
ANNUAL REPORT 2012

# Revving Up

**Midas Holdings Limited**

(incorporated in Singapore with limited liability)
(Hong Kong Stock Code: 1021)
(Singapore Stock Code: 5EN)

# Contents



# Corporate Structure

## CORPORATE OFFICE

Chen Wei Ping, Executive Chairman
Chew Hwa Kwang, Patrick, Chief Executive Officer
Wang Jiaxin, Deputy Chief Executive Officer
Tan Kai Teck, Chief Financial Officer

Jilin Midas Aluminium Industries Co., Ltd
Wang Jiaxin, General Manager

Shanxi Wanshida Engineering Plastics Co., Ltd
Ma Mingzhang, General Manager

Luoyang Midas Aluminium Industries Co., Ltd
Sun Qixiang, General Manager

Jilin Midas Light Alloy Co., Ltd
Hou Tiemin, General Manager

# Corporate Profile

Incorporated on 17 November 2000 as an investment holding company, listed on 23 February 2004 on Singapore Exchange Securities Trading Limited ("SGX-ST") and on 6 October 2010 on The Stock Exchange of Hong Kong Limited ("SEHK"), Midas Holdings Limited (the "Company" or "Midas", together with its subsidiaries, referred to the "Group") has grown over the years to gain recognition as a leading manufacturer of aluminium alloy extrusion products for the rail transportation sector in the People's Republic of China ("PRC").

Under the Group are three business divisions, namely:

(a) the Aluminium Alloy Extruded Products Division,
(b) the PE Pipes Division, and
(c) the Aluminium Alloy Plates and Sheets Division.

These three divisions are strategically located in the PRC to take on the opportunities as well as to capitalise on the potential benefits of the vast developments that are taking place in the infrastructure and rail transport sectors.

Besides our core business, we have a 32.5% stake in a licensed metro train manufacturing company in the PRC, Nanjing SR Puzhen Rail Transport Co., Ltd. ("NPRT")

## Aluminium Alloy Extruded Products Division

Our Aluminium Alloy Extruded Products Division consists of two wholly-owned subsidiaries, namely, Jilin Midas Aluminium Industries Co., Ltd ("Jilin Midas") and Luoyang Midas Aluminium Industries Co., Ltd ("Luoyang Midas"). This Division is a leading manufacturer of aluminium alloy extrusion products for the passenger rail transportation sector in the PRC. It is our principal business division and accounted for 95.4% of our total revenue for the financial year ended 31 December 2012 ("FY2012"). We are also one of the first and amongst the few in the aluminium alloy extrusion industry in the PRC to possess capabilities for the downstream fabrication of passenger train car body components. We have an established track record of supplying aluminium alloy extrusion products to many metro and high speed train projects in the PRC since 2003, representing a majority of the aluminium metro and high speed train projects in the PRC during this period.

Our customer base consists of major domestic train manufacturers including CNR Changchun Railway Vehicles Co., Ltd, CNR Tangshan Railway Vehicles Co., Ltd, NPRT, CSR Zhuzhou Electric Locomotive Co., Ltd., Bombardier Sifang (Qingdao) Transportation Ltd, and the top three global train manufacturers, namely, Alstom Transport ("Alstom"), Siemens AG ("Siemens") and Bombardier Inc., ("Bombardier").

# Corporate Profile



Our large section aluminium alloy extrusion products are used in a variety of industries. They are utilised in the rail transportation industry to manufacture body frames of high-speed trains and metro trains. In addition, our aluminium alloy products are also used in power stations for power transmission purposes, electrical energy distribution, transmission cables as well as production of mechanical parts for industrial equipment.

Jilin Midas currently has five production lines, with annual production capacity of up to 50,000 tonnes and three downstream fabrication lines that are able to process train car body components for approximately 1,000 train cars.

In order to meet the increasing demand from our PRC passenger rail transportation customers, we are in the process of setting up a new production plant in Luoyang City, Henan Province. This is in line with our strategy to expand our aluminium extrusion capacity in a new geographic location beyond north-eastern PRC to be in closer proximity to our customers. The new plant is targeted to be completed in the second half of 2013 and we have entered into a master supply agreement with Luoyang CSR Mass Transit Vehicle Co., Ltd (洛陽南車城市軌道車輛有限公司) ("Luoyang CSR"). Under the terms of the agreement, Luoyang CSR has agreed to procure 100% of its requirements for aluminium alloy extrusion products and fabricated parts from Luoyang Midas on a "preferred supplier basis".

Since 2004, we have successfully exported / secured contracts to supply large section aluminium alloy profiles to manufacture body frames for metro train/high speed train projects in various countries, including Belgium, Singapore, Russia, Iran, Saudi Arabia, South Korea, Malaysia, Turkey, Brazil, Switzerland, Norway, etc.

Moving forward, we aim to expand our international presence by capitalising on opportunities emanating from the overseas market.

We have participated in many metro train projects in the PRC since 2003 in cities including Changchun, Guangzhou, Hangzhou, Kunming, Nanjing, Ningbo, Shanghai, Shenzhen, Tianjin and Zhengzhou.

We are currently the market leader in supplying large section aluminium alloy profiles for the railway industry in the PRC. Significantly, we were appointed the supplier for some major high speed and inter-city train projects in the PRC, including:

- Beijing to Tianjin High Speed Train Project
- Regional Line EMU Phase 1 Project
- CRH3-380 Project
- CRH3-300 Project
- CRH5 EMU Project

# Corporate Profile

- CRH1 EMU Project
- Pearl River Delta Inter-City Train Project (Dongguan - Shenzhen Section)
- Dongguan – Huizhou Inter-City Train Project
- Nanjing – Gaochun Inter-City Rail Project

We are a certified supplier for the world's top three renowned train manufacturers, which is a testimony and endorsement of the quality of our aluminium alloy extrusion products. This recognition given by Alstom, Siemens and Changchun Bombardier Railway Vehicles Co., Ltd ("CBRC") has provided us the platform to expand our business both in the PRC and the international export markets. CBRC is a joint venture between Bombardier, the world leader in rail cars manufacturing, and China's leading train manufacturer, CNR Changchun Railway Vehicles Co., Ltd.

In addition, our Aluminium Alloy Extruded Products Division has entered into a Master Agreement with Siemens. Under this agreement, Siemens will engage our Aluminium Alloy Extruded Products Division as a long term high technology supplier of aluminium alloy extrusion products in the context of long term partnership-based cooperation on a global basis.

The recognition for our manufacturing capability of aluminium alloy extrusion products positions us for greater growth in the PRC and international markets.

## PE Pipes Division

Our PE Pipes Division manufactures PE pipes for use in gas piping networks and water distribution networks.

Made of high density polyethylene, PE pipes are relatively light-weight and chemically inert. Considered as viable substitutes for traditional concrete and metal pipes, PE pipes are easier and safer to install, more durable and flexible. A proponent that is non-toxic in nature, our PE pipes are cost efficient and possess high resistance to corrosion.

Broadly categorised into two types of PE pipes, namely the Gas PE Pipes and the Water PE Pipes which are manufactured through the extrusion process. We manufacture the various parts required in a piping network, including pipes, joints and fittings.

Our PE Pipes Division accounted for 4.6% of our total revenue for the year ended 31 December 2012. As we consider our PE Pipes Division to be a non-core business, representing a relatively small portion of our Group's revenue, we currently do not have plans to further expand our PE Pipes business.

## Aluminium Alloy Plates and Sheets Division

Our Aluminium Alloy Plates and Sheets Division will focus on manufacturing high precision, high specification aluminium alloy plates, sheets, strips and foils to further diversify our products. We will target a broader scope of transportation related industries, such as aviation, railway, automobile and shipbuilding. Commercial production is expected to commence in 2015 with a planned annual capacity of 200,000 tonnes.

## Associate

We have a 32.5% equity stake in a Sino-foreign joint venture, NPRT, which started commercial production in 2007. Many PRC cities have plans to build metro lines to facilitate urban transportation; we believe that NPRT will be a direct beneficiary of the high growth metro train industry in the PRC given the limited number of players in the market.

Since inception, NPRT, together with its consortium partners, has secured many high profile metro train projects in various cities in the PRC, including Dongguan, Hangzhou, Nanjing, Shanghai, Shenzhen, Suzhou and Wuxi.

## Moving Forward

Moving forward, we are committed to springboard towards greater expansion, growth value creation, as well as strengthen our key competencies.

## Corporate Profile

# Major Awards and Certificates

Since our inception, we have received the following major awards and certificates:

| Awards/Certification | Awarding body | Year of Award/Certification |
|---|---|---|
| Winner of Most Transparent Company Award 2012 for the Chemical & Resources Category | Securities Investors Association (Singapore) | 2012 |
| Supplier of the Year Award (2011) | Bombardier Transportation[(2)] | 2012 |
| Well-Known Trademark | Trademark Office of the State Administration for Industry & Commerce of the PRC | 2010 |
| Singapore Corporate Awards "Best Investor Relations Award (Gold)" in the category of "S$300 million to less than S$1 billion market capitalisation | The Business Times, supported by the Singapore Exchange Ltd. With various partners[(1)] | 2010 |
| IRIS Certificate – category of manufacturing and services of aluminium alloy car body profiles for rail cars | Bureau Veritas Certification (an IRIS approved certification body) | 2009 |
| Asia "Best Under A Billion" Enterprise | Forbes Asia | 2009, 2008, 2007 and 2006 |
| EN 15085-2 certification for the welding of railway vehicles and components | GSI SLV Duisburg | 2009 |
| "Leading Partners 150" Programme, a programme by Alstom to identify 150 suppliers globally as preferred suppliers for all projects undertaken with Alstom globally | Alstom[(2)] | 2008 |
| Quality Focus Global Sourcing Grade "A" International Certification | Alstom[(2)] | 2007 |
| 2007 China's Top Brand | General Administration of Quality Supervision, Inspection and Quarantine of the PRC | 2007 |
| ISO 9001:2000 quality management standard | China Xin Shi Dai Certification Center, an accredited certification body by the International Organisation for Standardisation | 2007 |
| Certified supplier of aluminium alloy extrusion products | Changchun Bombardier[(2)] | 2005 |
| Preferred long-term supplier of aluminium alloy products | Siemens[(2)] | 2005 |

**Notes:**

(1) The Singapore Corporate Awards are organised by The Business Times, supported by the Singapore Exchange Ltd. with the following partners: Institute of Certified Public Accountants of Singapore, Singapore Institute of Directors, Citigate Dewe Rogerson, i.MAGE, The Corporate Governance & Financial Reporting Centre of the NUS Business School, National University of Singapore, Aon Consulting and Egon Zehnder International. Supporting partners include Securities Investors Association (Singapore) and Investment Management Association of Singapore.

(2) These awarding bodies are also our customers.

# Message From The Executive Chairman

## Dear Shareholders,

On behalf of the Board of Directors (the "Board"), I am pleased to present Midas, annual report for FY2012.

FY2012 was a year of relatively slower economic growth for the world's major economies, arising from unresolved sovereign debt issues in the European Union, concerns over the fiscal cliff in the United States of America, and the PRC recording a GDP growth rate of 7.8%, the country's slowest in over a decade.

While the soft economic backdrop and slowdown in the PRC railway sector continued to affect players in the industry, it is in the midst of such challenging conditions that we demonstrate our strength and resilience as a market leader in the PRC.

## A Year of New Developments

The dip in the pace of China's economic growth during FY2012 and the lingering impacts of the financial year ended 31 December 2011 ("FY2011") railway incidents in the PRC continued to limit the recovery of the PRC railway sector in early FY2012. While it has since made progressive recovery during the review year, the unprecedented slowdown resulted in fewer deliveries during FY2012. Notwithstanding the operating challenges, the Group remained profitable, reporting a profit attributable to equity holders of RMB27.8 million, on revenue of RMB869.5 million.

The PRC economy is expected to see sustained economic prosperity over the mid and long-term. The rail transportation sector is poised to remain a key beneficiary, as the PRC Central Government continues to build infrastructure to cater to the transportation needs of its fast-growing urban population.

Underpinned by the railway industry's importance as an integral component of China's economic growth strategy, our core Aluminium Alloy Extruded Products Division, operated under Jilin Midas Aluminium Industries Co., Ltd (吉林麥達斯鋁業有限公司), continued to leverage on its strong capabilities and business networks to secure new contracts from domestic and global customers in FY2012.

# Message From The Executive Chairman

In building strategic relationships, I am pleased to share that our continuing focus in product quality and service standards has contributed to the extension of our preferred supplier status with Siemens. As a further endorsement of the Group's capabilities and expertise, we are also honoured to have received a "Supplier of the Year Award (2011)" from Bombardier Transportation, the rail equipment manufacturing and servicing division of Bombardier Inc.

Beyond the transport industry, the Group also strengthened its foothold in the Power Industry, securing two contracts from leading power industry players and signing a Strategic Cooperation Agreement with Xian Switchgear Electric Co., Ltd (西安西電開關電氣有限公司), as its preferred supplier.

In recognition of the Group's commitment to excellence in corporate transparency and governance, Midas was declared Winner of the "Most Transparent Company Award 2012" at the Securities Investors Association (Singapore) ("SIAS") 13th Investors' Choice Awards, under the Chemical & Resources category. Receiving this award has been encouraging and Midas will endeavour to maintain the highest standards of corporate conduct, for the benefit of all our valued stakeholders.

## Dividend

To reward shareholders for their invaluable support, the Group is pleased to propose a final cash dividend of 0.25 Singapore cent per ordinary share. In total, this works out to a total dividend payout amounting to 0.50 Singapore cent per ordinary share for FY2012.

## Entering the New Year

Looking ahead, the Group will remain steadfast in our pursuit of business growth. Despite challenges in the near-term, we remain confident in the mid to long-term outlook of the PRC railway sector, underpinned by support from the Central Government to develop China's transport infrastructure. Testimony to the PRC authorities' commitment to grow the rail transport sector, the Ministry of Railway had in January 2013 unveiled plans to invest over RMB650 billion into the railway sector during 2013. In addition, the National Development and Reform Commission ("NDRC") had also in late 2012 approved project plans and feasibility studies for over 25 metro projects with combined investment value estimated at over RMB700 billion.

As the leading manufacturer of aluminium alloy extruded products for the PRC passenger rail transportation sector, we are optimistic that Midas is well-positioned as a beneficiary of this strong pipeline. We will also actively identify new growth opportunities in regional markets as well as other product segments, as we diversify beyond our traditional stronghold in the PRC railway sector.

Moving forward, we will continue to leverage on our established track record, commitment to quality and strong network of domestic and international customers to achieve greater value for our shareholders.

## A Word of Thanks

While there are challenges ahead, I am confident in the Group's ability to excel, guided by the leadership of our Board, the combined efforts of our management team and the support of our loyal shareholders. In closing, I would like to extend my sincere appreciation and to all our employees, directors, shareholders and business partners. I look forward to your continued support and assistance in the new year.

**Chen Wei Ping**
*Executive Chairman*

# Message From The Chief Executive Officer

## Dear Shareholders,

2012 was undoubtedly a challenging year for Midas. Our financial performance was affected by the slowdown in the PRC rail sector in late 2011 and 2012 and consequentially, higher operating costs due to lower capacity utilisation. However, it is in the face of adversity that we put to test our resilience and build on our strengths to preserve the Group's long-term competitiveness as a reputable manufacturer of Aluminium Alloy Extruded Products.

I am deeply encouraged by the spirit and unity of the Midas team that worked seamlessly and cohesively together to overcome the challenges. I am also heartened to have received the continued support of our customers and other valued stakeholders during the year. As such, while our financial performance in FY2012 was inevitably affected by macroeconomic factors, we continued to win new contracts during the year and made progress in our ongoing efforts to diversify beyond the PRC metro train sector. I am optimistic that these developments will contribute to our growth over the mid and long-term.

## FY2012 Financial Review

In FY2012, our core Aluminium Alloy Extruded Products Division, which accounted for 95.4% of group revenue in FY2012, declined 20.2% to RMB829.6 million. The lower revenue was largely a result of lesser contributions from the Transport Industry. Traditionally the largest revenue contributor, the Transport Industry accounted for only 57.1% of the division's revenue in FY2012, compared to 78.0% in FY2011. Correspondingly, the Power Industry accounted for 7.4% of the division's revenue in FY2012, while the "Others" segment, comprising mainly the supply of aluminium alloy rods and other specialised profiles for industrial machinery, contributed the remaining 35.5%.

Overall gross profit was lower at RMB251.3 million in FY2012, from RMB362.0 million in FY2011, while gross profit margin for our core Aluminium Alloy Extruded Products Division decreased to 29.4%, from 34.2% in FY2011.

Finance costs rose 90.8% to RMB74.0 million in FY2012, mainly due to higher bank borrowings. Approximately RMB25.9 million of the interest on bank borrowings that were used to finance the construction of property, plant and equipment for the new production lines were capitalised.

## Message From The Chief Executive Officer

As a result of fewer train car deliveries during the year, which was partially offset by recovery of expenses, the Group's share of loss from its associated company NPRT was approximately RMB5.7 million in FY2012.

Notwithstanding the challenges, the Group was able to turn in a profit attributable to equity holders of RMB27.8 million for FY2012, compared to RMB187.4 million for FY2011. Midas' balance sheet remains healthy, with cash and cash equivalents of RMB547.0 million as at December 31, 2012.

# Winning New Orders

During the year, we continued to build on our strong track record and worked closely with major customers to secure new business opportunities both in the PRC and the region. While fewer train contracts were tendered during the year in light of the railway incidents in late 2011, our contract wins in 2012 testifies to the Group's capabilities and reputation as a quality supplier.

In FY2012, together with NPRT, we secured a total of 11 new orders from the railway sector, including:

### The PRC

- *Suzhou Metro Line 2 Project*
- *Ningbo Metro Line 1 Project*
- *Nanjing Metro Line 10 Project*
- *Dongguan Rapid Railway R2 Line Project*
- *Nanjing Metro Line 3 project*
- *Wuxi Metro Line 2 Project*
- *Hangzhou Metro Line 2 Project*
- *Nanjing-Gaochun Intercity Rail Project*[1]

### International

- *Desiro Mainline Bruxelles Project, Belgium*
- *Desiro RUS Sochi Project, Russia*
- *Velaro RUS2 Project, Russia*

In addition, the Group also secured two contracts from the leading players in the PRC Power Industry, for the supply of aluminium alloy tubings.

Subsequently, in the first quarter of financial year ended 31 December 2013 ("FY2013"), we secured a total of five PRC metro contracts, namely the Wuxi Metro Line 2 project; Dongguan Rapid Railway R2 Line project; Nanjing-Gaochun Intercity Rail project; Hangzhou Metro Line 2 project and the Wuhan Metro Line project. Separately, NPRT recorded two new contracts, securing its first 100% low-floor tram project for the Suzhou National New & Hi-tech Industrial Development Zone Tramline 1, as well as a metro contract for the Ningtian Intercity Line Phase 1 project.

# Building a Sustainable Growth Track

In order to better position ourselves against uncertainties in the operating environment in FY2013, we will continue to remain prudent, and grow our core businesses with a view towards broadening our revenue streams in other product segments and geographical market.

A year ago, we entered into a strategic agreement with Jilin Kaitong Engineering Co., Ltd (吉林凱通工程有限公司) ("Jilin Kaitong") to jointly invest in the Group's subsidiary, Jilin Midas Light Alloy Co., Ltd (吉林麥達斯輕合金有限公司) ("Jilin Midas Light Alloy"), for the development of a new production plant in Liaoyuan City, Jilin Province, PRC. I am pleased to update that construction for the 200,000 tonnes capacity production plant is well underway. When the facility becomes operational, we will be able to broaden our product offering and engage new customers by penetrating into new market sectors such as aerospace, aviation, containers and automobiles.

# Acknowledgements

I would like to take this opportunity to thank all shareholders for your support and confidence in us throughout such a trying period. I also would like to express our gratitude to our customers, business associates, my fellow directors and all employees, for your diligence, commitment and contributions to our Group.

**Chew Hwa Kwang, Patrick**
*Chief Executive Officer*

[1] Joint project with Shanghai ALSTOM Transport Electrical Equipment Co., Ltd and ALSTOM Transport S.A. NPRT owns an estimated 76% share of the contract

# Board Of Directors

## Mr. Chen Wei Ping

Executive Chairman

**Mr. Chen Wei Ping**, aged 52, was appointed as our Director on 21 August 2002 and has been Executive Chairman of our Company since March 2003. Mr. Chen is instrumental in developing and steering our Group's corporate directions and strategies. Mr. Chen is responsible for the effective management of business relations with our strategic partners. In addition, Mr. Chen spearheaded the listing of our Company's shares on the SGX-ST on 23 February 2004 and on the SEHK on 6 October 2010. Mr. Chen has more than twenty years of management experience and holds a Bachelor Degree in Economics from Jilin Finance & Trade College (PRC) as well as a Master Degree in Economics from Jilin University (PRC).

## Mr. Chew Hwa Kwang, Patrick

Chief Executive Officer

**Mr. Chew Hwa Kwang, Patrick**, aged 50, is a founding member of our Group and is our Chief Executive Officer who is responsible for the overall operations and finance of our Group and its financial well-being. Mr. Chew is responsible for identifying future business opportunities and services which our Group may provide to drive future growth. Mr. Chew is also in charge of overseeing the day-to-day management of our Group as well as our Group's strategic and business development. Mr. Chew has served as our Executive Director since November 2000 and played a major role in the listing of our Company's shares on the SGX-ST on 23 February 2004 and on the SEHK on 6 October 2010. Mr. Chew has more than twenty years of management experience.

## Board Of Directors

### Dr. Xu Wei Dong

Independent Non-Executive Director

**Dr. Xu Wei Dong**, aged 53, was appointed as an Independent Non-Executive Director on 17 March 2010. Dr. Xu is currently a professor and a PhD supervisor of the School of Law, Jilin University (PRC). Dr. Xu graduated from the School of Law (formerly known as the Law Department), Jilin University (PRC) with a Bachelor Degree in 1982. He obtained a Master Degree in law in 1989 and a Doctoral Degree in economics in 2002, both from Jilin University (PRC). Between June 2000 and December 2004, Dr. Xu served as the Deputy Dean of the School of Law, Jilin University. He was promoted to become the Dean of the School of Law, Jilin University in December 2004 and held such position till December 2008. Dr. Xu concurrently holds senior positions in various law related institutions and organisations. Dr. Xu is the deputy chairman of Commercial Law Research Department of the China Law Society, executive director and secretary general of the Legal Education Research Department of the China Law Society, deputy chairman of the Jilin Province Law Society, executive director of Jilin Province's Intellectual Property Right Research Commission, an arbitrator with China International Economic and Trade Arbitration Commission, and a lawyer with the Changchun Branch of Dacheng Law Office. Dr. Xu is also a member and secretary general of the Legal Teaching Guidance Committee of the PRC Education Department; a member of the National Legal Profession Examination Coordination Committee; a member of the Advisory Committee of the Jilin Municipal Government; and a member of the Legislation Advisory Committee of the Heilongjiang Municipal Government. Dr. Xu is currently an independent non-executive director of a company listed on the Shanghai Stock Exchange and a company listed on the Shenzhen Stock Exchange.

### Mr. Chan Soo Sen

Independent Non-Executive Director

**Mr. Chan Soo Sen**, aged 56, was appointed as an Independent Non-Executive Director on 29 June 2006. Mr. Chan was a Minister of State and had served in several ministries including the Ministry of Education, Ministry of Trade and Industry and Ministry of Community Development, Youth and Sports. Before entering the political scene, Mr. Chan started up the China-Singapore Suzhou Industrial Park as the founding CEO in 1994, laying the foundation and framework for infrastructure and utilities development. Mr. Chan holds a Master of Management Science from the University of Stanford, United States of America and is a director of a few listed companies in Singapore and an Adjunct Professor in the Nanyang Technological University.

### Mr. Tong Din Eu

Independent Non-Executive Director

**Mr. Tong Din Eu**, aged 48, was appointed as an Independent Non-Executive Director of our Company on 8 August 2011. Mr. Tong holds a Bachelor Degree in Accountancy from the National University of Singapore and passed the examinations to be a Chartered Financial Analyst. Mr. Tong has many years of experience in corporate finance and had advised many regional initial public offerings and merger & acquisitions transactions.

# Executive Officers

## Mr. Wang Jiaxin

Aged 57, is the Deputy Chief Executive Officer of the Group and the General Manager of Jilin Midas Aluminium Industries Co., Ltd. Mr. Wang assists the Chief Executive Officer in the overall management of our subsidiaries in China and is responsible for the business operations of our Aluminium Alloy Division. Mr. Wang holds a Bachelor Degree in Mechanical Engineering from Jilin University (PRC). Mr. Wang joined our Group in January 2002.

