鑫仁铝业
XINREN ALUMINUM

FACETS OF GROWTH

XINREN ALUMINUM HOLDINGS LIMITED
ANNUAL REPORT 2011

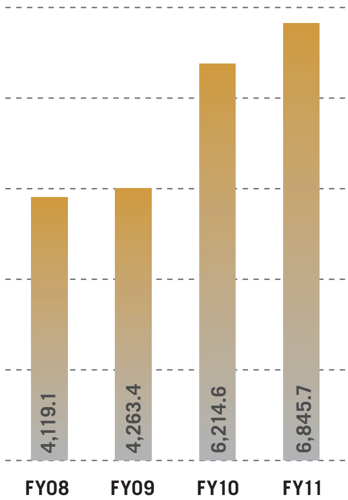
CONTENTS

"XINREN WAS ESTABLISHED WITH THE FORESIGHT AND COURAGE OF ONE MAN IN THE 1970S. TODAY, AFTER 40 YEARS OF BUILDING TIRELESSLY ON HIS VISION, THE GROUP HAS BECOME ONE OF THE LEADING VERTICALLY INTEGRATED ALUMINUM PRODUCERS IN THE PEOPLE'S REPUBLIC OF CHINA (PRC). TODAY, XINREN HAS ONE OF THE MOST EFFICIENT COST STRUCTURES WHICH HAS ENABLED US TO ENJOY A STRONG COMPETITIVE EDGE OVER OUR COMPETITORS.

A KEY *FACET* DRIVING XINREN'S GROWTH IS MANAGEMENT'S PASSION FOR AND IN-DEPTH UNDERSTANDING OF THE BUSINESS. HAVING ACHIEVED A SUBSTANTIAL *SCALE* OF OPERATIONS IN STRATEGIC LOCATIONS WHICH OFFER *SYNERGY* AND COST SAVINGS, WE CONTINUE TO INVEST IN THE BUSINESS TO FURTHER *STRENGTHEN* OUR LEADING POSITION.

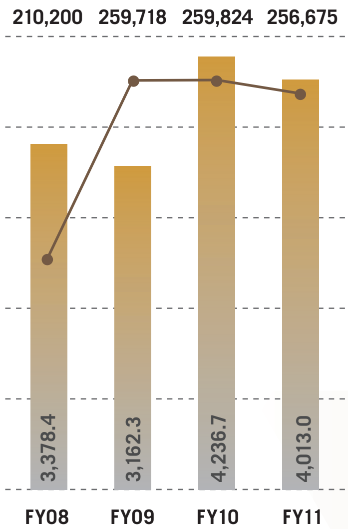
THE GROUP'S STRONG PROFIT TRACK RECORD UNDERLINES OUR SUCCESS IN SECURING NEW CLIENTS AND MARKETS FOR OUR INGOTS AND PLATES, AS WELL AS SHEETS, COILS AND FOILS. NOT ONE TO REST ON ONE'S LAURELS, WE HAVE ALREADY TAKEN STEPS TO BECOME LARGER AND MORE INTEGRATED IN OUR OPERATIONS. THIS WILL DRIVE XINREN'S NEXT *FACET* OF GROWTH AND STEER US TOWARDS OUR VISION TO BECOME THE BEST WE CAN BE, IN THE WORLD."

FINANCIAL HIGHLIGHTS



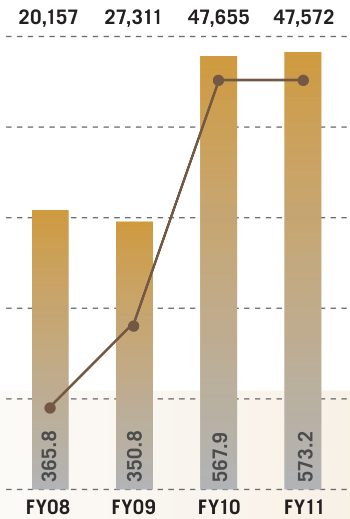
REVENUE

Revenue (RMB'm)



