GROWING CAPACITY &

ADDING CAPABILITIES

SMELTING ■ FABRICATION ■ TRADING

XINREN ALUMINUM HOLDINGS LIMITED

ANNUAL REPORT 2010

鑫仁铝业
XINREN ALUMINUM

Contents

Corporate Profile

XinRen Aluminum Holdings Limited is a large-scale vertically integrated aluminum producer with one of the most competitive cost structure in the PRC. Its vertically integrated business model allows the Group to participate in key stages of the aluminum industry value chain from upstream smelting and sale of aluminum ingots and plates to the downstream fabrication and sale of value-added products such as aluminum sheets, coils and foils.

It operates two aluminum smelting plants in Yichang City, Hubei Province and Liupanshui City, Guizhou Province in China, which have a combined annual production capacity of 275,000 tons. Complementing its smelting capabilities in central China is its aluminum plant in Jiangyin City, Jiangsu Province which has an annual production capacity of 50,000 tons of aluminum plates and 50,000 tons of fabricated products. It is in the midst of doubling its fabrication production capacity to 100,000 tons by 3Q 2011.

The Group's unique cost structure lies with its long term supply contracts with 2 of the largest Chinese alumina, a key raw material, suppliers and the use of environmentally friendly and energy efficient technologies for production which grants them a lower electricity consumption to PRC peers.

Chairman's Statement

> A continued emphasis on strengthening our presence along the aluminum value chain has seen the Group adopt a vertically integrated approach when making expansion plans.

Mr. Zeng Chaoyi
Group Chairman

Dear Shareholders,

It gives me great pleasure to address you in our inaugural annual report.

We have made our biggest step yet by listing on the Main Board of the Singapore Stock Exchange on 27 October 2010 after years of rapid expansion and growth. As one of the few pure commodity plays on the Stock Exchange, we believe this strategic move will hasten our expansion plans and allow us to build on our three pillars of vertically integrated operations, diversified product offering and low cost production capabilities.

Established in the 1970s, we have come a long way from our humble beginnings as a small-scale producer of fabricated aluminum products. Today, we have evolved into one of the largest non-government held producers of primary aluminum products in China, with a trading reach that extends to all parts of the world.

A continued emphasis on strengthening our presence along the aluminum value chain has seen the Group adopt a vertically integrated approach when making expansion plans. This has resulted in us holding core aluminum inputs from upstream smelting of primary aluminum products to downstream fabrication of aluminum products, which we are able to market through our in-house trading arm.

At the same time, we have made significant inroads in the area of research and development, as well as controlling our costs. For the former, our ability to develop new forms of fabricated products for use in a wide range of industries has seen us being qualified as a 'high technology' enterprise by the Chinese government. In the area of cost control, we have signed long term contracts to secure raw materials at favourable rates, along with an in-house engineering expertise which has led to more efficient electricity unit consumption than peers.

The Board and I would like to welcome XinRen's new shareholders to this next exciting chapter of our corporate life and we would like to thank our investors for their show of support.

I am pleased to say that we have recovered strongly from one of the toughest years faced by the aluminum industry. Our ability to act quickly and decisively through the crisis of 2009 placed us on stronger platform to respond as demand conditions improved over the last year. As a result, we were able to achieve a 24.6% year-on-year ("yoy") jump in net profit to RMB381.4 million on record revenues. Each of our business segments saw marked improvements as revenue grew 45.8% yoy to RMB6,214.6 million in FY2010 on higher sales volumes and aluminum prices.

In addition to the outstanding financial performance, we also managed to further strengthen our operations in 2010. We installed an additional 50,000 tons per annum of aluminum plates production capacity at our Jiangyin plant in the last quarter of the year. As the export of value added products such as aluminum plates from China are subject to tax rebates, we intend to leverage on this unique opportunity to increase our sales to the overseas market.

Besides targeting the export market, we see more opportunities from China's rapid urbanisation and industrialisation. Despite consuming a staggering 40% of the world's aluminium, China's per capita consumption of aluminium is still below the average for developed nations indicating much room for growth.

Indeed, aluminium consumption in China has been on an uptrend hitting 16.5 million tons in 2010 from 13.9 million tons in 2009.

This positive demand momentum is expected to continue into 2011 with the start of China's 12th 5-year plan. Under the new plan, the Chinese Central Government is expected to build 36 million low income apartments, with 10 million units earmarked for construction in 2011 alone. The strong Government measures, coupled with the ongoing growth of traditionally aluminum dependent industries such as automotive and consumer electronics looks set to drive demand in the near term. The positive outlook has helped lift the Shanghai Futures Exchange spot price of aluminum to RMB16,800 per ton in February 2011, up from an average of RMB15,700 per ton in 2010.

As such, we have a series of measures in place to ensure that we are in a position to ride on the buoyant demand. For starters we plan to exercise an option to acquire our smelting plants in Liupanshui and Yichang. The proposed acquisition will eliminate the current Contractual Arrangements and its associated risks, strengthen our operational control and transfer equity ownership of the two plants over to the Group. Concurrently, we are actively negotiating with the Heilongjiang provincial government in regards to the construction of a third 100,000 ton capacity plant.

In closing, I would like to express my heartfelt appreciation to all our customers, suppliers and business associates for their unwavering support, without which we would not be able to achieve such success in 2010. In addition, I would like to acknowledge the contributions of our Board of Directors as their insights have helped to steer XinRen along our ambitious expansion plans and successful IPO.

Last but not least, I wish to thank our management and staff for their hardwork and their continued belief as we grow into a major force in the Chinese aluminum industry. I believe that our unique vertically integrated business model and cost structure will lift our business to greater heights and together with my fellow shareholders, look forward to maintaining our success in FY2011!

Mr. Zeng Chaoyi
Group Chairman

Corporate Information

Board of Directors
Zeng Chaoyi
(Executive Chairman)
Zeng Chaolin
(Chief Executive Officer and Executive Director)
Zeng Xiaoqiao @ Zeng Xiaoshan
(Executive Director)
Zeng Mingliu
(Executive Director)
Liang Hongbo
(Executive Director)
Chen Timothy Teck Leng @ Chen Teck Leng
(Non-Executive Lead Independent Director)
Loh Weng Whye
(Non-Executive Independent Director)
Liu Jingan
(Non-Executive Independent Director)

Audit Committee
Chen Timothy Teck Leng @ Chen Teck Leng (Chairman)
Loh Weng Whye
Liu Jingan

Nominating Committee
Loh Weng Whye (Chairman)
Liu Jingan
Chen Timothy Teck Leng @ Chen Teck Leng

Remuneration Committee
Liu Jingan (Chairman)
Chen Timothy Teck Leng @ Chen Teck Leng
Loh Weng Whye

Company Secretaries
Teo Meng Keong (ACIS)
Low Siew Tian (ACIS)

Registered Office
250 North Bridge Road
#15-01 Raffles City Tower
Singapore 179101

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

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

Auditors
Ernst & Young LLP
Level 18 North Tower
One Raffles Quay
Singapore 048583

Partner in charge : Ang Chuen Beng
(appointed with effect from the financial year
ended 31 December 2009)

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

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

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

Investor Relations Advisor
Financial PR Pte. Ltd.
4 Robinson Road
#04-01 The House of Eden
Singapore 048543

Operating & Financial Review

As the base metal with the highest correlation to economic growth, the resumption of economic growth in 2010 has translated to greater market demand and average selling price of the Group's aluminum-related products. This has in turn boosted the Group's profit attributable to shareholders by 24.6% to RMB381.4 million for the financial year ended 31 December 2010 ("FY2010") from RMB306.0 million for the financial year ended 31 December 2009 ("FY2009"). Without taking into account RMB29.2 million of expenses from the Company's Initial Public Offering, the Group's net profit grew 34.2% year on year ("yoy") to RMB410.6 million in FY2010.

The Group's revenue surged 45.8% to RMB6,214.6 million from RMB4,263.4 million in FY2009 with an improved performance across all its three business segments.

On a full year basis, gross profit margin dipped from 13.4% in FY2009 to 12.5% in FY2010 due to higher mix of lower margin trading sales and an increase in alumina (a key raw material) costs. The rising alumina price was partially mitigated by the long-term procurement contracts signed with the Group's major suppliers, which allowed the Group to enjoy a more favourable alumina price compared to its peers.

Sales and distribution costs increased by 18.6% yoy to RMB73.1 million in FY2010, which was in tandem with higher freight costs incurred from the increase in sales volume, which was partly mitigated by higher usage of lower-cost sea freight rather than land transportation.

The Group incurred an 81.7% increase in administrative expenses to RMB125.1 million in FY2010 as it recognised one-off expense of RMB29.2 million relating to the Group's Initial Public Offering in 2010, and higher salaries, entertainment and travelling expenses as a result of intensified sales activities.

Finance costs increased by 35.2% to RMB92.1 million in FY2010 as a result of the higher interest rates charged by the banks, coupled with larger short-term bank loans drawn down in FY2010.

Smelting Segment

The Group's smelting segment is principally engaged in the production of aluminum ingots and aluminum plates. Sales from the smelting segment increased 34.0% yoy to RMB4,236.7 million in FY2010, representing 68.2% of the Group's overall revenue. The resumption of its second production line at its Yichang plant in June 2009 after half a year of maintenance downtime, also contributed to the high growth of the smelting segment.

Fabrication Segment

Revenues for the fabrication segment are derived from the production and sale of value added aluminum products like aluminum sheet, foils and aluminum coils. Focus on this fast growing segment resulted in a growth rate of 61.9% yoy in FY2010, contributing RMB567.9 million or 9.1% to the Group's revenue.

Trading Segment

The Group conducts trading of alumina and aluminum products on a back to back basis with both domestic and overseas customers under its trading segment. The trading segment helps to mitigate the shortfall of the Group's own production capacity and helps maintains the relationship with downstream customers as exports rise. As the large bulk of the Group's smelting capabilities was channeled to produce higher margin aluminum plates for export sales in FY2010, the Group saw an increase in trading activities to satisfy domestic market demand. As such, the sales from the trading segment surged 87.9% to RMB1,410.0 million in FY2010, from RMB750.4 million in FY2009.

Cash Flow Management

The Group generated thinner net cash from operations of RMB168.1 million in FY2010 versus RMB361.6 million in FY2009, mainly due to the additional working capital requirements with the expansion of the Group's operating business.

Our Jiangyin plant has made a prepayment for the purchase of property, plant and equipment of RMB139.1 million in respect of its expansion of production capacity which will be completed in September 2011.

With the net proceeds of RMB488.0 million generated from the share issuance in the last quarter of FY2010 and net bank borrowings of RMB162.0 million, the Group recorded net cash inflow of RMB658.1 million from its financing activities in FY2010.

As a result, cash and cash equivalents increased tremendously to RMB527.0 million as at 31 December 2010 from RMB48.8 million as at 31 December 2009.

Financial Position

By leveraging on better market conditions and the SGX listing platform, the Group improved its financial position in 2010. Our shareholders' equity stood at RMB1,309.3 million as at 31 December 2010, more than tripled that of RMB413.7 million as at 31 December 2009.

The Group also managed to reduce its net debt ratio from 0.33 times as at 31 December 2009 to 0.21 times as at 31 December 2010.

Net asset value per share rose to RMB119.25 cents as at 31 December 2010 from RMB37.68 cents as at 31 December 2009, based on the number of 1,098,000,000 shares after the Group's listing on the SGX.

Board of Directors

Mr. Zeng Chaoyi
Executive Chairman

Mr. Zeng Chaoyi (曾超懿) is our Executive Chairman. He is responsible for directing the strategic direction and growth of our Group. Mr. Zeng Chaoyi has over 17 years of experience in the aluminum industry. Mr. Zeng Chaoyi is responsible for the daily operations, business development and strategic planning of our manufacturing operations. Mr. Zeng Chaoyi received the titles of Shanghai Foreign Trade Advanced Individual (上海市外贸工作先进个人) in 2003 from Shanghai Foreign Trade and Economic Cooperation Committee National Venture Star in 2004 (全国创业之星) from China Rural Labor Resources Development Society, China Aid Foundation for Poverty Alleviation and China State Development Research Centre respectively. Mr. Zeng Chaoyi holds a Bachelor's degree in history from Xiang Tan University (湘潭大学).

Mr. Zeng Xiaoqiao @ Zeng Xiaoshan
Executive Director

Mr. Zeng Xiaoqiao @ Zeng Xiaoshan (曾小桥@曾小山) is our Executive Director and has been in the aluminum business for over 30 years. He is the founder of our Group which was founded in 2002. Mr. Zeng Xiaoqiao @ Zeng Xiaoshan was a representative on (i) the 10th National People's Congress between 2003 and 2008; and (ii) the 11th People's Congress for the Hunan province (湖南省人民代表大会) since 2008. He has also been conferred several awards, including "China Township Entrepreneur" (中华人民共和国农业部第四届全国乡镇企业家) award in 2001 by Ministry of Agriculture, PRC, and the title of being one of the 18 most influential persons in the non-ferrous metal industry in the PRC (有色金属行业有影响力人物) award by the China Non-Ferrous Metal News in 2005. He was awarded the "Top Ten Economic Contributors in Shaoyang City" (邵阳十大贡献经济人物奖) in 2009 by the Publicity Committee of Shaoyang City.