## Mr. Tan Kai Teck

Aged 43, is our Chief Financial Officer responsible for our financial management and the reporting functions of our Group. Mr. Tan holds a Bachelor Degree in Accountancy (Second Upper Class Honours) from the Nanyang Technological University and is a Fellow Member of the Institute of Certified Public Accountants of Singapore (FCPA Singapore). Mr. Tan joined our Group in March 2003.

## Mr. Ma Mingzhang

Aged 60, is the General Manager of Shanxi Wanshida Engineering Plastics Co., Ltd. Mr. Ma is responsible for the overall business operations of our PE Pipes Division. Mr. Ma holds a Bachelor Degree in Industrial Automation Instrument from Harbin Industry University (PRC) and a Master Degree in Science and Engineering from Chengdu Science and Technology University (PRC). Mr. Ma joined our Group in August 2001.

## Mr. Sun Qixiang

Aged 50, is the General Manager of Luoyang Midas Aluminium Industries Co., Ltd, Mr. Sun holds a Bachelor Degree in Accountancy from Jilin Finance & Trade College (PRC). Mr. Sun joined our Group in April 2001.

## Mr. Hou Tiemin

Aged 50, is the General Manager of Jilin Midas Light Alloy Co., Ltd, Mr. Hou holds a Bachelor Degree from Jilin Province Economic Management Cadre College (PRC). Mr. Hou joined our Group in April 2011.

# Corporate Information

## BOARD OF DIRECTORS

Mr. Chen Wei Ping *(Executive Chairman)*
Mr. Chew Hwa Kwang, Patrick *(Chief Executive Officer)*
Mr. Chan Soo Sen *(Independent Non-executive Director)*
Mr. Tong Din Eu *(Independent Non-executive Director)*
Dr. Xu Wei Dong *(Independent Non-executive Director)*

## AUDIT COMMITTEE

Mr. Tong Din Eu *(Chairman)*
Mr. Chan Soo Sen
Dr. Xu Wei Dong

## NOMINATING COMMITTEE

Dr. Xu Wei Dong *(Chairman)*
*(Appointed as Chairman on 27 February 2013)*
Mr. Tong Din Eu
Mr. Chan Soo Sen

## REMUNERATION COMMITTEE

Mr. Chan Soo Sen *(Chairman)*
Mr. Tong Din Eu
Dr. Xu Wei Dong

## JOINT COMPANY SECRETARIES

Singapore: Ms. Tan Cheng Siew @ Nur Farah Tan, ACIS
Hong Kong: Ms. Ma Sau Kuen Gloria

## HONG KONG AUTHORISED REPRESENTATIVES

Mr. Chew Hwa Kwang, Patrick
Ms. Ma Sau Kuen Gloria

## REGISTERED OFFICE

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Website: www.midas.com.sg
Company Registration No. 200009758W

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 7, 35th Floor
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Millennium City 1
No. 388 Kwun Tong Road
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## AUDITORS

**Mazars LLP**
Public Accountants and Certified Public Accountants
133 Cecil Street
#15-02 Keck Seng Tower
Singapore 069535
Partner-in-charge: Mr. Denis Usher
(Appointed with effect since financial year ended
31 December 2012)

## SINGAPORE PRINCIPAL SHARE REGISTRAR

**Intertrust Singapore Corporate Services Pte Ltd**
3 Anson Road #27-01
Springleaf Tower
Singapore 079909

## HONG KONG SHARE REGISTRAR

**Boardroom Share Registrars (HK) Limited**
12th Floor, The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong

## BANKERS

**DBS Bank**
12 Marina Boulevard, Level 3
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Singapore 018982

**Oversea-Chinese Banking Corporation Limited**
65 Chulia Street
OCBC Centre
Singapore 049513

**Industrial & Commercial Bank of China**
Liaoyuan City Branch
518 Renmin Avenue
Liaoyuan City
Jilin Province
PRC 136200

Shanxi Branch
Da Yu West Street
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Shanxi Province
PRC 044600

**China Construction Bank**
Liaoyuan City Branch
418 Renmin Avenue
Liaoyuan City
Jilin Province
PRC 136200

# Corporate Information

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PRC 471000

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Liaoyuan City Branch
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PRC 136200

## SUBSIDIARIES

**Green Oasis Pte Ltd**
**North East Industries Pte Ltd**
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Fax: (86) 437-339 5077

## ASSOCIATE

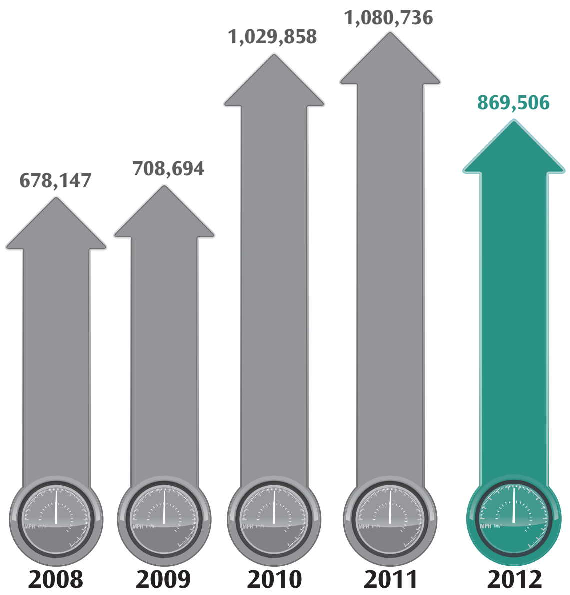
**Nanjing SR Puzhen Rail Transport Co., Ltd.**
No. 208 Puzhu Middle Road
Nanjing, Jiangsu Province
PRC 210031
Tel: (86) 25 - 8584 7362
Fax: (86) 25 - 8584 7392

## INVESTOR RELATIONS

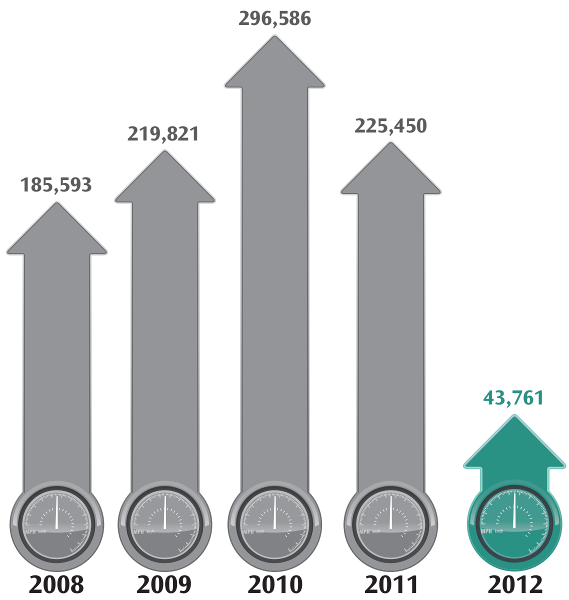
**Citigate Dewe Rogerson, i.MAGE Pte Ltd**
55 Market Street
#02-01
Singapore 048941
Tel: (65) 6534 5122
Fax: (65) 6534 4171

# Financial Highlights

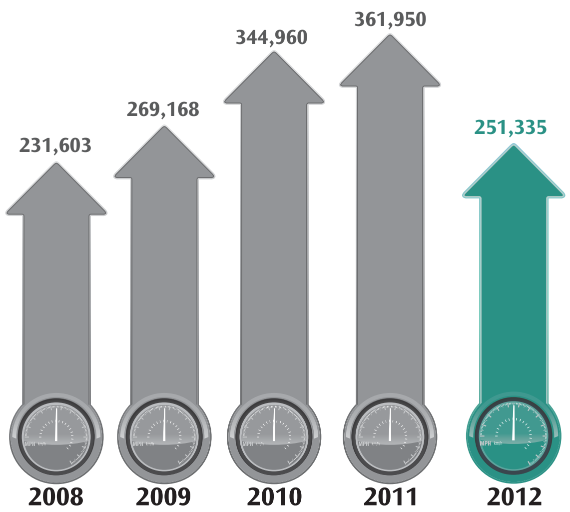
## Revenue (RMB'000)



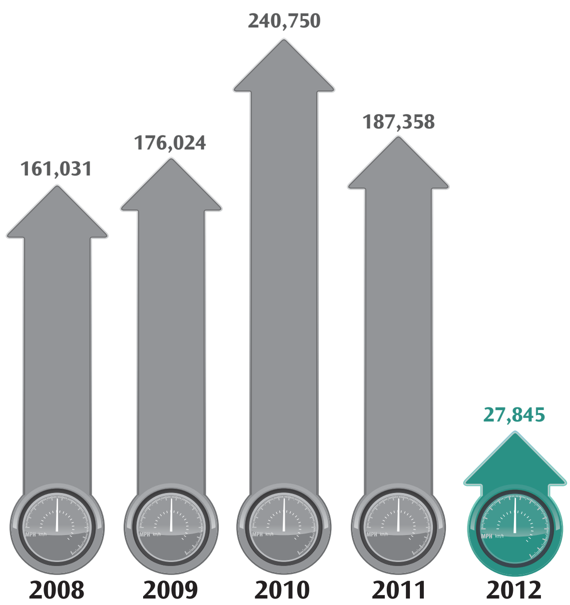

## Profit before income tax (RMB'000)




## Gross profit (RMB'000)




## Profit attributable to equity holders (RMB'000)



# Financial Highlights

| | 2012 RMB'000 | 2011 RMB'000 | 2010 RMB'000 | 2009* RMB'000 | 2008* RMB'000 |
|---|---|---|---|---|---|
| **Revenue** | **869,506** | 1,080,736 | 1,029,858 | 708,694 | 678,147 |
| **Gross profit** | **251,335** | 361,950 | 344,960 | 269,168 | 231,603 |
| **Profit before income tax** | **43,761** | 225,450 | 296,586 | 219,821 | 185,593 |
| **Profit attributable to equity holders** | **27,845** | 187,358 | 240,750 | 176,024 | 161,031 |
| **Shareholders' funds** | **2,963,463** | 2,973,652 | 2,854,023 | 1,561,093 | 995,509 |
| **Non-current assets** | **2,811,264** | 2,393,723 | 1,783,312 | 1,268,920 | 706,672 |
| **Current assets** | **2,277,742** | 1,907,188 | 1,955,158 | 846,048 | 547,865 |
| **Current liabilities** | **1,366,434** | 1,141,770 | 582,393 | 470,821 | 226,974 |
| **Non current liabilities** | **474,691** | 185,489 | 302,054 | 83,054 | 32,054 |

* *Results (Revenue, Gross Profit, Profit before income tax) from continuing operations (Aluminium Alloy Extruded Products Division, Aluminium Alloy Plates and Sheets Division and PE Pipe Division) only. Agency and Procurement Division ceased trading operations in March 2009.*

| **For the Year (RMB'000)** | **2012** | 2011 | Change (%) |
|---|---|---|---|
| **Revenue** | **869,506** | 1,080,736 | (19.5) |
| **Gross profit** | **251,335** | 361,950 | (30.6) |
| **Profit before income tax** | **43,761** | 225,450 | (80.6) |
| **Profit attributable to equity holders** | **27,845** | 187,358 | (85.1) |
| **At Year End (RMB'000)** | | | |
| **Shareholders' funds** | **2,963,463** | 2,973,652 | (0.3) |
| **Non-current assets** | **2,811,264** | 2,393,723 | 17.4 |
| **Current assets** | **2,277,742** | 1,907,188 | 19.4 |
| **Current liabilities** | **1,366,434** | 1,141,770 | 19.7 |
| **Non-current liabilities** | **474,691** | 185,489 | 155.9 |
| **Financial Ratios** | | | |
| **Net Tangible Assets per Share ( RMB yuan)** | **2.43** | 2.44 | (0.4) |
| **Basic Earnings per Share (RMB fen)** | **2.29** | 15.39 | (85.1) |

# Financial Contents

# Financial Review

The Group seeks to capitalize and capture the vast opportunities available in the aluminium processed products sector, delivering quality and customized products to our customers on a timely basis. We believe in planning for the long term and make appropriate investments in machineries, technology and human capital so that we maintain the edge in our manufacturing capabilities and expertise. In furthering this objective, the Group is mindful of achieving good financial performance with proper risk diversification. Having entrenched our position in the PRC aluminium extruded products market for use in the rail transport industry, plans are being made for the longer term by researching and developing aluminium extruded products suitable for use in other industries such as oil and gas. At the same time, the Group is also venturing into the manufacture of other aluminium processed products as a lateral extension of this product diversification strategy. A new manufacturing facility capable of producing high precision, high specification aluminium rolled plates and sheets for use in industries such as aviation and automobile is being built and commercial production is expected to commence in 2015. We have also devoted more resources into establishing our global networks and links with existing and new international customers in a bid to diversify our geographical markets as compared to our current geographical concentration in the PRC.

## REVENUE

Our Group's principal activities for FY2012 are as follows:

a. manufacture of large section aluminium alloy extrusion products for use mainly in the following:

- Rail Transport Industry – We produce aluminium alloy profiles which are used to manufacture train car body frames for use by high-speed trains and metro trains;
- Power Industry – We produce aluminium alloy tubing which are used in power stations for power transmission purposes, electrical energy distribution and transmission cables; and
- Others – We produce aluminium alloy rods and other specialized profiles which are used in the production of mechanical parts for industrial machinery.

b. manufacture PE pipes for gas piping networks and water distribution networks.

Our revenue by business activities is set out below:

| **Business segments (RMB'000)** | **FY2012** | **FY2011** | **Change** | **%** |
|---|---|---|---|---|
| Aluminium Alloy Extruded Products Division | 829,571 | 1,039,404 | (209,833) | (20.2) |
| PE Pipes Division | 39,935 | 41,332 | (1,397) | (3.4) |
| **Total** | **869,506** | **1,080,736** | **(211,230)** | **(19.5)** |

Our total revenue decreased by about RMB211.2 million or 19.5% from RMB1,080.7 million in FY2011 to RMB869.5 million in FY2012. Revenue at our Aluminium Alloy Extruded Products Division decreased by approximately RMB209.8 million or 20.2% from RMB1,039.4 million in FY2011 to RMB829.6 million in FY2012. Our Aluminium Alloy Extruded Products Division contributed approximately 95.4% of total revenue for FY2012 as compared to approximately 96.2% for FY2011.

The table below show the revenue segmentation in

### Aluminium Alloy Extruded Products Division

| | FY2012 % | FY2011 % |
|---|---|---|
| Rail Transport Industry | **57.1** | 78.0 |
| Power Industry | **7.4** | 0.8 |
| Others | **35.5** | 21.2 |
| **Total** | **100.0** | **100.0** |

Sales by end usage indicate that revenue contribution from the rail transport industry is still the major revenue contributor, contributing approximately 57.1% of the revenue for the Aluminium Alloy Extruded Products Division. The decrease in revenue contribution from the rail transport industry is due to the sector slowdown in late 2011 and 2012. “Others” segment included mainly revenue from the supply of aluminium alloy rods and other specialized profiles for industrial equipment.

Our Aluminium Alloy Extruded Products Division is well placed to compete effectively, especially in supplying aluminium alloy profiles for use as train car body frames in the rail transport industry. In addition, our Aluminium Alloy Extruded Products Division also has the capabilities to process car body components for train cars. Our Aluminium Alloy Extruded Products Division is certified by the world’s three leading train manufacturers, namely Alstom, Siemens and Changchun Bombardier. It was also awarded the EN 15085-2 certification for the welding of railway vehicles and components issued by GSI SLV Duisburg, one of the largest welding engineering institutes in Europe and the International Railway Industry Standard certification. We believe that such recognition would provide us the platform to expand our business both in the PRC and the international markets. We have demonstrated our capabilities in supplying aluminium alloy profiles of international standards and meeting the stringent requirements of our international customers by securing more contracts in the international markets.

In FY2011, our Aluminium Alloy Extruded Products Division commenced the setting up of a new production plant, Luoyang Midas, in Luoyang City, Henan Province. This is in line with our strategy to expand our aluminium extrusion capacity in a new geographic location beyond north eastern PRC to be in closer proximity to our customers. The new plant is targeted to be completed in the second half of 2013.

## PROFITABILITY

Our gross profit by business activities is set out below:

| Business segments (RMB’000) | FY2012 | FY2011 | Change | % |
|---|---|---|---|---|
| Aluminium Alloy Extruded Products Division | 244,262 | 355,475 | (111,213) | (31.3) |
| PE Pipes Division | 7,073 | 6,475 | 598 | 9.2 |
| **Total** | **251,335** | **361,950** | **(110,615)** | **(30.6)** |
| Gross Profit Margin (%) | 28.9 | 33.5 | | |

Gross profit decreased by approximately RMB110.7 million or 30.6% from RMB362.0 million in FY2011 to RMB251.3 million in FY2012. Gross profit margin for FY2012 was 28.9% versus 33.5% in FY2011. This was due to lower gross profit margin at our Aluminium Alloy Extruded Products Division of 29.4% in FY2012 as compared to 34.2% in FY2011. The lower gross profit margin came about from an increase in per unit production cost due to lower utilisation of production capacity.

## Financial Review

Our profit before income tax by business activities is set out below:

| Business segments (RMB'000) | FY2012 | FY2011 | Change | % |
|---|---|---|---|---|
| Aluminium Alloy Extruded Products Division | 157,589 | 272,496 | (114,907) | (42.2) |
| PE Pipe Division | 2,113 | 3,965 | (1,852) | (46.7) |
| Aluminium Alloy Plates and Sheets Division | (8,442) | (110) | (8,332) | 7,574.5 |
| Unallocated | (27,788) | (20,425) | (7,363) | 36.0 |
| Finance costs | (73,979) | (38,766) | (35,213) | 90.8 |
| Share of (losses)/profits of an associate | (5,732) | 8,290 | (14,022) | NM |
| **Total** | **43,761** | **225,450** | **(181,689)** | **(80.6)** |

NM – Not meaningful

Other operating income comprised mainly interest income and disposal of scrap materials at our Aluminium Alloy Extruded Products Division.

Administrative expenses increased by about RMB17.8 million in FY2012 due mainly to increase in amortisation, depreciation, travelling and utilities expenses as compared with FY2011.

Finance costs comprised interest for bank borrowings, bank charges and financing costs relating to discounted notes receivables. Finance costs increase mainly due to higher bank borrowings. Approximately RMB25.9 million (FY2011: RMB25.4 million) of the interest on bank borrowings that are used to finance the construction of property, plant and equipment for our new production lines were capitalized.

The Group's share of loss from its associated company, Nanjing SR Puzhen Rail Transport Co. ("NPRT"), is approximately RMB5.7 million in FY2012. This is due mainly to fewer train cars delivered to its customers during this year and which is partially offset by a recovery of expenses arising from transfer of Pearl River Delta Inter-City Train Project (Dongguan – Shenzhen Section) and Dongguan – Huizhou Inter-City Train Project to CSR Nanjing Puzhen Rolling Stock Co., Ltd due to regulatory requirement.

As a result of lower profits in FY2012 and concessionary tax rates which partially offset the provision of withholding taxes arising from dividends payable by our PRC subsidiary to the holding company, income tax expense decreased by about RMB20.0 million. Our Jilin Aluminium Alloy Extruded Products Division was awarded with the approved High Technology Enterprise status and was taxed at a concessionary rate of 15% for three years with effect from FY2011.

FY2012 ended with profits of approximately RMB25.6 million which represented 86.3% decrease over FY2011.

# CAPITAL STRUCTURE OF THE GROUP

## Loans

| | As at 31 December 2012 | | As at 31 December 2011 | |
|---|---|---|---|---|
| | **Secured** | **Unsecured** | Secured | Unsecured |
| | **RMB'000** | **RMB'000** | RMB'000 | RMB'000 |
| Amount repayable in one year or less, or on demand | 220,100 | 779,200 | 437,690 | 472,000 |
| Amount repayable after one year | 330,550 | 142,000 | 183,310 | – |
| Total | 550,650 | 921,200 | 621,000 | 472,000 |

## Details of collateral

The secured borrowings consists of bank loans that are provided to Jilin Midas.

As at 31 December 2012, the bank loans are secured by the mortgage of land use rights, property, plant and equipment and various trade receivables with net book value of about RMB2,634,466,000 (31 December 2011: RMB1,085,277,000).

All bank borrowings are variable-rate borrowings, and these borrowings carried interest at rates ranging from 70% to 135% (2010: 90% to 120%) of the benchmark interest rate as quoted by The People's Bank of China. Bank borrowings are all denominated in Renminbi as at the reporting date.

## Cash and Cash Equivalents

The carrying amounts of cash and cash equivalents approximate their fair value and are denominated in the following currencies:

| | **2012** | 2011 |
|---|---|---|
| **The Group** | **RMB'000** | RMB'000 |
| Euro | **3,012** | 299 |
| Renminbi | **510,620** | 601,011 |
| Singapore dollar | **32,862** | 59,311 |
| United States dollar | **42** | 56 |
| Hong Kong dollar | **468** | 47 |
| Others | **29** | 29 |
| | **547,033** | 660,753 |

# GROUP'S ORDER BOOK

The Group's order book as at 31 December 2012 is approximately RMB443 million.

## EMPLOYEES, REMUNERATION POLICY AND EMPLOYEE SHARE OPTIONS

As at 31 December 2012, there were 1,491 (2011: 1,543) employees in the Group. Staff remuneration packages are determined in consideration of market conditions and the performance of the individuals concerned, and are subject to review from time to time. The Group also provides other staff benefits including medical and life insurance, and grants share options to eligible staff based on their performance and contributions to the Group. As at 31 December 2012, there were unexercised share options for 5,100,000 unissued ordinary shares (31 December 2011: 8,800,000) under the “Midas Employees Share Options Scheme”.

## GEARING

The Group’s gearing ratio is derived by dividing total interest bearing bank loans to shareholder’s equity. Our gearing ratio was 36.8% as at 31 December 2011 and 44.3% as at 31 December 2012. Our gearing ratio increased from 2011 to 2012 due to increase in bank borrowings.

# Risk Management

## Business Risk

Our revenue is mainly derived in the PRC from the sales of aluminium alloy extrusion products and PE pipes for the rail transport and infrastructure industries. We intend to further our growth opportunities by marketing our products overseas to minimise any over reliance on the local PRC markets. Since 2004, we have successfully exported or secured contracts to supply large section aluminium alloy profiles to manufacture body frames for metro train/high speed train projects in various countries, including Singapore, Russia, Iran, Saudi Arabia, South Korea, Malaysia, Turkey, Brazil, Switzerland, Norway, etc.

The raw materials used in our manufacturing processes are plastic resins (for our PE Pipes Division) and aluminium alloy billets (for our Aluminium Alloy Extruded Products Division). Raw materials make up a significant component of the cost of sales. We are therefore vulnerable to fluctuations in the prices of these raw materials and components. We generally do not purchase or store raw materials in advance. Purchases of raw materials are generally made in response to customers' order. Our Group makes use of this natural hedge to minimise any impact of fluctuations in raw materials prices on our Group's profitability.

## Interest Rate Risk

Our interest rate risk relates primarily to our restricted bank deposits, bank deposits and bank borrowings. We place our cash balances with reputable banks and financial institutions. Our policy is to obtain the most favourable rates available. We currently have not entered into interest rate swaps to hedge against our exposure to changes in fair values of our borrowings.

In addition, to the extent that we may need to raise debt financing in the future, upward fluctuations in interest rates will increase the cost of new debts. Fluctuations in interest rates can also lead to significant fluctuations in the fair values of our debt obligations. We currently do not use any derivative instruments to manage our interest rate. To the extent we decide to do so in the future, there can be no assurance that any future hedging activities will protect us from fluctuations in interest rates.

## Liquidity Risk

Liquidity risk is the risk that we will encounter difficulty in meeting obligations. We are exposed to liquidity risk if we are unable to raise sufficient funds to meet our financial obligations as and when they fall due. To manage liquidity risk, we monitor and maintain a level of cash and cash equivalents considered adequate by our management to finance our operations and mitigate the effects of fluctuations in cash flow. In doing so, our management monitors the utilisation of borrowings to ensure adequate unutilised banking facilities and compliance with loan covenants.