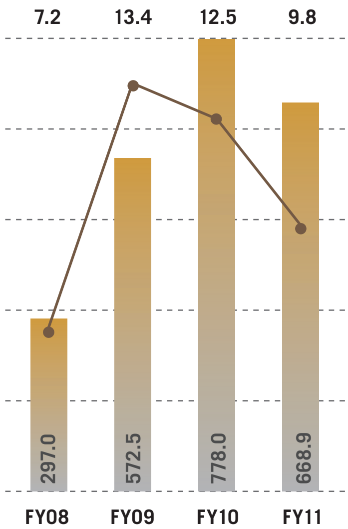
SMELTING SEGMENT

Revenue (RMB'm)
Sales Volume (tonnes)



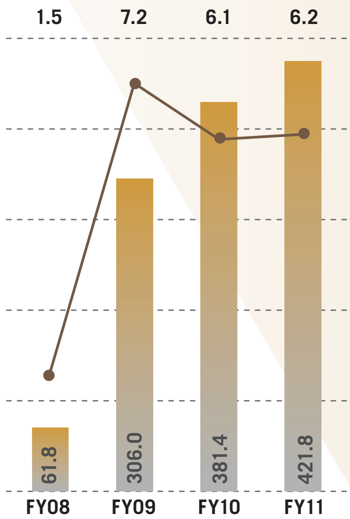
FABRICATION SEGMENT

Revenue (RMB'm)
Sales Volume (tonnes)



GROSS PROFIT & MARGIN

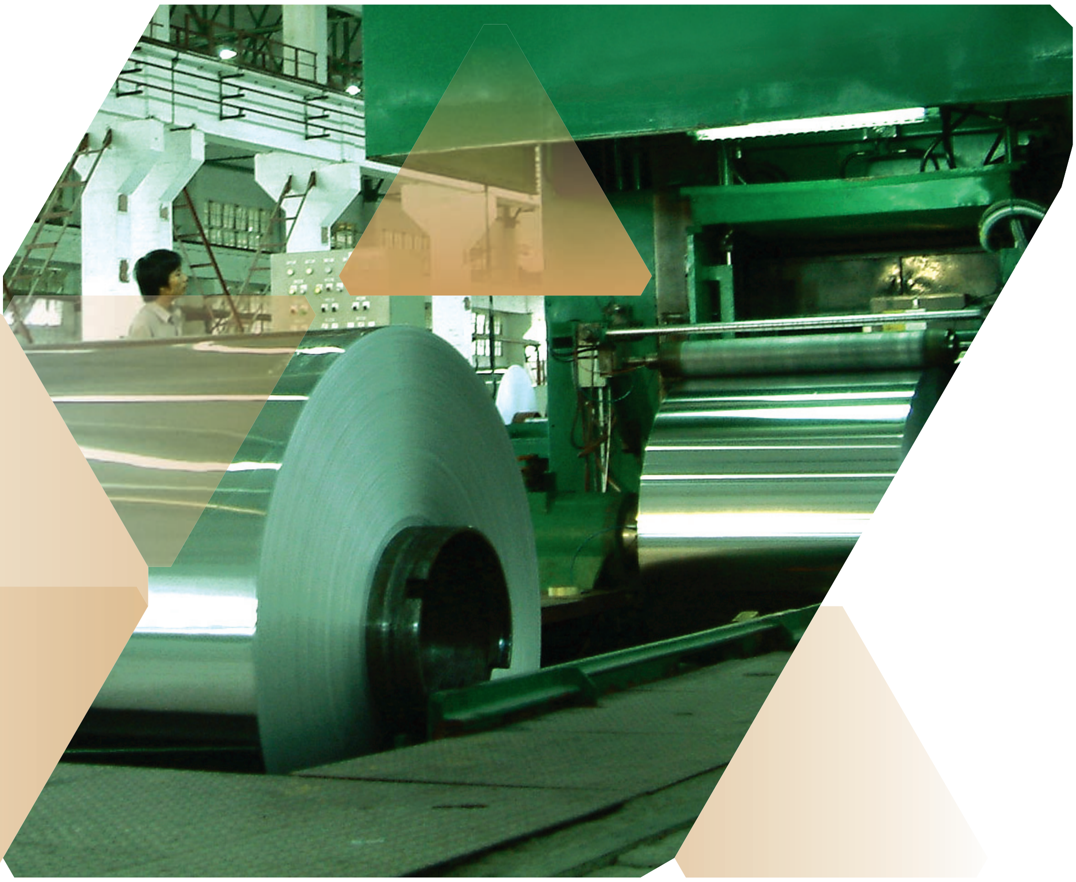
Gross Profit (RMB'm)
Gross Margin (%)