Mr. Zeng Chaolin
Executive Director & Chief Executive Officer

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

Mr. Liang Hongbo
Executive Director

Mr. Liang Hongbo (梁洪波) is our Executive Director. He began his career in Yichang Changjiang as the manager of the supply department in November 2002, responsible for the purchase and supply of materials for engineering projects. In August 2005, he was promoted to be assistant general manager of Yichang Changjiang and has since been responsible for the operations and capital management of Yichang Changjiang. Mr. Liang obtained his Master's degree in Industrial Economics at Capital University of Economics and Business in July 2000.

Ms. Zeng Mingliu

Executive Director

Ms. Zeng Mingliu (曾明柳) is our Executive Director and has over 17 years of experience in the aluminum business. She is responsible for the overall administrative, human resource affairs and finances of the Group. Ms. Zeng Mingliu graduated with a diploma in accounting from Hunan province Shaoyang City Supply and Marketing School (湖南省邵阳市供销学校会计学) in 1992. She was conferred the "Jiangyin City Advanced Worker" (江阴市先进工作者) award in 2009 by Jiangyin People's Government and Jiangyin City Communist Party Committee and the "Jiangsu Outstanding Entrepreneur" (江苏省优秀企业家) award in 2010 by Jiangsu Brand Promotion Committee and Jiangsu Quality Development Committee.

Mr. Chen Timothy Teck Leng @ Chen Teck Leng

Lead Independent Director & Audit Committee Chairman

Mr. Chen Timothy Teck Leng @ Chen Teck Leng (陈德仁) is our Lead Independent Director and Audit Committee Chairman. Mr. Chen has more than two decades of management experience in international finance, insurance, banking and corporate advisory work. He currently sits on the Board of several companies listed on the SGX-ST. He has been the Independent Director and Chairman of the Audit Committee for Tianjin Zhong Xin Pharmaceutical Group Corporation Limited, Sunmart Holdings Limited, TMC Education Corporation Ltd. and an Independent Director for China Hu An Cable Holdings Ltd. Mr. Chen graduated from the University of Tennessee with a BSC. (Business Administration) degree in 1979 and obtained a Master's degree in Business Administration from the Ohio State University in 1981. He obtained his Certified Corporate Director designation (ICD.D) from the Canadian Institute of Corporate Directors in 2006.

Mr. Loh Weng Whye

Independent Director and Nominating Committee Chairman

Mr. Loh Weng Whye (罗永威) is our Independent Director and Nominating Committee Chairman. He is a veteran in infrastructure development and energy businesses in Singapore and the region, with four decades of experience in senior appointments with the civil service, government-linked companies and the private sector, such as former President/CEO of ST Energy Pte Ltd and SembCorp Energy Pte Ltd, Advisor to Green Dot Capital, an investment and holding company under Temasek Holdings and Senior Advisor to YTL Power International Bhd. Currently, Mr. Loh sits on the boards of local and overseas corporations, including several SGX mainboard listed companies such as Leeden Limited, BH Global Marine Limited and China New Town Development Co Limited. He also holds advisory and board appointments in public organizations and charity bodies. He served on the mechanical engineering advisory/consultative panels of the National University of Singapore and Nanyang Technological University for many years. Holding MSc.(Ind Engg.) and BEng.(Mech.) degrees, Mr Loh is a Professional Engineer (Er.) Singapore, a member of the Singapore Institute of Directors (MSID) and was elected a Fellow of the Institution of Engineers Singapore (FIES) in 1995.

Mr. Liu Jingan

Independent Director and Remuneration Committee Chairman

Mr. Liu Jingan (刘静安) is our Independent Director and Remuneration Committee Chairman. He has over 40 years of experience in the light metals alloy industry. Mr. Liu graduated from Central South University (中南大学) with an engineering degree in non-ferrous metals and alloy and heat processing in 1964. From October 1994 to October 1999, he was awarded the status of honorary professor by the Central South University of Technology. He is also active in many societies, and has been (i) a member of China Non-Ferrous Metals Alloy Processing Society (中国有色金属学会合金加工学术委员会) since 1995; and (ii) technical consultant to China Non-Ferrous Metals Processing Society (中国有色金属加工协会) since 1993. He has also been conferred several awards, including (i) China Non-Ferrous Metals Industry Science and Technology Awards for research and development of Vehicle Large Aluminum Alloy Profiles Technology and Development (1st standard) in 2005 and Vehicle Large Aluminum Frames flat container and special research and development of mold (2nd standard) in 2006; (ii) Beijing Science and Technology Award for Metal extrusion theory and fundamental research and application of new technology development (2nd standard) in 2006; and (iii) PRC Ministry of Education, Sciences and Technology Progress Award for research and development and application of special large extrusion die (1st standard) in 2009.

Key Management

Ms. Li Yazhou

Vice-General Manager (Operations)

Ms. Li Yazhou (李亚洲) is our Vice-General Manager (Operations). She is responsible for assisting the CEO on the day-to-day operations of our Group. She has over ten years of experience in the aluminum business. Ms. Li graduated from Shao Yang College (邵阳学院) in June 1995 as an English Major. She was conferred the "Guizhou province Outstanding Female Entrepreneur" award (贵州优秀女企业家) in 2007 by Guizhou Province Women's Federation, Guizhou Federation of Industry and Commerce, Guizhou Small Medium Enterprises Union and Guizhou Communist Youth League and "National Venture Star" award (创业之星) in 2008 by China Rural Labor Resources Development Society, China Aid Foundation for Poverty Alleviation and China State Development Research Centre.

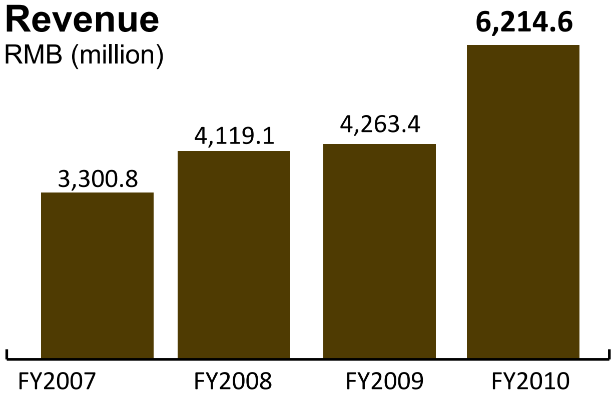
Ms. Lim Joo Seng

Group Financial Controller

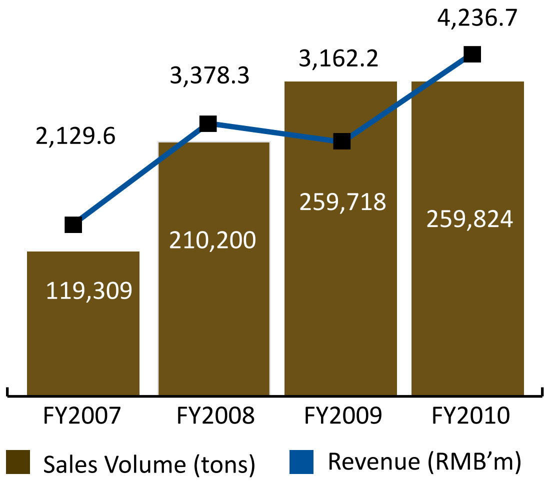
Ms. Lim Joo Seng (林友欣) is our Group Financial Controller and was appointed to our Group in February 2010. She is responsible for overseeing the financial and management accounting matters of our Group. She has over ten years of experience in finance and accounting with her most recent experience as an audit manager of Deloitte Touche Tohmatsu CPA Ltd. in Shanghai. Ms. Lim has been a member of CPA Australia and the Malaysian Institute of Accountants since 2003. Ms. Lim holds a Bachelor of Commerce degree from Macquarie University.

Financial Highlights

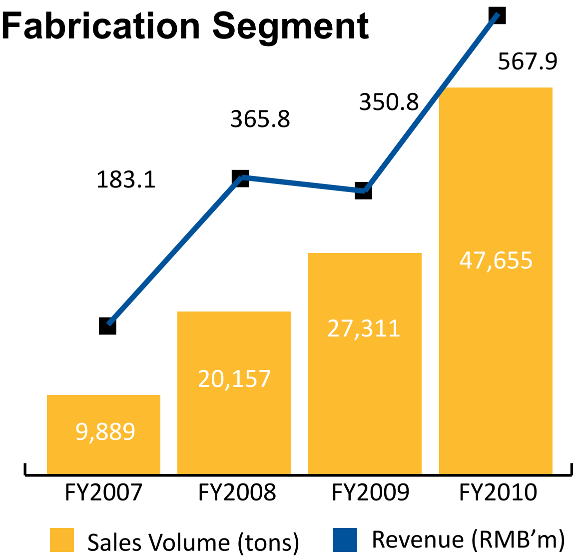
Revenue
RMB (million)



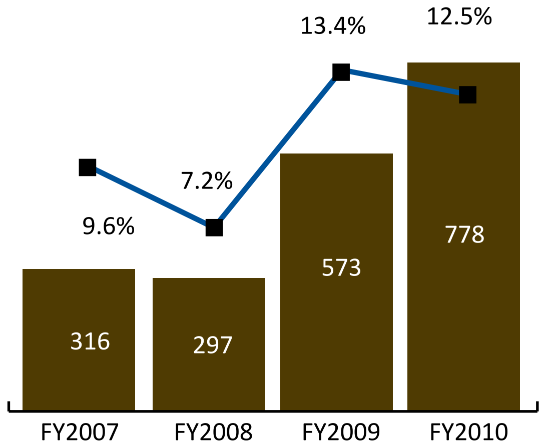
Smelting Segment



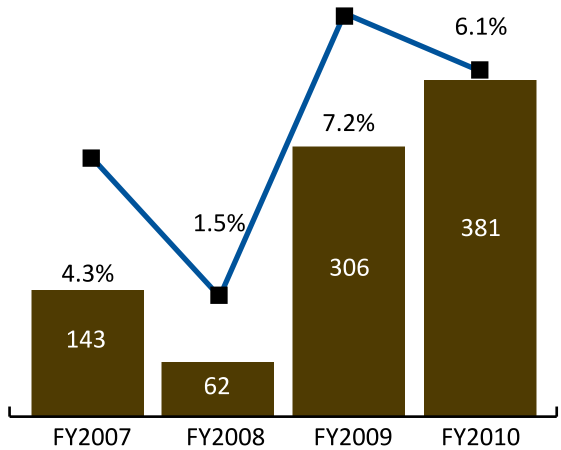
Fabrication Segment



Gross Profit & Margin
RMB (million) Gross Margin (%)



NetProfit & Margin
RMB (million) Gross Margin (%)



鑫仁铝业
XINREN ALUMINUM

Corporate Governance Report

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

1. BOARD MATTERS

Principle 1: Board's Conduct of its Affairs

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

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

b) review management performance;

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

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

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

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

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

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

a) material acquisitions and disposal of assets;

b) corporate or financial restructuring;

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

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

e) any major investment or expenditure.

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

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

Corporate Governance Report

Principle 2: Board's Composition and Balance

The Board as at 31 December 2010 comprises eight Directors of whom five are Executive Directors and three are Independent Directors.

The Board has the appropriate mix of core competencies and diversity of experience, grasp of corporate strategy and potential to contribute to the Company's businesses. The profile of the Directors is set out on pages 8 and 9 of this Annual Report.

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

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

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

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

Principle 3: Chairman and Chief Executive Officer

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

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

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

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

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

Corporate Governance Report

2. NOMINATION MATTERS

Principle 4: Board membership

The Nominating Committee (NC) makes recommendation to the Board on all board appointments. All the members of the committees including the Chairman are independent. The nature of the Director's appointment on the Board and details of their membership on the Board committees as at 31 December 2010 are set out as below:

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

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

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

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

b) reviewing the independence of the Directors annually; and

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

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

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

Principle 5: Board Performance

The NC has been given the task of evaluating the Board's performance as a whole, and the performance of individual Directors using objective and appropriate quantitative and qualitative criteria. Assessment parameters include the attendance records of the Directors at Board and Committee meetings, the level of participation at such meetings, the guidance provided to Management and the quality of Board processes and the business strategy and performance of the Group.

Corporate Governance Report

The NC is of the opinion that the Board is able to exercise objective judgement on business and corporate affairs independently and no individual or small group of individuals dominates the Board's decision making process.