## Foreign Currency Risk

Foreign currency risk refers to the risk that the fair value or future cash flows of our financial instruments will fluctuate due to changes in foreign exchange rates and consequently affect our Group's financial results and cash flow. Certain of our bank accounts, deposits, receivables and payables are denominated in U.S. dollars and Euros, which are different from the respective functional currency of those entities for which these balances reside in, which exposes us to foreign currency risk. Other than the aforementioned, most of our operating expenses and revenue are denominated in Renminbi and we do not expect a change in the way we operate. As a result, we do not believe we are exposed to significant foreign currency risk. However, our Company's cash flow is derived from dividend income from our subsidiaries in Singapore dollars. Hence, our Company would be exposed to foreign exchange risks when we receive dividends from our PRC subsidiaries in Renminbi. As we expand our operations, we may incur a certain portion of our cash flow in currencies other than Renminbi and, thereby, may increase our exposure to fluctuations on exchange rates. Our policy is not to take speculative positions through forward currency contracts and we have not engaged in any foreign currency hedging activities as at the date of this annual report.

## Credit Risk

Our principal financial assets are trade and other receivables and bank balances, which represent our maximum exposure to credit risk in relation to financial assets. Our credit risk is primarily attributable to trade receivables. In order to minimise credit risk, our management continuously monitors the level of our exposure to ensure that follow-up action is taken on a timely basis to recover overdue debts. In this regard, our Directors consider that our credit risk is significantly reduced. In addition, we review the recoverable amount of each individual trade debt at each reporting date to ensure that adequate impairment losses, if necessary, are provided for irrecoverable amounts. The maximum exposure to credit risk in the event that the counterparties fail to perform their obligations as at end of the financial year in relation to each class of recognised financial assets is the carrying amount of those assets stated in the statements of financial position. The Group has a concentration of credit risk of the trade receivables due from five largest debtors. As at 31 December 2012 and 2011, approximately 67% and 70% of total trade receivables respectively, were due from the five largest debtors. In addition, the credit risk on bank deposits and bank balances is limited because a majority of the counterparties are reputable banks and financial institutions.

# Corporate Governance Statement

The Company is committed to achieving and maintaining high standards of corporate governance and has established practices and procedures for compliance with the principles and code provisions set out from time to time in the Code of Corporate Governance 2005 (the "Singapore CG Code") and the Rules Governing the Listing of Securities (the "Listing Rules") on SEHK under Appendix 14 (the Code on Corporate Governance Practices ("former HK CG Code") which was amended as the Corporate Governance Code and Corporate Governance Report ("HK CG Code") with the amended provisions taking effect from 1 April 2012).

The Company has complied with all the code provisions respectively set out in (a) the former HK CG Code for the period from 1 January 2012 to 31 March 2012 and (b) the HK CG Code for the period from 1 April 2012 to 31 December 2012 save for the deviations from code provisions A.2.7 and A.6.7 of the HK CG Code and code provision A.4.1 of the former HK CG Code and the HK CG Code.

Under code provision A.2.7, the chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present. The Company would not be able to meet the requirement of this code provision due to the fact that Mr Chen Wei Ping, who is Chairman of the Board, is also an Executive Director. Currently, the Chairman may meet the Independent Non-Executive Directors on a one-to-one or group basis periodically to understand their concerns, to discuss pertinent issues and to ensure that there is access to adequate and complete information. Independent Non-Executive Directors also meet formally among themselves at least once a year without the presence of Executive Directors.

Under code provision A.6.7, independent non-executive directors and other non-executive directors should also attend general meetings and develop a balanced understanding of the views of the shareholders. Due to other pre-arranged commitments, Dr. Xu Wei Dong was unable to attend the Extraordinary General Meeting held on 26 November 2012.

Under code provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election. Currently, none of the existing Independent Non-Executive Directors of the Company is appointed for a specific term. However, all directors of the Company (the "Directors") are subject to the retirement and re-election provisions of the Articles of Association of the Company (the "Articles"), which require that one third of the Board shall retire from office by rotation every year and the retiring Directors are eligible for re-election. In addition, each of the Directors appointed to fill a casual vacancy will be subject to election by the shareholders at the first general meeting after such appointment. In view of this, the Board considers that such requirements are sufficient to meet the underlying objective of the said code provision A.4.1 and, therefore, does not intend to take any remedial steps in this regard.

The main corporate governance practices that were in place since are set out below.

## A BOARD MATTERS

### Board's conduct of its affairs

The Board shall be responsible for the overall direction, supervision and control of the Group. The Board shall provide overall leadership in determining the Group's long-term strategic direction, approve the Group's overall business and commercial strategic plans, operating goals, operating budget and key performance indicators as well as ensure that the necessary financial and human resources are in place for the Group to meet its objectives.

The Board has delegated the day-to-day management of the Company's business to management and shall supervise the management of the business and affairs of the Group.

The Board is responsible for the Group's corporate governance policies and practices and approves the Group's appointment of Directors and key management personnel, major funding and investment proposals, and reviews the financial performance of the Group.

## Corporate Governance Statement

To assist in the execution of its responsibilities, the Board has established an Audit Committee ("AC"), a Remuneration Committee ("RC") and a Nominating Committee ("NC"). Each of these committees has its own written terms of reference and whose actions are reported to and monitored by the Board.

The Company has adopted internal guidelines setting forth matters that require Board approval.

The types of material transactions that require the Board's approval under such guidelines include the following:

- Approval of quarterly results announcement;
- Approval of the annual reports and accounts;
- Declaration of interim dividends and proposal of final dividends;
- Convening of shareholders' meetings;
- Approval of broad policies, strategies and financial objectives of the Group and monitoring the performance of management;
- Oversight of the processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance;
- Approval of nominations of Directors;
- Approval of material acquisitions and disposals of assets; and
- Authorisation of major transactions.

The Board comprises business leaders and professionals with financial backgrounds. Profiles of our Directors are found on pages 10 and 11 of this Annual Report.

The Board conducts scheduled meetings on a regular basis. Ad hoc meetings will be convened to deliberate on urgent substantive matters when necessary. Telephonic attendance and conference via audio-visual communications at Board meetings are allowed under the Company's Articles. The attendance of the Directors at Board & Board Committee meetings and general meetings as well as the frequency of such meetings, is disclosed in Part F of this Annual Report.

The Directors are provided with important and relevant information of the Company and the Group. The Directors are also provided with the phone numbers and email addresses of the Company's senior management and Joint Company Secretaries to facilitate access to information.

Newly appointed Directors are given an orientation on the Group's business strategies and operations, including plant visits to ensure their familiarity with the Group's operations and governance practices. In addition, the Company will also arrange plant visits for Directors to our various factory locations annually. The latest version of "A Guide on Directors' Duties" published by the Hong Kong Companies Registry, "Guidelines for Directors" and "Guide for Independent Non-executive Directors" published by the Hong Kong Institute of Directors were provided to all Directors so that they could acquaint themselves with the general duties of directors and the required standard of care, skill and diligence in the performance of their functions and exercise of their powers as Directors. The Company continuously updates Directors on the latest developments regarding the changes in the applicable laws, rules and regulations to ensure compliance and enhance their awareness of good corporate governance practices. Directors are also provided regular updates on the industry developments and assessments of the Group's performance.

Directors are welcome to request further explanations, briefings or informal discussions on any aspects of the Group's operations or business issues from the management. The Chief Executive Officer ("CEO") will make the necessary arrangements for the briefings, informal discussions or explanations required by the Directors.

Either one of the Joint Company Secretaries and/or her representative attend(s) all Board meetings and, together with the Directors, are responsible for ensuring that the Board procedures are followed and that applicable laws, rules and regulations are complied with. The Joint Company Secretary and/or her representative administer(s), attend(s) and prepare(s) minutes of all Board and Board Committee meetings.

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. Directors are requested to provide the Company with their respective training record pursuant to the HK CG Code. According to the records maintained by the Company, the current Directors received the following training in compliance with the new requirement of the HK CG Code on continuous professional development during the period from 1 April to 31 December 2012:

| | Type of Continuous Professional Development | | |
|---|---|---|---|
| Name of Director | Corporate Governance Practices; Updates on Laws, Rules and Regulations | | Plant Visits |
| | Read Materials | Attend Briefings/Seminars | |
| Chen Wei Ping | √ | – | √ |
| Chew Hwa Kwang, Patrick | √ | √ | √ |
| Tong Din Eu | √ | √ | – |
| Chan Soo Sen | √ | – | – |
| Xu Wei Dong | √ | – | √ |

## Board composition and balance

The Board comprises two Executive Directors and three Independent Non-Executive Directors. Key information regarding the Directors can be found under the Board of Directors' Profile section in this Annual Report.

| Name of Director | Board Committee as Chairman or Member | Directorship: Date of first appointment/ Date of last re-election | Board appointment: Executive or Non-Executive/ Independent | Due for re-election at next AGM |
|---|---|---|---|---|
| Chen Wei Ping | NA | 21 August 2002/ 30 April 2012 | Executive | NA |
| Chew Hwa Kwang, Patrick | NA | 17 November 2000/ 29 April 2011 | Executive | Retirement pursuant to Article 91 of the Company's Articles |
| Tong Din Eu | Chairman of AC, Member of NC and RC | 8 August 2011/ 30 April 2012 | Independent | NA |
| Chan Soo Sen | Chairman of RC, Member of AC and NC | 29 June 2006/ 29 April 2011 | Independent | Retirement pursuant to Article 91 of the Company's Articles |
| Xu Wei Dong | Chairman of NC, Member of AC and RC | 17 March 2010/ 30 April 2012 | Independent | NA |

The independence of each Independent Non-Executive Director is reviewed annually by the NC. The NC adopts the Singapore CG Code and HK CG Code's definition of what constitutes an Independent Non-Executive Director in its review, and the Company requires the Independent Non-Executive Directors to declare their independence annually. As a result of the review of the independence of each Director for the year and upon receipt of confirmation of independent pursuant to Rule 3.13 of the Listing Rule from each of the Independent Non-Executive Director, the NC is satisfied with the independence of all the Independent Non-Executive Directors.

## Roles of Chairman and CEO

The roles for both Chairman and CEO in the Company are separately assumed by Mr. Chen Wei Ping and Mr. Chew Hwa Kwang, Patrick respectively. As such, there is a clear division of responsibilities at the top of the Group. Mr. Chen bears responsibility for the workings of the Board and ensures that procedures are introduced to comply with the Singapore CG Code and HK CG Code while Mr. Chew bears executive responsibility for the Group's business.

## Nominating Committee

The NC comprises 3 Independent Non-Executive Directors:

- Dr. Xu Wei Dong, Chairman of the NC and Independent Non-Executive Director
- Mr. Chan Soo Sen, Independent Non-Executive Director
- Mr. Tong Din Eu, Independent Non-Executive Director

The principal functions of the NC are to:

- Review the structure, size and composition (including the skills, knowledge and experience) of the Board and make recommendations to the Board with regard to any adjustments that are deemed necessary and which would complement corporate strategy.
- Identify suitable candidates and review all nominations for the appointment to the Board before making recommendations to the Board for appointment.
- Assess the independence of the Directors annually and is of the opinion that the Directors who have been classified as independent under the "Board of Directors" section are indeed independent.
- Decide whether or not a Director is able to and has been adequately carrying out his duties as a Director of the Company particularly where the Director has multiple board representations.
- Assess the effectiveness of the Board.
- To recommend Directors who are retiring by rotation to be put forward for re-election, having regard to their contribution and performance.
- To recommend to the Board on the appointment and re-appointment of Directors and succession planning for Directors, in particular the Chairman and CEO.

The terms of reference setting out the NC's authority, duties and responsibilities are available on the websites of Singapore Exchange Limited ("SGX"), the SEHK and our Company.

The NC is of the view that the current Board comprises persons who as a group, provide core competencies necessary to meet the Company's targets and that the current Board size is adequate, taking into account the nature and scope of the Group's operations.

Key information on the individual Directors of the Company is set out on pages 10 and 11 of this Annual Report. Their shareholdings are also disclosed on page 40 of the Directors' Report. None of the Directors holds shares in the subsidiaries of the Company.

## Board Performance

The NC will use its best efforts to ensure that Directors appointed to the Board possess the relevant background, experience and knowledge to enable balanced and well-considered decisions to be made. The performance criteria the NC will consider in relation to an individual Director include the Director's industry knowledge and/or functional expertise, contribution and workload requirements, sense of independence and attendance at the Board and Board Committee meetings. One of the NC's responsibilities is to undertake a review of the Board's performance. The NC will consider practicable methods to assess the effectiveness of the Board.

During the year, the NC held one meeting to review and evaluate the performance of the Board, taking into consideration the attendance record at the meetings of the Board and the Board Committees and also the contribution of each Director to the effectiveness of the Board. The NC also reviewed and confirmed the independence of the Independent Directors, and recommended Directors who were retiring by rotation to be put forward for re-election after considering their contribution and performance.

Where a Director has multiple board representations, the NC will evaluate whether or not the Director is able to carry out and has been adequately carrying out his duties as a director of the Company.

For the year under review, the Board is satisfied that each Director has allocated sufficient time and resources to the affairs of the Company.

## Corporate Governance Functions

The Board is responsible for performing the corporate governance duties as set out below:

- To develop and review Group's policies and practices on corporate governance.
- To review and monitor the training and continuous professional development of Directors and senior management.
- To review and monitor the Group's policies and practices on compliance with legal and regulatory requirements.
- To develop, review and monitor the code of conduct and compliance applicable to employees and Directors.
- To review the Group's compliance with the Singapore CG Code and HK CG Code and disclosure in the Corporate Governance Statement.

The Board is cognizant of the need to stay abreast of developments and best practices, especially in areas where it will enable them to discharge their fiduciary duties more effectively. To that extent, the Board as a whole is encouraged to attend appropriate courses and/or seminars which are proposed either by the Directors or the Company. The Directors are required to keep the Board updated on a timely basis on the training they have received. The Board reviews and monitors the training and continuous professional development of the Directors on a periodic basis.

During the year, the Board reviewed the Group's corporate governance policies and practices and that such policies and practices are compliant with the Singapore CG Code and HK CG Code. The Board also reviewed the Group's compliance with the necessary disclosure requirements in the Corporate Governance Statement. Following the review, the terms of reference for the AC, RC and NC were revised and such amendments were adopted during the year.

# B REMUNERATION MATTERS

## Remuneration Committee

The RC comprises 3 Independent Non-Executive Directors:

1. Mr. Chan Soo Sen, Chairman of the RC and Independent Non-Executive Director
2. Mr. Tong Din Eu, Independent Non-Executive Director
3. Dr. Xu Wei Dong, Independent Non-Executive Director

The principal functions of the RC are to:

- Review and recommend to the Board the framework or broad policy for the remuneration of the Company's Board and key management personnel, and to review and recommend specific remuneration packages for each Executive Director and CEO and such other persons having authority and responsibility for planning, directing and controlling the activities of the Group.
- Make recommendations to the Board the fee of Non-Executive Directors, taking into factors such as efforts, time spent and the responsibilities.
- Make recommendations on the targets for any performance related pay schemes operated by the Company, taking into account time commitment, responsibilities, and pay and employment conditions within the industry and in comparable companies.
- Administer the Midas Employees Share Option Scheme (the "Scheme").

The terms of reference setting out the RC's authority, duties and responsibilities are available on the websites of SGX, the SEHK and our Company.

The RC has adopted the operation model where it performs an advisory role to the Board, with the Board retaining the final authority to approve the remuneration packages of individual Executive Directors and key management personnel.

The members of the RC do not have specialized knowledge in the field of executive compensation. However, they have gained experiences in this area via managing the business and/or the human resources matters of the Group and companies outside the Group. The Company will ensure that the RC has access to expert advice on the human resource matter whenever there is a need to consult externally. In setting remuneration packages, the Group takes into account pay and employment conditions within the same industry and in comparable companies, as well as the Group's performance and individual's performance. No Director or key management personnel will be involved in deciding his own remuneration.

The remuneration packages for our Executive Chairman and CEO include a basic salary component, a profit sharing component as well as share option elements, which are performance related. Both our Executive Chairman and CEO have respectively renewed their service agreements with the Group with effect from 1 January 2012 for a period of three years.

Independent and Non-Executive Directors do not have service contracts with the Company. Independent and Non-Executive Directors will receive directors' fees, in accordance with their contributions, taking into factors such as effort and time spent, responsibilities of the Directors and the need to pay competitive fees to attract, retain and motivate the Directors. Directors' fees have been recommended by the Board for approval at the Company's Annual General Meeting ("AGM").

During the year, the RC held one meeting to discuss remuneration related matters and recommended to the Board the quantum of directors' fees for Independent non-Executive Directors. The RC also considered and approved the proposed amendments to and renewal of the Executive Directors' service contracts.

## Disclosure on Remuneration

A breakdown of each individual Director's remuneration for the year ended 31 December 2012, is as follows:

| | Fees S$'000 | Salary S$'000 | Other Benefits S$'000 | Total S$'000 |
|---|---|---|---|---|
| Chen Wei Ping | – | 492 | 92 | 584 |
| Chew Hwa Kwang, Patrick | – | 414 | 80 | 494 |
| Chan Soo Sen | 50 | – | – | |
| Xu Wei Dong | 50 | – | – | |
| Tong Din Eu | 50 | – | – | |

The table below sets out the ranges of gross remuneration received by the top five executives in the Company and its subsidiaries, but does not include associate during the financial year under review.

| | |
|---|---|
| **S$250,000 to S$499,999:** | |
| Wang Jiaxin | – Deputy CEO and General Manager of Jilin Midas Aluminium Industries Co., Ltd. |
| **Below S$250,000:** | |
| Tan Kai Teck | – Chief Financial Officer |
| Sun Qixiang | – General Manager of Luoyang Midas Aluminium Industries Co., Ltd.<br>– Financial Controller of Jilin Midas Aluminium Industries Co., Ltd. |
| Ma Mingzhang | – General Manager of Shanxi Wanshida Engineering Plastics Co., Ltd. |
| Hou Tiemin | – General Manager of Jilin Midas Light Alloy Co.,Ltd |

There are no persons occupying managerial positions in the Company who are related to a Director or substantial shareholder of the Company or any of its principal subsidiaries who earned more than S$150,000 per annum for the financial year ended 31 December 2012.

# C ACCOUNTABILITY AND AUDIT

## Audit Committee

The AC comprises 3 Independent Non-Executive Directors:

- Mr. Tong Din Eu, Chairman of the AC and Independent Non-Executive Director
- Mr. Chan Soo Sen, Independent Non-Executive Director
- Dr. Xu Wei Dong, Independent Non-Executive Director

The principal functions of the AC are to:

- To review the audit plans of the Company's external auditors and to discuss with external auditors the nature and scope of audit and reporting obligations before commencement.
- To review the external auditors' reports and to review external auditors' management letter and ensure that the Board has a timely response to issues raised.
- To review the financial statements of the Company and that of the Group before their submission to the Board, with particular focus on changes in accounting policies and practices, major judgemental areas, significant adjustments resulting from audit, going concern assumptions and any qualifications, compliance with accounting standards and compliance with applicable listing rules and legal requirements in relation to financial reporting.
- To be primarily responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditors and to review and recommend to the Board the remuneration and terms of engagement of the external auditors, and any questions of its resignation or dismissal.
- To review the Group's financial and accounting policies and practices.
- To review the scope and results of the internal audit procedures.

The AC Charter setting out the AC's authority, duties and responsibilities is available on the websites of SGX, the SEHK and our Company.

The Chairman of the AC, Mr. Tong Din Eu has many years of experience in the corporate finance and accounting profession. Mr. Chan Soo Sen and Dr. Xu Wei Dong have many years of experience in business and financial management. The AC members bring with them extensive managerial and financial expertise. They are also board members of various listed companies in Singapore and China. The AC meets at least 4 times a year, with further meetings if circumstances require. The Board is of the view that the members of the AC have sufficient financial management expertise and experience to discharge the AC's functions.

The AC assists the Board to maintain a high standard of corporate governance, particularly in the areas of effective financial reporting and the adequacy of internal control systems of the Group.

During the year, the AC reviewed and approved the audit plans submitted by both the internal and external auditors. The AC reviewed the findings and recommendations from the auditors and reviewed and discussed the announcements of the quarterly, half year and full year results. In addition, the AC also considered and recommended the change of external auditors to the Board, for the approval of shareholders.

The AC evaluates the assistance given by management to the external auditors and also reviews any interested person transactions.

The AC has full access to management and is given the resources required for it to discharge its functions. It has the full authority and discretion to invite any Director or executive officer to attend its meetings.

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

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 Group does comply with Rules 712 and 715 of the Listing Manual in relation to its auditors. The AC recommends Mazars LLP to the Board for re-appointment as external auditors of the Company.

### Internal Audit

The internal audit function is outsourced to a firm of certified public accountants. The internal auditors report directly to the Chairman of the AC. The AC reviews and approves the annual internal audit plans and reviews the scope of internal audit procedures. The internal auditors report to the AC directly their significant findings and recommendations arising from the internal audit carried out.

### Director's Responsibility for the Financial Statements

The Directors are responsible for overseeing the preparation of financial statements for each financial period with a view to ensuring such financial statements give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. The Group's financial statements are prepared in accordance with all relevant statutory requirements and applicable accounting standards. The Directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently; and that judgments and estimates made are prudent and reasonable. The statement of the independent auditors of the Company, Messrs. Mazars LLP, with regard to their reporting responsibilities on the Company's financial statements is set out in the Independent Auditors' Report on page 48.

## D COMMUNICATIONS WITH SHAREHOLDERS

The Group is mindful of the obligation to provide regular, effective and fair communication with shareholders on a timely basis. The Group does not practice selective disclosure. The announcements of results are published through the websites of SGX, the SEHK and the Company and news releases. All information on the Company's and/or the Group's new initiatives are first disseminated via the websites of SGX, the SEHK and the Company followed by a news release. Results and annual reports are announced or issued within the mandatory period.

All shareholders of the Company receive the annual report, circulars and notices of the shareholders' meetings. The notices are also advertised in newspapers in Singapore. The Company encourages shareholders to attend the AGM to ensure a high level of accountability and to stay informed of the Group's strategies and goals. The notice of this AGM has been dispatched to the shareholders, at least 20 clear business days before the meeting. The Board welcomes questions from shareholders either formally or informally before or at the AGM.

The Company's Articles allow a shareholder of the Company to appoint more than one proxy to attend and vote instead of the shareholder.

# E SHAREHOLDERS' RIGHTS

## Procedures by Which Shareholders Can Convene an Extraordinary General Meeting ("EGM")

Two or more members holding not less than 10% of the total number of issued shares of the Company (excluding treasury shares) may call a general meeting of the Company. The Directors shall, on the requisition of members holding at the date of the deposit of the requisition not less than 10% of such of the paid-up capital, immediately proceed duly to convene an EGM of the Company to be held as soon as practicable but in any case not later than 2 months after the receipt by the Company of the requisition. The requisition shall state the objects of the meeting and shall be signed by the requisitionists and deposited at the registered office of the Company, and may consist of several documents in like form each signed by one or more requisitionists. If the Directors do not within 21 days after the date of the deposit of the requisition proceed to convene a meeting, the requisitionists, or any of them representing more than 50% of the total voting rights of all of them, may themselves, in the same manner as nearly as possible as that in which meetings are to be convened by Directors convene a general meeting, but any meeting so convened shall not be held after the expiration of 3 months from that date.

Any reasonable expenses incurred by the requisitionists by reason of the failure of the Directors to convene a general meeting shall be paid to the requisitionists by the Company, and any sum so paid shall be retained by the Company out of any sums due or to become due from the Company by way of fees or other remuneration in respect of their services to such of the Directors as were in default. A general meeting at which a special resolution is to be proposed shall be deemed not to be duly convened by the Directors if they do not give such notice thereof as is required by Singapore Companies Act in the case of special resolutions.

## Procedures by Which Proposals Could Be Put Forward At Shareholders' Meetings

The Company holds its AGM every year, and this is usually held in end of April. Two or more members holding not less than 10% of the total number of issued shares of the Company (excluding treasury shares), can submit a written request to move a resolution at the AGM. The written request must state the resolution signed by all the shareholders concerned and may consist of several documents in like form (which between them contains the signatures of all the shareholders concerned). The written request must be deposited at the registered office of the Company, for the attention of the Joint Company Secretary not less than eight weeks before the meeting in the case of a requisition requiring notice of a resolution. The request will be verified with the Company's Share Registrars and upon their confirmation that the request is proper and in order, the Joint Company Secretary will ask the Board to include the resolution in the agenda for the AGM. On the contrary, if the request has been verified as not in order, the shareholders concerned will be advised of this outcome and accordingly, the proposed resolution will not be included in the agenda for the AGM.

If a shareholder wishes to propose a person other than a Director of the Company for election as a Director at the AGM, he/she can deposit a written notice to that effect at the registered office of the Company for the attention of the Joint Company Secretary. In order for the Company to inform shareholders of that proposal, the written notice must state the full name of the person proposed for election as a Director, include the person's biographical details as required by Rule 13.51(2) of the Listing Rules, and be signed by the shareholder concerned and that person indicating his/her willingness to be elected. The period for lodgement of such a written notice will commence no earlier than the day after the despatch of the notice and end no later than seven days prior to the date of the AGM. If the notice is received less than 20 clear business days prior to the AGM, the Company will need to consider the adjournment of the AGM in order to allow shareholders 21 days' notice of the proposal.