NET PROFIT & MARGIN

Net Profit (RMB'm)
Net Margin (%)

CORPORATE PROFILE



XINREN ALUMINUM HOLDINGS LIMITED (XINREN OR GROUP) IS A VERTICALLY INTEGRATED MAKER OF PRIMARY ALUMINUM PRODUCTS IN THE PRC THAT IS LED BY HIGHLY EXPERIENCED MANAGEMENT. ESTABLISHED IN THE 1970S, THE GROUP IS INVOLVED IN KEY STAGES OF THE UPSTREAM VALUE CHAIN OF SMELTING, FABRICATION AND TRADING WHERE IT DERIVES REVENUE FROM THE SALE OF INGOTS AND PLATES, AS WELL AS SHEETS, COILS AND FOILS – WHICH ARE USED IN A DIVERSE RANGE OF SECTORS SUCH AS TRANSPORT, CONSTRUCTION AND PACKAGING.

XinRen already enjoys one of the local sector's most efficient cost structures. Recently, it entered into a sales and purchase agreement to purchase an initial effective stake of 21% in China Leading International Group Limited (the Proposed Acquisition), which in turn indirectly holds 100% of the equity interest in a primary aluminum smelter, Xinjiang Production and Construction Corps Agricultural Division Eight Xinjiang Tianshan Aluminum Plant Co., Ltd. (Xinjiang Plant). The Proposed Acquisition if successful, will further enhance the Group's already strong competitive edge against its PRC competitors. Located in a coal-rich province, Xinjiang Plant's wholly-owned cost competitive smelting facility and an independent power plant, which are currently under construction, will boost the Group's position in the sector.

Upon completion of the Proposed Acquisition, XinRen expects to increase its smelting capacity to 722,000 tonnes per annum, and the Group is also set to become one of China's major upstream integrated players and remain one of the nation's most cost efficient aluminum producers.

Having built a leading position on its reputation for quality and cost-competitiveness, XinRen plans to further expand and comprehensively integrate its smelting and fabrication capacity to tap the growing demand for aluminum products both at home and overseas.

SIGNIFICANT MILESTONES

2002

APRIL
- Established trading subsidiary, Shanghai Shuangpai Aluminum Co., Ltd.

OCTOBER
- Commenced first phase of construction of Yichang Changjiang Aluminum Co., Ltd. (Yichang Plant), with smelting capacity of 70,000 tonnes per annum.

2005

JULY
- Completed first phase of construction of Yichang Plant.
- Commenced second phase of construction of Yichang Plant to increase smelting capacity to 130,000 tonnes per annum.

NOVEMBER
- Established aluminum fabrication company, Jiangyin XinRen Technology Co., Ltd. (Jiangyin Plant) in Jiangyin City, Jiangsu Province.

2006

AUGUST
- Established trading company, Shanghai Fengbo International Trading Co., Ltd. and XinRen Aluminum Holdings Limited.

2007

JULY
- Completed construction of Jiangyin Plant with a capacity of 50,000 tonnes per annum.

SEPTEMBER
- Began construction of second smelting plant, Guizhou Liupanshui Shuangyuan Aluminum Co., Ltd. (Liupanshui Plant) with a capacity of 145,000 tonnes per annum.