The attendances of each Board member at meetings of the Board and other committees in respect of the financial year ended 31 December 2010 are as follows:

Name	Board of Directors		Audit Committee		Nominating Committee		Remuneration Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Current Directors								
Zeng Chaoyi	1	1	-	-	-	-	-	-
Zeng Xiaoqiao @ Zeng Xiaoshan	1	1	-	-	-	-	-	-
Zeng Chaolin	1	1	-	-	-	-	-	-
Zeng Mingliu	1	1	-	-	-	-	-	-
Liang Hongbo	1	1	-	-	-	-	-	-
Chen Timothy Teck Leng @ Chen Teck Leng	1	1	2	2	1	1	1	1
Loh Weng Whye	1	1	2	2	1	1	1	1
Liu Jingan	1	1	2	2	1	1	1	1

Principle 6: Access to information

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

Individual Director or as a group, may seek professional advice in furtherance of their duties and the costs will be borne by the Company.

3. REMUNERATION MATTERS

Principle 7: Procedures for Developing Remuneration Policies

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

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

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

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

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

c) recommend the fees of the Directors.

Corporate Governance Report

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

Principle 8: Level of Mix of Remuneration

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

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

Principle 9: Disclosure on Remuneration

The breakdowns of the remuneration of the Directors for the financial year ended 31 December 2010 are as follows:

Name	Fees	Salary	Bonus	Other Benefits	Total
	%	%	%	%	%
Below S$250,000	-	-	-	-	-
CURRENT DIRECTORS					
Zeng Chaoyi	-	86	14	-	100
Zeng Xiaoqiao @ Zeng Xiaoshan	-	86	14	-	100
Zeng Chaolin	-	86	14	-	100
Zeng Mingliu	-	86	14	-	100
Liang Hongbo	-	86	14	-	100
Chen Timothy Teck Leng @ Chen Teck Leng	100	-	-	-	100
Loh Weng Whye	100	-	-	-	100
Liu Jingan	100	-	-	-	100
KEY EXECUTIVES					
Li Yazhou	-	86	14	-	100
Lim Joo Seng	-	100	-	-	100

None of the directors' immediate family members are employees of the Company or any of its principal subsidiaries, thus, no disclosure is required for employee whom remuneration exceed $150,000 per annum for the financial year ended 31 December 2010.

Corporate Governance Report

4. ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

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

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

Principle 11: Audit Committee

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

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

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

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

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

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

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

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

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

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

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

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

Corporate Governance Report

h) review any potential conflict of interests;

i) review board and shareholders' resolutions of Guizhou Liupanshui Shuangyuan Aluminum Co., Ltd. ("Liupanshui Shuangyuan") and Yichang Changjiang Aluminum Co., Ltd. ("Yichang Changjiang");

j) provide instructions to the voting committee (the "Voting Committee") established by Liupanshui Shuangyuan and Yichang Changjiang, respectively, pursuant to the contractual arrangements as disclosed on pages 108 to 117 of the Company's prospectus dated 19 October 2010 (the "Prospectus");

k) review management accounts of Liupanshui Shuangyuan and Yichang Changjiang and deliberate as to whether any cash is to be repatriated to our Group, taking into account the working capital needs of Liupanshui Shuangyuan and Yichang Changjiang. In the event that the AC takes the view that cash should be repatriated, the AC will monitor the status of such repatriation;

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

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

The AC has reviewed the independence of the external auditor including the volume of non-audit services supplied by them and is satisfied with their position as an independent external auditor and recommends to the Board, the nomination of the external auditor for re-appointment at the Annual General Meeting of the Company.

The total amount of non-audit fee paid to the external auditors for the financial year ended 31 December 2010 is SGD690,000.

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

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

Principle 12: Internal Control

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

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

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

Corporate Governance Report

Principle 13: Internal Audit

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

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

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

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

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

The AC also meets the IA at least once a year without the presence of Management.

The AC has reviewed the Group's risk and internal control assessment and based on the internal auditors' and external auditors' reports and the internal controls in place, it is satisfied that there are continuous improvement for internal controls in the Group.

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

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

5. COMMUNICATIONS WITH SHAREHOLDERS

Principle 14: Communication with Shareholders

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

Principle 15: Greater Shareholders Participation

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

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

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

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

Corporate Governance Report

6. INTERESTED PERSON TRANSACTIONS ("IPT")

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

The Company's disclosure according to Rule 907 of the Listing Manual in respect of IPT is not required for the financial year ended 31 December 2010.

7. DEALINGS IN SECURITIES

In line with Chapter 12, Rule 1207(18) of the Listing Manual, the Company has in place a policy on dealings in securities. The Directors and employees are prohibited from securities dealings whilst they are in possession of price-sensitive information. The Company issues regular circulars to its Directors, principal officers and relevant officers who have access to unpublished material price-sensitive information to remind them of the prohibition and to remind them of the requirement to report their dealing in shares of the Company.

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

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

8. MATERIAL CONTRACT

Save as disclosed, there are no other material contract entered by the Group or its subsidiaries involving the interest of the Chief Executive Officer, any Director or controlling shareholder of the Company subsisting in the financial year ended 31 December 2010.

9. RISK MANAGEMENT

Management will regularly review the Group's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks within the Group's policies and strategies.

Corporate Governance Report

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

As at 31 December 2010, approximately S$44.9 million have been used for the purposes as stated in the Prospectus dated 19 October 2010. The details of the deployment are as follows:

	Intended use of proceeds from IPO	Cumulative amount deployed up to 31 Dec 2010	Amount to be deployed as at 31 Dec 2010
	S$'000	S$'000	S$'000
Increasing the capacity of Jiangyin fabrication plant	52,900	17,900	35,000
Strategic investments, acquisitions and general corporate purpose	14,400	-	14,400
Working capital	28,800	27,000	1,800
Total, net of IPO expenses	96,100	44,900	51,200

Directors' Report

The directors are pleased to present their report to the members together with the audited consolidated financial statements of XinRen Aluminum Holdings Limited (the "Company") and its subsidiary companies (collectively the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2010.

Directors

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

Zeng Chaoyi	
Zeng Chaolin	(appointed on 26 April 2010)
Zeng Mingliu	(appointed on 26 April 2010)
Zeng Xiaoqiao @ Zeng Xiaoshan	(appointed on 26 April 2010)
Liang Hongbo	(appointed on 26 April 2010)
Loh Weng Whye	(appointed on 18 October 2010)
Chen Timothy Teck Leng @ Chen Teck Leng	(appointed on 18 October 2010)
Liu Jingan	(appointed on 18 October 2010)

Zeng Chaoyi and Zeng Xiaoqiao @ Zeng Xiaoshan will retire under Article 94 of Company's Articles of Association, and being eligible to offer themselves for re-election at the forthcoming Annual General Meeting

Loh Weng Whye and Chen Timothy Teck Leng @ Chen Teck Leng will retire under Article 100 of Company's Articles of Association and being eligible to offer themselves for re-election at the forthcoming Annual General Meeting.

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

Arrangements to enable directors to acquire shares or debentures

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

Directors' interests in shares or debentures

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

	Direct interest		Deemed interest	
Name of directors	**At beginning of financial year or date of appointment**	**At end of financial year**	**At beginning of financial year or date of appointment**	**At end of financial year**
The Company Ordinary shares				
Zeng Chaoyi	–	–	792,000,000	774,000,000
Zeng Chaolin	–	–	774,000,000	774,000,000
Zeng Mingliu	–	–	774,000,000	774,000,000
Zeng Xiaoqiao @ Zeng Xiaoshan	–	–	774,000,000	774,000,000
Liang Hongbo	–	–	774,000,000	774,000,000

Directors' Report

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

For the purpose of this report, the directors' interest in shares of the Company at beginning of financial year or date of appointment are presented as if the sub-division of each ordinary share into 900 ordinary shares have been completed at the beginning of the year.

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2011.

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

Directors' contractual benefits

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

Audit committee

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

- Reviews the audit plans of the internal and external auditors of the Company, and reviews the internal auditors' evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Company's management to the external and internal auditors;
- Reviews the quarterly and annual financial statements and the auditors' report on the annual financial statements of the Company before their submission to the board of directors;
- Reviews effectiveness of the Company's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditors;
- Meets with the external auditors, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC;
- Reviews legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;
- Reviews the cost effectiveness and the independence and objectivity of the external auditors;
- Reviews the nature and extent of non-audit services provided by the external auditors;
- Recommends to the board of directors the external auditors to be nominated, approves the compensation of the external auditors, and reviews the scope and results of the audit;
- Reports actions and minutes of the AC to the board of directors with such recommendations as the AC considers appropriate; and
- Reviews interested person transactions in accordance with the requirements of the Listing Manual of the Singapore Exchange Securities Trading Limited.

Directors' Report

Audit committee (cont'd)

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

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

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

Auditors

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

On behalf of the Board of directors:

Zeng Chaolin
Director

Liang Hongbo
Director

Singapore
31 March 2011

Statement by Directors

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

(i) the accompanying balance sheets, consolidated statement of comprehensive income, statements of changes in equity, and consolidated statement of cash flow together with notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2010 and the results of the business, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date, and

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

On behalf of the Board of directors:

Zeng Chaolin
Director

Liang Hongbo
Director

Singapore
31 March 2011

Independent Auditors' Report

To the Members of XinRen Aluminum Holdings Limited

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of XinRen Aluminum Holdings Limited (the "Company") and its subsidiary companies (collectively the "Group") set out on pages 29 to 86, which comprise the balance sheets of the Group and the Company as at 31 December 2010, the statements of changes in equity of the Group and the Company and the consolidated statement of comprehensive income and consolidated statement of cash flow of the Group for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's responsibility for the 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 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

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 auditor's judgment, 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 auditor considers internal control relevant to the entity's preparation of the 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.

Independent Auditors' Report

To the Members of XinRen Aluminum Holdings Limited

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2010 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company 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.

ERNST & YOUNG LLP
Public Accountants and Certified Public Accountants

Singapore
31 March 2011

Consolidated Statement of Comprehensive Income

For the financial year ended 31 December 2010

	Note	Group 2010 RMB'000	Group 2009 RMB'000
Revenue	4	6,214,611	4,263,427
Cost of sales		(5,436,658)	(3,690,893)
Gross profit		777,953	572,534
Other items of income			
Finance income		12,402	13,732
Other income		23,735	16,954
Other items of expense			
Selling and distribution expenses		(73,051)	(61,613)
Administrative expenses		(125,070)	(68,829)
Finance costs		(92,132)	(68,156)
Other expenses		(4,577)	(2,448)
Profit before taxation	5	519,260	402,174
Taxation	6	(137,890)	(96,163)
Profit after taxation		381,370	306,011
Other comprehensive income:			
Net gain on available-for-sale financial assets	25	101	1,683
Foreign currency translation	25	(3,079)	91
Other comprehensive income for the year		(2,978)	1,774
Total comprehensive income for the year		378,392	307,785
Profit attributable to:			
Owners of the parent		381,370	306,011
Total comprehensive income attributable to:			
Owners of the parent		378,392	307,785
Earnings per share (in cents)			
Basic (RMB cents)	7	41	34
Diluted (RMB cents)	7	41	34

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

Balance Sheets

As at 31 December 2010

	Note	Group 2010 RMB'000	Group 2009 RMB'000	Company 2010 RMB'000	Company 2009 RMB'000
Non-current assets					
Property, plant and equipment	8	1,923,217	1,832,925	2,419	–
Land use rights	9	43,220	44,363	–	–
Investment in subsidiaries	1.3	–	–	844	844
Deferred expenses	10	3,850	3,925	–	–
Deferred tax assets	22	3,768	12,034	–	–
		1,974,055	1,893,247	3,263	844
Current assets					
Inventories	11	682,616	474,185	–	–
Prepayments	12	549,208	192,528	–	–
Deferred expenses	10	5,906	–	–	–
Amounts due from related parties	13	–	32,449	–	–
Amounts due from subsidiaries	13	–	–	161,658	–
Income tax receivable		13,769	–	–	–
Trade and other receivables	14	342,576	579,366	72,270	5,000
Short term investments	15	4,744	4,430	4,077	–
Short term deposits, secured	16	704,497	712,620	–	–
Cash and cash equivalents	16	527,016	48,780	386,337	378
		2,830,332	2,044,358	624,342	5,378
Current liabilities					
Loans and borrowings	17	2,146,515	2,024,524	–	–
Amounts due to directors	18	690	1,378	–	1,377
Amounts due to related parties	13	2,789	19,198	–	–
Amounts due to subsidiaries	13	–	–	29,122	–
Trade and other payables	19	225,895	355,880	10,439	3
Advances from customers	20	345,045	448,989	–	–
Accrued operating expenses	21	30,867	30,064	–	–
Income tax payable		141,901	117,806	14,570	–
		2,893,702	2,997,839	54,131	1,380
Net current (liabilities)/assets		(63,370)	(953,481)	570,211	3,998
Non-current liabilities					
Deferred tax liabilities	22	88,941	53,623	–	–
Loans and borrowings	17	70,000	30,000	–	–
Amounts due to equity holders	23	442,420	442,420	–	–
Net assets		1,309,324	413,723	573,474	4,842
Equity attributable to equity holders of the parent					
Share capital	24	522,260	5,051	522,260	5,051
Revenue reserve		625,222	275,309	54,561	(29)
Other reserves	25	161,842	133,363	(3,347)	(180)
Total equity		1,309,324	413,723	573,474	4,842