## Procedures by Which Enquiries May be Put to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing through the Joint Company Secretaries whose contact details are as follows:

Singapore
Ms. Tan Cheng Siew @ Nur Farah Tan
Intertrust Singapore Corporate Services Pte Ltd
3 Anson Road #27-01
Springleaf Tower
Singapore 079909
Fax: 65 6438 6221
Email: christine.tan@intertrustgroup.com

Hong Kong
Ms. Ma Sau Kuen, Gloria
KCS Hong Kong Limited
8th Floor Gloucester Tower
The Landmark 15 Queen's Road
Central, Hong Kong
Fax: 852 3589 8522
Email: gloria.ma@kcs.com

Shareholders may also make enquiries with the Board at the general meetings of the Company.

# F OTHERS

## Director's Attendance at Board & Board Committee Meetings and General Meetings

The number of Board and Board Committee meetings and general meetings held in the year ended 31 December 2012 and the attendance at those meetings were as follows:

| | **Board** | **Audit Committee** | **Nominating Committee** | **Remuneration Committee** | **General Meetings** |
|---|---|---|---|---|---|
| | Total no. of meetings held = 5 | Total no. of meetings held = 4 | Total no. of meetings held = 1 | Total no. of meetings held = 1 | Total no. of meetings held = 2 |
| | No. of meetings attended | No. of meetings attended | No. of meetings attended | No. of meetings attended | No. of meetings attended |
| Chen Wei Ping | 5/5 | NA | NA | NA | 1/2 |
| Chew Hwa Kwang, Patrick | 5/5 | NA | NA | NA | 2/2 |
| Chan Soo Sen | 5/5 | 4/4 | 1/1 | 1/1 | 2/2 |
| Xu Wei Dong | 5/5 | 4/4 | 1/1 | 1/1 | 1/2 |
| Tong Din Eu | 5/5 | 4/4 | 1/1 | 1/1 | 2/2 |

## Securities Trading

The Group has adopted a code of conduct rules regarding securities transactions by the Directors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code") and in compliance with the best practices stipulated in Listing Rule 1207(19) of the SGX-ST Listing Manual with respect to the dealings in securities for the guidance of Directors and officers. In addition, having made specific enquiry to all Directors, the Company understands that all Directors have compiled with the required standard set out in the Model Code and its code of conduct regarding Directors' securities transactions throughout the year 2012. In line with the guidelines, Directors and executive officers of the Group are not permitted to deal in the Company's shares on short-term consideration and during the period of 30 days immediately preceding the publication date of the quarterly results and half-year results or, if shorter, the period from the end of the quarterly or half-year period up to the publication date of the results; or during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of financial year up to the publication date of the results; or when they are in possession of any unpublished inside information on the Group.

## Interested Person Transactions Policy

The Group has adopted an internal policy in respect of any transactions with interested persons and has set out the procedures for periodic review and approval of these transactions by the AC.

## Risk Management

The Group regularly reviews and improves its business and operational activities to take into account the risk management perspective. The Group seeks to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. The Group reviews all significant control policies and procedures and highlights all significant matters to the AC.

## Whistle-Blowing Program

As a further enhancement to internal risk control processes, the Company introduced and implemented the "Policy on Reporting Wrongdoing" across the Group. Under this "Whistleblowing" policy, all forms of "wrong-doings" can be reported to an investigation unit, with the "whistle-blower" being provided confidentiality protection. "Wrong-doings" can include fraud, theft, abuse of authority, breach of regulations or non-compliance with corporate policy such as improper banking or financial transactions.

## Material Contracts

Save as disclosed, there are no other material contracts entered into by the Company and its subsidiaries involving the interest of the CEO, Director or controlling shareholder, which are either subsisting at the end of the financial year or, if not then subsisting, entered into since the end of the previous financial year.

## Auditors' remuneration

For the year ended 31 December 2012, the remuneration paid or payable to the Group's external auditors for providing the audit and other non-audit services is set out in Note 9 to the financial statements.

## Joint Company Secretaries

Ms. Tan Cheng Siew @ Nur Farah Tan is the Joint Company Secretary of the Company in Singapore. She is a practising chartered secretary and is an associate of the Institute of Chartered Secretaries and Administrators, United Kingdom. Ms. Ma Sau Kuen, Gloria is the Joint Company Secretary of the Company in Hong Kong. Ms. Ma is a director and Head of Registration and Compliance Services of KCS Hong Kong Limited, a corporate secretarial and accounting services provider in Hong Kong. She is a fellow member of the Hong Kong Institute of Chartered Secretaries, and the Institute of Chartered Secretaries and Administrators in the United Kingdom. Both Ms. Tan and Ms. Ma assist the Board by ensuring good information flow within the Board and that Board policy and procedures including those on governance matters are followed. They report to Mr. Chew Hwa Kwang, Patrick, CEO, who is also their primary corporate contact person at the Company.

In compliance with Rule 3.29 of the Listing Rules, Ms. Ma has undertaken no less than 15 hours of relevant professional training during the year ended 31 December 2012.

## Constitutional Documents

There was no significant change in the Company's constitutional documents during the year.

# Report of the Directors

The directors of the Company (the "Director(s)") present their report to the members together with the audited consolidated financial statements of the Group for the financial year ended 31 December 2012 and the statement of financial position of the Company as at 31 December 2012.

## 1. Principal activities

The principal activity of the Company continues to be investment holding. The principal activities of its subsidiaries are manufacturing and sale of aluminium alloy extrusion products and polyethylene pipes. The principal activities and other particulars of the Company's subsidiaries are set out in note 18 to the consolidated financial statements.

## 2. Results and appropriations

The results of the Group for the financial year ended 31 December 2012 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 50 to 107.

Interim dividends of S$0.0025 per ordinary share, totalling S$3,044,000 (RMB15,313,000 equivalent) was paid during the financial year. The Directors recommend the payment of a final dividend S$0.0025 per ordinary share, totalling S$3,044,000 (RMB15,515,000 equivalent), in respect of the financial year ended 31 December 2012.

## 3. Share capital

There was no change in share capital during the financial year.

## 4. Distributable reserves of the Company

The Company's reserves available for distribution to shareholders as at 31 December 2012 amounted to approximately RMB1,489,000.

## 5. Reserves

Details of the movements in reserves of the Group and the Company during the financial year are set out in the consolidated statement of changes in equity and note 30 to the consolidated financial statements respectively.

## 6. Fixed assets

Details of the acquisitions and other movements in the fixed assets, comprising property, plant and equipment and land use rights, of the Group and, where applicable, of the Company are set out in notes 16 and 17 to the consolidated financial statements.

## 7. Major customers and suppliers

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the financial year is as follows:

| | Percentage of the Group's total | |
|---|---|---|
| | **Sales** | **Purchases** |
| | **%** | **%** |
| The largest customer | 12.4 | |
| Five largest customers in aggregate | 48.8 | |
| The largest supplier | | 43.6 |
| Five largest suppliers in aggregate | | 71.7 |

At no time during the financial year have the Directors, and/or their associates had any interest in these major customers and suppliers.

## 8. Directors

The Directors during the financial year and up to date of this report were as follows:

*Executive Directors:*
Mr. Chen Wei Ping
Mr. Chew Hwa Kwang, Patrick

*Independent Non-Executive Directors:*
Mr. Chan Soo Sen
Mr. Tong Din Eu
Dr. Xu Wei Dong

The biographical details of the Directors and executive officers are set out under the section "Board of Directors" of this report.

In accordance with Article 91 of the Articles, Mr. Chew Hwa Kwang, Patrick and Mr. Chan Soo Sen shall retire from the Board of Directors by rotation and being eligible, offer themselves for re-election at the forthcoming annual general meeting ("AGM").

## 9. 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 object is to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, other than as disclosed under "Share options" of this report.

## 10. Directors’ interests and short position in shares, underlying shares or debentures

According to the register of Directors’ shareholding kept by the Company for the purpose of Section 164 of the Singapore Companies Act, Cap. 50 (the “Act”) and Section 352 of the Securities and Futures Ordinance (“SFO”), the Directors who were holding office at the end of financial year had interest and short position in the shares, underlying shares or debentures of the Company and its related corporations as detailed below:

| | | Direct Interest | | Deemed interest | | |
|---|---|---|---|---|---|---|
| **Name of Director** | **Capacity** | **At beginning of the financial year or date of appointment** | **At end of the financial year** | **At beginning of the financial year or date of appointment** | **At end of the financial year** | **Percentage of the issued share capital of the Company** |
| | | **Number of ordinary shares** | | **Number of ordinary shares** | | |
| **The Company** | | | | | | |
| Mr. Chen Wei Ping | Beneficial owner | 131,405,200 | 131,405,200 | – | – | 10.79% |
| Mr. Chew Hwa Kwang, Patrick | Beneficial owner | 121,711,800 | 121,711,800 | – | – | 10.00% |
| Mr. Tong Din Eu | Beneficial owner | 749,000 | 749,000 | – | – | 0.06% |

The percentage of the issued share capital of the Company is computed based on 1,217,617,800 issued voting shares (excluding 1,000,000 treasury shares).

In accordance with the requirements of the Listing Manual of the Singapore Exchange Securities Trading Limited (“SGX-ST”), the Directors state that, according to the register of Directors’ shareholdings, there was no other change in the Directors’ interests as at 21 January 2013 in shares of the Company and its related corporations from those disclosed as at 31 December 2012.

As at 31 December 2012, the abovementioned interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) held by the Directors and chief executives of the Company which have been notified to the Company and SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to Section 352 of the SFO, or otherwise have been notified to the Company and the SEHK pursuant to the Model Code.

Save as disclosed above, as at 31 December 2012, none of the Directors, chief executive of the Company nor their associates had or was deemed to have any interests or short position in the Shares, underlying Shares or debentures of the Company and its associated corporations.

## 10. Directors' interests and short position in shares, underlying shares or debentures *(continued)*

According to the register of Directors' shareholdings, certain Directors holding office at the end of the financial year had interests in options to subscribe for ordinary shares of the Company granted pursuant to the Scheme as set out below:

| Name of Director | Exercise price per share | Exercise period | At beginning of the financial year | At end of the financial year |
|---|---|---|---|---|
| Options to subscribe for ordinary shares of the Company | | | | |
| Mr. Chan Soo Sen | S$1.992 | 14.5.2008 to 13.5.2012 | 300,000 | – |
| | S$0.517 | 09.2.2010 to 08.2.2014 | 250,000 | 250,000 |

## 11. Corporate governance

The Board is committed to ensuring that the highest standards of corporate governance are practiced throughout the Group as a fundamental part of its responsibilities to protect and enhance shareholders value and the financial performance of the Group.

## 12. Directors' contractual benefits

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit which is required to be disclosed under Section 201(8) of the Act, by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except for salaries, bonuses and other benefits as disclosed in the consolidated financial statements.

## 13. Directors' service contracts

No Directors proposed for re-election at the forthcoming AGM has a service contract which is not determinable by the Group within one financial year without payment of compensation (other than statutory compensation).

## 14. Share options

Midas Employee Share Options Scheme

The Scheme was approved by the shareholders of the Company at an Extraordinary General Meeting held on 6 January 2004. The Scheme is administered by the Company's Remuneration Committee, comprising Mr. Tong Din Eu, Mr. Chan Soo Sen and Dr. Xu Wei Dong.

## 14. Share options *(continued)*

Midas Employee Share Options Scheme *(continued)*

Under the Scheme, an option entitles the option holder to subscribe for a specific number of new ordinary shares in the Company comprised in the option at a subscription price per share determined with reference to the market price of the share at the time of grant of the option. The Remuneration Committee may at its discretion, fix the subscription price at a maximum discount of 20% off the market price. Options granted with the subscription price set at the market price shall only be exercised after the first anniversary from the date of the grant of the option. Options granted with the market price set at a discount to the market price shall only be exercised after the second anniversary from the date of the grant of the option. The shares under option may be exercised in whole or in part thereof. Options granted will lapse when the option holder ceases to be a full-time employee of the Company or any Company of the Group subject to certain exceptions at the discretion of the Company.

The number of shares available under the Scheme shall not exceed 15% of the issued share capital of the Company.

The Scheme became operative with options to subscribe for 2,500,000 ordinary shares of the Company being granted on 18 May 2005 (“2005 Options”). Particulars of the 2005 Options were set out in the Directors’ Report for the financial year ended 31 December 2005.

On 11 May 2006, option to subscribe for 4,950,000 ordinary shares of the Company at an exercise price of S$0.873 per share were granted (“2006 Options”). 3,000,000 2006 Options lapsed on 10 May 2011.

On 14 May 2007, options to subscribe for 4,600,000 ordinary shares of the Company at an exercise price of S$1.992 per share were granted (“2007 Options”). 3,700,000 2007 Options lapsed on 13 May 2012.

On 9 February 2009, options to subscribe for 5,850,000 ordinary shares of the Company at an exercise price of S$0.517 per share were granted (“2009 Options”). The 2009 Options are exercisable from 9 February 2010 and expire on 8 February 2014.

The details of options movement during the financial year were as follows:

| **Option participants** | **Granted in financial year ended 31.12.2012** | **Aggregate granted since commencement of scheme to 31.12.2012** | **Aggregate exercised or cancelled or expired since commencement of scheme to 31.12.2012** | **Aggregate outstanding as at 31.12.2012** |
|---|---|---|---|---|
| **Directors** | | | | |
| – Mr. Chan Soo Sen | – | 550,000 | (300,000) | 250,000 |
| Other executives (including resigned directors) | – | 17,350,000 | (12,500,000) | 4,850,000 |
| Total | – | 17,900,000 | (12,800,000) | 5,100,000 |

During the financial year, there were no share options granted to controlling shareholders of the Company pursuant to the Midas Employee Share Options Scheme.

## 14. Share options *(continued)*

Midas Employee Share Options Scheme *(continued)*

No other key management or employee has received options of 5% or more of the total number of shares available under the scheme during the financial year. No other Director or employee of the Group (as defined in the Singapore Exchange Securities Trading Listing Manual) has received options of 5% or more of the total number of shares available to all Directors and employees of the Group under the Scheme during the financial year.

The number of unissued ordinary shares of the Company under options outstanding at the end of the financial year is as follows:

| **Option relating to the Scheme** | **Number outstanding at 31.12.2012** | **Exercise price** | **Exercise period** |
|---|---|---|---|
| 2009 Options | 5,100,000 | S$0.517 | 9.2.2010 to 8.2.2014 |

## 15. Substantial shareholders

As at 31 December 2012, to the best of the Directors' knowledge and belief, no persons (other than the Directors whose interests are set out in the section "Directors' interests and short position in shares, underlying shares or debentures" above), had or deemed or taken to have an interest and/or short position in the shares or the underlying shares of the Company, which would fall to be disclosed under the provisions of Part XV of the SFO.

## 16. Appointment of independent non-executive Directors

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the SEHK (the "Listing Rules"). The Company considers all of the independent non-executive Directors are independent.

## 17. Related party

Details of significant related party transactions of the Group are set out in note 36 to the consolidated financial statements.

## 18. Emolument policy

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the Directors are decided by the Remuneration Committee, having regards to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted a share options scheme as an incentive to Directors and eligible employees, details of the Scheme is set out in note 33 to the consolidated financial statements.

## 19. Pre-emptive rights

There are no provisions for pre-emptive rights under the Company's Articles, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

## 20. Sufficiency of public float

The Company has maintained a sufficient public float throughout the financial year ended 31 December 2012.

## 21. Purchase, sale or redemption of the Company's listed securities

During the financial year ended 31 December 2012, neither the Company nor its subsidiary had purchased, sold or redeemed any of the listed securities of the Company.

## 22. Directors' interests in competing business

None of the Directors have any ownership in other businesses which competes or is likely to compete, either directly or indirectly, with the businesses of our Group.

## 23. Compliance with the Model Code for Securities Transactions by Directors of Listed Issuer

The Board has adopted the Model Code as set out in Appendix 10 of the Listing rules and its amendments from time to time as its own code of conduct regarding securities transactions by the Directors. The Board confirms that, having made specific enquires with all Directors, throughout the financial year ended 31 December 2012, all Directors have complied with the required standards of the Model Code.

## 24. Audit committee

In performing its functions, the AC met with the Company's external and internal auditors to discuss the scope of their work, the results of their examination and evaluation of the Company's internal accounting control system.

The AC of the Company is chaired by Mr. Tong Din Eu, an independent non-executive Director, and includes Mr. Chan Soo Sen and Dr. Xu Wei Dong, who are both independent non-executive Directors. The AC has met four times since the last AGM and has reviewed the following, where relevant, with the executive Directors and external and internal auditors of the Company:

(a) the audit plans and results of the internal auditors examination and evaluation of the Group's systems of internal accounting controls;

(b) the Group's financial and operating results and accounting policies;

(c) the financial statements of the Company and the consolidated financial statements of the Group before their submission to the Directors and external auditors' report on those financial statements;

## 24. Audit committee (“AC”) *(continued)*

(d) the quarterly, half-yearly and annual announcements as well as the related press releases on the results and financial position of the Company and the Group;

(e) the co-operation and assistance given by the management to the Group’s external auditors;

(f) the re-appointment of the external auditor of the Group; and

(g) the consideration and recommendation of the change of external auditors to the Board, for the approval of shareholders.

The AC has reviewed the consolidated financial statements of the Group for the financial year ended 31 December 2012.

The AC has full access to and has the co-operation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any Director and executive officer to attend its meetings. The external and internal auditors have unrestricted access to the AC.

The AC has recommended to the Directors the nomination of Mazars LLP for re-appointment as external auditor of the Group at the forthcoming AGM of the Company.

## 25. Internal Control

The Group has established a risk identification and management framework. In the Group, risks are proactively identified and addressed. The ownership of these risks lies with the respective business and corporate executive heads with stewardship residing with the Board. Action plans to manage the risks are continually being monitored and refined by management and the Board. Internal auditors conduct review on the effectiveness of the material internal control systems in the Group including material financial, operational and compliance controls. Any material non-compliance or lapses in internal controls together with corrective measures are reported to the AC. The external auditors, in the course of their audit, consider internal controls relevant to the Group’s preparation of consolidated 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 Group’s internal controls. Any significant deficiencies noted during the course of the audit in such internal controls will be reported to the AC.

Based on the framework established and the reviews conducted, the Board opines, with the concurrence of the AC, that there are adequate internal controls in place within the Group addressing material financial, operational and compliance risks.

## 26. Auditor

The auditor, Mazars LLP, has expressed its willingness to accept re-appointment.

On behalf of the Board of Directors

| | |
|---|---|
| **MR. CHEN WEI PING** | **MR. CHEW HWA KWANG, PATRICK** |
| *Director* | *Director* |

Singapore
22 March 2013

# Statement by the Directors

In the opinion of the Board of Directors,

(a) the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are drawn up in accordance with the provision of the Singapore Companies Act, Cap. 50, applicable disclosure requirements of the Hong Kong Companies Ordinance and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2012, and of the results, changes in equity and cash flows of the Group for the financial year then ended; and

(b) 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

**MR. CHEN WEI PING**
*Director*

**MR. CHEW HWA KWANG, PATRICK**
*Director*

Singapore
22 March 2013

# Independent Auditors' Report

To the members of MIDAS Holdings Limited

## Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Midas Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") which comprise the statements of financial position of the Group and of the Company as at 31 December 2012, and the statements of comprehensive income, changes in equity and cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out from pages 50 to 107.

*Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act"), applicable disclosure requirements of the Hong Kong Companies Ordinance 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.

*Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal controls relevant to the entity's preparation of consolidated 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 consolidated financial statements.

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

*Opinion*

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

**Independent Auditors' Report**

To the members of MIDAS Holdings Limited

## Other Matter

The financial statements of the Group and the Company for the financial year ended 31 December 2011 were audited by another firm of auditors who expressed an unmodified opinion on those financial statements on 13 March 2012.

## 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 and by those subsidiaries incorporated in Singapore of which we are the auditors, have been properly kept in accordance with the provisions of the Act.

**MAZARS LLP**
Public Accountants and
Certified Public Accountants

Singapore
22 March 2013

# Consolidated Statement of Comprehensive Income

For the financial year ended 31 December 2012

| | Note | 2012<br>RMB'000 | 2011<br>RMB'000 |
|---|---|---|---|
| Revenue | 4 | **869,506** | 1,080,736 |
| Cost of sales | | **(618,171)** | (718,786) |
| Gross profit | | **251,335** | 361,950 |
| Other operating income | 6 | **12,492** | 16,531 |
| Selling and distribution expenses | | **(40,381)** | (40,343) |
| Administrative expenses | | **(99,974)** | (82,212) |
| Finance costs | 7 | **(73,979)** | (38,766) |
| Share of (loss)/profits of an associate | 19 | **(5,732)** | 8,290 |
| Profit before income tax expense | 9 | **43,761** | 225,450 |
| Income tax expense | 12 | **(18,148)** | (38,092) |
| **Profit for the financial year** | | **25,613** | 187,358 |
| **Other comprehensive income:** | | | |
| Currency translation differences arising from consolidation | | **8,993** | (7,836) |
| **Total comprehensive income for the financial year** | | **34,606** | 179,522 |
| **Profit attributable to:** | | | |
| Owners of the Company | | **27,845** | 187,358 |
| Non-controlling interests | | **(2,232)** | – |
| | | **25,613** | 187,358 |
| **Total comprehensive income attributable to:** | | | |
| Owners of the Company | | **36,838** | 179,522 |
| Non-controlling interests | | **(2,232)** | – |
| | | **34,606** | 179,522 |
| **Basic earnings per share (RMB Fen)** | 15 | **2.29** | 15.39 |
| **Diluted earnings per share (RMB Fen)** | 15 | **2.29** | 15.38 |

*The accompanying notes form an integral part of these financial statements.*

# Consolidated Statement of Financial Position

For the financial year ended 31 December 2012

| | Note | 2012<br>RMB'000 | 2011<br>RMB'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 16 | **2,249,418** | 1,938,385 |
| Land use rights | 17 | **325,252** | 236,007 |
| Interest in an associate | 19 | **197,032** | 192,559 |
| Available-for-sale financial asset | 20 | **2,000** | 2,000 |
| Prepaid rental | 21 | **106** | 113 |
| Restricted bank deposits | 22 | **37,456** | 24,659 |
| | | **2,811,264** | 2,393,723 |
| **Current assets** | | | |
| Inventories | 23 | **700,783** | 478,443 |
| Trade and other receivables | 24 | **1,007,627** | 697,626 |
| Income tax recoverable | | **22,299** | 20,365 |
| Restricted bank deposits | 22 | **–** | 50,001 |
| Cash and cash equivalents | 25 | **547,033** | 660,753 |
| | | **2,277,742** | 1,907,188 |
| **Current liabilities** | | | |
| Trade and other payables | 26 | **367,134** | 232,080 |
| Bank borrowings | 27 | **999,300** | 909,690 |
| | | **1,366,434** | 1,141,770 |
| **Net current assets** | | **911,308** | 765,418 |
| **Total assets less current liabilities** | | **3,722,572** | 3,159,141 |
| **Non-current liabilities** | | | |
| Bank borrowings | 27 | **472,550** | 183,310 |
| Deferred tax liability | 28 | **2,141** | 2,179 |
| | | **474,691** | 185,489 |
| **Net assets** | | **3,247,881** | 2,973,652 |
| **Capital and reserves and non-controlling interests** | | | |
| Share capital | 29(a) | **2,166,575** | 2,166,575 |
| Treasury shares | 29(b) | **(2,501)** | (2,501) |
| Foreign currency translation reserve | 31 | **(1,598)** | (10,591) |
| PRC statutory reserve | 32 | **134,467** | 126,811 |
| Share options reserve | 33 | **2,958** | 10,913 |
| Retained earnings | | **663,562** | 682,445 |
| Equity attributable to owners of the Company | | **2,963,463** | 2,973,652 |
| Non-controlling interests | | **284,418** | – |
| **Total equity** | | **3,247,881** | 2,973,652 |