2010

OCTOBER
- Officially listed on Mainboard of Singapore Exchange Securities Trading Limited (SGX-ST).

DECEMBER
- Commenced aluminum plates processing with a capacity of 50,000 tonnes per annum at Jiangyin Plant.

2011

MARCH
- Proposed acquisition of two smelting plants, Liupanshui Plant and Yichang Plant.*

APRIL
- Incorporated Shuicheng County Xinxin Carbon Co., Ltd., a wholly-owned subsidiary which is engaged in the production and sale of carbon products, corhart and coal chemical products.

SEPTEMBER
- Completed acquisition of Liupanshui Plant and Yichang Plant.

* Prior to its listing on SGX-ST, the Yichang Plant was owned by members of the Zeng family (Mr Zeng Chaolin, Mr Zeng Xiaoqiao @ Zeng Xiaoshan, Mdm Deng Eying, Ms Zeng Mingliu, Ms Zeng Yiliu and Ms Zeng Hong), and Liupanshui Plant was owned by Mr Zeng Chaoyi and Ms Li Yazhou. In September 2010, XinRen was granted an exclusive right by the Liupanshui shareholders and Yichang shareholders to purchase both plants. The Group exercised the option in March 2011 and the acquisition was completed in September 2011.

> "FOCUSED AND STRATEGIC STEPS PUT IN PLACE BUILDING BLOCKS THAT CONTINUE TO SHAPE XINREN AS A LEADER IN THE ALUMINUM SMELTING AND FABRICATION INDUSTRY."

CHAIRMAN'S STATEMENT

Dear Shareholders,

For XinRen, the year proved to be a challenging one as we battled to overcome the backlash from both sharp swings in aluminum selling prices and surging costs for energy, labour and raw materials, all of which caused gross margins to shrink.

Despite this operating backdrop, the Group was able to post record earnings for another year as profit attributable to shareholders (PATMI) rose 10.6% to RMB421.8 million for the financial year ended 31 December 2011 (FY11).

To mark this performance and thank shareholders for their unfaltering support, the Board has proposed an attractive dividend of S$0.02 a share for FY11, subject to shareholders' approval at the Annual General Meeting to be held on 23 April 2012. This payout would amount to 26% of FY11 earnings, or S$21.92 million in total.

ACQUIRING KEY ASSETS, BOOSTING PRODUCTION CAPACITIES

Despite many challenges during the year, XinRen embarked on a string of strategic investments which will enhance our leading position in the industry. We also further streamlined and integrated our existing operations and moved into higher-margin products.

MAXIMISING SMELTING OPERATIONS

As part of plans to generate greater synergies, XinRen exercised its option and completed the acquisition of the two smelting plants we operate – one at Liupanshui in Guizhou province and the other at Yichang in Hubei province – in September 2011 for an aggregate consideration of RMB442.4 million, of which RMB60 million has already been paid to the respective shareholders of Liupanshui and Yichang plants, who are also our major shareholders.

EXPANDING FABRICATION OUTPUT

In response to the PRC government's policy to focus on high-value-added processed products, the Group increased its aluminum plate capacity by 50,000 tonnes per annum (tpa) at its plant at Jiangyin in Jiangsu province. In addition, XinRen intends to increase the plant's fabrication capacity for aluminum

sheets, foils and coils, from the current 50,000 tpa to 100,000 tpa, at a cost of approximately RMB300 million. Trial production of the new capacity is targeted to start in 4Q FY12.

OPTIMISING COST EFFICIENCY

To achieve greater control over production costs and increase the vertical integration of our operations, the Group is currently building a plant to make its own carbon anodes, a crucial cost component in primary aluminum production. The 100,000 tpa facility will go into trial production in 3Q FY12 and is expected to yield cost savings when fully operational in FY13.

TRADING HUB IN SINGAPORE AWARDED GTP STATUS

To bolster XinRen's global network, the Group set up an export office in the Asia-Pacific in 2006. Singapore was chosen because of its status as a premier centre for international trade, and for its outstanding facilities and various tax benefits. As a well-established company with substantial international operations, XinRen was admitted into Singapore's Global Trader Programme (GTP) in March 2011.

