	117,135	164,616
Segment assets	9,453,066	8,951,003	2,335,039	2,640,736	3,620,353	1,774,778	(5,564,707)	(5,003,574)	E	9,843,751	8,362,943
Segment liabilities	7,523,026	6,655,768	1,860,215	2,247,287	3,118,797	1,557,749	(4,735,570)	(4,088,905)	F	7,766,468	6,371,899

NOTES TO THE FINANCIAL STATEMENTS

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29. SEGMENT INFORMATION (CONT'D)

Note

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

B Other non-cash expenses consist of provision for 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 before taxation" presented in the consolidated statements of comprehensive income:

	2013 RMB'000	2012 RMB'000
Profit from inter-segment sales	–	(10,772)
Share of results of associates	93,591	15,383
	93,591	4,611

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 :

	2013 RMB'000	2012 RMB'000
Deferred tax assets	84,961	4,062
Income tax receivable	13,118	14,360
Inter-segment assets	(5,662,786)	(5,021,996)
	(5,564,707)	(5,003,574)

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

	2013 RMB'000	2012 RMB'000
Deferred tax liabilities	132,709	139,297
Income tax payable	1,508	1,560
Inter-segment liabilities	(4,869,787)	(4,229,762)
	(4,735,570)	(4,088,905)

NOTES TO THE FINANCIAL STATEMENTS

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29. SEGMENT INFORMATION (CONT'D)

Geographical information

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

	2013 RMB'000	2012 RMB'000
PRC	7,364,903	5,084,870
Switzerland	604,204	1,237,087
Others	58,054	72,855
	8,027,161	6,394,812

Non-current assets amounting to RMB 2,438,796,000 (2012: RMB 461,949,000) and RMB 1,980,962,000 (2012: RMB 3,826,647,000) 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

As of 31 December 2013, there are no major customers to the Group. In 2012, revenue from one major customer amount to RMB 1,237,087,000, arising from sales by the Smelting segment.

30. 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	
	2013 RMB'000	2012 RMB'000
Non-cancellable amounts payable		
within 1 year	4,862	3,444
within 2 to 5 years	1,969	3,437
	6,831	6,881

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30. COMMITMENTS (CONT'D)

(a) *Operating lease commitments (cont'd)*

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 2013 amounted to approximately RMB 5,187,000 (2012: RMB 4,940,000).

(b) *Purchase commitments*

	Group	
	2013 RMB'000	2012 RMB'000
Non-cancellable purchases (in tonnes)		
within 1 year	1,394	655
within 2 to 5 years	3,480	1,204
	4,874	1,859

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	54,394	54,979

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

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31. 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	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Subsidiaries				
Purchase of goods from subsidiaries	–	–	882,561	1,272,136
Jointly controlled entity				
Purchase of goods from jointly controlled entity	42,950	15,397	–	–
Sales of goods to a jointly controlled entity	1,382,771	104,308	–	–
Advances from a jointly controlled entity	51,000	73,172	–	–
Advances to a jointly controlled entity	(551,544)	(204,899)	–	–
Advances to a jointly controlled entity (trade)	(500,000)	–	–	–
Advances from a jointly controlled entity (trade)	243,876	–	–	–
Related parties				
Sales of goods to related parties	108,753	–	–	–
Advances from related parties	–	31,317	–	–
Advances to related parties	(18,410)	(9,946)	–	–
Advances to directors	(7,116)	(12,131)	–	(50)
Arrangement fee with subsidiary of jointly controlled entity	60,290	–	60,290	–
Loan drawn down for a subsidiary of jointly controlled entity	365,814	–	365,814	–

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

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31. RELATED PARTY DISCLOSURES (CONT'D)

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

	Group	
	2013 RMB'000	2012 RMB'000
Short-term employee benefits paid to key management personnel	13,950	13,175
Comprise amounts paid to:		
Directors of the Company	11,422	10,727
Other key management personnel	2,528	2,448
	13,950	13,175

32. 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 2013 and 2012.

As disclosed in Note 27, there were externally imposed capital requirements which subsidiaries of the Group have complied with for the financial years ended 31 December 2013 and 2012.

33. 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.