*The accompanying notes form an integral part of these financial statements.*

# Statement of Financial Position of the Company

As at 31 December 2012

| | Note | 2012 RMB'000 | 2011 RMB'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 16 | **163** | 225 |
| Interests in subsidiaries | 18 | **2,028,147** | 1,909,784 |
| Interest in an associate | 19 | **151,547** | 144,268 |
| | | **2,179,857** | 2,054,277 |
| **Current assets** | | | |
| Other receivables | 24 | **685** | 7,464 |
| Cash and cash equivalents | 25 | **33,289** | 59,333 |
| | | **33,974** | 66,797 |
| **Current liabilities** | | | |
| Other payables | 26 | **1,402** | 713 |
| | | **1,402** | 713 |
| **Net current assets** | | **32,572** | 66,084 |
| **Total assets less current liabilities** | | **2,212,429** | 2,120,361 |
| **Capital and reserves** | | | |
| Share capital | 29(a) | **2,166,575** | 2,166,575 |
| Treasury shares | 29(b) | **(2,501)** | (2,501) |
| Foreign currency translation reserve | 30, 31 | **43,908** | (62,497) |
| Share options reserve | 30, 33 | **2,958** | 10,913 |
| Retained earnings | 30 | **1,489** | 7,871 |
| **Total equity** | | **2,212,429** | 2,120,361 |

*The accompanying notes form an integral part of these financial statements.*

# Consolidated Statement of Changes in Equity

For the financial year ended 31 December 2012

| | Attributable to the owners of the Company | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Share Capital (note 29(a)) RMB'000 | Treasury shares (note 29(b)) RMB'000 | Foreign currency translation reserve (note 31) RMB'000 | PRC statutory reserve (note 32) RMB'000 | Share option reserve (note 33) RMB'000 | Retained earnings RMB'000 | Total RMB'000 | Non-controlling interests RMB'000 | Total equity RMB'000 |
| Balance at 1 January 2011 | 2,166,575 | (2,501) | (2,755) | 108,813 | 15,303 | 568,588 | 2,854,023 | – | 2,854,023 |
| Profit for the year | – | – | – | – | – | 187,358 | 187,358 | – | 187,358 |
| *Other comprehensive income:* | | | | | | | | | |
| Foreign currency reserve | – | – | (7,836) | – | – | – | (7,836) | – | (7,836) |
| **Total comprehensive income for the financial year** | – | – | (7,836) | – | – | 187,358 | 179,522 | – | 179,522 |
| Transfer to PRC statutory reserve | – | – | – | 17,998 | – | (17,998) | – | – | – |
| Transfer of option reserve to retained earnings | – | – | – | – | (4,390) | 4,390 | – | – | – |
| Dividends (note 14) | – | – | – | – | – | (59,893) | (59,893) | – | (59,893) |
| Balance at 31 December 2011 and 1 January 2012 | 2,166,575 | (2,501) | (10,591) | 126,811 | 10,913 | 682,445 | 2,973,652 | – | 2,973,652 |
| Profit for the year | – | – | – | – | – | 27,845 | 27,845 | (2,232) | 25,613 |
| *Other comprehensive income:* | | | | | | | | | |
| Foreign currency reserve | – | – | 8,993 | – | – | – | 8,993 | – | 8,993 |
| **Total comprehensive income for the financial year** | – | – | 8,993 | – | – | 27,845 | 36,838 | (2,232) | 34,606 |
| Deemed disposal of interest in subsidiary without a change of control (note 18) | – | – | – | – | – | (1,274) | (1,274) | 286,650 | 285,376 |
| Transfer to PRC statutory reserve | – | – | – | 7,656 | – | (7,656) | – | – | – |
| Transfer of option reserve to retained earnings | – | – | – | – | (7,955) | 7,955 | – | – | – |
| Dividends (note 14) | – | – | – | – | – | (45,753) | (45,753) | – | (45,753) |
| Balance at 31 December 2012 | 2,166,575 | (2,501) | (1,598) | 134,467 | 2,958 | 663,562 | 2,963,463 | 284,418 | 3,247,881 |

*The accompanying notes form an integral part of these financial statements.*

# Consolidated Statement of Cash Flows

For the financial year ended 31 December 2012

| | Note | **2012**<br>**RMB'000** | 2011<br>RMB'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before income tax expense | | **43,761** | 225,450 |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | | **114,930** | 79,187 |
| Write-off of property, plant and equipment | | **–** | 194 |
| Amortisation of prepaid rental and land use rights | | **5,693** | 2,923 |
| Loss on disposal of property, plant and equipment, net | | **1,038** | 344 |
| Impairment loss on property, plant and equipment | | **–** | 667 |
| Share of loss/(profits) of an associate | | **5,732** | (8,290) |
| Interest expenses | | **67,231** | 30,798 |
| Interest income | | **(4,762)** | (6,129) |
| Operating profit before changes in working capital | | **233,623** | 325,144 |
| Changes in working capital: | | | |
| Increase in inventories | | **(222,340)** | (288,292) |
| Increase in trade and other receivables | | **(310,001)** | (178,655) |
| Increase in trade and other payables | | **135,054** | 43,567 |
| Cash used in operations | | **(163,664)** | (98,236) |
| Interest paid | | **(67,231)** | (30,798) |
| Interest received | | **4,762** | 6,129 |
| Income tax paid | | **(20,081)** | (74,057) |
| **Net cash used in operating activities** | | **(246,214)** | (196,962) |
| **Cash flows from investing activities** | | | |
| Proceeds from disposal of property, plant and equipment | | **231** | 688 |
| Purchase of property, plant and equipment | | **(401,320)** | (600,585) |
| Net decrease/(increase) in restricted bank deposits | | **37,204** | (9,777) |
| Purchase of land use rights | | **(94,931)** | (115,385) |
| Interest paid and capitalised | | **(25,903)** | (25,374) |
| **Net cash used in investing activities** | | **(484,719)** | (750,433) |
| **Cash flows from financing activities** | | | |
| Dividends paid | | **(45,753)** | (59,893) |
| Proceeds from bank borrowings | | **1,848,350** | 793,000 |
| Repayment of bank borrowings | | **(1,469,500)** | (378,280) |
| Proceeds arising from issuance of shares of subsidiary to non-controlling interests | | **285,376** | – |
| **Net cash from financing activities** | | **618,473** | 354,827 |
| Net change in cash and cash equivalents | | **(112,460)** | (592,568) |
| **Cash and cash equivalents at beginning of the financial year** | | **660,753** | 1,253,056 |
| Net effect of exchange rate changes in cash and cash equivalents | | **(1,260)** | 265 |
| **Cash and cash equivalents at end of the financial year** | 25 | **547,033** | 660,753 |

*The accompanying notes form an integral part of these financial statements.*

# Notes to the Financial Statements

For the financial year ended 31 December 2012

These notes form an integral part of and should be read in conjunction with the accompanying consolidated financial statements.

## 1. General

Midas Holdings Limited (the "Company") (Registration Number: 20009758W) is a public limited liability company incorporated and domiciled in Singapore with its registered office and principal place of business at No. 4 Shenton Way, #18-03 SGX Centre 2, Singapore 068807. The Company is listed on the Main Board of the Singapore Exchange Securities Trading Limited and the Main Board of the Stock Exchange of Hong Kong Limited.

The principal activity of the Company is that of an investment holding.

The principal activities of the subsidiaries are set out in note 18 to the consolidated financial statements.

The consolidated financial statements relate to the Company and its subsidiaries (hereinafter known as the "Group") and the Group's interest in an associate.

## 2. Summary of significant accounting policies

### 2.1 Basis of preparation

The consolidated financial statements have been drawn up in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act"), the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the listing of securities on the Stock Exchange of Hong Kong Limited, and Singapore Financial Reporting Standards ("FRS") including related Interpretations of FRS ("INT FRS") issued by the Singapore Accounting Standards Council. The consolidated financial statements are prepared under the historical cost convention, except as disclosed in the accounting policies below.

Subsequent to the Hong Kong Listing during the financial year 2011, the Company submitted its application to ACRA to prepare its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS"). At the same time, the Company also made further enquiries with the Stock Exchange of Hong Kong Limited with regard to whether the Company should adopt IFRS or FRS. The Stock Exchange of Hong Kong Limited has agreed to accept that the Group's financial statements could be prepared in accordance with FRS, on the condition that the Company would include in its financial reports a reconciliation of its consolidated financial statements in accordance with IFRS, with a narrative description of the major differences between the two position and standards, in a form that facilitates investors' understanding of the Company's financial performance.

The Company informed ACRA of the outcome of their enquiry with the Stock Exchange of Hong Kong Limited, and did not obtain approval from ACRA on the Company's application to prepare its consolidated financial statements in accordance with IFRS. Therefore, the Company continues to prepare the current set of consolidated financial statements for the financial year ended 31 December 2012 in accordance with FRS and the Company has included a reconciliation of its financial statements in accordance with IFRS in note 40 to the consolidated financial statements which will contain a narrative description of the major differences between the two standards if any, that is relevant to the preparation of the consolidated financial statements of the Group, in a form that facilitates investors' understanding of the Company's financial position and performance.

# 2. Summary of significant accounting policies *(continued)*

## 2.1 Basis of preparation *(continued)*

The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The functional currency of the Company is Singapore dollar ("S$"). The consolidated financial statements of the Group and the statement of financial position of the Company are presented in Renminbi ("RMB") and all values presented are rounded to the nearest thousand ("RMB'000"), unless otherwise stated.

The preparation of the consolidated financial statements in conformity with FRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Actual results may differ from these estimates. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3 to the consolidated financial statements.

In the current financial year, the Group has adopted all the new and revised FRS and INT FRS that are relevant to its operations and effective for the current financial year. The adoption of these new/revised FRS and INT FRS does not result in changes to the Group's accounting policies and has no material effect on the amounts reported for the current or prior years.

***FRS and INT FRS issued but not yet effective***

At the date of authorisation of these financial statements, the following FRS and INT FRS that may be relevant to the Group have been issued but not yet effective:

| | | **Effective date (annual periods beginning on or after)** |
|---|---|---|
| FRS 1 | Amendments to FRS 1 – Presentation of item of other comprehensive income | 1 July 2012 |
| FRS 19 | Employee benefits | 1 January 2013 |
| FRS 27 | Separate financial statements | 1 January 2014 |
| FRS 28 | Investment in associates and joint ventures | 1 January 2013 |
| FRS 32 | Amendments to FRS 32 – Offsetting of financial assets and financial liabilities | 1 January 2014 |
| FRS 107 | Amendments to FRS 107 – Offsetting of financial assets and financial liabilities | 1 January 2013* |
| FRS 110 | Consolidated financial statements | 1 January 2013 |
| FRS 110 (Amendments to FRS 110, FRS 111 and FRS 112) | Consolidated Financial statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance | 1 January 2014 |
| FRS 110, FRS 112 and FRS 27 | Amendments to FRS 110, FRS 112 and FRS 27: Investment Entities | 1 January 2014 |
| FRS 111 | Joint arrangements | 1 January 2014 |
| FRS 112 | Disclosure of interests in other entities | 1 January 2014 |
| FRS 113 | Fair value measurements | 1 January 2013 |
| | Improvements to FRS 2012 | 1 January 2013 |

* and for interim periods within these annual periods

# 2. Summary of significant accounting policies *(continued)*

## 2.1 Basis of preparation *(continued)*

***FRS and INT FRS issued but not yet effective*** *(continued)*

Consequential amendments were also made to various standards as a result of these new/revised standards.

The management anticipates that the adoption of the above FRS in future periods will not have a material impact on the financial statements of the Group in the period of their initial adoption.

## 2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies are eliminated in full on consolidation.

On acquisition of subsidiaries, the assets and liabilities of the relevant subsidiaries are measured at their fair values at the date of acquisition. Non-controlling interests are identified separately from the Group's equity therein. On an acquisition-by-acquisition basis, non-controlling interests may be initially measured either at fair value or at their proportionate share of the fair value of the acquiree's identifiable net assets. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Losses in the subsidiary are attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any differences between the amount by which the non-controlling interests are adjusted to reflect the changes in the relative interests in the subsidiary and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

The results of subsidiaries acquired or disposed of during the financial year are included in the consolidated statements of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate.

The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies.

# 2. Summary of significant accounting policies *(continued)*

## 2.3 Business combinations

***Business combinations from 1 January 2010***

The acquisition of subsidiaries is accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 103 are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held-for-sale in accordance with FRS 105 *Non-Current Assets Held for Sale and Discontinued Operations*, which are recognised and measured at the lower of cost and fair value less costs to sell.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 103 are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 12 *Income Taxes* and FRS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with FRS 102 *Share-based Payment*; and

- assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date, and is subject to a maximum of one year.

# 2. Summary of significant accounting policies *(continued)*

## 2.3 Business combinations *(continued)*

***Business combinations from 1 January 2010*** *(continued)*

Goodwill arising on acquisition is recognised as an asset at the acquisition date and is initially measured at cost, being the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net acquisition-date fair value amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

*Measurement of non-controlling interest*

The measurement option is elected for each individual business combination and does not constitute an accounting policy choice for similar transactions. Selecting the option will require management to carefully consider their future intentions regarding transactions with non-controlling interest, since the two options, combined with the revisions to accounting for changes in ownership interest of a subsidiary will potentially result in significantly different amounts of goodwill and equity.

***Business combinations before 1 January 2010***

In comparison to the above mentioned requirements, the following differences applied:

Business combinations were accounted for by applying the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as step acquisitions. Adjustments to those fair values relating to previously held interests were treated as a revaluation and recognised in equity.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that would otherwise be required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was probable and a reliable estimate was determinable. Subsequent measurements to the contingent consideration affected goodwill.

# 2. Summary of significant accounting policies *(continued)*

## 2.4 Property, plant and equipment

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

The cost of property, plant and equipment comprises its purchase price and any direct attributable cost of bringing the property, plant and equipment to the location and condition necessary for its intended use. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Depreciation is charged so as to write off the depreciable amount of property, plant and equipment to their residual values over their estimated useful lives, using the straight-line method on the following bases:

| | **Annual depreciation rates** |
|---|---|
| Buildings and improvements | 3% to 5% |
| Plant, equipment and mould | 3% to 20% |
| Motor vehicles | 10% to 20% |
| Office equipment | 10% |

Construction-in-progress is stated at cost less impairment losses. Cost comprises direct costs of construction as well as borrowing costs capitalised during the periods of construction and installation. Capitalisation of these costs ceases and the construction-in-progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction-in-progress until it is completed and ready for its intended use.

The estimated useful lives, residual values and depreciation methods are reviewed, and adjusted as appropriate, at the end of each financial year.

On disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is recognised in profit or loss.

Fully depreciated items are retained in the financial statement until they are no longer in use.

# 2. Summary of significant accounting policies *(continued)*

## 2.5 Subsidiaries

Subsidiaries are entities over which the Company has power to govern the financial and operating policies, generally accompanied by a shareholding giving rise to a majority of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

Investments in subsidiaries are accounted for at cost in the statements of financial position of the Company less any accumulated impairment losses.

## 2.6 Associate

An associate is an entity over which the Group has significant influence, but not control, and generally accompanied by a shareholding giving rise to between and including 20% and 50% of the voting rights. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associate are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognised, unless the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after assessment, is recognised immediately in profit or loss.

Where a Group entity transacts with an associate of the Group, profit and losses are eliminated to the extent of the Group's interest in the relevant associate.

The financial statements of the associate are prepared as of the same reporting date as the Company.

In the Company's statement of financial position, investment in associate is carried at cost less accumulated impairment losses, if any.

# 2. Summary of significant accounting policies *(continued)*

## 2.7 Land use right

Land use right is carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated on the straight-line basis to write off the cost of land use right over the lease terms.

## 2.8 Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- land use right; and
- interests in subsidiaries and an associate.

If any such indication of impairment loss exists, the asset's recoverable amount is estimated. Recoverable amount is determined for individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction between knowledgeable, willing parties, less costs of disposal. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life, discounted at a pre-tax rate that reflects current market assessments of the time value of the money and the risks specific to the asset or cash-generating unit for which the future cash flow estimates have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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

# 2. Summary of significant accounting policies *(continued)*

## 2.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis. Cost includes all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. The net realisable value is the estimated selling price in the ordinary course of business less all estimated cost of completion and cost to be incurred in marketing, selling and distribution.

## 2.10 Financial instruments

Financial instruments (financial assets and financial liabilities) are recognised when the Group becomes a party to the contractual provisions of the instruments.

**Financial assets**

All financial assets are recognised on a trade date where the purchase of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

The Group classifies its financial assets as loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of these financial assets, which are initially measured at fair value plus transaction costs that are directly attributable to the acquisition.

*Loans and receivables*

These assets, including trade receivables, loans and other receivables, are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade receivables), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

*Available-for-sale financial assets*

These assets are non-derivative financial assets that are designated as available-for-sale or are not included in other categories of financial assets. Subsequent to initial recognition, these assets are carried at fair value with changes in fair value recognised in other comprehensive income until the financial asset is derecognised, except for impairment losses, foreign exchange gains and losses on monetary instruments, which are recognised in profit or loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses.

# 2. Summary of significant accounting policies *(continued)*

## 2.10 Financial instruments *(continued)*

**Impairment loss on financial assets**

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of the debtor's financial difficulty; or
- it becoming probable that the debtor will enter bankruptcy or other financial restructuring.

*For loans and receivables*

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of a financial asset is reduced through the use of an allowance account. When any part of a financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

*For available-for-sale financial assets*

Where a decline in the fair value constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in profit or loss.

Any impairment losses on available-for-sale debt investments are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For available-for-sale equity investment, any increase in fair value subsequent to an impairment loss is recognised directly in other comprehensive income.

For available-for-sale equity investment that is carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss shall not be reversed.

## 2. Summary of significant accounting policies *(continued)*

### 2.10 Financial instruments *(continued)*

**Financial liabilities and equity instruments**

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

*Financial liabilities*

Financial liabilities include trade and other payables and bank borrowings. They are initially recognised at fair value, net of directly attributable transaction costs incurred and subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

**Effective interest method**

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

**Equity instruments and treasury shares**

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

When shares recognised as equity are reacquired, the amount of consideration paid is recognised directly in equity. Reacquired shares are classified as treasury shares and presented as a deduction from total equity. No gain or loss is recognised in the statement of comprehensive income on the purchase, sale issue or cancellation of treasury shares.

When treasury shares are subsequently cancelled, the cost of treasury shares is deducted against the share capital account if the shares are purchased out of capital of the Company, or against the accumulated profits of the Company if the shares are purchased out of profits of the Company.

When treasury shares are subsequently sold or reissued pursuant to the employee share options scheme, the cost of treasury shares is reversed from the treasury share account and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs and related income tax, is recognised in the capital reserve of the Company.

# 2. Summary of significant accounting policies *(continued)*

## 2.10 Financial instruments *(continued)*

**Derecognition**

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds receivables.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. On derecognition of a financial liability, the difference between the carrying amount and consideration paid is recognised in profit or loss.

## 2.11 Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand, demand deposits with banks and other financial institutions which are subject to an insignificant risk of changes in value.

## 2.12 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss when the changes arise.

# 2. Summary of significant accounting policies *(continued)*

## 2.13 Revenue recognition

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 the consideration received or receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods and retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income is accrued on time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Dividend income from investments is recognised when the shareholders' right to receive payment has been established.

## 2.14 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

## 2.15 Operating leases

Leases of assets in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the period of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases, if any, are recognised as an expense in the period in which they are incurred.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

# 2. Summary of significant accounting policies *(continued)*

## 2.16 Employee benefits

**(i) Defined contribution plans**

The Company makes contributions to the Central Provident Fund ("CPF") Scheme in Singapore, a defined contribution pension scheme. Contributions to national pension schemes are recognised as an expense in the period in which the related service is performed.

Pursuant to the relevant regulations of the People's Republic of China ("PRC") government, the subsidiaries in the PRC have each participated in a local municipal government retirement benefits scheme (the "Scheme"), whereby the subsidiaries in the PRC are required to contribute a certain percentage of the basic salaries of its employees to the Scheme to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of the subsidiaries in the PRC. The only obligation of the Group with respect to the Scheme is to pay the ongoing required contributions under the Scheme mentioned above.

Contributions under the Scheme are recognised as an expense as incurred. There is no provision under the Scheme whereby forfeited contributions may be used to reduce future contributions.

**(ii) Share-based payment**

The Group operates an equity-settled share-based compensation plan.

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss with a corresponding increase in the share option reserve over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each reporting period so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also recognised as an expense over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the fair value of goods and services received is recognised in profit or loss unless the goods or services qualify for recognition as an asset.

Fair value is measured using the Hull-White pricing model. Under this pricing model, the fair value takes into account the impact of events, such as the early exercise of options by employees or employee exit rates after vesting, which occur during the term of the option. The exit rate is defined as the probability that an employee will leave the Company during the vesting period. The Hull-White model also incorporates the employee's early exercise strategy or possibility of the employee's termination after the vesting period. It assumes that early exercise may occur when the stock price is a certain multiple of the exercise price. The exercise multiple is defined as the average ratio of the stock price to the exercise price at the time of exercise.

# 2. Summary of significant accounting policies *(continued)*

## 2.17 Income tax expense

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and subsidiaries operate by the end of the financial year.

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the financial year and based on the tax consequence that will follow from the manner in which the Group expects, at the end of the financial year, to recover or settle the carrying amounts of its assets and liabilities except for the investment properties where investment properties measured at fair value are presented to be recovered entirely through sale. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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 they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

## 2. Summary of significant accounting policies *(continued)*

### 2.17 Income tax expense *(continued)*

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

- when the sales tax that is incurred on purchases is not recoverable from the tax authorities, in which case the sales tax is recognised as part of 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.

### 2.18 Dividends

Dividends are recognised when they become legally payable. Interim dividends are recorded in the financial year in which they are declared payable. Final dividends are recorded in the financial year in which the dividends are approved by the shareholders.

Dividends proposed or declared after the end of each reporting period, are not recognised as a liability at the end of each reporting period.

### 2.19 Foreign currencies

Transactions entered into by Group entities in currencies other than the currency of the primary economic environment in which it operates (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of each reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which case, the exchange differences are also recognised directly in other comprehensive income.

On consolidation, the results of foreign operations are translated into the presentation currency of the Group at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of each reporting period. The exchange differences arising on the translation are recognised directly in other comprehensive income and accumulated as foreign currency translation reserve. Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to the foreign currency translation reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign currency translation reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

## 2. Summary of significant accounting policies *(continued)*

### 2.20 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 statement of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalment.

### 2.21 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the group of executive directors and the chief executive officer who make strategic decisions.

## 3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 2, management made judgements, estimates and assumptions about the carrying amounts of assets and liabilities that were not readily apparent from other sources. The estimates and associated assumptions were based on historical experience and other factors that were considered to be reasonable under the circumstances. Actual results may differ from these estimates.

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

### 3.1 Critical judgements made in applying the accounting policies

The following are the critical judgements that the management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

**(i) Impairment of financial assets**

The Group follows the guidance of FRS 39 "Financial Instruments: Recognition and Measurement" in determining whether a financial asset is impaired. This determination requires significant judgement. The Group evaluates, among other factors, the duration and extent to which the fair value of a financial asset is less than its cost and the financial health of and near-term business outlook for the financial asset, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

**(ii) Impairment of non-financial assets**

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

When value in use calculations are undertaken, management estimates the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

# 3. Critical accounting judgements and key sources of estimation uncertainty
*(continued)*

## 3.2 Key sources of estimation uncertainty

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

**(i) Depreciation of property, plant and equipment**

These assets are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these assets to be within 5 to 30 years. The carrying amounts of the Group's and Company's property, plant and equipment as at 31 December 2012 were approximately RMB2,249,418,000 (2011: RMB1,938,385,000) and RMB163,000 (2011: RMB225,000) respectively. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

**(ii) Income taxes**

The Group has exposure to income taxes in the PRC and Singapore. Due to its inherent nature, judgement is involved in determining the Group's provisions for income taxes.

The Group recognised liabilities 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 provision in the financial year in which such determination is made. The carrying amounts of the Group's current income tax liabilities as at 31 December 2011 and 2012 were approximately RMBNIL and RMBNIL respectively.

**(iii) Equity-settled share-based payments**

The charge for equity-settled share-based payment is calculated in accordance with estimates and assumptions which are described in note 2.16(ii) and note 33 to the consolidated financial statements. The option valuation model used requires highly subjective assumptions to be made including the future volatility of the Company's share price, expected dividend yields, risk-free interest rates and expected staff turnover. The management draws upon a variety of external sources to aid them in determination of the appropriate data to use in such calculations. The carrying amounts of share options reserves for the Group and the Company for the financial year ended 31 December 2012 were RMB2,958,000 and RMB10,913,000 respectively.

## 4. Revenue

Revenue of the Group is as follows:

| | 2012<br>RMB'000 | 2011<br>RMB'000 |
|---|---|---|
| Sales of aluminium extrusion products | **829,571** | 1,039,404 |
| Sales of polyethylene pipes | **39,935** | 41,332 |
| | **869,506** | 1,080,736 |

## 5. Segment information

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

All the segments are managed separately as each business offers different products and services and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

- Aluminium Alloy Extruded Products Division – manufacturing and sale of aluminium alloy extrusion products;
- Polyethylene Pipe Division – manufacturing and sale of polyethylene pipes; and
- Aluminium Alloy Plates and Sheets Division – manufacturing and sales of aluminium alloy plates and sheets.