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

Statements of Changes in Equity

For the financial year ended 31 December 2010

	Attributable to equity holders of the parent				
Group	**Share Capital**	**Revenue reserve**	**Other reserves**	**Total reserves**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2009	5,051	251,674	96,295	347,969	353,020
Profit for the year	–	306,011	–	306,011	306,011
Other comprehensive income for the year	–	–	1,774	1,774	1,774
Total comprehensive income for the year	–	306,011	1,774	307,785	307,785
Contributions by and distributions to owners					
Additional capital contribution	–	–	1,325	1,325	1,325
Appropriation to statutory reserve	–	(33,969)	33,969	–	–
Dividends on ordinary shares (Note 26)	–	(248,407)	–	(248,407)	(248,407)
Total transactions with owners in their capacity as owners	–	(282,376)	35,294	(247,082)	(247,082)
Balance at 31 December 2009 and 1 January 2010	5,051	275,309	133,363	408,672	413,723
Profit for the year	–	381,370	–	381,370	381,370
Other comprehensive income for the year	–	–	(2,978)	(2,978)	(2,978)
Total comprehensive income for the year	–	381,370	(2,978)	378,392	378,392
Contributions by and distributions to owners					
Issuance of ordinary shares pursuant to initial public offering	544,594	–	–	–	544,594
Share issuance expenses	(27,385)	–	–	–	(27,385)
Appropriation to statutory reserve	–	(31,457)	31,457	–	–
Total transactions with owners in their capacity as owners	517,209	(31,457)	31,457	–	517,209
Balance at 31 December 2010	522,260	625,222	161,842	787,064	1,309,324

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

Statements of Changes in Equity

For the financial year ended 31 December 2010

	Attributable to equity holders of the parent				
Company	**Share capital**	**Revenue reserve**	**Other reserves**	**Total reserves**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2009	5,051	(29)	(294)	(323)	4,728
Profit for the year	–	5,000	–	5,000	5,000
Other comprehensive income for the year	–	–	114	114	114
Total comprehensive income for the year	–	5,000	114	5,114	5,114
Dividends on ordinary shares (Note 26)	–	(5,000)	–	(5,000)	(5,000)
Balance at 31 December 2009 and 1 January 2010	5,051	(29)	(180)	(209)	4,842
Profit for the year	–	54,590	–	54,590	54,590
Other comprehensive income for the year	–	–	(3,167)	(3,167)	(3,167)
Total comprehensive income for the year	–	54,590	(3,167)	51,423	51,423
<u>Contributions by and distributions to owners</u>					
Issuance of ordinary shares pursuant to initial public offering	544,594	–	–	–	544,594
Shares issuance expenses	(27,385)	–	–	–	(27,385)
Total transactions with owners in their capacity as owners	517,209	–	–	–	517,209
Balance at 31 December 2010	522,260	54,561	(3,347)	51,214	573,474

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

Consolidated Statement of Cash Flow

For the financial year ended 31 December 2010

	2010 RMB'000	2009 RMB'000
Operating profit before changes in working capital (Note 16(c))	710,190	528,004
Increase in inventories	(208,431)	(85,186)
Increase in prepayments	(217,621)	(84,980)
(Increase)/decrease in deferred expenses	(5,831)	51,715
Decrease in amounts due from related parties	32,449	689,967
Decrease in trade and other receivables	236,790	22,692
Decrease in amounts due to directors and related parties	(17,097)	(905,771)
Decrease in trade and other payables	(129,985)	(78,697)
(Decrease)/increase in advances from customers	(103,944)	248,745
Increase in accrued operating expenses	803	15,166
Cash generated from operating activities	297,323	401,655
Interest income received	12,402	13,732
Interest expense paid	(58,466)	(48,610)
Taxation paid	(83,141)	(5,655)
Net cash generated from operating activities	168,118	361,122
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	1,994	1,439
Purchase of short term investments	(213)	(750)
Purchase of property, plant and equipment	(206,794)	(75,784)
Prepayment for purchase of property, plant and equipment	(139,059)	–
Net cash used in investing activities	(344,072)	(75,095)
Cash flows from financing activities		
Dividends paid on ordinary shares	–	(248,407)
Proceeds from issuance of new shares	544,594	–
Proceeds from loans and borrowings	3,661,811	3,542,929
Increase in capital contribution	–	1,325
Decrease/(increase) in short term deposits, secured	8,123	(107,215)
Share issuance expense	(56,600)	–
Repayment of loans and borrowings	(3,499,820)	(3,333,985)
Repayment of shareholders' loans	–	(200,844)
Net cash generated from/(used in) financing activities	658,108	(346,197)
Net increase/(decrease) in cash and cash equivalents	482,154	(60,170)
Effect of exchange rate changes on cash and cash equivalents	(3,918)	91
Cash and cash equivalents at beginning of year	48,780	108,859
Cash and cash equivalents at end of year (Note 16(b))	527,016	48,780

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

Notes to the Financial Statements

31 December 2010

1. Corporate information

1.1 *The Company*

XinRen Aluminum Holdings Limited (the "Company") was incorporated in the Republic of Singapore on 29 August 2006 as a private company limited by shares under the name of "Costar International Pte. Ltd." and subsequently renamed as "Sunrich Aluminium Pte. Ltd." on 5 March 2010 and "XinRen Aluminum Holdings Pte. Ltd." on 20 September 2010. The Company was converted into a public company on 19 October 2010 and changed its name to XinRen Aluminum Holdings Limited. The Company was listed on the Singapore Exchange Securities Trading Limited (SGX-ST) on 27 October 2010. The Company acquired the existing companies of the Group pursuant to the Group's Restructuring Exercise as described in Note 1.2 to the financial statements.

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

1.2 *The Restructuring Exercise*

The Group carried out a Restructuring Exercise as a result of which the Company became the holdings company of the Group. The Restructuring Exercise is as described below.

(a) ***Acquisition of Jiangyin Xinren International Trading Co., Ltd.***

On 6 November 2009, the Company acquired 100% equity interest in Jiangyin Xinren International Trading Co., Ltd. (formerly known as Jiangyin Da Li Classic Jeans Co., Ltd.) at a cash consideration of USD 102,000.

(b) ***Acquisition of PRC subsidiaries by Jiangyin Xinren International Trading Co., Ltd.***

On 8 December 2009, Jiangyin Xinren International Trading Co., Ltd. acquired 100% equity interests in Shanghai Fengbo International Trading Co., Ltd. and Shanghai Shuangpai Aluminum Co., Ltd. at cash consideration of RMB 30,000,000 and RMB 50,000,000, respectively.

On 22 December 2009, Jiangyin Xinren International Trading Co., Ltd. acquired 100% equity interests in Jiangyin Xinren Technology Co., Ltd., at cash consideration of RMB 120,000,000.

(c) ***Acquisition of Harvestlink Investment Limited***

On 23 December 2009, the Company acquired 100% equity interest in Harvestlink Investment Limited at a cash consideration of 1 US Dollar.

Notes to the Financial Statements

31 December 2010

1. Corporate information (cont'd)

1.3 *The Subsidiary Companies*

The Company, either through direct legal ownership or implementation of the Contractual Agreements has direct or indirect interests in the subsidiary companies subsequent to the Restructuring Exercise as follow:-

Name	Principal activities	Country of incorporation and place of business	Proportion (%) of ownership interest	
			2009	**2010**
Held by the Company:				
Jiangyin Xinren International Trading Co., Ltd.	Investment holdings	PRC	100%	100%
Held through Jiangyin Xinren International Trading Co., Ltd.:				
Jiangyin Xinren Technology Co., Ltd.	Fabrication and trading of aluminum related products	PRC	100%	100%
Shanghai Fengbo International Trading Co., Ltd.	Trading of aluminum related products	PRC	100%	100%
Shanghai Shuangpai Aluminum Co., Ltd.	Trading of aluminum related products	PRC	100%	100%
Harvestlink Investment Ltd.	Trading and marketing of aluminum related products	BVI	100%	100%
Guizhou Liupanshui Shuangyuan Aluminum Co., Ltd.	Manufacture of aluminum ingots through smelting process	PRC	#	#
Yichang Changjiang Aluminum Co., Ltd.	Manufacture of aluminum ingots through smelting process	PRC	#	#
Shuicheng Xinren Trading Co., Ltd.	Provision of management services	PRC	100%	100%
Yichang Xinren Trading Co., Ltd.	Provision of management services	PRC	100%	100%

Notes to the Financial Statements

31 December 2010

1. Corporate information (cont'd)

1.3 *The Subsidiary Companies (cont'd)*

\# These entities have been included within the Group by virtue of Contractual Agreements in place. The Contractual Agreements, taken as a whole, permits the financial results of these entities and the economic benefits of their businesses to flow to the Group. In addition, the directors of these entities are to be appointed by Jiangyin Xinren International Trading Co., Ltd., a subsidiary of the Group. Through its control over these entities, the Group is able to monitor and effectively control the businesses, operations and financial policies of these entities to ensure and facilitate the implementation of the Contractual Agreements. The Contractual Agreements also enable the Group to control and acquire up to 100% of the equity interests in these entities at a purchase price not exceeding the registered share capital of these entities at such time permitted by the relevant PRC laws and regulations with an undertaking from the registered shareholders of these entities. Notwithstanding the lack of equity ownership, the Group is entitled to control the businesses of these entities in substance and accordingly, the financial position and operating results of these entities have been included in the Group's consolidated financial statements. The registered share capital of these entities have been accounted for as long term liabilities which has been disclosed as amounts due to equity holders.

2. Summary of significant accounting policies

2.1 *Basis of preparation*

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

The financial statements of the Group presented for financial year ended 31 December 2009 have been prepared using the pooling of interest method as the Company and its subsidiary companies were under common control before and after the Restructuring Exercise carried out in the financial year ended 31 December 2009. Under the pooling of interest method, the consolidated financial statements of the Group for the financial year ended 31 December 2010 have been presented as if the Group had been in existence at the beginning of the financial year ended 31 December 2009 and the assets and liabilities are brought into the consolidated financial statements at their existing carrying amounts.

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

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

Notes to the Financial Statements

31 December 2010

2. Summary of significant accounting policies (cont'd)

2.2 ***Changes in accounting policies***

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards and Interpretations of FRS (INT FRS) that are effective for annual periods beginning on or after 1 January 2010. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company except as disclosed below:

<u>FRS 103 *Business Combinations* (revised) and FRS 27 *Consolidated and Separate Financial Statements* (revised)</u>

The revised FRS 103 *Business Combinations* and FRS 27 *Consolidated and Separate Financial Statements* are applicable for annual periods beginning on or after 1 July 2009. As of 1 January 2010, the Group adopted both revised standards at the same time in accordance with their transitional provisions.

<u>FRS 103 *Business Combinations* (revised)</u>

The revised FRS 103 introduces a number of changes to the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. Changes in significant accounting policies resulting from the adoption of the revised FRS 103 include:

- Transaction costs would no longer be capitalised as part of the cost of acquisition but will be expensed immediately;

- Consideration contingent on future events are recognised at fair value on the acquisition date and any changes in the amount of consideration to be paid will no longer be adjusted against goodwill but recognised in profit or loss;

- The Group elects for each acquisition of a business, to measure non-controlling interest at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets, and this impacts the amount of goodwill recognised; and

- When a business is acquired in stages, the previously held equity interests in the acquiree is remeasured to fair value at the acquisition date with any corresponding gain or loss recognised in profit or loss, and this impacts the amount of goodwill recognised.

According to its transitional provisions, the revised FRS 103 has been applied prospectively. Assets and liabilities that arose from business combinations whose acquisition dates are before 1 January 2010 are not adjusted.

Notes to the Financial Statements

31 December 2010

2. Summary of significant accounting policies (cont'd)

2.2 ***Changes in accounting policies (cont'd)***

FRS 27 *Consolidated and Separate Financial Statements* (revised)

Changes in significant accounting policies resulting from the adoption of the revised FRS 27 include:

- A change in the ownership interest of a subsidiary that does not result in a loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss recognised in profit or loss;

- Losses incurred by a subsidiary are allocated to the non-controlling interest even if the losses exceed the non-controlling interest in the subsidiary's equity; and

- When control over a subsidiary is lost, any interest retained is measured at fair value with the corresponding gain or loss recognised in profit or loss.

According to its transitional provisions, the revised FRS 27 has been applied prospectively, and does not impact the Group's consolidated financial statements in respect of transactions with non-controlling interests, attribution of losses to non-controlling interests and disposal of subsidiaries before 1 January 2010. The changes will affect future transactions with non-controlling interests.