NOTES TO THE FINANCIAL STATEMENTS

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

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.

Exposure to credit risk

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.

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			
	2013		2012	
	RMB'000	% of total	RMB'000	% of total
Smelting	513,568	83%	298,742	75%
Fabrication	65,804	11%	84,545	21%
Trading	36,960	6%	16,948	4%
	616,332	100%	400,235	100%

As at 31 December 2013, approximately:

- 78% (2012: 48%) of the Group's trade receivables were due from 1 customer located in Switzerland.
- 6% (2012: 5%) of the Group's trade receivables were due from debtors which were previously related parties.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

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

(a) *Credit risk (cont'd)*

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.

(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.

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 98% (2012: 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

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

(b) *Liquidity risk (cont'd)*

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.

Group	2013			
	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)	50,318	–	–	50,318
Amounts due from directors (Note 20)	23,154	–	–	23,154
Trade and other receivables (Note 16)	818,454	–	–	818,454
Short term deposits, secured (Note 18)	1,239,449	–	–	1,239,449
Cash and cash equivalents (Note 18)	1,682,282	–	–	1,682,282
Total undiscounted financial assets	3,813,657	–	–	3,813,657
Financial liabilities:				
Loans and borrowings (Note 19)	2,973,985	50,670	–	3,024,655
Amounts due to related parties (Note 15)	4,635	–	–	4,635
Payable arising from acquisition of a jointly controlled entity (Note 21)	572,084	–	–	572,084
Trade and other payables (Note 22)	393,653	–	–	393,653
Accrued operating expenses (Note 24)	9,642	–	–	9,642
Total undiscounted financial liabilities	3,953,999	50,670	–	4,004,669
Total net undiscounted financial liabilities	140,342	50,670	–	191,012

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

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

(b) *Liquidity risk (cont'd)*

Group	2012			
	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:				
Loans and borrowings (Note 19)	3,350,278	30,039	–	3,380,317
Amounts due to related parties (Note 15)	19,871	–	–	19,871
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
Accrued operating expenses (Note 24)	7,048	–	–	7,048
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)

Company	2013			
	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 jointly controlled entity (Note 14)	225,188	–	–	225,188
Amounts due from subsidiaries (Note 15)	–	382,476	–	382,476
Trade and other receivables (Note 16)	479,863	–	–	479,863
Cash and cash equivalents (Note 18)	1,438,095	–	–	1,438,095
Total undiscounted financial assets	2,143,146	382,476	–	2,525,622
Financial liabilities:				
Loans and borrowings (Note 19)	570,179	–	–	570,179
Amounts due to subsidiaries (Note 15)	596,159	–	–	596,159
Payable arising from acquisition of a jointly controlled entity (Note 21)	572,084	–	–	572,084
Trade and other payables (Note 22)	3,726	–	–	3,726
Total undiscounted financial liabilities	1,742,148	–	–	1,742,148
Total net undiscounted financial assets	400,998	382,476	–	783,474

NOTES TO THE FINANCIAL STATEMENTS

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33. 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:				
Amounts due from subsidiaries (Note 15)	23,564	382,420	–	405,984
Trade and other receivables (Note 16)	194,860	–	–	194,860
Cash and cash equivalents (Note 18)	8,419	–	–	8,419
Total undiscounted financial assets	226,843	382,420	–	609,263
Financial liabilities:				
Amounts due to subsidiaries (Note 15)	470,156	–	–	470,156
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
Total undiscounted financial liabilities	1,606,389	–	–	1,606,389
Total net undiscounted financial (liabilities) /assets	(1,379,546)	382,420	–	(997,126)

(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.

<u>Sensitivity analysis for interest rate risk</u>

At 31 December 2012 and 2013, 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 2,582,000 and RMB 17,722,000 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2013

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

(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 8% (2012: 21%) 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 2012 and 2013, 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	
	2013 RMB'000	2012 RMB'000
Against RMB		
USD - strengthened 10% (2012: 10%)	(5,736)	(8,905)
- weakened 10% (2012: 10%)	5,736	8,905
SGD - strengthened 10% (2012: 10%)	473	624
- weakened 10% (2012: 10%)	(473)	(624)

34. 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	
	2013 RMB'000 Quoted prices in active markets for identified instruments (Level 1)	2012 RMB'000 Quoted prices in active markets for identified instruments (Level 1)
Recurring fair value measurements		
Financial assets:		
- Short term investments (Note 17)	2,710	3,037

NOTES TO THE FINANCIAL STATEMENTS

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

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

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.