All the divisions are located and operating in People's Republic of China.

Central revenue and expenses are not allocated to the operating segments as they are not included in the measure of the segments' profit that is used by the chief operating decision-makers for assessment of segment performance.

## Notes to the Financial Statements

For the financial year ended 31 December 2012

# 5. Segment information *(continued)*

| | Aluminium Alloy Extruded Products Division RMB'000 | Polyethylene Pipe Division RMB'000 | Aluminium Alloy Plates and Sheets Division RMB'000 | Unallocated RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| **2012** | | | | | |
| **Revenue** | **829,571** | **39,935** | **–** | **–** | **869,506** |
| **Results** | | | | | |
| Segment results | **157,589** | **2,113** | **(8,442)** | **–** | **151,260** |
| Unallocated corporate expenses | **–** | **–** | **–** | **(27,788)** | **(27,788)** |
| Finance costs | **(73,967)** | **(2)** | **(8)** | **(2)** | **(73,979)** |
| Share of loss of an associate | **–** | **–** | **–** | **(5,732)** | **(5,732)** |
| Profit before income tax expense | **83,622** | **2,111** | **(8,450)** | **(33,522)** | **43,761** |
| **Other information** | | | | | |
| Additions of property, plant and equipment and land use rights | **357,768** | **109** | **164,251** | **26** | **522,154** |
| Depreciation of property, plant and equipment | **111,070** | **3,736** | **24** | **100** | **114,930** |
| Amortisation of land use rights and prepaid rental | **3,149** | **85** | **2,459** | **–** | **5,693** |

| | Aluminium Alloy Extruded Products Division RMB'000 | Polyethylene Pipe Division RMB'000 | Aluminium Alloy Plates and Sheets Division RMB'000 | Unallocated RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| **2011** | | | | | |
| **Revenue** | 1,039,404 | 41,332 | – | – | 1,080,736 |
| **Results** | | | | | |
| Segment results | 272,496 | 3,965 | (110) | – | 276,351 |
| Unallocated corporate expenses | – | – | – | (20,425) | (20,425) |
| Finance costs | (38,656) | (102) | (6) | (2) | (38,766) |
| Share of profits of an associate | – | – | – | 8,290 | 8,290 |
| Profit before income tax expense | 233,840 | 3,863 | (116) | (12,137) | 225,450 |
| **Other information** | | | | | |
| Impairment loss on property, plant and equipment | 667 | – | – | – | 667 |
| Additions of property, plant and equipment and land use rights | 623,003 | 29 | 118,061 | 251 | 741,344 |
| Depreciation of property, plant and equipment | 75,220 | 3,891 | 1 | 75 | 79,187 |
| Amortisation of land use rights and prepaid rental | 2,837 | 86 | – | – | 2,923 |

## Notes to the Financial Statements

For the financial year ended 31 December 2012

# 5. Segment information *(continued)*

| | Aluminium Alloy Extruded Products Division RMB'000 | Polyethylene Pipe Division RMB'000 | Aluminium Alloy Plates and Sheets Division RMB'000 | Unallocated RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| **2012** | | | | | |
| **Assets** | | | | | |
| Segment assets | **4,058,517** | **145,859** | **653,327** | **34,271** | **4,891,974** |
| Interest in an associate | **–** | **–** | **–** | **197,032** | **197,032** |
| | **4,058,517** | **145,859** | **653,327** | **231,303** | **5,089,006** |
| **Liabilities** | | | | | |
| Segment liabilities | **1,813,119** | **5,141** | **21,353** | **1,512** | **1,841,125** |
| **2011** | | | | | |
| **Assets** | | | | | |
| Segment assets | 3,633,699 | 172,219 | 238,255 | 64,179 | 4,108,352 |
| Interest in an associate | – | – | – | 192,559 | 192,559 |
| | 3,633,699 | 172,219 | 238,255 | 256,738 | 4,300,911 |
| **Liabilities** | | | | | |
| Segment liabilities | 1,283,182 | 776 | 42,477 | 824 | 1,327,259 |

The following is an analysis of the Group's major customers which contributed at least 10% of the Group's revenue during the respective financial years. These revenue are attributable to the Aluminium Alloy Extruded Products Division.

During the financial year ended 31 December 2012, there were 2 such customers which generated revenue of RMB107,899,000 and RMB104,595,000 respectively.

During the financial year ended 31 December 2011, there were 3 such customers which generated revenue of RMB335,960,000, RMB175,734,000 and RMB131,658,000 respectively.

**Notes to the Financial Statements**
For the financial year ended 31 December 2012

## 6. Other operating income

| | 2012 RMB'000 | 2011 RMB'000 |
|---|---|---|
| Foreign exchange gain (net) | **1,846** | 2,054 |
| Income from disposal of scrap materials | **2,875** | 714 |
| Interest income | **4,762** | 6,129 |
| Reinvestment tax refunds (note i) | **–** | 160 |
| Government subsidy (note i) | **1,311** | 1,600 |
| Sundry income | **1,698** | 5,874 |
| | **12,492** | 16,531 |

Note:

(i) There are no unfulfilled conditions or contingencies relating to the reinvestment tax refunds and government subsidy.

## 7. Finance costs

| | 2012 RMB'000 | 2011 RMB'000 |
|---|---|---|
| Interest on bank borrowings | | |
| Wholly repayable within five years | **81,283** | 31,880 |
| Not wholly repayable within five years | **5,176** | 19,200 |
| | **86,459** | 51,080 |
| Bank charges | **6,748** | 7,968 |
| Interest on discounted notes receivables | **6,675** | 5,092 |
| Total borrowing costs | **99,882** | 64,140 |
| Less: Amount capitalised (Note i) | **(25,903)** | (25,374) |
| | **73,979** | 38,766 |

Note:

(i) Borrowing costs capitalised during the financial years arose from the specific and general borrowing pools. The borrowing costs capitalised which arose from the general borrowing pools were calculated by applying a capitalisation rate of 6% (2011: 6.59%) to expenditure on qualifying assets for the financial year ended 31 December 2012.

## Notes to the Financial Statements

For the financial year ended 31 December 2012

# 8. Staff costs

| | **2012** **RMB'000** | 2011 RMB'000 |
|---|---|---|
| **Staff costs (including Directors' emoluments) comprise:** | | |
| Salaries, allowance and bonuses | **93,281** | 81,502 |
| Contribution to defined contributions plans | **13,806** | 14,400 |
| | **107,087** | 95,902 |

# 9. Profit before income tax expense

Profit before income tax expense is arrived at after charging/(crediting):

| | **2012** **RMB'000** | 2011 RMB'000 |
|---|---|---|
| Audit fees: | | |
| Auditor of the Company | **631** | 626 |
| Other auditors | **656** | 745 |
| Non-audit fees: | | |
| Auditor of the Company | **–** | 178 |
| Write-off of property, plant and equipment | **–** | 194 |
| Write-back of allowance for doubtful trade receivables | **–** | (2) |
| Amortisation of prepaid rental and land use rights | **5,693** | 2,923 |
| Loss on disposal of property, plant and equipment, net | **1,038** | 344 |
| Operating lease rentals – properties | **1,725** | 1,823 |

## 10. Directors' emoluments

The aggregate amounts of Directors' emoluments are as follows:

| | For the financial year ended 31 December 2012 | | | | |
|---|---|---|---|---|---|
| | Fee RMB'000 | Retirement benefits scheme contribution RMB'000 | Other emoluments (mainly basic salaries and allowances) RMB'000 | Equity-settled share-based payment expenses RMB'000 | Total RMB'000 |
| **Executive Directors** | | | | | |
| Chen Wei Ping | **–** | **38** | **2,908** | **–** | **2,946** |
| Chew Hwa Kwang, Patrick | **–** | **42** | **2,453** | **–** | **2,495** |
| **Independent non-executive Directors** | | | | | |
| Tong Din Eu | **252** | **–** | **–** | **–** | **252** |
| Chan Soo Sen | **252** | **–** | **–** | **–** | **252** |
| Xu Wei Dong | **252** | **–** | **–** | **–** | **252** |
| | **756** | **80** | **5,361** | **–** | **6,197** |

| | For the financial year ended 31 December 2011 | | | | |
|---|---|---|---|---|---|
| | Fee RMB'000 | Retirement benefits scheme contribution RMB'000 | Other emoluments (mainly basic salaries and allowances) RMB'000 | Equity-settled share-based payment expenses RMB'000 | Total RMB'000 |
| **Executive Directors** | | | | | |
| Chen Wei Ping | – | 33 | 2,960 | – | 2,993 |
| Chew Hwa Kwang, Patrick | – | 45 | 2,497 | – | 2,542 |
| **Independent non-executive Directors** | | | | | |
| Tong Din Eu | 103 | – | – | – | 103 |
| Chew Chin Hua[(1)] | 190 | – | – | – | 190 |
| Chan Soo Sen | 257 | – | – | – | 257 |
| Xu Wei Dong | 257 | – | – | – | 257 |
| | 807 | 78 | 5,457 | – | 6,342 |

Note (1): Chew Chin Hua, resigned on 23 September 2011.

There were no amounts paid to the Directors as an inducement to join or upon joining the Group or as compensation for loss of office. Also, there was no arrangement under which a Director waived or agreed to waive any remuneration during the financial year.

Notes to the Financial Statements
For the financial year ended 31 December 2012

## 11. Five highest paid individuals

Of the five highest paid individuals, Chen Wei Peng and Chew Hwa Kwang, Patrick are Directors whose emoluments are set out in note 10 above. The emoluments paid or payable to the remaining individuals for the financial year are as follows:

| | **2012 RMB'000** | 2011 RMB'000 |
|---|---|---|
| Salaries, allowance and benefits in kind | **2,956** | 2,577 |
| Performance related bonuses | **630** | 1,843 |
| Contribution to defined contribution plans | **158** | 128 |
| Share-based payment expense | **–** | – |
| | **3,744** | 4,548 |

An analysis of their emoluments by number of employee and emolument range is set out below:

| | **2012** | 2011 |
|---|---|---|
| HK$1,000,000 – HK$1,500,000 | **1** | – |
| HK$1,500,001 – HK$2,000,000 | **2** | 2 |
| HK$2,000,001 – HK$2,500,000 | **–** | 1 |

## 12. Income tax expense

| | **2012 RMB'000** | 2011 RMB'000 |
|---|---|---|
| Current – Singapore | | |
| Under provision for income tax in prior financial years | **44** | 177 |
| Withholding tax arising from dividends declared by PRC's subsidiaries | **3,449** | 1,545 |
| Current – PRC | | |
| Provision for income tax for the financial year | **14,005** | 36,370 |
| Under provision for income tax in prior financial years | **650** | – |
| Income tax expense | **18,148** | 38,092 |

## 12. Income tax expense *(continued)*

Reconciliation of effective tax rate is as below:

| | 2012 RMB'000 | 2011 RMB'000 |
|---|---|---|
| Profit before income tax expense | **43,761** | 225,450 |
| Income tax calculated at statutory tax rate of 17% | **7,439** | 38,326 |
| Effect of different tax rates of overseas operations | **5,943** | 19,125 |
| Tax effect of share of (loss)/profits of an associate | **974** | (1,409) |
| Tax effect of expenses not deductible for tax purposes | **8,300** | 4,716 |
| Effect of tax concession of a subsidiary | **(8,620)** | (23,515) |
| Tax effect of revenue not taxable for tax purpose | **–** | (130) |
| Singapore statutory stepped income exemption | **(77)** | (140) |
| Permanent difference not recognised | **46** | (603) |
| Provision for income tax for the financial year | **14,005** | 36,370 |
| Withholding tax arising from dividends declared by PRC's subsidiaries | **3,449** | 1,545 |
| Under provision for income tax in prior financial years | **694** | 177 |
| Income tax expense | **18,148** | 38,092 |

The Company is incorporated in Singapore and accordingly, is subject to income tax rate of 17% (2011: 17%).

Pursuant to the income tax rules and regulations of the PRC, PRC subsidiaries are liable to PRC enterprise income tax at a rate of 25% during the year ended 31 December 2012 (2011: 25%) except for the following:

- During the financial year ended 31 December 2011, Jilin Midas was awarded with the approved High Technology Enterprise status (高新技術企業) and is entitled to enjoy a concessionary tax rate of 15% for the financial years 2011 to 2013.

Under the PRC tax law, dividends received by foreign investors from their investments in Chinese enterprises in respect of their profits earned since 1 January 2008 are subject to withholding tax at a rate of 10% unless reduced by treaty. Pursuant to a tax arrangement between the PRC and Singapore, the investment holding companies established in Singapore are subject to a reduced withholding tax rate of 5% on dividends they received from their PRC subsidiaries.

## 13. Profit for the financial year

The consolidated profit for the financial year includes a profit of RMB31,416,000 (2011: RMB1,605,000) which has been included in the financial statements of the Company.

Notes to the Financial Statements
For the financial year ended 31 December 2012

## 14. Dividends

| | 2012 RMB'000 | 2011 RMB'000 |
|---|---|---|
| Final dividend of S$0.005 per share paid in respect of the financial year ended 2010 under the exempt-1-tier system | – | 31,626 |
| 2011 interim tax-exempt dividends of S$0.005 per ordinary share under the exempt-1-tier system | – | 28,267 |
| Final dividend of S$0.005 per share paid in respect of the financial year 2011 under the exempt-1-tier system | **30,440** | – |
| 2012 tax-exempt dividends of S$0.0025 per ordinary share under the exempt-1-tier system | **15,313** | – |
| | **45,753** | 59,893 |

Subsequent to the end of the financial year, the Board proposed a final tax-exempt dividend# of S$0.0025 (2011: S$0.005) per ordinary share, amounting to S$3,044,000 (2010: S$6,088,000) under the exempt-1-tier system. The proposed final dividends has not been recognised as a liability at the end of reporting period.

# With effect from 1 January 2003, Singapore has adopted a one-tier corporate tax system under which tax paid by a resident company on its chargeable income is a final tax. All dividends paid are tax exempt in the hands of its shareholders. There is no withholding tax on dividend payments to all shareholders.

## 15. Earnings per share

The calculation of the basic and diluted earnings per share attributable to equity holders of the Company is based on the following data:

| | 2012 RMB'000 | 2011 RMB'000 |
|---|---|---|
| **Earnings** | | |
| Earnings for the purpose of basic and diluted earnings per share, being profit for the year attributable to equity holders of the Company | **27,845** | 187,358 |
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | **1,217,618** | 1,217,618 |
| **Effect of dilutive potential ordinary shares:** | | |
| Effects of dilution – share options | – | 738 |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | **1,217,618** | 1,218,356 |

## 15. Earnings per share *(continued)*

| | 2012<br>RMB Fen | 2011<br>RMB Fen |
|---|---|---|
| Basic earnings per share | **2.29** | 15.39 |
| Diluted earnings per share | **2.29** | 15.38 |

A batch of 5,100,000 (2011: 3,700,000) share options did not have dilutive effect on the Group's earnings per share because the average market price per ordinary share of the Company during the financial year was below the exercise price of the share option granted.

## 16. Property, plant and equipment

| The Group | Buildings and improvements RMB'000 | Plant, equipment and mould RMB'000 | Motor vehicles RMB'000 | Office equipment RMB'000 | Construction-in-progress RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| Balance at 1 January 2012 | 631,482 | 967,429 | 18,010 | 10,165 | 631,862 | 2,258,948 |
| Additions | – | 64,537 | 2,506 | 943 | 359,237 | 427,223 |
| Transfers | 22,141 | 92,588 | – | – | (114,729) | – |
| Disposals | – | (1,723) | (292) | (74) | – | (2,089) |
| Written off | – | (42,486) | – | – | – | (42,486) |
| Foreign currency realignment | 9 | – | – | 10 | – | 19 |
| Balance at 31 December 2012 | 653,632 | 1,080,345 | 20,224 | 11,044 | 876,370 | 2,641,615 |
| **Accumulated depreciation and impairment loss** | | | | | | |
| Balance at 1 January 2012 | 47,058 | 261,063 | 4,526 | 7,916 | – | 320,563 |
| Depreciation for the financial year | 19,961 | 92,133 | 1,914 | 922 | – | 114,930 |
| Disposals | – | (675) | (80) | (65) | – | (820) |
| Written off | – | (42,486) | – | – | – | (42,486) |
| Foreign currency realignment | 4 | – | – | 6 | – | 10 |
| Balance at 31 December 2012 | 67,023 | 310,035 | 6,360 | 8,779 | – | 392,197 |
| **Carrying amount** | | | | | | |
| At 31 December 2012 | 586,609 | 770,310 | 13,864 | 2,265 | 876,370 | 2,249,418 |

# 16. Property, plant and equipment *(continued)*

| The Group | Buildings and improvements RMB'000 | Plant, equipment and mould RMB'000 | Motor vehicles RMB'000 | Office equipment RMB'000 | Construction-in-progress RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| Balance at 1 January 2011 | 499,260 | 611,679 | 11,193 | 9,474 | 505,496 | 1,637,102 |
| Additions | 108,425 | 121,678 | 7,734 | 1,759 | 386,363 | 625,959 |
| Transfers | 23,797 | 236,144 | – | 56 | (259,997) | – |
| Disposals | – | (2,072) | (917) | (60) | – | (3,049) |
| Written off | – | – | – | (1,061) | – | (1,061) |
| Foreign currency realignment | – | – | – | (3) | – | (3) |
| Balance at 31 December 2011 | 631,482 | 967,429 | 18,010 | 10,165 | 631,862 | 2,258,948 |
| **Accumulated depreciation and impairment loss** | | | | | | |
| Balance at 1 January 2011 | 29,401 | 202,809 | 3,603 | 7,784 | – | 243,597 |
| Depreciation for the financial year | 17,657 | 59,017 | 1,457 | 1,056 | – | 79,187 |
| Disposals | – | (1,430) | (534) | (53) | – | (2,017) |
| Written off | – | – | – | (867) | – | (867) |
| Impairment loss for the financial year | – | 667 | – | – | – | 667 |
| Foreign currency realignment | – | – | – | (4) | – | (4) |
| Balance at 31 December 2011 | 47,058 | 261,063 | 4,526 | 7,916 | – | 320,563 |
| **Carrying amount** | | | | | | |
| At 31 December 2011 | 584,424 | 706,366 | 13,484 | 2,249 | 631,862 | 1,938,385 |

During the financial year, the Group carried out annual review of the recoverable amount of its plant, equipment and mould, which led to the recognition of an impairment loss of approximately RMB NIL (2011: RMB667,000) that has been recognised in the profit or loss, and included in the cost of sales. The recoverable amount of the relevant assets has been determined on the basis of their fair value less cost to sell.

# 16. Property, plant and equipment *(continued)*

As at 31 December 2012 and 2011, certain property, plant and equipment, with carrying amount of approximately RMB1,762,000,000 and RMB653,132,000 respectively were pledged as securities for bank borrowings (note 27). The borrowing costs of RMB25,903,000 (2011: RMB25,374,000) had been capitalised into construction-in-progress for the year ended 31 December 2012.

| The Company | Buildings and improvements RMB'000 | Office equipment RMB'000 | Total RMB'000 |
|---|---|---|---|
| **Cost** | | | |
| Balance at 1 January 2012 | **187** | **203** | **390** |
| Additions | **–** | **27** | **27** |
| Foreign currency alignment | **9** | **10** | **19** |
| Balance at 31 December 2012 | **196** | **240** | **436** |
| **Accumulated depreciation** | | | |
| Balance at 1 January 2012 | **68** | **97** | **165** |
| Depreciation for the financial year | **55** | **43** | **98** |
| Foreign currency alignment | **4** | **6** | **10** |
| Balance at 31 December 2012 | **127** | **146** | **273** |
| **Carrying amount** | | | |
| At 31 December 2012 | **69** | **94** | **163** |
| **Cost** | | | |
| Balance at 1 January 2011 | 28 | 113 | 141 |
| Additions | 159 | 93 | 252 |
| Foreign currency alignment | – | (3) | (3) |
| Balance at 31 December 2011 | 187 | 203 | 390 |
| **Accumulated depreciation** | | | |
| Balance at 1 January 2011 | 28 | 66 | 94 |
| Depreciation for the financial year | 42 | 33 | 75 |
| Foreign currency alignment | (2) | (2) | (4) |
| Balance at 31 December 2011 | 68 | 97 | 165 |
| **Carrying amount** | | | |
| At 31 December 2011 | 119 | 106 | 225 |

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## 17. Land use rights

| The Group | 2012 RMB'000 | 2011 RMB'000 |
|---|---|---|
| **Cost** | | |
| Balance at beginning of the financial year | **244,907** | 129,522 |
| Additions | **94,931** | 115,385 |
| Balance at end of the financial year | **339,838** | 244,907 |
| **Accumulated amortisation** | | |
| Balance at beginning of the financial year | **8,900** | 5,984 |
| Amortisation for the financial year | **5,686** | 2,916 |
| Balance at end of the financial year | **14,586** | 8,900 |
| **Carrying amount** | | |
| At end of the financial year | **325,252** | 236,007 |

The amount represents costs of the land use rights in respect of lands located in the PRC under medium term leases ranging from 39 to 50 years, where certain of the Group's property, plant and equipment and properties under development are built on.

As at 31 December 2012, land use rights with carrying amount of approximately RMB114,852,000 (2011: RMB117,527,000) were pledged as securities for bank borrowings (note 27).

## 18. Interests in subsidiaries

| The Company | 2012 RMB'000 | 2011 RMB'000 |
|---|---|---|
| Unquoted equity shares, at cost | **404,322** | 231,028 |
| Amounts due from subsidiaries | **1,623,825** | 1,678,887 |
| Exchange differences | **–** | (131) |
| | **2,028,147** | 1,909,784 |

The amounts due from subsidiaries form part of the Company's net investments in certain subsidiaries. They are interest-free, unsecured and settlement is neither planned nor likely to occur in the foreseeable future.