2.3 ***Standards issued but not yet effective***

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

Description	*Effective for annual periods beginning on or after*
Amendment to FRS 32 *Financial Instruments: Presentation - Classification of Rights Issues*	1 February 2010
INT FRS 119 *Extinguishing Financial Liabilities with Equity Instruments*	1 July 2010
Revised FRS 24 *Related Party Disclosures*	1 January 2011
Amendments to INT FRS 114 *Prepayments of a Minimum Funding Requirement*	1 January 2011
INT FRS 115 *Agreements for the Construction of Real Estate*	1 January 2011
FRS 19 *The Limit on a Defined Benefit Asset, Minimum Requirements and their Interaction - Amendments relating to Prepayments of Minimum Funding Requirements*	1 January 2011
Amendments to FRS 107 *Disclosures - Transfers of Financial Assets*	1 July 2011
Amendments to FRS 12 *Deferred Tax - Recovery of Underlying Assets*	1 January 2012
Improvements to FRSs 2010	1 January 2011, unless otherwise stated

Except for the revised FRS 24, the directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of the revised FRS 24 is described below.

Notes to the Financial Statements

31 December 2010

2. Summary of significant accounting policies (cont'd)

2.3 ***Standards issued but not yet effective (cont'd)***

Revised FRS 24 *Related Party Disclosures*

The revised FRS 24 clarifies the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised FRS 24 expands the definition of a related party and would treat two entities as related to each other whenever a person (or a close member of that person's family) or a third party has control or joint control over the entity, or has significant influence over the entity. The revised standard also introduces a partial exemption of disclosure requirements for government-related entities. The Group is currently determining the impact of the changes to the definition of a related party has on the disclosure of related party transaction. As this is a disclosure standard, it will have no impact on the financial position or financial performance of the Group when implemented in 2011.

2.4 ***Basis of consolidation***

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

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

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with FRS 39 either in profit or loss or as change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured until it is finally settled within equity.

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree identifiable net assets.

Notes to the Financial Statements

31 December 2010

2. Summary of significant accounting policies (cont'd)

2.4 ***Basis of consolidation (cont'd)***

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Business combinations involving entities under common control are accounted for by applying the pooling of interest method which involves the following:

– The assets and liabilities of the combining entities are reflected at their carrying amounts.

– No adjustments are made to reflect the fair values, or recognise any new assets or liabilities.

– No goodwill is recognised as a result of the combination.

– Any difference between the consideration paid/transferred and the equity 'acquired' is reflected within the equity as merger reserve.

– The statement of comprehensive income reflects the results of the combining entities for the full year, irrespective of when the combination took place.

– Comparatives are presented as if the entities had always been combined since the date the entities had come under common control.

2.5 ***Property, plant and equipment***

All items of property, plant and equipment are initially recorded at cost. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The accounting policy for borrowing costs is set out in Note 2.15. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

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

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

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

Notes to the Financial Statements

31 December 2010

2. Summary of significant accounting policies (cont'd)

2.5 ***Property, plant and equipment (cont'd)***

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

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

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

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

2.6 ***Land use rights***

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

2.7 ***Impairment of non-financial assets***

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

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

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

Notes to the Financial Statements

31 December 2010

2. Summary of significant accounting policies (cont'd)

2.8 ***Subsidiaries***

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

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

2.9 ***Financial assets***

Initial recognition and measurement

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

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

Subsequent measurement

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

(a) ***Loans and receivables***

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

(b) ***Available-for-sale financial assets***

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

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

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

Notes to the Financial Statements

31 December 2010

2. Summary of significant accounting policies (cont'd)

2.9 ***Financial assets (cont'd)***

Derecognition

A financial asset is derecognised when

(a) the contractual right to receive cash flows from the asset has expired; or

(b) the Group transfers the contractual rights to receive the cash flows of the financial asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that has been recognised directly in equity is recognised in profit or loss.

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

2.10 ***Impairment of financial assets***

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

(a) ***Financial assets carried at amortised cost***

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

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discounted rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in profit or loss.

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

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

Notes to the Financial Statements

31 December 2010

2. Summary of significant accounting policies (cont'd)

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

(a) ***Financial assets carried at amortised cost (cont'd)***

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

(b) ***Financial assets carried at cost***

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on a financial asset carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(c) ***Available-for-sale financial assets***

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

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

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

Notes to the Financial Statements

31 December 2010

2. Summary of significant accounting policies (cont'd)

2.11 ***Cash and cash equivalents***

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

2.12 ***Inventories***

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

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

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

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

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

2.13 ***Provisions***

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

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

2.14 ***Financial liabilities***

Initial recognition and measurement

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

All financial liabilities are recognised initially at fair value and in the case of other financial liabilities, plus directly attributable transaction costs.

Subsequent measurement

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

Notes to the Financial Statements

31 December 2010

2. Summary of significant accounting policies (cont'd)

2.14 ***Financial liabilities (cont'd)***

Financial liabilities at fair value through profit or loss

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

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

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

Other financial liabilities

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

Derecognition

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

2.15 ***Borrowing costs***

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

2.16 ***Employee benefits***

(a) ***Defined contribution plan***

The Group participates in the national pension schemes as defined by the laws of the People's Republic of China ("PRC"). The Group pays fixed contributions into the retirement insurance and medical insurance schemes organised by the social security bureau and has no further payment obligations once the contributions have been paid. The contributions are recognised as employee compensation expense when they are due.

Notes to the Financial Statements

31 December 2010

2. Summary of significant accounting policies (cont'd)

2.16 ***Employee benefits (cont'd)***

(b) ***Employee leave entitlement***

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

2.17 ***Foreign currencies***

The Group's consolidated financial statements are presented in RMB, whereas the parent company's functional currency is United States dollar ("USD"). Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) ***Transactions and balances***

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

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

(b) ***Group companies***

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

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

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

Notes to the Financial Statements

31 December 2010

2. Significant accounting policies (cont'd)

2.18 ***Revenue***

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

(a) ***Sale of goods***

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

(b) ***Interest income***

Interest income is recognised using the effective interest method.

(c) ***Government subsidies***

Government subsidies are recognised in the profit or loss when there is reasonable assurance that the subsidies will be received.

2.19 ***Taxes***

(a) ***Current income tax***

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

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

(b) ***Deferred tax***

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

Notes to the Financial Statements

31 December 2010

2. Significant accounting policies (cont'd)

2.19 ***Taxes (cont'd)***

(b) ***Deferred tax (cont'd)***

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

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

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

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

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

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

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

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

(c) ***Sales tax***

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

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

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

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

Notes to the Financial Statements

31 December 2010

2. Summary of significant accounting policies (cont'd)

2.20 ***Segment reporting***

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segment and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 27, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.21 ***Share capital and share issue expenses***

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

2.22 ***Contingencies***

A contingent liability is:

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

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

(i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) The amount of the obligation cannot be measured with sufficient reliability.

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

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

2.23 ***Leases***

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of INT FRS 104.

Notes to the Financial Statements

31 December 2010

2. Summary of significant accounting policies (cont'd)

2.23 ***Leases (cont'd)***

As lessee

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

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

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

2.24 ***Related parties***

A party is considered to be related to the Group if:

(a) The party, directly or indirectly through one or more intermediaries,

  (i) controls, is controlled by, or is under common control with, the Group;

  (ii) has an interest in the Group that gives it significant influence over the Group; or

  (iii) has joint control over the Group;

(b) The party is an associate;

(c) The party is a jointly-controlled entity;

(d) The party is a member of the key management personnel of the Group or its parent;

(e) The party is a close member of the family of any individual referred to in (a) or (d); or

(f) The party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) The party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

Notes to the Financial Statements

31 December 2010

2. Summary of significant accounting policies (cont'd)

2.25 ***Government grants***

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

3. Significant accounting estimates and judgements

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

3.1 ***Judgements made in applying accounting policies***

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

(a) ***Income and deferred taxes***

Significant judgement is involved in determining the Group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities/(assets) for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. As at 31 December 2010, the net carrying amount of the Group's income tax payables/(receivables) was approximately RMB 141,901,000/(13,769,000) (2009: RMB 117,806,000). As at 31 December 2010, the Group's deferred tax liabilities/(assets) were approximately RMB 88,941,000/(RMB 3,768,000) (2009: RMB 53,623,000/(RMB 12,034,000)), respectively.

(b) ***Going concern assumption***

As at 31 December 2010, the Group's current liabilities exceeded its current assets by RMB 63,370,000 (2009: RMB 953,481,000). The financial statements have been prepared on a going concern basis as the directors are confident that the Group is able to generate positive operating cash flows from its operations to enable the Company to pay its debts as and when they fall due. Judgement is involved in determining some of the assumptions used in the assessment. In making this judgement, the Group evaluates among other factors, the historical prices of aluminum ingots, prices of alumina and the production capacity of its production facilities.

Notes to the Financial Statements

31 December 2010

3. Significant accounting estimates and judgements (cont'd)

3.2 ***Key sources of estimation uncertainty***

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

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

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these property, plant and equipment to be within 3 to 50 years. The carrying amount of the Group's property, plant and equipment as 31 December 2009 and 2010 were disclosed in Note 8. Changes in the expected level of usage could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

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

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

(c) ***Impairment of financial assets***

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

4. Revenue

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

Notes to the Financial Statements

31 December 2010

5. Profit before taxation

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

	Group	
	2010	**2009**
	RMB'000	RMB'000
Other income:		
- government subsidy	16,426	10,438
- investment gain	77	22
- sale of scraps	6,451	5,648
- others	781	846
Interest income	12,402	13,732
Finance expense:		
- interest expense	(58,466)	(48,610)
- bank charges#	(30,016)	(18,104)
- foreign exchange loss	(3,650)	(1,442)
Amortisation for		
- land use rights	(1,143)	(1,143)
Depreciation of property, plant and equipment	(114,508)	(112,753)
Reversal of write-down of inventories	–	22,944
Listing related expenses	(29,215)	–
Employee benefits expense		
- Short-term employee benefits	(53,895)	(42,347)
- Contributions to defined contribution plan	(5,584)	(11,390)

\# Bank charges mainly relate to charges incurred for notes payable

The reversal of write-down of inventories was made when the related inventories were sold above their carrying amounts.

Government subsidy relates to non-recurring subsidy granted in respect of technology upgrade for one of the plants, non-recurring subsidies provided in connection with the credit crisis as well as subsidies provided by the provincial government of one of the subsidiaries in respect of electricity cost which are on-going with no specified duration. There are no unfulfilled conditions to the subsidies.

Notes to the Financial Statements

31 December 2010

6. Taxation

(a) *Major components of income tax expense*

	Group	
	2010	**2009**
	RMB'000	RMB'000
Current tax		
- Current year	99,720	73,602
Deferred tax		
- Current year	20,057	15,961
- Effect of change in tax rate	2,579	–
- Withholding tax on profit appropriation	15,534	6,600
	137,890	96,163

The reconciliation of the tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2009 and 2010 is as follows :-

Profit before taxation	519,260	402,174
Tax at domestic rates applicable to results in the countries where the Group operates	117,901	98,597
Effect of expenses not deductible for tax purposes	4,553	3,241
Income not subject to taxation	(910)	–
Effect of change in tax rate	2,579	–
Effect of tax incentive	(1,767)	–
Deferred tax benefits previously not recognised	–	(12,275)
Withholding tax on profit appropriation	15,534	6,600
Income tax expense recognised in the profit or loss	137,890	96,163

The corporate income tax rate applicable to the Company was reduced to 17% for the year of assessment 2010 onwards from 18% for the year of assessment 2009.

Notes to the Financial Statements

31 December 2010

6. Taxation (cont'd)

(a) ***Major components of income tax expense (cont'd)***

The tax rates used in computing taxes for entities incorporated in the PRC were 20% to 25% and 15% to 25% for the financial years ended 31 December 2009 and 2010, respectively. In 2010, Jiangyin Xinren Technology Co., Ltd. was granted the Advanced and New Technology Enterprise status by the local tax authority and is subject to a preferential tax rate of 15% for three financial years with 31 December 2010 being the first year of the entitlement. The PRC entities registered in Shanghai, the PRC were taxed at preferential rates of 20% and 22% for the financial years ended 31 December 2009 and 2010, respectively. The other PRC entities were taxed at 25% for the financial years ended 31 December 2009 and 2010.

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

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

7. Earnings per share

Earnings per share is calculated by dividing the Group's profit for the year attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the financial year. The weighted average number of ordinary shares for the year ended 31 December 2010 comprising the pre-offering share capital of 900,000,000 ordinary shares and the newly-issued 198,000,000 ordinary shares pursuant to the offering (2009: the pre-offering share capital of 900,000,000 ordinary shares).