(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 directors (Note 20), amounts due from/(to) related parties (Note 15), amounts due from/(to) subsidiaries (Note 15), trade and other receivables (Note 16), 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.

	Company			
	2013		2012	
	Carrying amount RMB'000	Fair value RMB'000	Carrying amount RMB'000	Fair value RMB'000
Financial assets:				
Amount due from a subsidiary – non-current (Note 15)	382,476	*	382,420	*

* Determination of fair value

Amount due from a subsidiary – non-current (Note 15)

The fair value of amount due from a subsidiary – non-current is not determinable as the timing of the future cash flows arising from the amounts cannot be estimated reliably.

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35. 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.

36. EVENTS OCCURRING AFTER THE REPORTING PERIOD

(a) On 23 January 2014, the Group received an advance from a customer of RMB 300,000,000 for the purchase of 48,000 tonnes of aluminum ingots which is to be delivered over the next financial year 2014.

(b) On 25 February 2014, Jiangyin XinRen Technology Co., Ltd. (the "Vendor") entered into a sale and purchase agreement to dispose its entire equity interest in wholly-owned subsidiary, Yichang Changjiang Aluminum Co. Ltd. for an aggregate consideration of RMB 400,000,000. The consideration is payable in two tranches as follow:

   (i) First Tranche Payment: RMB 40,000,000 is payable on a date no later than 10 days after the effective date of the sale and purchase agreement; and

   (ii) Second Tranche Payment: RMB 360,000,000 is payable on a date no later than 60 days after the completion of the disposal.

(c) On 11 March 2014, the Company had fully repaid the amount payable arising from acquisition of a jointly controlled entity of RMB 572,084,000.

(d) On 17 March 2014, the Company undertook a short term loan facility of USD 55,000,000 (approximately RMB 335,000,000).

(e) On 17 March 2014, the Company had incorporated a wholly-owned subsidiary in British Virgin Islands, known as Wider Vision Limited ("WVL") with a registered capital of US$1. WVL's principal activities are that of trading and investment holding.

37. AUTHORISATION OF FINANCIAL STATEMENTS

The audited consolidated financial statements as at and for the financial year ended 31 December 2013 were authorised for issue in accordance with a resolution of the directors on 28 March 2014.

STATISTICS OF SHAREHOLDINGS

AS AT 14 MARCH 2014

Class of shares	:	Ordinary Shares
Voting rights excluding treasury shares	:	One vote per ordinary share
No. of issued shares excluding treasury shares	:	1,303,567,528
No. of treasury shares	:	6,980,000
Percentage of treasury shares	:	0.54%

DISTRIBUTION OF HOLDERS OF SHARES BY SIZE OF SHAREHOLDINGS AS AT 14 MARCH 2014

Size of Shareholdings	No. of Holders	%	No. of Shares	%
1 - 999	13	0.81	4,663	0.00
1,000 - 10,000	703	43.83	4,709,028	0.36
10,001 - 1,000,000	865	53.93	42,319,417	3.25
1,000,001 and above	23	1.43	1,256,534,420	96.39
TOTAL	1,604	100.00	1,303,567,528	100.00