Amounts due from subsidiaries are denominated in the following currencies:

| | 2012 RMB'000 | 2011 RMB'000 |
|---|---|---|
| Singapore dollar | **1,623,825** | 1,348,081 |
| United States dollar | **–** | 13,614 |
| Renminbi | **–** | 317,192 |
| | **1,623,825** | 1,678,887 |

## Notes to the Financial Statements

For the financial year ended 31 December 2012

# 18. Interests in subsidiaries *(continued)*

Details of the subsidiaries are as follows:

| Name of subsidiaries | Effective equity interest 2012 % | Effective equity interest 2011 % | Issued/Registered and paid up capital | Country of incorporation/ operations | Principal activities |
|---|---|---|---|---|---|
| North East Industries Pte Ltd [1] | **100** | 100 | 2 ordinary shares[5] | Singapore | Investment holding |
| Green Oasis Pte Ltd[1] | **100** | 100 | 2 ordinary shares[5] | Singapore | Investment holding |
| Midas Ventures Pte Ltd[1] | **100** | 100 | 2 ordinary shares[5] | Singapore | Inactive |
| Midas Trading (Beijing) Co., Ltd[4] | **100** | 100 | Registered and paid up capital of USD2.1 million | PRC | Inactive |
| Jilin Midas Light Alloy Co., Ltd[2] | **55** | 100 | Registered and paid up capital of USD100 million | PRC | Sale of aluminium plates and sheets products |
| Subsidiary of North East Industries Pte Ltd | | | | | |
| Jilin Midas Aluminium Industries Co.,Ltd [2][4] | **100** | 100 | Registered and paid up capital of USD187.5 million | PRC | Manufacture and sales of aluminium alloy extrusion products |
| Subsidiary of Jilin Midas Aluminium Industries Co., Ltd | | | | | |
| Luoyang Midas Aluminium Industries Co., Ltd[2][4] | **100** | 100 | Registered and paid up capital of RMB250.6 million | PRC | Manufacture of high precision, high specifications aluminium |
| Subsidiary of Green Oasis Pte Ltd | | | | | |
| Shanxi Wanshida Engineering Plastics Co., Ltd [3][4] | **100** | 100 | Registered and paid up capital of USD6 million | PRC | Manufacture and sales of polyethylene pipes |

(1) Audited by Mazars LLP, Singapore
(2) Audited by an overseas member firm of Mazars
(3) Reviewed by an overseas member firm of Mazars for consolidation purposes
(4) These entities are wholly foreign owned enterprises established in the PRC
(5) Total issued and paid up share capital of the entity is S$2 only

## 18. Interests in subsidiaries *(continued)*

The following table shows the effects of changes in Groups' ownership interest in a subsidiary, Jilin Midas Light Alloy Co., Ltd, that did not result in change of control on equity attributable to owners of the Company.

| The Group | 2012 RMB'000 |
|---|---|
| Proceeds received on changes in ownership interest in a subsidiary | **285,376** |
| Non-controlling interests acquired | **(286,650)** |
| Difference recognised in equity | **(1,274)** |

## 19. Interest in an associate

Details of the associate are as follows:

| Name of associate | Effective equity interest | | Issued/Registered and paid up capital | Country of incorporation/ operations | Principal activities |
|---|---|---|---|---|---|
| | **2012 %** | 2011 % | | | |
| Nanjing SR Puzhen Rail Transport Co., Ltd[1][2] | **32.5** | 32.5 | Registered and paid up capital of RMB340 million | PRC | Manufacture and sale of metro trains, bogies and their related parts |

(1) Audited by an overseas member firm of Mazars for equity accounting purpose
(2) This entity is a sino-foreign investment joint enterprise in the PRC

| The Group | 2012 RMB'000 | 2011 RMB'000 |
|---|---|---|
| **Unquoted equity investment, share of net assets** | | |
| Balance at beginning of the financial year | **192,559** | 199,266 |
| Dividend received/receivable | **–** | (7,020) |
| Share of (loss)/profit | **(5,732)** | 8,290 |
| Exchange difference | **10,205** | (7,977) |
| Balance at end of the financial year | **197,032** | 192,559 |

## 19. Interest in an associate *(continued)*

| The Company | 2012 RMB'000 | 2011 RMB'000 |
|---|---|---|
| **Unquoted equity investment, at cost** | | |
| Balance at beginning of the financial year | **144,268** | 152,245 |
| Exchange difference | **7,279** | (7,977) |
| Balance at end of the financial year | **151,547** | 144,268 |

The Group's associate, Nanjing SR Puzhen Rail Transport Co., Ltd was incorporated on 18 October 2006 and commenced its commercial operations with effect from January 2007. The summary of the financial information as at 31 December 2012 and 2011 are as follows:

| | 2012 RMB'000 | 2011 RMB'000 |
|---|---|---|
| Total assets | **2,080,000** | 2,292,000 |
| Total liabilities | **1,532,000** | 1,728,000 |
| Revenue | **1,372,000** | 1,594,000 |
| (Loss)/Profit for the financial year | **(17,637)** | 27,956 |

## 20. Available-for-sale financial asset

| The Group | 2012 RMB'000 | 2011 RMB'000 |
|---|---|---|
| Unquoted equity investment, at cost | **2,000** | 2,000 |

The available-for-sale financial asset is denominated in Renminbi.

As at 31 December 2012, the unquoted equity investment with an aggregate carrying amount of RMB2,000,000 (2011: RMB2,000,000) was stated at cost because the range of reasonable fair value estimates is so significant that the Directors are of the opinion that its fair value cannot be measured reliably.

## 21. Prepaid rental

| The Group | 2012 RMB'000 | 2011 RMB'000 |
|---|---|---|
| **Cost** | | |
| Balance at beginning and end of the financial year | **193** | 193 |
| **Accumulated amortisation** | | |
| Balance at beginning of the financial year | **80** | 73 |
| Amortisation for the financial year | **7** | 7 |
| Balance at end of the financial year | **87** | 80 |
| **Carrying amount** | | |
| At end of the financial year | **106** | 113 |

## 22. Restricted bank deposits

As at 31 December 2012, non-current restricted bank deposits representing deposits placed in certain banks mainly for securing the issuance of letters of credit amounted to RMB37,456,000 (2011: RMB24,659,000). The current restricted bank deposit of RMB50,001,000 as at 31 December 2011 related to additional investment injected as at the reporting date into one of the PRC subsidiaries for which the local authority's approval on this additional investment was still pending then. The approval was granted subsequently. The restricted bank deposits bear interest at effective rate ranging from 0.005% to 0.35% (2011: 0.1% to 0.5%) per annum respectively and for a tenure ranging between 1 year to 3 years.

The carrying amounts of restricted bank deposits approximate their fair values and are denominated in the following currencies:

| The Group | 2012 RMB'000 | 2011 RMB'000 |
|---|---|---|
| Euro | **4,466** | 9,602 |
| United States dollar | **1,180** | 10,536 |
| Renminbi | **31,810** | 54,522 |
| | **37,456** | 74,660 |

## 23. Inventories

| The Group | 2012 RMB'000 | 2011 RMB'000 |
|---|---|---|
| Raw materials | **501,300** | 262,033 |
| Work-in-progress | **12,784** | 80,290 |
| Finished goods | **186,699** | 136,120 |
| | **700,783** | 478,443 |

The cost of inventories recognised as expense and included in "cost of sales" in the consolidated statement of comprehensive income amounted to RMB428,935,000 (2011: RMB718,786,000).

# 24. Trade and other receivables

| The Group | 2012 RMB'000 | 2011 RMB'000 |
|---|---|---|
| Trade receivables – third parties | **734,493** | 537,639 |
| Trade receivables – associate | **34,466** | 19,888 |
| | **768,959** | 557,527 |
| Allowance for doubtful trade receivables | **(1,832)** | (1,832) |
| | **767,127** | 555,695 |
| Deposits and prepayments | **191,514** | 43,884 |
| Notes receivables | **651** | 51,500 |
| Amount due from an associate – non-trade | **–** | 6,669 |
| Others – non-trade | **48,335** | 39,878 |
| | **1,007,627** | 697,626 |

| The Company | 2012 RMB'000 | 2011 RMB'000 |
|---|---|---|
| Deposits and prepayments | **608** | 735 |
| Others – non-trade | **77** | 60 |
| Amount due from an associate – non-trade | **–** | 6,669 |
| | **685** | 7,464 |

Trade receivables due from third parties are non-interest bearing and are generally on 90 to 120 days credit terms.

Notes receivables are non-interest bearing and are generally settled on terms of 6 months.

Trade amounts due from an associate is non-interest bearing and is generally on 90 days credit term. The non-trade amount due from an associate relates to dividend receivable from the associate and was unsecured, non-interest bearing and repayable on demand. The amount has been received during the financial year ended 31 December 2012.

The Group and Company recognised impairment loss on individual assessment of customers based on the accounting policy stated in note 2.10.

As at 31 December 2012, certain trade receivables with carrying values of approximately 757,614,000 (2011: RMB314,618,000) were pledged as securities for bank borrowings (note 27).

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# 24. Trade and other receivables *(continued)*

The ageing analysis of the Group's trade receivables at the reporting date is as follows:

| The Group | 2012 RMB'000 | 2011 RMB'000 |
|---|---|---|
| Within 90 days | **265,679** | 238,831 |
| Over 90 days and within 120 days | **61,290** | 85,629 |
| Over 120 days and within 6 months | **99,105** | 106,990 |
| Over 6 months and within 1 year | **256,628** | 98,272 |
| Over 1 year and within 2 years | **85,663** | 27,456 |
| Over 2 years | **594** | 349 |
| | **768,959** | 557,527 |

The ageing analysis of the Group's trade receivables past due but not impaired at the reporting date is as follows:

| The Group | 2012 RMB'000 | 2011 RMB'000 |
|---|---|---|
| Over 90 days and within 120 days | **61,290** | 83,041 |
| Over 120 days and within 6 months | **99,105** | 106,628 |
| Over 6 months and within 1 year | **256,628** | 89,400 |
| Over 1 year | **84,425** | 27,805 |
| | **501,448** | 306,874 |

The balances that are past due but not impaired relate to a number of customers that have good track records with the Group. Based on past experience, the management estimated that the carrying amounts could be fully recovered.

Movements in allowance for doubtful trade receivables are as follows:

| The Group | 2012 RMB'000 | 2011 RMB'000 |
|---|---|---|
| Balance at beginning of the financial year | **1,832** | 1,834 |
| Write back of allowance for doubtful trade receivables | **–** | (2) |
| Balance at end of the financial year | **1,832** | 1,832 |

## 24. Trade and other receivables *(continued)*

The carrying amounts of trade and other receivables are denominated in the following currencies:

| The Group | 2012 RMB'000 | 2011 RMB'000 |
|---|---|---|
| Singapore dollar | **693** | 436 |
| Renminbi | **980,349** | 688,404 |
| Euro | **26,585** | 8,420 |
| Hong Kong dollar | **–** | 366 |
| | **1,007,627** | 697,626 |

| The Company | 2012 RMB'000 | 2011 RMB'000 |
|---|---|---|
| Singapore dollar | **685** | 428 |
| Renminbi | **–** | 7,036 |
| | **685** | 7,464 |

## 25. Cash and cash equivalents

The carrying amounts of cash and cash equivalents are denominated in the following currencies:

| The Group | 2012 RMB'000 | 2011 RMB'000 |
|---|---|---|
| Euro | **3,012** | 299 |
| Renminbi | **510,620** | 601,011 |
| Singapore dollar | **32,862** | 59,311 |
| United States dollar | **42** | 56 |
| Hong Kong dollar | **468** | 47 |
| Others | **29** | 29 |
| | **547,033** | 660,753 |

| The Company | 2012 RMB'000 | 2011 RMB'000 |
|---|---|---|
| Euro | **16** | 21 |
| Renminbi | **8** | 8 |
| Singapore dollar | **32,751** | 59,208 |
| United States dollar | **17** | 19 |
| Hong Kong dollar | **468** | 48 |
| Others | **29** | 29 |
| | **33,289** | 59,333 |

# 26. Trade and other payables

| The Group | 2012 RMB'000 | 2011 RMB'000 |
|---|---|---|
| Trade payables | **177,994** | 98,100 |
| Notes payable | **106,000** | 15,000 |
| Other payables and accruals | **67,760** | 111,328 |
| Advance from third parties customers | **15,380** | 7,652 |
| | **367,134** | 232,080 |

| The Company | 2012 RMB'000 | 2011 RMB'000 |
|---|---|---|
| Other payables and accruals | **1,402** | 713 |

These amounts are non-interest bearing. Trade payables are normally settled on 30 to 90 days terms while other payables have an average term of 30 days.

Notes payable have an average maturity period of 6 months and are non-interest bearing.

The ageing analysis of the Group's trade payables at the reporting date is as follows:

| | 2012 RMB'000 | 2011 RMB'000 |
|---|---|---|
| Within 90 days | **105,636** | 97,610 |
| Over 90 days and within 6 months | **13,259** | 171 |
| Over 6 months and within 1 year | **12,160** | 97 |
| Over 1 year | **46,939** | 222 |
| | **177,994** | 98,100 |

The carrying amounts of trade and other payables are denominated in the following currencies:

| The Group | 2012 RMB'000 | 2011 RMB'000 |
|---|---|---|
| Singapore dollar | **1,474** | 785 |
| Renminbi | **365,660** | 231,052 |
| Euro | **–** | 243 |
| | **367,134** | 232,080 |

| The Company | 2012 RMB'000 | 2011 RMB'000 |
|---|---|---|
| Singapore dollar | **1,402** | 713 |

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## 27. Bank borrowings

| The Group | 2012 RMB'000 | 2011 RMB'000 |
|---|---|---|
| Secured bank borrowings (note i) | **550,650** | 621,000 |
| Unsecured bank borrowings | **921,200** | 472,000 |
| | **1,471,850** | 1,093,000 |
| Carrying amount repayable: | | |
| Within one financial year | **999,300** | 909,690 |
| Between one to two financial years | **225,230** | – |
| Between two to five financial years | **197,670** | 183,310 |
| More than five financial years | **49,650** | – |
| | **1,471,850** | 1,093,000 |
| Less: Amounts due within one financial year shown under current liabilities | **(999,300)** | (909,690) |
| | **472,550** | 183,310 |

The effective interest rates, which are also equal to contracted interest rates, per annum are as follows:

| | 2012 % | 2011 % |
|---|---|---|
| Short-term loans | **4.92 – 8.52** | 6.06 – 7.98 |
| Long-term loans | **6.55 – 7.40** | 7.05 |

All bank borrowings are variable-rate borrowings, and these borrowings carried interest at rates ranging from 70% to 135% (2011: 90% to 120%) of the benchmark interest rate as quoted by The People's Bank of China.

Bank borrowings are all denominated in Renminbi as at the reporting date.

Notes:

(i) The bank borrowings were secured by certain property, plant and equipment, land use rights and various trade receivables owned by the Group as set out in notes 16, 17 and 24 to the consolidated financial statements.

# 28. Deferred tax liability

Details of the deferred tax liability recognised and movements during the financial year are as follows:

| **The Group** | **RMB'000** |
|---|---|
| **Deferred tax liability** | |
| At 1 January 2011 | 2,054 |
| Exchange difference | 125 |
| At 31 December 2011 and 1 January 2012 | 2,179 |
| Exchange difference | (38) |
| At 31 December 2012 | 2,141 |

During the financial year ended 31 December 2008, an inter-company loan within the Group had been capitalised that gave rise to an exchange difference of approximately S$1,635,000 (RMB7,411,000 equivalent) which was credited to the foreign currency translation reserve at the Group level.

This exchange difference had also given rise to a future tax obligation of approximately S$419,000 (RMB1,899,000 equivalent) which was recognised as a deferred tax liability on the consolidated statement of financial position with a corresponding entry to the foreign currency translation reserve as at 31 December 2008.

Under the New Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred tax has not been provided for in the consolidated statements of comprehensive income in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries as at 31 December 2012 and 2011 amounting to approximately RMB725,000,000 and RMB651,500,000 respectively as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

# 29. Share capital and treasury shares

## (a) Share capital

| | **The Group and the Company** | | | |
|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 |
| | **Number of ordinary shares** | | **RMB'000** | RMB'000 |
| **Issued and fully paid** | | | | |
| Balance at beginning and end of the financial year | **1,218,617,800** | 1,218,617,800 | **2,166,575** | 2,166,575 |

(i) The Company has one class of ordinary shares which carries a right to dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and have no par value.

## 29. Share capital and treasury shares *(continued)*

### (b) Treasury shares

| | The Group and the Company | | | |
|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 |
| | **Number of ordinary shares** | | **RMB'000** | RMB'000 |
| Balance at beginning and end of the financial year | **1,000,000** | 1,000,000 | **2,501** | 2,501 |

The Company acquired 1,000,000 of its own shares through purchases on the Singapore Stock Exchange during the financial year ended 31 December 2008. The total amount paid to acquire the shares was S$518,000 (RMB2,501,000 equivalent) and has been deducted from shareholders' equity.

## 30. Reserves

| **The Company** | **Treasury share (note 29(b)) RMB'000** | **Foreign currency translation reserve RMB'000** | **Share options reserve (note 33) RMB'000** | **Retained earnings RMB'000** | **Total RMB'000** |
|---|---|---|---|---|---|
| Balance at 1 January 2012 | **(2,501)** | **(62,497)** | **10,913** | **7,871** | **(46,214)** |
| Total comprehensive income for the financial year | **–** | **106,405** | **–** | **31,416** | **137,821** |
| Dividends (note 14) | **–** | **–** | **–** | **(45,753)** | **(45,753)** |
| Transfer of option reserve to retained earnings | **–** | **–** | **(7,955)** | **7,955** | **–** |
| Balance at 31 December 2012 | **(2,501)** | **43,908** | **2,958** | **1,489** | **45,854** |
| Balance at 1 January 2011 | (2,501) | 57,217 | 15,303 | 61,769 | 131,788 |
| Total comprehensive income for the financial year | – | (119,714) | – | 1,605 | (118,109) |
| Dividends (note 14) | – | – | – | (59,893) | (59,893) |
| Transfer of option reserve to retained earnings | – | – | (4,390) | 4,390 | – |
| Balance at 31 December 2011 | (2,501) | (62,497) | 10,913 | 7,871 | (46,214) |

## 31. Foreign currency translation reserve

**The Group and the Company**

The foreign currency translation reserve comprises all foreign 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. Movements in the Group's foreign currency translation reserve are set out in the consolidated statement of changes in equity.

## 32. PRC statutory reserve

**The Group**

PRC statutory reserve represents the amounts transferred from profit after income tax of the subsidiaries incorporated in the PRC in accordance with the PRC statutory requirements. The PRC statutory reserve cannot be reduced except where approval is obtained from the relevant PRC authority to apply the amount either in setting off the accumulated losses or increasing share capital. Movement in this account is set out in the consolidated statement of changes in equity.

## 33. Share options reserve

**The Group and the Company**

Share options reserve represents the equity-settled share options granted to employees. The reserve is made up of the cumulative value of services received from employees recorded on grant of equity-settled share options. Movement in this account is set out in the consolidated statement of changes in equity.

*Equity-settled share options scheme*

The Company has a share options scheme known as Midas Employee Share Options Scheme (the "Scheme") for all employees of the Group. Under the Scheme, an option entitles the option holder to subscribe for a specific number of new ordinary shares in the Company comprised in the option at a subscription price per share determined with reference to the market price of the share at the time of grant of the option.

Options granted with the subscription price set at the market price shall only be exercisable after the first anniversary from the date of grant of the option. Options granted with the subscription price set at a discount to the market price shall only be exercisable after the second anniversary from the date of the grant of the option. The shares under option may be exercised in whole or in part thereof.

Options granted will lapse when the option holder ceases to be a full-time employee of the Group subject to certain exceptions at the discretion of the Company.

## 33. Share options reserve *(continued)*

**The Group and the Company** *(continued)*

*Equity-settled share options scheme (continued)*

Details of the share options outstanding during the financial year are as follows:

| **The Group and the Company** | **Balance at beginning of the financial year** | **Granted during the financial year** | **Expired during the financial year** | **Balance at end of the financial year** | **Exercise price** |
|---|---|---|---|---|---|
| At 31 December 2012 | | | | | |
| 2007 options | **3,700,000** | **–** | **(3,700,000)** | **–** | **S$1.992** |
| 2009 options | **5,100,000** | **–** | **–** | **5,100,000** | **S$0.517** |
| | **8,800,000** | **–** | **(3,700,000)** | **5,100,000** | |
| Exercisable at 31 December 2012 | | | | **5,100,000** | |

| The Group and the Company | Balance at beginning of the financial year | Granted during the financial year | Exercised/ Expired/Cancelled during the financial year | Balance at end of the financial year | Exercise price |
|---|---|---|---|---|---|
| At 31 December 2011 | | | | | |
| 2006 options | 3,000,000 | – | (3,000,000) | – | – |
| 2007 options | 4,000,000 | – | (300,000) | 3,700,000 | S$1.992 |
| 2009 options | 5,350,000 | – | (250,000) | 5,100,000 | S$0.517 |
| | 12,350,000 | – | (3,550,000) | 8,800,000 | |
| Exercisable at 31 December 2011 | | | | 8,800,000 | |

The weighted average share price at the date of exercise for share options exercised, expired or cancelled in the financial year ended 31 December 2012 and 2011 were S$0.517 and S$0.60 respectively. The options outstanding as at 31 December 2012 and 2011 have a weighted average remaining contractual life of 1.2 years and 1.3 years respectively. The fair values for the above share options granted in previous financial years were calculated using the Hull-White option pricing model.

There were no shares options granted for the financial years ended 31 December 2012 and 31 December 2011.

# 34. Operating lease commitments

As at reporting date, the total future minimum lease payments under non-cancellable operating leases are as follows:

| The Group | 2012 RMB'000 | 2011 RMB'000 |
|---|---|---|
| Within one year | **1,155** | 1,609 |
| After one year but within five years | **2,356** | 125 |
| Total | **3,511** | 1,734 |

The Group leases a number of properties under operating leases. Leases are negotiated for an average term of 3 to 5 years and rentals are fixed for an average of 3 to 5 years. These leases have no escalation clauses, restriction and do not provide contingent rents.

# 35. Capital commitments

| The Group | 2012 RMB'000 | 2011 RMB'000 |
|---|---|---|
| Commitments for the acquisition and construction of property, plant and equipment: | | |
| – Contracted but not provided for | **511,472** | 442,445 |

# 36. Significant related party transaction

## (a) Transactions with related parties

In addition to the information disclosed in note 24 to the consolidated financial statements, significant related party transactions between the Group and its related parties during the financial year were as follows:

| Related party relationship | Type of transaction | 2012 RMB'000 | 2011 RMB'000 |
|---|---|---|---|
| Associate | Sales of goods | **73,267** | 30,758 |
| Associate | Dividend income | **–** | 7,020 |

# 36. Significant related party transaction *(continued)*

## (b) Compensation of key management personnel

Remuneration of key management personnel of the Group, including certain amounts paid or payable to the Company's Directors as disclosed in note 10 to the consolidated financial statement, for the financial year is as follows:

| | **2012** **RMB'000** | 2011 RMB'000 |
|---|---|---|
| Salaries and other short-term employee benefits | **8,946** | 9,877 |
| Post-employment benefits – CPF contribution | **239** | 206 |
| Directors fees | **756** | 807 |
| | **9,941** | 10,890 |

# 37. Financial risk and capital management

## 37.1 Financial risk management

The Group's activities expose it to capital risk, credit risk, market risk (including interest rate risk and foreign currency risk), and liquidity risk. The Group's overall risk management strategy seeks to minimise adverse effects from the volatility of financial markets on the Group's financial performance.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. The Group management then establishes the detailed policies such as risk identification and measurement, exposure limits and hedging strategies, in accordance with the objectives and underlying principles approved by the Board of Directors.

The Group does not hold or issue derivative financial instruments for trading purposes or to hedge against fluctuation, if any, in interest rates and foreign exchange rates. There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risk.

# 37. Financial risk and capital management *(continued)*

## 37.1 Financial risk management *(continued)*

### (a) Credit risk

The Group places its bank balances and restricted bank balances with approved credit worthy financial institutions which are regulated. The Group performs ongoing credit evaluation of its customers' financial condition and generally does not require collateral. The Group assesses the customers' credibility and performs periodic reviews of the credit limits granted to the latter based on the findings from such assessments.

The maximum exposure to credit risk in the event that the counterparties fail to perform their obligations as at end of the financial year in relation to each class of recognised financial assets is the carrying amount of those assets stated in the statements of financial position.

The Group has a concentration of credit risk of the trade receivables due from the five largest debtors. As at 31 December 2012 and 2011, approximately 67% and 70% of total trade receivables respectively, were due from the five largest debtors.

### (b) Market risk

*(i) Interest rate risk*

The Group's exposure to changes in interest rates relates primarily to interest-earning financial assets and interest-bearing financial liabilities. Interest rate risk is managed by the Group on an on-going basis with the primary objective of limiting the extent to which net interest expense could be affected by an adverse movement in interest rates.

The following tables set out the respective carrying amounts, by maturity, of the Group's financial instruments as at end of the financial year, that are exposed to interest rate risk.

| **The Group** | **Weighted average effective interest rate** | | **Carrying amount** | |
|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 |
| | **%** | % | **RMB'000** | RMB'000 |
| **Variable rate instruments** | | | | |
| **Financial assets** | | | | |
| Restricted bank deposits | **0.30** | 0.13 | **37,456** | 74,660 |
| Cash and cash equivalents | **0.33** | 0.50 | **547,033** | 660,753 |
| | | | **584,489** | 735,413 |
| **Financial liabilities** | | | | |
| Interest-bearing bank borrowings | **6.32** | 6.84 | **1,471,850** | 1,093,000 |

# 37. Financial risk and capital management *(continued)*

## 37.1 Financial risk management *(continued)*

### (b) Market risk *(continued)*

*(i) Interest rate risk (continued)*

| The Company | Weighted average effective interest rate | | Carrying amount | |
|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 |
| | **%** | % | **RMB'000** | RMB'000 |
| **Variable rate instruments** | | | | |
| **Financial assets** | | | | |
| Cash and cash equivalents | **0.20** | 0.15 | **33,289** | 59,333 |

*Interest rate sensitivity analysis*

The sensitivity analysis below has been determined based on the exposure to interest rate risk for financial instruments as at reporting date. For floating rate assets and liabilities, the analysis is prepared assuming the amount of assets and liabilities outstanding at reporting date was outstanding for the whole year. The sensitivity analysis assumes an instantaneous 100 basis point ("bp") change in the interest rates from the reporting date, with all other variables held constant.

| | Impact to profit before income tax expense | |
|---|---|---|
| | **100 bp increase** | **100 bp decrease** |
| | **RMB'000** | **RMB'000** |
| **The Group** | | |
| At 31 December 2012 | | |
| Cash and cash equivalents | **5,470** | **(5,470)** |
| Restricted bank deposits | **375** | **(375)** |
| Bank borrowings | **(14,719)** | **14,719** |
| | **(8,874)** | **8,874** |
| At 31 December 2011 | | |
| Cash and cash equivalents | 6,608 | (6,608) |
| Restricted bank deposits | 746 | (746) |
| Bank borrowings | (10,930) | 10,930 |
| | (3,576) | 3,576 |

# 37. Financial risk and capital management *(continued)*

## 37.1 Financial risk management *(continued)*

### (b) Market risk *(continued)*

*(ii) Foreign currency risk*

The Group has foreign currency exposures arising from transactions that are denominated in a currency other than the functional currency of Group entities, primarily Renminbi. As at the reporting date, the Group and the Company do not have significant foreign currency risk exposure except for the financial assets denominated in Euro and United States dollar. It is not the Group's policy to enter into any financial derivatives to hedge its exchange risks.