8. Property, plant and equipment

Group	Buildings	Machinery and equipment	Motor vehicles	Office equipment	Capital maintenance	Construction-in-progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost							
At 1 January 2009	378,920	1,493,916	11,950	12,726	98,064	41,676	2,037,252
Additions	17,726	6,816	1,685	14,830	29,677	5,050	75,784
Transfers	32,893	8,864	–	–	–	(41,757)	–
Disposals	–	(191)	–	–	–	(1,248)	(1,439)
At 31 December 2009 and 1 January 2010	429,539	1,509,405	13,635	27,556	127,741	3,721	2,111,597
Additions	48,638	14,558	441	11,186	–	131,971	206,794
Transfers	16,284	–	–	–	–	(16,284)	–
Disposals	(974)	(986)	(20)	(14)	–	–	(1,994)
At 31 December 2010	493,487	1,522,977	14,056	38,728	127,741	119,408	2,316,397
Accumulated depreciation							
At 1 January 2009	23,997	113,015	7,398	3,944	17,565	–	165,919
Charge for the year	14,137	71,520	1,853	2,663	22,580	–	112,753
At 31 December 2009 and 1 January 2010	38,134	184,535	9,251	6,607	40,145	–	278,672
Charge for the year	18,770	64,721	918	4,550	25,549	–	114,508
At 31 December 2010	56,904	249,256	10,169	11,157	65,694	–	393,180
Net carrying amount							
At 31 December 2009	391,405	1,324,870	4,384	20,949	87,596	3,721	1,832,925
At 31 December 2010	436,583	1,273,721	3,887	27,571	62,047	119,408	1,923,217

Notes to the Financial Statements

31 December 2010

8. Property, plant and equipment (cont'd)

Company	**Office equipment**
	RMB'000
Cost	
At 1 January 2009, 31 December 2009 and 1 January 2010	–
Additions	2,807
At 31 December 2010	2,807
Accumulated depreciation	
At 1 January 2009, 31 December 2009 and 1 January 2010	–
Charge for the year	388
At 31 December 2010	388
Net carrying amount	
At 31 December 2009	–
At 31 December 2010	2,419

Certain buildings are pledged to secure bank loans amounting to approximately RMB 80,794,000 for financial year ended 31 December 2010. Certain machinery and equipment are pledged to secure bank loans amounting to approximately RMB 639,390,000 and RMB 624,127,000 for financial years ended 31 December 2009 and 2010, respectively. Information regarding bank loans are disclosed in Note 17.

Notes to the Financial Statements

31 December 2010

9. Land use rights

	Group 2010 RMB'000	Group 2009 RMB'000
Cost		
At 1 January/At 31 December	49,159	49,159
Accumulated amortisation		
At 1 January	4,796	3,653
Amortisation for the year	1,143	1,143
At 31 December	5,939	4,796
Net carrying amount	43,220	44,363
Amount to be amortised		
Not later than one year	1,143	1,143
Later than one year but not later than five years	4,569	4,569
Later than five years	37,508	38,651
	43,220	44,363

The Group has land use rights over 5 plots of state-owned land in the PRC where the Group's operating facilities reside. The land use rights have remaining tenures ranging from 43 years to 47 years as at 31 December 2010. These land use rights are also charged to secure the Group's loans as disclosed in Note 17.

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

10. Deferred expenses

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

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

Notes to the Financial Statements

31 December 2010

11. Inventories

	Group	
	2010	**2009**
	RMB'000	RMB'000
Raw materials	351,857	285,267
Work-in-progress	220,957	154,982
Finished goods	94,685	19,126
Spares and consumables	15,117	14,810
	682,616	474,185
Inventories recognised as an expense in cost of sales	5,423,744	3,681,446
Inventories pledged to banks	442,106	226,183

12. Prepayments

Prepayments mainly relate to advances made for the purchase of raw materials and construction materials. Included in financial year ended 31 December 2009 was a balance of approximately RMB 6,750,000 relating to expenses incurred in connection with the Group's initial public offer of its shares. These expenses were either expensed off or netted off against the proceeds from the share issuance during the financial year ended 31 December 2010.

13. Amounts due from/(to) related parties
Amounts due from/(to) subsidiaries

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

Notes to the Financial Statements

31 December 2010

14. Trade and other receivables

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RMB'000	RMB'000	RMB'000	RMB'000
Trade and other receivables:				
Trade receivable	172,487	548,244	69,817	–
Bills receivable	6,697	1,300	–	–
Refundable VAT and other taxes	97,707	4,061	–	–
Advances to employees	6,448	2,596	–	–
Other receivables	59,237	23,165	2,453	5,000
Total trade and other receivables	342,576	579,366	72,270	5,000
Add:				
Amounts due from related parties (Note 13)	–	32,449	–	–
Amounts due from subsidiaries (Note 13)	–	–	161,658	–
Short term deposits, secured (Note 16(a))	704,497	712,620	–	–
Cash on hand and at bank (Note 16(b))	527,016	48,780	386,337	378
Total loans and receivables	1,574,089	1,373,215	620,265	5,378

Trade receivables

Trade receivables are non-interest bearing and are generally on up to 30 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition. Included in trade receivables balance of the Group as at 31 December 2009, is an amount of approximately RMB 480,034,000 due from entities which were disclosed as amount due from related parties in 2008. These balances have fully repaid as of 31 December 2010.

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

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RMB'000	RMB'000	RMB'000	RMB'000
USD	74,948	1,076	69,817	–

Notes to the Financial Statements

31 December 2010

14. Trade and other receivables (cont'd)

Bills receivables

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

Advances to employees

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

Receivables that are past due but not impaired

The Group has trade receivables that are past due at the balance sheet date but not impaired, amounting to approximately RMB 194,511,000 and RMB 48,118,000 for the financial years ended 31 December 2009 and 2010 respectively. These receivables are unsecured and the analysis of their aging at the balance sheet date is as follows :

	Group		**Company**	
	2010	**2009**	**2010**	**2009**
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables past due:				
Less than 90 days	44,538	188,929	28,156	–
90 to 180 days	2,431	5,136	2,408	–
181 to 365 days	1,149	446	–	–
More than 1 year	–	–	–	–
	48,118	194,511	30,564	–

The Group had no trade receivables that are impaired as at 31 December 2009 and 2010.

15. Short term investments

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

16. Short term deposits, secured
Cash and cash equivalents

(a) ***Short term deposits secured***

Short term deposits are secured in connection with the notes payable.

Notes to the Financial Statements

31 December 2010

16. Short term deposits, secured (cont'd) Cash and cash equivalents (cont'd)

(b) ***Cash and cash equivalents***

Cash and cash equivalents relates to cash and bank balances.

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

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RMB'000	RMB'000	RMB'000	RMB'000
USD	134,943	5,059	–	–
RMB	–	–	250	–
Euro	10	27	–	–
SGD	285,135	–	285,135	–

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

	Group		Company	
	2010	**2009**	**2010**	**2009**
Interest rates on short- term deposits (per annum)	0.36%-6.25%	0.36%-2.25%	6.25%	–

(c) ***Cash flow from operating activities***

	Group	
	2010	**2009**
	RMB'000	RMB'000
Profit before taxation	519,260	402,174
Adjustments for:-		
Depreciation of property, plant and equipment	114,508	112,753
Amortisation of land use rights	1,143	1,143
Reversal of write-down of inventories	–	(22,944)
Listing related expense	29,215	–
Interest income	(12,402)	(13,732)
Interest expense	58,466	48,610
Operating profit before changes in working capital	710,190	528,004

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17. Loans and borrowings

	Group	
	2010	**2009**
	RMB'000	RMB'000
Fixed rate bank loans, unsecured	72,531	60,000
Fixed rate bank loans, secured	263,860	192,000
Floating rate bank loans, unsecured	230,000	305,000
Floating rate bank loans, secured	412,600	275,000
Notes payable	1,237,524	1,222,524
	2,216,515	2,054,524

Comprising :

Current portion	2,146,515	2,024,524
Non-current portion	70,000	30,000
	2,216,515	2,054,524

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

	Group	
	2010	**2009**
Fixed rate bank loans	2.96% to 9.45%	4.05% to 9.03%
Floating rate bank loans	5.10% to 6.44%	4.86% to 8.22%

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

Fixed rate bank loans	21 Dec 2011	13 Dec 2010
Floating rate bank loans	9 Dec 2012	12 Jan 2011

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17. Loans and borrowings (cont'd)

Fixed rate bank loans

These loans are secured by charges over land use rights and buildings, inventories and plant and machineries and/or guarantees by the following:-.

	Group	
	2010	**2009**
	RMB'000	RMB'000
Third parties and directors of the Company and subsidiaries	–	40,000
A subsidiary of the Group	72,531	–
	72,531	40,000

Floating rate bank loans

These following loans and borrowings are secured by guarantees from the following:-

Directors	12,600	50,000
Subsidiaries	180,000	210,000
Directors of the Company and subsidiaries	120,000	155,000
	312,600	415,000

18. Amounts due to directors

Amounts due to directors are non-trade in nature, unsecured and repayable on demand. Amounts due to directors are expected to be settled in cash.

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19. Trade and other payables

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RMB'000	RMB'000	RMB'000	RMB'000
Trade and other payables:				
Trade payables	93,743	136,619	–	–
Other payables	132,152	219,261	10,439	3
Total trade and other payables	225,895	355,880	10,439	3
Add:				
Loans and borrowings (Note 17)	2,216,515	2,054,524	–	–
Amounts due to directors (Note 18)	690	1,378	–	1,377
Amounts due to related parties (Note 13)	2,789	19,198	–	–
Amounts due to subsidiaries (Note 13)	–	–	29,122	–
Accrued operating expenses (Note 21)	30,867	30,064	–	–
Amount due to equity holders (Note 23)	442,420	442,420	–	–
Total financial liabilities carried at amortised cost	2,919,176	2,903,464	39,561	1,380

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

20. Advances from customers

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

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21. Accrued operating expenses

	Group	
	2010	**2009**
	RMB'000	RMB'000
Accrued payroll-related expenses	18,670	20,954
Sundry accruals	12,197	9,110
	30,867	30,064

22. Deferred tax (assets)/liabilities

	Group	
	2010	**2009**
	RMB'000	RMB'000
Deferred tax assets		
- Differences in depreciation and amortisation	(3,512)	(11,445)
- Accruals and provisions	(256)	(589)
	(3,768)	(12,034)
Deferred tax liabilities		
- Differences in depreciation and amortisation	65,807	46,023
- Withholding tax on dividend appropriation	23,134	7,600
	88,941	53,623
Deferred tax liabilities, net	85,173	41,589

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

<u>Unrecognised temporary differences relating to investments in subsidiaries:</u>

As at 31 December 2010, deferred tax liability has been recognised for withholding tax that would be payable on certain undistributed earnings of the PRC subsidiaries which are directly held by the Group. There are no unrecognized temporary differences relating to investment in subsidiaries as the Group has determined that portion of the undistributed earnings of its PRC subsidiaries will not be distributed in the foreseeable future to be insignificant.

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23. Amounts due to equity holders

Amounts due to equity holders relates to the registered share capital of those subsidiaries which have been included within the Group by virtue of Contractual Agreements as disclosed in Note 1.3 to the financial statements.

24. Share capital

	Group and Company	
	2010	**2009**
	RMB'000	RMB'000
Issued and fully paid ordinary shares		
Balance as at 1 January		
1,000,000 (2009: 1,000,000) ordinary shares	5,051	5,051
Sub-division of each ordinary share into 900 ordinary shares 899,000,000 (2009: Nil) ordinary shares	–	–
Additional 198,000,000 (2009: Nil) ordinary shares issued	544,594	–
Share issuance expense	(27,385)	–
Balance as at 31 December 1,098,000,000 (2009: 1,000,000) ordinary shares	522,260	5,051

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

25. Other reserves

Other reserves comprise:

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RMB'000	RMB'000	RMB'000	RMB'000
Statutory reserve fund	78,955	47,498	–	–
Capital surplus reserve	84,090	84,090	–	–
Fair value adjustment reserve	2,781	2,680	–	–
Foreign currency translation reserve	(3,984)	(905)	(3,347)	(180)
At 31 December	161,842	133,363	(3,347)	(180)

Notes to the Financial Statements

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25. Other reserves (cont'd)

Statutory reserve fund

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

	Group	
	2010	**2009**
	RMB'000	RMB'000
At 1 January	47,498	13,529
Transferred from revenue reserve	31,457	33,969
At 31 December	78,955	47,498

Capital surplus reserve

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

	Group	
	2010	**2009**
	RMB'000	RMB'000
At 1 January	84,090	82,765
Additional capital contribution	–	1,325
At 31 December	84,090	84,090

Fair value adjustment reserve

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

	Group	
	2010	**2009**
	RMB'000	RMB'000
At 1 January	2,680	997
Fair value adjustment	101	1,683
At 31 December	2,781	2,680

Notes to the Financial Statements

31 December 2010

25. Other reserves (cont'd)

Foreign currency translation reserve

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

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January	(905)	(996)	(180)	(294)
Foreign currency translation	(3,079)	91	(3,167)	114
At 31 December	(3,984)	(905)	(3,347)	(180)

26. Dividends

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RMB'000	RMB'000	RMB'000	RMB'000
Dividends declared and paid during the financial year	–	248,407	–	5,000