FACETS OF GROWTH KEY XINJIANG ACQUISITION

At XinRen, we have never stopped trying to distinguish ourselves as a player par excellence in the aluminum industry. To that end, we have worked tirelessly to build up our operations, choosing strategic locations for our plants that have allowed us to lower costs and improve efficiency. Today, XinRen is recognised as one of the industry's most cost-efficient producers in China.

However, we have reached the point where our ability to elevate our business to the next level is being inhibited by factors such as production capacity. For smelting, our facilities in Liupanshui and Yichang, which have a combined capacity of 275,000 tpa, are running at full steam currently.

To overcome these limitations, the Group, after weighing several options, exercised an option and signed a sale and purchase (S&P) agreement to take an initial 21% stake in China Leading International Group Limited (the Proposed Acquisition), which owns a smelting plant, known as Xinjiang Production and Construction Corps Agricultural Division Eight Xinjiang Tianshan Aluminum Plant Co., Ltd. (Xinjiang Plant).

Strategically located in a coal-abundant region, this integrated facility will contribute to our smelting capacity, which is expected to increase to 722,000 tpa. Furthermore, Xinjiang Plant owns an independant power plant consisting of two power generating units of total generating capacity of 2x350MW, situated on-site, which will provide savings in electricity costs.

The synergies and cost efficiencies from Xinjiang Plant's operations and the singular integration it enjoys from merging all its facilities under one roof will accelerate our plans to become a premier upstream player in China's aluminum sector.

LOOKING AHEAD

In recent years, the Group has taken concerted steps to strengthen every aspect of its business and nurture sustained growth. As a result, XinRen is in an excellent position to catch opportunities which may arise from any favourable industry trends, especially in the automobile, electronics and consumption goods sectors.

We will continue to control costs wherever possible even as we focus on advancing our blueprint for growth. This year, efforts to this end include ensuring that the additional fabrication capacities at Jiangyin are rolled out smoothly and that our new carbon anode plant is commissioned on time. This is expected to benefit the Group from FY13.

Topping the agenda is the Proposed Acquisition, so we will press forward with the initial acquisition as soon as we receive shareholder approval at the upcoming Extraordinary General Meeting. The Group shall have the right to exercise a second call option to acquire another 30% stake within five years of the date of completion of the Proposed Acquisition.

As we bring these initiatives to fruition, we will strengthen our position as one of the leading cost effective producers in China's aluminum industry.

ACKNOWLEDGMENTS AND APPRECIATION

On behalf of the Board, we would like to express our heartfelt appreciation for the dedication demonstrated by both management and staff. To all our shareholders and business partners, we give equally profound thanks for your faith in us. Your continued support will be critical to the Group's future as we thrust forward into our next stage of growth and make our mark as an internationally recognised player in the industry.

Zeng Chaoyi
Executive Chairman

THE ALUMINUM VALUE CHAIN

Aluminum plays a key role in many aspects of our everyday lives but in such an unassuming fashion that we are often unaware of its presence. You find it in everything from beverage cans to power cables to car frames because its versatility allows it to take forms that give rise to an endless range of applications.

It is also the metal of choice in many advanced industries because its unique qualities – strength, durability, flexibility, impermeability, conductivity, low density, resistance to corrosion, recyclability – make it highly functional and cost-effective while offering huge potential for research and innovation.