The following table sets out the carrying amount of monetary assets and liabilities of the Group in their respective currencies:

| | Assets | | Liabilities | |
|---|---|---|---|---|
| | **2012 RMB'000** | 2011 RMB'000 | **2012 RMB'000** | 2011 RMB'000 |
| Euro | **34,063** | 18,321 | **1,474** | 243 |
| Renminbi | **1,515,369** | 1,341,911 | **1,731,510** | 1,324,052 |
| Singapore dollar | **33,478** | 59,605 | **–** | 785 |
| United States dollar | **1,222** | 10,593 | **–** | – |
| Hong Kong dollar | **468** | 415 | **–** | – |
| Other | **29** | 29 | **–** | – |
| | **1,584,629** | 1,430,874 | **1,732,984** | 1,325,080 |

# 37. Financial risk and capital management *(continued)*

## 37.1 Financial risk management *(continued)*

**(b) Market risk** *(continued)*

*(ii) Foreign currency risk (continued)*

*Foreign currency sensitivity analysis*

The following table demonstrates the sensitivity of the Group's profit to a reasonably possible 10% change in exchange rate of Euro and United States dollar against the respective functional currencies of the Group entities, with all other variables held constant.

| | Impact to profit before income tax | |
|---|---|---|
| | **Strengthened by 10% RMB'000** | **Weakened by 10% RMB'000** |
| **The Group** | | |
| At 31 December 2012 | | |
| Euro | **3,406** | **(3,406)** |
| United States dollar | **122** | **(122)** |
| | **3,528** | **(3,528)** |
| At 31 December 2011 | | |
| Euro | 1,808 | (1,808) |
| United States dollar | 1,059 | (1,059) |
| | 2,867 | (2,867) |

**(c) Liquidity risk**

Liquidity risk refers to the risk in which the Group encounters difficulties in meeting its short-term obligations. Liquidity risk is managed by matching the payment and receipt cycle.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up using undiscounted cash flows of financial liabilities based on the earlier of the contractual date or when the Group is expected to pay. The table includes both interest and principal cash flows.

# 37. Financial risk and capital management *(continued)*

## 37.1 Financial risk management *(continued)*

### (c) Liquidity risk *(continued)*

| The Group | Carrying amount RMB'000 | Total contractual undiscounted cash flow RMB'000 | Within one year RMB'000 | After one year but less than five years RMB'000 | Due five or more than five years RMB'000 |
|---|---|---|---|---|---|
| At 31 December 2012 | | | | | |
| **Financial liabilities** | | | | | |
| Trade and other payables | **367,134** | **367,134** | **367,134** | **–** | **–** |
| Bank borrowings | **1,471,850** | **1,610,152** | **1,062,249** | **495,355** | **52,548** |
| | **1,838,984** | **1,977,286** | **1,429,383** | **495,355** | **52,548** |
| At 31 December 2011 | | | | | |
| **Financial liabilities** | | | | | |
| Trade and other payables | 232,080 | 232,080 | 232,080 | – | – |
| Bank borrowings | 1,093,000 | 1,164,082 | 941,262 | 222,820 | – |
| | 1,325,080 | 1,396,162 | 1,173,342 | 222,820 | – |

| The Company | Carrying amount RMB'000 | Total contractual undiscounted cash flow RMB'000 | Within one year RMB'000 |
|---|---|---|---|
| At 31 December 2012 | | | |
| **Financial liabilities** | | | |
| Other payables | **1,402** | **1,402** | **1,402** |
| | **1,402** | **1,402** | **1,402** |
| At 31 December 2011 | | | |
| **Financial liabilities** | | | |
| Other payables | 713 | 713 | 713 |
| | 713 | 713 | 713 |

The Group's operations are financed mainly through equity, retaining earnings and bank borrowings. Adequate lines of credits are maintained to ensure the necessary liquidity is available when required.

As at 31 December 2012 and 2011, the Company has a net current assets position of RMB32,572,000 and RMB66,084,000 respectively. The Company's cash flow obligations are supported by dividend income and management fee income derived from its subsidiaries and associate.

# 37. Financial risk and capital management *(continued)*

## 37.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group consists of equity attributable to equity holders of the Company, comprising share capital, treasury shares, foreign currency translation reserve, PRC statutory reserve, share options reserve and retained earnings as disclosed in notes 29 to 33 to the consolidated financial statements.

The Group monitors capital on the basis of the debt to equity ratio. This ratio is calculated as total liabilities divided by equity. Total liabilities are the sum of "current liabilities" and "non-current liabilities" as shown on the consolidated statement of financial position and equity is "capital and reserves" as shown on the consolidated statement of financial position. The strategy remained unchanged from 2011.

The debt-equity ratio as at 31 December 2012 and 2011 were as follows:

| The Group | **2012**<br>**RMB'000** | 2011<br>RMB'000 |
|---|---|---|
| Total liabilities | **1,841,125** | 1,327,259 |
| Equity | **3,247,881** | 2,973,652 |
| Debt to equity ratio (times) | **0.57** | 0.45 |

As disclosed in note 32 to the consolidated financial statements, all PRC subsidiaries of the Group are required by the Foreign Enterprise Law of the PRC to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant PRC authorities.

The Group is in compliance with the externally imposed capital requirement for the financial years ended 31 December 2012 and 2011.

# 38. Fair values

The carrying amounts of the current financial assets and financial liabilities in the consolidated financial statements approximate their fair values due to the relative short term maturity of these financial instruments.

As disclosed in note 20 to the consolidated financial statements, the available-for-sale financial asset of the Group is not stated at fair value but at cost less any accumulated impairment losses because its fair value cannot be reasonably assessed and therefore, no disclosure of its fair value is made.

**Notes to the Financial Statements**

For the financial year ended 31 December 2012

## 39. Properties of the Group

| Location | Description | Existing use | Tenure | Unexpired lease term (years) | Site area ('000 sqm) | Gross floor area ('000 sqm) |
|---|---|---|---|---|---|---|
| No. 108 Yongle South Road, Hi-tech Development Zone, Ruicheng Country, Shanxi Province, PRC | Industrial complex | Office building, workshop, warehouse staff dormitory and other ancillary facilities | Leasehold | 37 | 28.7 | 10.8 |
| Industrial Development Zone, Liaoyuan City, Jilin Province, PRC | Industrial complex | Office building, workshops and portion of the property under development | Leasehold | 39 – 47 | 374.8 | 81.8 |
| 188 Fuzhen Road Liaoyuan City, Jilin Province, PRC | Industrial complex | Office building, workshop and other uses | Leasehold | 39 – 44 | 81.8 | 48.5 |
| New Zone, Luoyang City, Henan Province, PRC | Industrial complex | Office building, workshops and portion of the property under development | Leasehold | 49 | 389 | 72.1 |
| Industrial Development Zone, You Yi Village, Liaoyuan City, Jilin Province, PRC | Industrial complex | Office building, workshops and portion of the property under development | Leasehold | 49 | 386 | 90 |

## 40. Reconciliation between Singapore Financial Reporting Standards and International Financial Reporting Standards ("IFRS")

For the financial year ended 31 December 2012, there were no material differences between the consolidated financial statements of the Group prepared under Singapore Financial Reporting Standards and IFRS (which include all IFRS, International Accounting Standards and Interpretations).

## 41. Authorisation of financial statements

The consolidated financial statements of the Group and statement of financial position of the Company for the financial year ended 31 December 2012 were authorised for issue in accordance with a resolution of the Directors on 22 March 2013.

# Size of Shareholdings

## As at 12 March 2013

| Size of Shareholdings | No. of Shareholders | Percentage | No. of Shares Held | Percentage |
|---|---|---|---|---|
| 1 – 999 | 7 | 0.04% | 947 | 0.00% |
| 1,000 – 10,000 | 8,077 | 48.42% | 54,262,362 | 4.45% |
| 10,001 – 1,000,000 | 8,549 | 51.25% | 451,517,260 | 37.05% |
| 1,000,001 and above | 49 | 0.29% | 712,837,231 | 58.50% |
| | 16,682 | 100.00% | 1,218,617,800 | 100.00% |

| | | |
|---|---|---|
| Number of issued shares | : | 1,218,617,800 |
| Number of issued shares (excluding treasury shares) | : | 1,217,617,800 |
| Number/Percentage of Treasury Shares | : | 1,000,000 (0.08%) |
| Class of shares | : | ordinary shares |
| Voting rights | : | one vote per share |

As at 12 March 2013, approximately 78.87% of the Company's ordinary shares were held in the hands of the public. Accordingly, the Company has complied with Rule 723 of the Listing Manual by the Stock Exchange Securities Trading Limited and Rule 8.08 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

## Top Twenty Shareholders As At 12 March 2013

| S/No. | Name | No. of Shares | Percentage |
|---|---|---|---|
| 1 | DBS NOMINEES PTE LTD | 92,745,229 | 7.61% |
| 2 | CHEW HWA KWANG PATRICK | 81,411,800 | 6.68% |
| 3 | CITIBANK NOMINEES SINGAPORE PTE LTD | 74,387,698 | 6.10% |
| 4 | BANK OF EAST ASIA NOMINEES PTE LTD | 62,485,000 | 5.13% |
| 5 | CHEN WEIPING | 51,405,200 | 4.22% |
| 6 | HSBC (SINGAPORE) NOMINEES PTE LTD | 38,014,858 | 3.12% |
| 7 | DBSN SERVICES PTE LTD | 32,482,672 | 2.67% |
| 8 | RAFFLES NOMINEES (PTE) LTD | 26,960,117 | 2.21% |
| 9 | UNITED OVERSEAS BANK NOMINEES PTE LTD | 26,411,904 | 2.17% |
| 10 | PHILLIP SECURITIES PTE LTD | 25,201,500 | 2.07% |
| 11 | SING INVESTMENTS & FINANCE NOMINEES (PTE.) LTD. | 18,000,000 | 1.48% |
| 12 | HKSCC NOMINEES LIMITED | 16,395,236 | 1.35% |
| 13 | CIMB SECURITIES SINGAPORE PTE LTD | 16,048,000 | 1.32% |
| 14 | TOMMIE GOH THIAM POH | 14,435,400 | 1.18% |
| 15 | OCBC SECURITIES PRIVATE LTD | 13,433,000 | 1.10% |
| 16 | DBS VICKERS SECURITIES (S) PTE LTD | 12,853,000 | 1.05% |
| 17 | CITIBANK CONSUMER NOMINEES PTE LTD | 12,353,000 | 1.01% |
| 18 | UOB KAY HIAN PTE LTD | 12,068,000 | 0.99% |
| 19 | MAYBANK KIM ENG SECURITIES PTE LTD | 11,035,355 | 0.91% |
| 20 | BANK OF SINGAPORE NOMINEES PTE LTD | 9,681,100 | 0.79% |
| | | 647,808,069 | 53.16% |

# Substantial Shareholders

As shown in the Register of Substantial Shareholders

| Name of Shareholders | | No. of Shares Direct Interest | Deemed Interest |
|---|---|---|---|
| 1 | CHEN WEIPING | 131,405,200 | – |
| 2 | CHEW HWA KWANG, PATRICK | 121,711,800 | – |

# Notice of Annual General Meeting

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**MIDAS HOLDINGS LIMITED**
*(Company Registration No.: 200009758W)*
*(Incorporated in Singapore with limited liability)*
(Hong Kong Stock Code: 1021)
(Singapore Stock Code: 5EN)

## NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twelfth Annual General Meeting of Midas Holdings Limited (the "Company") will be held at VIP A, Level 4, Raffles City Convention Centre, 80 Bras Basah Road, Singapore 189560 on Tuesday, 30 April 2013 at 10:00 a.m. to transact the following business:

**AS ORDINARY BUSINESS**

1. To receive and adopt the Directors' Report and the Audited Financial Statements of the Company for the financial year ended 31 December 2012 together with the Auditors' Report thereon. **[Resolution 1]**

2. To declare a Final Dividend of 0.25 Singapore cents per ordinary share for the financial year ended 31 December 2012 (2011: 0.5 Singapore cents). **[Resolution 2]**

3. To approve the Directors' fees of S$150,000 for the financial year ended 31 December 2012 (2011: S$157,000). **[Resolution 3]**

4. To re-elect the following Directors retiring pursuant to the Company's Articles of Association:–
   (i) Mr. Chew Hwa Kwang, Patrick (Article 91) **[Resolution 4]**
   (ii) Mr. Chan Soo Sen (Article 91) **[Resolution 5]**

5. To re-appoint Messrs. Mazars LLP, as the Company's Auditors and to authorise the Directors to fix their remuneration. **[Resolution 6]**

6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

# Notice of Annual General Meeting

**AS SPECIAL BUSINESS**

To consider and, if thought fit, to pass the following Ordinary Resolutions with or without any modifications:–

7. Authority to allot and issue shares up to 20% of the total number of issued shares

"THAT pursuant to Section 161 of the Companies Act, Cap. 50 and subject to Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "SGX-ST") and Rule 13.36(2) of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the "SEHK"), authority be and is hereby given to the Directors of the Company to issue shares or convertible securities in the capital of the Company (whether by way of rights, bonus or otherwise) or to grant any offers, agreements or options which would or might require securities to be issued, allotted or disposed of 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 provided that:–

i. the aggregate number of shares and convertible securities to be issued pursuant to this Resolution does not exceed 20 per cent (20%) of the total number of issued shares excluding treasury shares in the capital of the Company (as calculated in accordance with sub-paragraph (ii) below);

ii. (subject to such manner of calculation as may be prescribed by the SGX-ST and the SEHK), for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (i) above, the total number of issued shares excluding treasury shares shall be based on the total number of issued shares excluding treasury shares in the capital of the Company 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 this Resolution is passed; and

c. any subsequent consolidation or subdivision of shares;

iii. in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST and SEHK as amended from time to time being in force (unless such compliance has been waived by the SGX-ST and the SEHK) and the Articles of Association for the time being of the Company; and

iv. unless revoked or varied by the Company in a general meeting, the authority conferred by this Resolution shall 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 the earlier."

**[Resolution 7]**

**[See Explanatory Note]**

**BY ORDER OF THE BOARD**
**MIDAS HOLDINGS LIMITED**

**Tan Cheng Siew**
**Company Secretary**

Singapore,
27 March 2013

# Notice of Annual General Meeting

## CLOSURE OF REGISTERS OF MEMBERS

NOTICE IS HEREBY GIVEN that the share transfer books and register of members of the Company will be closed on 20 May 2013 on which day no share transfer will be effected.

Duly completed registrable transfers received by the Company's share registrar in Singapore, Intertrust Singapore Corporate Services Pte. Ltd., 3 Anson Road, #27-01 Springleaf Tower, Singapore 079909 up to the close of business at 5:00 p.m. on 16 May 2013 will be registered to determine Singapore shareholders' entitlements to the final dividend.

In respect of ordinary shares in securities accounts with The Central Depository (Pte) Limited ("CDP"), the final dividend will be paid by the bank to CDP which will, in turn, distribute the dividend to holders of the securities accounts.

Duly completed registrable transfers accompanied with the relevant share certificates received by the Company's share registrar in Hong Kong, Boardroom Share Registrars (HK) Limited, at 12th Floor, The Lee Gardens, 33 Hysan Avenue, Causeway Bay, Hong Kong by no later than 4:30 p.m. on 16 May 2013 will be registered to determine Hong Kong shareholders' entitlements to the final dividend.

Payment of the dividend, if approved by the members at the Annual General Meeting to be held on 30 April 2013, will be made on 4 June 2013.

***Notes:***

1. A member is entitled to appoint a proxy to attend and vote in his place. A proxy need not be a member of the Company. Members wishing to vote by proxy at the meeting may use the proxy form enclosed. The completed proxy form must be lodged at the registered office of the Company at 4 Shenton Way, #18-03 SGX Centre 2, Singapore 068807 (for Singapore shareholders), or at the Hong Kong share registrar of the Company, Boardroom Share Registrars (HK) Limited, at 12th Floor, The Lee Gardens, 33 Hysan Avenue, Causeway Bay, Hong Kong together with the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy thereof) (for Hong Kong shareholders), not less than 48 hours before the time appointed for the above meeting.

2. In respect of proposed Resolutions 4 and 5, the Board of Directors, in consultation with the Nominating Committee, recommends to members the re-election of Messrs. Chew Hwa Kwang, Patrick and Chan Soo Sen.

   As at the date of this notice, each of the following Directors, save as disclosed herein, did not have any other interest in shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance in Hong Kong.

   Save as disclosed herein, each of the following Directors does not hold any other position with the Company or any other member of the Company's group (the "Group"), nor has any directorships in other listed public companies in the last three years, and no Director has any relationship with any other Directors, senior management, substantial shareholders or controlling shareholders (as defined in the Rules Governing the Listing of Securities on the SEHK (the "Listing Rules")) of the Company.

   Save as disclosed herein, there is no other matter in relation to the following Directors that needs to be brought to the attention of the shareholders and there is no other information relating to the following Directors which is required to be disclosed pursuant to any of the requirements of Rule 13.51(2)(h) to (v) of the Listing Rules.

   **Mr. Chew Hwa Kwang, Patrick**, aged 50, is a founding member of our Group and is our Chief Executive Officer who is responsible for the overall operations and finance of our Group and its financial well-being. Mr. Chew is responsible for identifying future business opportunities and services which our Group may provide to drive future growth. Mr. Chew is also in charge of overseeing the day-to-day management of our Group as well as our Group's strategic and business development. Mr. Chew has served as our Executive Director since November 2000 and played a major role in the listing of our Company's shares on the SGX-ST on 23 February 2004 and on the SEHK on 6 October 2010. Mr. Chew has more than twenty years of management experience.

   Mr. Chew has entered into a service contract with the Company for a term of three years commencing from 1 January 2012 which may be terminated by either party thereto giving to the other party not less than six months' prior notice in writing.

# Notice of Annual General Meeting

Mr. Chew is entitled to receive a monthly salary of S$34,500, a monthly transport allowance of S$6,000 and a bonus equivalent to a percentage of the audited consolidated profit before taxation and before profit sharing (excluding gains on exceptional items and extraordinary item) but after minority interest of our Group for the relevant year or up to three months salary.

As at the date of this notice, Mr. Chew had an interest in 121,711,800 shares of the Company.

**Mr. Chan Soo Sen**, aged 56, was appointed as an Independent Non-Executive Director on 29 June 2006. Mr. Chan was a Minister of State and had served in several ministries including the Ministry of Education, Ministry of Trade and Industry and Ministry of Community Development, Youth and Sports. Before entering the political scene, Mr. Chan started up the China-Singapore Suzhou Industrial Park as the founding CEO in 1994, laying the foundation and framework for infrastructure and utilities development. Mr. Chan holds a Master of Management Science from the University of Stanford, United States of America and is a director of a few listed companies in Singapore and an Adjunct Professor in the Nanyang Technological University.

There is no service contract entered into between Mr. Chan and the Company, but his appointment will be subject to the rotation and retirement requirements in accordance with the Articles of Association of the Company.

Mr. Chan is entitled to receive an annual director's fee of S$50,000 per annum as determined by the Board with reference to his experience and responsibility with the Company, the remuneration benchmarks in the industry and the prevailing market situation.

Mr. Chan Soo Sen will, upon re-election as a Director of the Company, remain as a member of the Audit Committee and will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST and Rule 3.13 of the Listing Rules.

**EXPLANATORY NOTE ON SPECIAL BUSINESS TO BE TRANSACTED:**

The Ordinary Resolution 7 proposed in item (7), if passed, will empower the Directors of the Company from the date of the above meeting until the date of the next Annual General Meeting, to allot and issue new shares in the Company (whether by way of rights, bonus or otherwise). The number of shares which the Directors may issue under this Resolution shall not exceed 20% of the total number of issued shares excluding treasury shares in the capital of the Company. This authority will, unless previously revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.

As at the date of this notice, the issued share capital of the Company comprised 1,217,617,800 shares (excluding 1,000,000 treasury shares). Subject to the passing of ordinary resolution no. 7 and on the basis that no further shares are issued or repurchased after the date of this notice and up to the Annual General Meeting, the Company will be allowed to issue a maximum of 243,523,560 shares.

As at the date of this notice, the executive directors of the Company are Mr. Chen Wei Ping and Mr. Chew Hwa Kwang, Patrick; and the independent non-executive directors of the Company are Mr. Chan Soo Sen, Dr. Xu Wei Dong and Mr. Tong Din Eu.

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# MIDAS HOLDINGS LIMITED

(Company Registration No.: 200009758W)
(Hong Kong Stock Code: 1021)
(Singapore Stock Code: 5EN)

## PROXY FORM

Important
1. For investors who have used their CPF monies to buy shares of Midas Holdings Limited, the Annual Report 2012 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.

I/We ________________________________________

of ________________________________________

being a member/members of Midas Holdings Limited, hereby appoint

| Name | Address | NRIC/Passport No. | Proportion of Shareholdings(%) |
|---|---|---|---|
| | | | |
| and/or (delete as appropriate) | | | |
| | | | |

or failing him/her, the Chairman of the Annual General Meeting ("AGM"), as my/our proxy/proxies to attend and vote for me/us on my/our behalf at the Twelfth AGM of the Company to be held at VIP A, Level 4, Raffles City Convention Centre, 80 Bras Basah Road, Singapore 189560 on 30 April 2013 at 10.00 a.m. and at any adjournment thereof.

If no specific direction as to voting is given, the proxy/proxies may vote or abstain from voting at his/her discretion, as he/she will on any other matter arising at the AGM.

| No. | Resolutions | No. of Votes For | No. of Votes Against |
|---|---|---|---|
| 1. | To receive and adopt the Directors' Report and Audited Financial Statements for the financial year ended 31 December 2012 together with the Auditors' Report thereon. | | |
| 2. | To approve payment of proposed final dividend. | | |
| 3. | To approve payment of Directors' fees of S$150,000. | | |
| 4. | To re-elect Mr. Chew Hwa Kwang, Patrick as a Director. | | |
| 5. | To re-elect Mr. Chan Soo Sen as a Director. | | |
| 6. | To re-appoint Messrs. Mazars LLP as the Company's Auditors and to authorise the Directors to fix their remuneration. | | |
| 7. | Authority to allot and issue shares. | | |

Signed this ________ day of ____________ 2013

| Total No. of Shares in: | No. of Shares |
|---|---|
| 1) CDP Register | |
| 2) Register of Members | |

____________________________

Signature(s) of Member(s) or
Common Seal of Corporate Shareholder

**Notes:**

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

2. Where a member appoints more than one proxy, the appointments shall be deemed to be in the alternatives unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.

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

4. A corporation which is a member may also appoint by resolution of its directors or other governing body such person as it thinks fit to act as an authorised representative or representatives in accordance with its Articles of Association and Section 179 of the Companies Act, Chapter 50 of Singapore, to attend and vote on its behalf.

5. The instrument appointing a proxy or proxies (together with the power of attorney, if any, under which it is signed or a certified copy thereof), must be deposited at the registered office of the Company, 4 Shenton Way, #18-03 SGX Centre 2, Singapore 068807 (for Singapore shareholders), or at the Hong Kong share registrar of the Company, Boardroom Share Registrars (HK) Limited, at 12th Floor, The Lee Gardens, 33 Hysan Avenue, Causeway Bay, Hong Kong (for Hong Kong Shareholders) at least 48 hours before the time fixed for holding the Annual General Meeting.

6. A member should insert the total number of Ordinary Shares held. If the member has Ordinary 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 Ordinary Shares. If the member has Ordinary Shares registered in his name in the Register of Members, he should insert that number of Ordinary Shares. If the member has Ordinary Shares entered against his name in the Depository Register as well as Ordinary Shares registered in his name in the Register of Members, he should insert the aggregate number of Ordinary Shares. If no number is inserted, this form of proxy will be deemed to relate to all the Ordinary Shares held by the member.

7. The Company shall be entitled to reject this instrument of proxy 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 this instrument of proxy. In addition, in the case of a member whose Ordinary Shares are entered in the Depository Register, the Company shall be entitled to reject this instrument of proxy which has been lodged if such member is not shown to have Ordinary Shares entered against his name in the Depository Register at least 48 hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.