27. Segment information

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

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

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

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

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

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

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31 December 2010

27. Segment information (cont'd)

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

	Smelting		Fabrication		Trading		Adjustments and eliminations		Note	Consolidated financial statements	
	2010	2009	2010	2009	2010	2009	2010	2009		2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		RMB'000	RMB'000
Revenue:											
- external customers	4,236,653	3,162,265	567,920	350,757	1,410,038	750,405	–	–		6,214,611	4,263,427
- inter-segment	264,515	6,272	240,507	–	–	–	(505,022)	(6,272)	A	–	–
Total revenue	4,501,168	3,168,537	808,427	350,757	1,410,038	750,405	(505,022)	(6,272)		6,214,611	4,263,427
Results:											
Finance income	9,356	11,223	2,555	2,070	491	439	–	–		12,402	13,732
Investment gain	–	–	77	–	–	22	–	–		77	22
Depreciation and amortisation	(95,036)	(94,355)	(20,601)	(19,452)	(14)	(89)	–	–		(115,651)	(113,896)
Writeback of inventory obsolescence, net	–	22,944	–	–	–	–	–	–		–	22,944
Segment profit/(loss)	433,034	364,074	103,434	21,939	(13,120)	24,050	(4,088)	(7,889)	B	519,260	402,174
Assets:											
Additions to non-current assets	117,298	67,712	89,496	7,763	–	835	–	–	C	206,794	76,310
Segment assets	5,803,353	4,077,881	1,082,592	861,617	703,253	452,876	(2,784,811)	(1,454,769)	D	4,804,389	3,937,605
Segment liabilities	4,314,572	3,540,968	873,425	728,772	626,445	345,300	(2,319,379)	(1,091,158)	E	3,495,063	3,523,882

Notes to the Financial Statements

31 December 2010

27. Segment information (cont'd)

Note

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

B The following items are deducted from segment profit to arrive at "Profit before taxation" presented in the consolidated statements of comprehensive income:

	2010	**2009**
	RMB'000	RMB'000
Profit from inter-segment sales	(515)	(2,396)
Dividends	–	(5,000)
Finance costs	(3,573)	(493)
	(4,088)	(7,889)

C Additions to non-current assets consist of additions to property, plant and equipment and land use rights.

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

	2010	**2009**
	RMB'000	RMB'000
Deferred tax assets	3,767	12,034
Income tax receivable	13,769	–
Inter-segment assets	(2,802,347)	(1,466,803)
	(2,784,811)	(1,454,769)

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

	2010	**2009**
	RMB'000	RMB'000
Deferred tax liabilities	88,941	53,623
Income tax payable	141,901	117,806
Inter-segment liabilities	(2,550,221)	(1,262,587)
	(2,319,379)	(1,091,158)

Notes to the Financial Statements

31 December 2010

27. Segment information (cont'd)

Geographical information

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

	2010	2009
	RMB'000	RMB'000
PRC	5,183,331	4,161,817
Overseas	1,031,280	101,610
	6,214,611	4,263,427

All of the Group's non-current assets are located in the PRC. Non-current assets consist of property, plant and equipment, land use rights, deferred expenses and deferred tax assets.

Information about a major customer

Revenue from one major customer amount to RMB 1,132,970,000 (2009: RMB 596,245,000), arising from sales by the Smelting segment.

28. Commitments

(a) ***Operating lease commitments***

In addition to the land use rights disclosed in Note 9, the Group had the following minimum lease payments under operating leases on premises with initial or remaining term of one year or more :-

	Group	
	2010	2009
	RMB'000	RMB'000
Non-cancellable amounts payable		
within 1 year	3,604	1,853
within 2 to 5 years	2,084	1,800
	5,688	3,653

These operating leases are for tenures between 6 months to 3 years. Certain leases include options to renew the leases after the expiry of the initial tenure. Lease payments under these leases are usually fixed for the entire initial tenure. There are no restrictions placed upon the lessee by entering into these leases.

Minimum lease payments recognised as an expense in the statement of comprehensive income for the financial year ended 31 December 2010 amounted to approximately RMB 3,012,000 (2009: RMB 1,948,000).

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28. Commitments (cont'd)

(b) *Purchase commitments*

	Group	
	2010	**2009**
Non-cancellable purchases (in tonnes)		
within 1 year	744	744
within 2 to 5 years	2,674	2,978
	3,418	3,722

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

(b) *Capital commitments*

	Group	
	2010	**2009**
Non-cancellable purchases		
within 1 year	155,283	–
within 2 to 5 years	–	–
	155,283	–

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

29. Related party disclosures

(a) *Sale and purchase of goods and services*

An entity or individual is considered a related party of the Group for the purpose of the financial statements if it possesses the ability (directly or indirectly) to control or exercise significant influence over the operating and financial decisions of the Group or vice versa or it is subject to common control or common significant influence.

In addition to the related party information disclosed elsewhere in Note 13 and 18 to the financial statements, the following significant transactions between the Group and its related parties took place on terms agreed between the parties:

	Group	
	2010	**2009**
	RMB'000	RMB'000
Purchase of goods from related parties	–	(212,755)
Sales to related parties	–	225,988

Notes to the Financial Statements

31 December 2010

29. Related party disclosures (cont'd)

(a) *Sale and purchase of goods and services (cont'd)*

The directors are of the opinion that all the transactions above have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties. In addition, the following related party transactions were entered into:

	Group	
	2010	**2009**
	RMB'000	RMB'000
Payments on behalf by related parties	24	40,100
Payments on behalf of related parties	(19,198)	(80)
Receipts on behalf by related parties	–	136,319
Advances from related parties	16,670	422,013
Advances to related parties	(69,041)	(204,949)
Advances from directors	40,942	6,119
Advances to directors	(24,396)	(59,969)

Related parties:

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

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

	Group	
	2010	**2009**
	RMB'000	RMB'000
Short-term employee benefits paid to key management personnel	4,703	1,500
Comprise amounts paid to:		
Directors of the Company	3,596	1,380
Other key management personnel	1,107	120
	4,703	1,500

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30. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the year ended 31 December 2010.

As disclosed in Note 25, the subsidiaries of the Group are required by the 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. This externally imposed capital requirement has been complied with by the subsidiaries for the financial year ended 31 December 2010. One of the subsidiaries in the Group is required to comply with financial covenants imposed by its bankers on the declaration of dividends. In particular, the subsidiary is not allowed to declare dividends until it has fully repaid the loans and borrowings.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, amounts due to related parties, loans and borrowings, trade and other payables, less short term deposits (secured) and cash and cash equivalents. Total capital includes equity attributable to the equity shareholders less the abovementioned restricted statutory reserve fund.

	Group	
	2010	**2009**
	RMB'000	RMB'000
Amounts due to related parties (Note 13)	2,789	19,198
Loans and borrowings (Note 17)	2,216,515	2,054,524
Trade and other payables (Note 19)	225,895	355,880
Less : Short term deposits, secured (Note16)	(704,497)	(712,620)
Cash and cash equivalents (Note 16)	(527,016)	(48,780)
Net debt	1,213,686	1,668,202
Equity attributable to equity holders	1,309,324	413,723
Less : Statutory reserve fund	(78,955)	(47,498)
Total capital	1,230,369	366,225
Capital and net debt	2,444,055	2,034,427
Gearing ratio	0.50	0.82

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31. Financial risk management objectives and policies

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

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

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

(a) *Credit risk*

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

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

<u>Exposure to credit risk</u>

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

Notes to the Financial Statements

31 December 2010

31. Financial risk management objectives and policies (cont'd)

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

Credit risk concentration profile

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

	Group			
	2010		**2009**	
	RMB'000	% of total	RMB'000	% of total
Smelting	117,911	68%	328,857	60%
Fabrication	44,771	26%	42,873	8%
Trading	9,805	6%	176,514	32%
	172,487	100%	548,244	100%

As at 31 December 2010, the Group has approximately nil% (2009: 60.6%) of trade receivables due from a debtor which was previously a related company as disclosed in Note 14 to the financial statements.

Financial assets that are neither past due nor impaired

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

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 14 (Trade and other receivables).

(b) ***Liquidity risk***

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

Notes to the Financial Statements

31 December 2010

31. Financial risk management objectives and policies (cont'd)

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

The Group's liquidity risk management policy is that to maintain sufficient liquid financial assets and short term loan facilities with different banks and business alliances. As at 31 December 2009 and 2010, all of the Group's loans and borrowings (Note 17) will mature in less than one year based on the carrying amount reflected in the financial statements. The table below summarises the maturity profile of the Group's financial assets and liabilities at the balance sheet date based on contractual undiscounted payments.

	2010			
Group	**One year or less**	**One to five years**	**Over five years**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets:				
Trade and other receivables (Note 14)	342,576	–	–	342,576
Short term deposits, secured (Note 16)	704,497	–	–	704,497
Cash and cash equivalents (Note 16)	527,016	–	–	527,016
Total undiscounted financial assets	1,574,089	–	–	1,574,089
Financial liabilities:				
Trade and other payables (Note 19)	225,895	–	–	225,895
Loans and borrowings (Note 17)	2,146,515	70,000	–	2,216,515
Amounts due to directors (Note 18)	690	–	–	690
Amounts due to related parties (Note 13)	2,789	–	–	2,789
Accrued operating expenses (Note 21)	30,867	–	–	30,867
Amounts due to equity holders (Note 23)	–	–	442,420	442,420
	2,406,756	70,000	442,420	2,919,176
Total net undiscounted financial liabilities	(832,667)	(70,000)	(442,420)	(1,345,087)

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31. Financial risk management objectives and policies (cont'd)

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

Group	2009 One year or less RMB'000	One to five years RMB'000	Over five years RMB'000	Total RMB'000
Financial assets:				
Trade and other receivables (Note 14)	579,366	–	–	579,366
Amounts due from related parties (Note 13)	32,449	–	–	32,449
Short term deposits, secured (Note 16)	712,620	–	–	712,620
Cash and cash equivalents (Note 16)	48,780	–	–	48,780
Total undiscounted financial assets	1,373,215	–	–	1,373,215
Financial liabilities:				
Trade and other payables (Note 19)	355,880	–	–	355,880
Loans and borrowings (Note 17)	2,024,524	30,000	–	2,054,524
Amounts due to directors (Note 18)	1,378	–	–	1,378
Amounts due to related parties (Note 13)	19,198	–	–	19,198
Accrued operating expenses (Note 21)	30,064	–	–	30,064
Amounts due to equity holders (Note 23)	–	–	442,420	442,420
	2,431,044	30,000	442,420	2,903,464
Total net undiscounted financial liabilities	(1,057,829)	(30,000)	(442,420)	(1,530,249)

Notes to the Financial Statements

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31. Financial risk management objectives and policies (cont'd)

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

Company	2010 One year or less	One to five years	Over five years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets:				
Trade and other receivables (Note 14)	72,270	–	–	72,270
Amounts due from subsidiaries (Note 13)	161,658	–	–	161,658
Cash and cash equivalents (Note 16)	386,337	–	–	386,337
Total undiscounted financial assets	620,265	–	–	620,265
Financial liabilities:				
Trade and other payables (Note 19)	10,439	–	–	10,439
Amounts due to subsidiaries (Note 13)	29,122	–	–	29,122
	39,561	–	–	39,561
Total net undiscounted financial assets	580,704	–	–	580,704

Company	2009 One year or less	One to five years	Over five years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets:				
Trade and other receivables (Note 14)	5,000	–	–	5,000
Cash and cash equivalents (Note 16)	378	–	–	378
Total undiscounted financial assets	5,378	–	–	5,378
Financial liabilities:				
Trade and other payables (Note 19)	3	–	–	3
Amounts due to directors (Note 18)	1,377	–	–	1,377
	1,380	–	–	1,380
Total net undiscounted financial assets	3,998	–	–	3,998

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31. Financial risk management objectives and policies (cont'd)

(c) ***Interest rate risk***

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

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

Sensitivity analysis for interest rate risk

At 31 December 2009 and 2010, if interest rates had been 100 basis points lower/higher with all other variables held constant, the Group's profit net of tax would have been approximately RMB 8,830,000 and RMB 7,566,000 higher/lower respectively, arising mainly as a result of lower/higher interest expense on short term deposits, cash at bank and floating rate loans and borrowings.

(d) ***Foreign exchange risk***

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group's entities, primarily RMB and USD. The foreign currencies in which these transactions are denominated are mainly USD and Euro. Approximately 18% (2009: 2.3%) of the Group's sales are denominated in foreign currencies whilst the costs are denominated in the respective functional currencies of the Group's entities. The Group's trade and other receivables and trade and other payables balances at the balance sheet date have similar exposures.

The Group also holds short term deposits and cash and cash equivalents denominated in foreign currencies for working capital purposes. As at 31 December 2009 and 2010, such foreign currency balances have been disclosed in Note 16(b) to the financial statements.