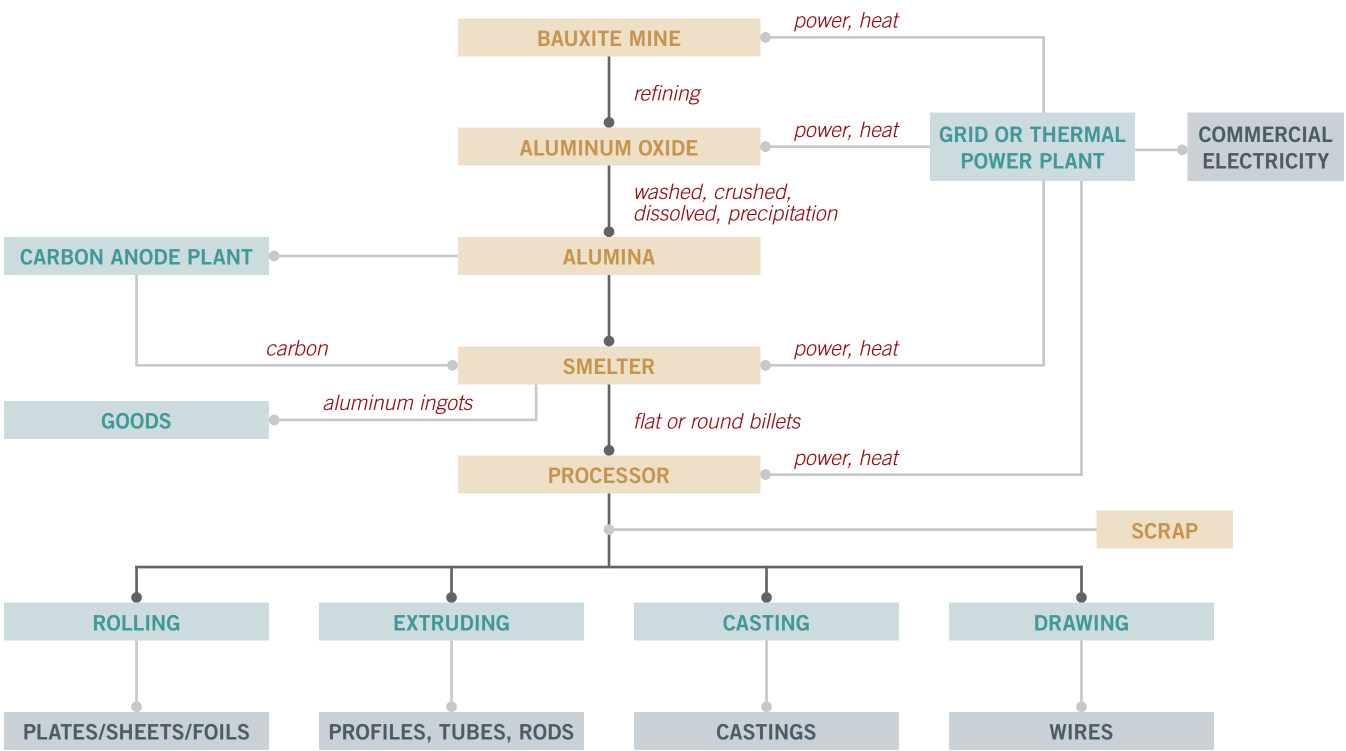
Even though aluminum has been produced commercially for just 150 years, it has now become one of the world's most used metals, just after steel. Demand for aluminum continues to grow across a vast range of sectors, as traditional uses are expanded and new ones are developed.

PRIMARY PRODUCTION

The metal exists in abundance in the Earth's crust, but only in its oxidised form in combination with other minerals. It has to be extracted from the ores, mainly bauxite, through a series of mechanical, chemical and electrometallurgical processes.

REFINING: After the bauxite is mined, it is sent for refining into aluminum oxide trihydrate, or alumina, the main raw material for primary aluminum production. The ore is washed, crushed and dissolved in caustic soda to unlock the alumina component, which is then precipitated and collected for further processing. Calcination – intense heating to remove the liquid – is applied to produce alumina.

Known as the Bayer process, this refining method has been in use since the 19th century because it remains the most economic means of extracting alumina. Typically, 2-3 tonnes of bauxite ore are needed to produce 1 tonne of alumina.



Sources: www.world-aluminum.org
www.energy.eu
www.upenergy.com
Sunlight Metal Consulting (Beijing) Co., Ltd.