TWENTY-TWO LARGEST HOLDERS OF SHARES AS AT 14 MARCH 2014

No.	Name of Holders of Shares	No. of Shares	%
1	Sunshine International Global Capital Ltd	430,401,161	33.02
2	Jiacai International Ltd	419,874,516	32.21
3	Phillip Securities Pte Ltd	120,812,289	9.27
4	Shunqi International Ltd	39,441,581	3.03
5	UOB Kay Hian Private Limited	36,779,168	2.82
6	OCBC Securities Private Limited	33,241,032	2.55
7	Jintudi Group Ltd	26,044,290	2.00
8	Citibank Nominees Singapore Pte Ltd	23,001,332	1.76
9	ABN Amro Nominees Singapore Pte Ltd	20,322,290	1.56
10	HSBC (Singapore) Nominees Pte Ltd	20,120,245	1.54
11	Tan Jiankang	17,871,000	1.37
12	Raffles Nominees (Pte) Limited	12,941,968	0.99
13	Hanwen International Group Ltd	11,742,645	0.90
14	DBS Nominees (Private) Limited	11,261,226	0.86
15	Shenchang International Ltd	9,642,387	0.74
16	DBS Vickers Securities (Singapore) Pte Ltd	6,308,000	0.48
17	Yansheng Ltd	6,119,000	0.47
18	United Overseas Bank Nominees (Private) Limited	2,648,290	0.20
19	Maybank Kim Eng Securities Pte Ltd	2,313,000	0.18
20	DB Nominees (Singapore) Pte Ltd	2,100,000	0.16
	TOTAL	1,252,985,420	96.11

Note: The percentages are computed based on 1,303,567,528 ordinary shares (excluding 6,980,000 shares held as treasury shares) as at 14 March 2014.

STATISTICS OF SHAREHOLDINGS

AS AT 14 MARCH 2014

SUBSTANTIAL SHAREHOLDERS AS AT 14 MARCH 2014

No.	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	2,000,000[8]
2	Jiacai International Ltd	419,874,516	2,000,000[9]
3	Zeng Chaoyi		984,097,032[1]
4	Zeng Chaolin		984,097,032[2]
5	Zeng Xiaoqiao @ Zeng Xiaoshan		984,097,032[3]
6	Zeng Mingliu		984,097,032[4]
7	Liang Hongbo		984,097,032[5]
8	Deng Eying		984,097,032[6]
9	Zeng Hong		984,097,032[5]
10	Li Yazhou		984,097,032[1]
11	Zeng Yiliu		984,097,032[7]

STATISTICS OF SHAREHOLDINGS

AS AT 14 MARCH 2014

Note:

(1) Zeng Chaoyi owns 100% of Sunshine International Global Capital Ltd. Zeng Chaoyi, is the son of Zeng Xiaoqiao @ Zeng Xiaoshan and Deng Eying, and is the brother of Zeng Chaolin, Zeng Mingliu, Zeng Yiliu and Zeng Hong, and he and his wife, Li Yazhou 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) Zeng Chaolin owns 100% of Jiacai International Ltd. Zeng Chaolin, is the son of Zeng Xiaoqiao @ Zeng Xiaoshan and Deng Eying, and is the brother of Zeng Chaoyi, Zeng Mingliu, Zeng Yiliu and 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., Jintudi Group Ltd., Xijin Ltd., and Yansheng Ltd., respectively.

(3) Zeng Xiaoqiao @ Zeng Xiaoshan owns 100% of Hanwen International Group Ltd. Zeng Xiaoqiao @ Zeng Xiaoshan, is the father of Zeng Chaoyi, Zeng Chaolin, Zeng Mingliu, Zeng Yiliu and Zeng Hong, and the husband of 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., Yansheng Ltd., Xijin Ltd., and Shunqi International Ltd., respectively.

(4) Zeng Mingliu owns 100% of Jintudi Group Ltd. Zeng Mingliu, is the daughter of Zeng Xiaoqiao @ Zeng Xiaoshan and Deng Eying, and is the sister of Zeng Chaoyi, Zeng Chaolin, Zeng Hong and Zeng Yiliu 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) Liang Hongbo, is the husband of Zeng Hong. Zeng Hong owns 100% of Yansheng Ltd. Zeng Hong, is the daughter of Zeng Xiaoqiao @ Zeng Xiaoshan and Deng Eying, and is the sister of Zeng Chaoyi, Zeng Chaolin, Zeng Mingliu and Zeng Yiliu and she and her husband, Liang Hongbo are 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 Jintudi Group Ltd., respectively.