Notes to the Financial Statements

31 December 2010

31. Financial risk management objectives and policies (cont'd)

(d) ***Foreign exchange risk (cont'd)***

Sensitivity analysis for foreign currency risk

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

		Group	
		Profit net of tax	
		2010 RMB'000	**2009** RMB'000
Against RMB			
USD	- strengthened 10% (2009: 10%)	2,858	273
	- weakened 10% (2009: 10%)	(2,858)	(273)
Euro	- strengthened 10% (2009: 10%)	1	1
	- weakened 10% (2009: 10%)	(1)	(1)
SGD	- strengthened 10% (2009: 10%)	22,972	–
	- weakened 10% (2009: 10%)	(22,972)	–

32. Fair value of financial instruments

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

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

	Group	
	2010	**2009**
	RMB'000	RMB'000
	Quoted prices in active markets for identified instruments	Quoted prices in active markets for identified instruments
	(Level 1)	(Level 1)
Financial assets:		
- short term investments (Note 15)	4,744	4,430

Notes to the Financial Statements

31 December 2010

32. Fair value of financial instruments (cont'd)

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

Fair value hierarchy

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

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

Determination of fair value

Short term investments (Note 15)

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

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

Amounts due to directors (Note 18), amounts due from/(to) related parties (Note 13), amounts due from/(to) subsidiaries (Note 13), trade and other receivables (Note 14), floating rate bank loans and borrowings (Note 17), trade and other payables (Note 19)

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

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

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

	Group			
	2010		2009	
	Carrying amount	Fair value	Carrying amount	Fair value
	RMB'000	RMB'000	RMB'000	RMB'000
Financial liabilities:				
Fixed rate bank loans (Note 17)	336,391	318,030	252,000	240,942
Amounts due to equity holders (Note 23)	442,420	–	442,420	–

Notes to the Financial Statements

31 December 2010

32. Fair value of financial instruments (cont'd)

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

Determination of fair value

Fixed rate bank loans (Note 17)

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

Amounts due to equity holders (Note 23)

Fair value information has not been disclosed for the amounts due to equity holders as their fair value cannot be determined reliably. The amounts due to equity holders are repayable only upon liquidation of the subsidiaries which has been included in the Group by virtue of the Contractual Agreements as disclosed in Note 1.3 to the financial statements. Accordingly, the fair value of amounts due to equity holders is not determinable as the timing of the future cash flows arising from the amounts cannot be estimated reliably.

33. Foreign currency exchange

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

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

34. Events occurring after the reporting period

On 10 March 2011, the Company announced that it intends to acquire 100% equity interests in Guizhou Liupanshui Shuangyuan Aluminum Co., Ltd. ("Liupanshui Shuangyuan") and Yichang Changjiang Aluminum Co., Ltd. ("Yichang Changjiang") that were not previously owned by the Group through Jiangyin Xinren Technology Co., Ltd., a wholly-owned subsidiary of the Group (the "Proposed Acquisition"). As disclosed in Note 1.3 to the financial statements, Liupanshui Shuangyuan and Yichang Changjiang have been included within the Group by virtue of Contractual Arrangements in place.

The Proposed Acquisition will enable the Company to have full control over the operations and management of Liupanshui Shuangyuan and Yichang Changjiang. Furthermore, upon the completion of the Proposed Acquisition, Liupanshui Shuangyuan and Yichang Changjiang will become wholly-owned subsidiaries of the Group, and will minimize any risk arising from the Contractual Arrangement.

Notes to the Financial Statements

31 December 2010

34. Events occurring after the reporting period (cont'd)

The Proposed Acquisition shall be conditional upon, inter alia, the following conditions have been fulfilled:

(a) Approvals in respect of the Proposed Acquisition having been granted by minority shareholders of the Company, The Stock Exchange of Singapore Limited and any other regulatory or governmental bodies in the PRC or Singapore; and

(b) Legal opinion from the Company's PRC legal counsel on the legality of the Proposed Acquisition.

The Proposed Acquisition is not expected to have material impact on the financial statements of the Group.

35. Authorisation of financial statements

The audited consolidated financial statements as at and for the financial year ended 31 December 2010 were authorised for issue in accordance with a resolution of the directors on 31 March 2011.

Statistics of Shareholdings

16 March 2011

Distribution of Shareholdings

Size of Holdings	No. of Shareholders	%	No. of Shares	%
1 - 999	2	0.09	206	0.00
1,000 - 10,000	1,007	43.40	7,043,159	0.64
10,001 - 1,000,000	1,280	55.17	67,598,000	6.16
1,000,001 and above	31	1.34	1,023,358,635	93.20
Total	2,320	100.00	1,098,000,000	100.00

Twenty Largest Shareholders

No.	Name	No. of Shares	%
1	Sunshine International Global Capital Ltd	351,000,000	31.97
2	Jiacai International Ltd	342,000,000	31.15
3	Shenchang International Ltd.	67,500,000	6.15
4	Farina Investments Ltd.	58,500,000	5.33
5	Shunqi International Ltd.	36,000,000	3.28
6	Phillip Securities Pte Ltd	21,161,000	1.93
7	HSBC (Singapore) Nominees Pte Ltd	19,788,000	1.80
8	Yansheng Ltd.	18,000,000	1.64
9	Jintudi Group Ltd.	18,000,000	1.64
10	Citibank Nominees Singapore Pte Ltd	12,172,000	1.11
11	BNP Paribas Nominees Singapore Pte Ltd	10,769,000	0.98
12	Hanwen International Group Ltd.	9,000,000	0.82
13	DBS Vickers Securities (S) Pte Ltd	8,334,000	0.76
14	DBS Nominees Pte Ltd	8,017,800	0.73
15	OCBC Securities Private Ltd	5,046,000	0.46
16	Yeap Lam Hong	4,080,000	0.37
17	Lim & Tan Securities Pte Ltd	3,582,000	0.33
18	Kim Eng Securities Pte. Ltd.	3,446,000	0.31
19	Raffles Nominees (Pte) Ltd	3,435,294	0.31
20	UOB Kay Hian Pte Ltd	3,182,000	0.29
	Total	1,003,013,094	91.36

Statistics of Shareholdings

16 March 2011

SUBSTANTIAL SHAREHOLDERS

	Name of Substantial Shareholders	No. of share in which substantial shareholders have direct interest	No. of share in which substantial shareholders are deemed to have interest
1	Sunshine International Global Capital Ltd	351,000,000	
2	Zeng Chaoyi		351,000,000(1)
3	Jiacai International Ltd	342,000,000	
4	Zeng Chaolin		342,000,000(2)
5	Shenchang International Ltd	67,500,000	
6	Farina Investments Ltd	58,500,000	
7	Toe Teow Heng	2,000,000	131,187,000(3) (4)
8	Toe Teow Teck	12,409,000	131,187,000(3) (4)

Note:

(1) Deemed interest in 351,000,000 shares held by Sunshine International Global Capital Ltd by virtue of Section 7 of the Companies Act, Cap. 50.

(2) Deemed interest in 342,000,000 shares held by Jiacai International Ltd by virtue of Section 7 of the Companies Act, Cap. 50.

(3) Deemed interest in 67,500,000 shares held by Shenchang International Ltd and 58,500,000 shares held by Farina Investments Ltd by virtue of Section 7 of the Companies Act, Cap. 50.

(4) Deemed interest in 3,802,000 shares held by ICH Invest & Trade Ltd, 700,000 shares held by ICH Proprietory Investments Ltd, and 685,000 shares held by Asia Phoenix Absolute Return Fund Investments by virtue of Section 7 of the Companies Act, Cap. 50 which held through nominees.

Based on the information provided, to the best knowledge of the Directors and the substantial shareholders of the Company, 23.63% of the issued ordinary shares of the Company was held in the hands of the public as at 16 March 2011. The Company did not hold any treasury shares as at 16 March 2011.

Accordingly, the Company has complied with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at Suntec Singapore International Convention & Exhibition Centre, Meeting Room 307, Level 3 on Thursday, 28 April 2011 at 10:00 a.m. to transact the following businesses:-

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 December 2010 and the Reports of the Directors and the Auditors thereon. **(Resolution 1)**

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

   Mr Zeng Chaoyi (Retiring under Article 94) **(Resolution 2)**
   Mr Zeng Xiaoqiao @ Zeng Xiaoshan (Retiring under Article 94) **(Resolution 3)**
   Mr Chen Timothy Teck Leng @ Chen Teck Leng (Retiring under Article 100) **(Resolution 4)**
   Mr Loh Weng Whye (Retiring under Article 100) **(Resolution 5)**

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

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

3. To re-appoint Ernst & Young LLP as auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 6)**

4. To ratify the payment of Directors' fees of S$104,500 for the financial year ended 31 December 2010. **(Resolution 7)**

5. To approve the payment of Directors' fees of S$15,167 for the financial year ending 31 December 2011 monthly in arrears. **(Resolution 8)**

Notice of Annual General Meeting

AS SPECIAL BUSINESS

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

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

   Mr Liu Jingan **(Resolution 9)**

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

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

   (i) "That, pursuant to Section 161 of the Companies Act, Cap. 50 (the "Acts") and the listing rules of the SGX-ST, authority be and is hereby given to the Directors of the Company to: **(Resolution 10)**

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

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

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

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

Notice of Annual General Meeting

provided that:

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

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

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

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

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

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

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

[See Explanatory Note 2]

Notice of Annual General Meeting

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

By Order of the Board

Teo Meng Keong
Company Secretary

13 April 2011
Singapore

Notice of Annual General Meeting

Explanatory Notes:

1. The proposed Resolution 9, if passed, will authorise the Director, who are over the age of 70, to continue in office as a Director of the Company until the next annual general meeting of the Company.

2. Ordinary Resolution 10, if passed, will authorise the Directors of the Company to, from the date of the passing of Ordinary Resolution 10 to the date of the next Annual General Meeting, issue Shares and to make or grant instruments (such as warrants or debentures) convertible into Shares, and to issue Shares in pursuance of such instruments, up to an amount not exceeding in total 50 per cent (50%) of the total number of issued Shares (excluding treasury shares), with a sub-limit of 20 per cent (20%) of the total number of issued Shares (excluding treasury shares) for issues other than on a pro-rata basis to existing shareholders of the Company. For the purpose of determining the aggregate number of Shares that may be issued, the percentage of issued Shares shall be based on the total number of issued Shares (excluding treasury shares) in the capital of the Company at the time that Ordinary Resolution 10 is passed, after adjusting for:-

   (a) new Shares arising from the conversion or exercise of any convertible securities;
   (b) new Shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time that Ordinary Resolution 10 is passed; and
   (c) any subsequent bonus issue, consolidation or sub-division of Shares.

   In exercising the authority conferred by Ordinary Resolution 10, the Company shall comply with the requirements of the SGX-ST (unless waived by the SGX-ST), all applicable legal requirements and the Company's Articles of Association. This authority, will, unless revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier.

Notes:

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

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

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

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

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XINREN ALUMINUM HOLDINGS LIMITED
(Company Registration No. 200612545H)
(Incorporated in the Republic of Singapore)

Important :

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

PROXY FORM

Annual General Meeting of XinRen Aluminum Holdings Limited (the "Company") to be held at Suntec Singapore International Convention & Exhibition Centre, Meeting Room 307, Level 3, 28 April 2011 at 10:00 a.m.

I/We --

of --

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

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

and/or (delete as appropriate)

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

as *my/our *proxy/proxies to attend and vote for *me/us on *my/our behalf and, if necessary, to demand a poll, at the Annual General Meeting of the Company to be held at Suntec Singapore International Convention & Exhibition Centre, Meeting Room 307, Level 3, 28 April 2011 at 10:00 a.m. and at any adjournment thereof.

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

No.	Resolution	For	Against
1.	To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 December 2010 and the Reports of the Directors and the Auditors thereon		
2.	To re-elect Mr Zeng Chaoyi who is retiring pursuant to Article 94 of the Company's Articles of Association		
3.	To re-elect Mr Zeng Xiaoqiao @ Zeng Xiaoshan who is retiring pursuant to Article 94 of the Company's Articles of Association		
4.	To re-elect Mr Chen Timothy Teck Leng @ Chen Teck Leng who is retiring pursuant to Article 100 of the Company's Articles of Association		
5.	To re-elect Mr Loh Weng Whye who is retiring pursuant to Article 100 of the Company's Articles of Association		
6.	To re-appoint Ernst & Young LLP as auditors and to authorise the Directors to fix their remuneration		
7.	To ratify the payment of Directors' Fees of S$104,500 for the financial year ended 31 December 2010		
8.	To approve the payment of Directors' fees of S$15,167 for the financial year ending 31 December 2011 monthly in arrears		
9.	To re-appoint Mr Liu Jingan who is retiring pursuant to Section 153(6) of the Companies Act (Chapter 50)		
10.	To authorise Directors to allot and issue shares		

Dated this ___________ day of ______________________ 2011.

Total Number of Shares Held

____

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

IMPORTANT: PLEASE READ NOTES OVERLEAF

NOTES:

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

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

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

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

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

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

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

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

鑫仁铝业
XINREN ALUMINUM

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