SMELTING: Alumina is reduced to metallic aluminum in an electrolytic cell called a "pot", which is made up of two main parts – one serves as the anode or positive electrode of the cell, and the other, as the cathode or negative electrode. The anode consists of a block of carbon formed by baking coke and pitch, while the cathode is found in the carbon lining of a large steel container located under the anode. This lining is formed by baking metallurgical coke and pitch.

The space between the anode and the cathode is filled with an electrolytic bath of sodium aluminum fluoride, or cryolite. The electrolyte is heated to about 980°C, at which point it melts and the alumina is added and dissolved. An electric current is then passed through the mixture to split the alumina into molten aluminum metal at the cathode and carbon dioxide at the anode.

This Hall-Héroult process was invented in 1886 and has since been steadily improved. Currently, it takes about 2 tonnes of alumina to produce 1 tonne of aluminum metal.

Smelting consumes huge amounts of electricity because of the high temperatures that must be generated. Typically, the electrolysing current is delivered at a high amperage and on average, it takes almost 14,171 kwh of electricity to produce 1 kg of aluminum from alumina compared with XinRen's average of 13,727 kwh in 2009.

In addition, the smelting process is continuous as the metal in the pots cannot be allowed to solidify. Not surprisingly, most plants around the world are located in areas where there is ample access to inexpensive energy.

In China, coal is an abundant source of energy and vast reserves can be found in the provinces of Inner Mongolia, Shaanxi, Shanxi and Xinjiang. In fact, China has the world's third largest proved coal reserves as at end 2009 and Xinjiang alone holds about 40% of these. Xinjiang is also known to have the lowest cost of mining per tonne in China.

Today's plants use one of two technologies based on the Hall-Héroult process – Söderberg or pre-bake – which differ mainly in terms of the anode used. The Söderberg or self-baking technology uses a continuously created anode that is made by adding pitch to the cell that is baked in the cell itself. The pre-bake technology uses multiple anodes baked beforehand in a separate facility that are then suspended from rods in the cell. Once these anodes are consumed, new ones must be added.

Across the world, new plants and plant expansions are employing pre-bake cells. In China, the government is phasing out Söderberg cells as well, because they consume far more energy and produce more pollutive emissions than pre-bake cells do.

At XinRen, our plants employ a pre-bake variant called Centre Worked Pre-bake Technology (CWPB). Our 240kA system uses multiple-point feeders to introduce the alumina, as well as other computerised controls that increase feeding precision. The enclosed nature of the process means that less than 2% of the emissions generated escape the pots. The high-amperage technology allows our plants to be far more energy-efficient and environmentally sustainable. Furthermore, the carbon anodes generally last longer, resulting in considerable savings on this front as well.

THE ALUMINUM VALUE CHAIN

DOWNSTREAM PROCESSING

After the molten aluminum has been extracted at the smelting plant, it is sent to a holding furnace that is also run continuously. Once the furnace is full, the aluminum is flowed at carefully adjusted temperatures into moulds to produce ingots. After they have solidified, the ingots are cooled and packaged for delivery.

An extremely versatile metal, aluminum can be processed in vastly different ways depending on the end-application required. Its uses can be expanded further by alloying it with other materials such as iron, silicon or zinc to produce metals with different properties. An endless array of products can be achieved by rolling the aluminum into plates, sheets or foils, or by casting or extruding it into different shapes.

POTENTIAL FOR GROWTH

The metal's lightness, strength and workability make it widely used in the transportation industry, where its use in frames, parts and fittings results in improved performance, fuel savings and reduced emissions for the automobile, aerospace, rail and marine sectors. The building and construction industry provides yet another formidable market for aluminum, as do packaging and electrical applications.

With such a broad range of applications, global consumption of aluminum is expected to grow by around 8% in 2012. China's ongoing urbanisation and industrialisation are expected to continue boosting demand. Between 2004 and 2009, the country was the world's largest consumer of primary aluminum, accounting for around 40% of global consumption. It is likely to retain this lead, with consumption of primary aluminum expected to achieve a compound annual growth rate of 11% between 2010 and 2015.