(6) Deng Eying owns 100% of Shunqi International Ltd. Deng Eying, is the mother of Zeng Chaoyi, Zeng Chaolin, Zeng Mingliu, Zeng Yiliu and Zeng Hong, and the wife of 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% of Xijin Ltd. Zeng Yiliu is the daughter of Zeng Xiaoqiao @ Zeng Xiaoshan and Deng Eying, and is the sister of Zeng Chaoyi, Zeng Chaolin, Zeng Mingliu and Zeng Hong, and she 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., Jintudi Group Ltd., and Yangsheng Ltd., respectively.

(8) Deemed to be interested in 2,000,000 shares held by Sunshine International Global Capital Ltd through DBS Vickers Securities (Singapore) Pte Ltd.

(9) Deemed to be interested in 2,000,000 shares held by Jiacai International Ltd through DBS Vickers Securities (Singapore) Pte Ltd.

On the basis of the information available to the Company as at 14 March 2014, approximately 24.51% 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 2, Level 2, The Ritz-Carlton, Millenia Singapore, 7 Raffles Avenue, Singapore 039799 on Monday, 28 April 2014 at 10:00 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 2013 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) Ms Zeng Mingliu (Retiring under Article 94) **(Resolution 2)**
   (b) Mr Liang Hongbo (Retiring under Article 94) **(Resolution 3)**

3. To re-appoint Ernst & Young LLP as auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 4)**

4. To approve the payment of Directors' fees of S$182,000 for the financial year ending 31 December 2014 monthly in arrears. **(Resolution 5)**

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 6)**

   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]

6. Authority to allot and issue new shares **(Resolution 7)**

   (a) "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:

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

   (ii) 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

   (b) (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,

NOTICE OF ANNUAL GENERAL MEETING

provided that:

(i) 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);

(ii) (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;

(c) 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

(d) 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]

7. Approval for the renewal of Shareholders' Mandate for the Company to buy-back its own shares **(Resolution 8)**

"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");

NOTICE OF
ANNUAL GENERAL MEETING

(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.

(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

11 April 2014
Singapore

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

1. The proposed Resolution 6, if passed, will authorise the Director, who is 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 7, if passed, will authorise the Directors of the Company to, from the date of the passing of Ordinary Resolution 7 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 7 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 7 is passed; and

   (c) any subsequent bonus issue, consolidation or sub-division of Shares.

   In exercising the authority conferred by Ordinary Resolution 7, 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 8 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.

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.

PROXY FORM

Annual General Meeting of XinRen Aluminum Holdings Limited (the "Company") to be held at Millenia 2, Level 2, The Ritz-Carlton, Millenia Singapore, 7 Raffles Avenue, Singapore 039799, 28 April 2014 at 10:00 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 2, Level 2, The Ritz-Carlton, Millenia Singapore, 7 Raffles Avenue, Singapore 039799, 28 April 2014 at 10:00 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.	Resolutions relating to:	For	Against
1	To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 December 2013 and the Reports of the Directors and the Auditors thereon		
2	To re-elect Ms Zeng Mingliu who is retiring pursuant to Article 94 of the Company's Articles of Association		
3	To re-elect Mr Liang Hongbo who is retiring pursuant to Article 94 of the Company's Articles of Association		
4	To re-appoint Ernst & Young LLP as auditors and to authorise the Directors to fix their remuneration		
5	To approve the payment of Directors' fees of S$182,000 for the financial year ending 31 December 2014 monthly in arrears		
6	To re-appoint Mr Liu Jingan who is retiring pursuant to Section 153(6) of the Companies Act (Chapter 50)		
7	To authorise Directors to allot and issue shares		
8	To approve renewal of Shareholders' Mandate for the Company to buy-back its own shares		

Dated this ____________________ day of ________________ 2014

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.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Zeng Chaolin
Executive Chairman
& Chief Executive Officer

Zeng Xiaoqiao
@ Zeng Xiaoshan
Executive Director

Liang Hongbo
Executive Director

Zeng Mingliu
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 BANKERS

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

Bank of China
4 Battery Road
Bank of China Building
Singapore 049908

Standard Chartered Bank (Singapore) Limited
6 Battery Road
Singapore 730900

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

STRENGTHS IN ADVERSITY

XinRen Aluminum Holdings Limited
250 North Bridge Road
#15-01 Raffles City Tower
Singapore 179101

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