SUSTAINABILITY

Thanks to aluminum's unique properties, which make it the metal of choice in a vast swathe of sectors, the industry can enjoy sustained growth while also contributing to a more sustainable global economy.

In the transport sector alone, aluminum is invaluable in efforts to minimise fuel consumption by producing lighter vehicles and carriers, whether for land, air or sea. When used to replace heavier materials in a car, 1 kg of aluminum can eliminate up to 20 kg of carbon dioxide over the vehicle's lifetime.

Furthermore, aluminum is 100% recyclable, ie it can be reused again and again, which makes it an ideal material to minimise negative effects on the environment. Across the aluminum industry, efforts are underway to reduce greenhouse gas emissions from production while maximising the efficient use of energy, to further ensure a sustainable future for all.

At XinRen, we truly support these efforts, and have devoted considerable time and resources to improving and refining our processes in ways that will increase energy efficiency while limiting pollutive emissions.

PRC REGULATORY FRAMEWORK FOR THE ALUMINUM INDUSTRY

The Chinese government has spent many years in modifying and updating its regulatory framework to promote and encourage optimal utilisation of the nation's resources – be it human capital, land or raw materials such as coal, iron ore and alumina, which is used in the manufacture of aluminum. Driving this framework is the government's desire to enhance value in both the industrial and agricultural sectors, and to maximise their contributions to the economy and spur nationwide growth.

On the industrial aspect, the most recent steps in this direction include the Non-Ferrous Metals Industrial Restructuring and Revitalisation Plan (有色金属产业调整和振兴规划) announced in May 2009, followed by the Notice to Speed Up the Elimination of Backward Production Capacity (国务院关於进一步加强淘汰落後产能工作的通知) issued in February 2010. Such measures are aimed at accelerating the restructure of the non-ferrous metals industry in China and promoting healthy development of the sector, including the aluminum smelting and fabrication segments.

To streamline upstream aluminum smelting activities, where energy accounts for a third of the operating costs, the authorities have ceased to award approvals for new projects, including the expansion of existing facilities, since 2009. In line with the government's plans to intensify sector consolidation, steps were taken to eliminate all but the biggest and most energy-efficient plants by the end of 2011, by precluding new smelting capacities or additions to existing capacities that employed small pre-baked anode cells designed to operate at 100kA or less. Capacities in this category amounted to 0.6 million tonne in 2010.

On the other hand, the authorities have been extremely supportive of aluminum facilities that can offer greater value addition in terms of downstream processing capabilities. Whereas a 15% export tax rate is applied to primary aluminum, aluminum alloys and preliminary processed products, companies that manufacture high-value-added processed products such as aluminum plates, sheets, coils and foils – an area where XinRen is a clear front runner – get to enjoy export tax rebates.

In addition, the government is promoting technical innovation through initiatives that champion the development of advanced energy-saving technologies for aluminum smelting, as well as encourages more local players to engage in the manufacture of sophisticated fabricated products and fabrication equipment.

Furthermore, even though China is the world's largest aluminum producer, it does not have abundant bauxite resources from which alumina can be extracted. Hence, Chinese companies pay zero tariffs on imports of bauxite, alumina and primary aluminum. The authorities are also eager to support investments in bauxite, alumina and smelting businesses overseas. Beside this, the PRC government is keen to promote the exploration and production of bauxite as a national resource.

All these initiatives will definitely benefit XinRen as it moves to further enhance its already low-cost structure by investing in innovative measures that will cut costs at both its smelting and fabrication facilities, and to ramp up its operations abroad by expanding its international network. Indeed, the Group expects to become dramatically more cost-competitive once it completes its proposed acquisition of the modern smelting facility in Xinjiang, which is expected to contribute 447,000 tonnes per annum to the Group's smelting capacity.

OVERVIEW OF XINREN'S OPERATIONS

"HAVING A FULLY INTEGRATED OPERATION IS KEY TO REAPING SYNERGIES AND SHARPENING OUR COMPETITIVE EDGE."

SMELTING	
PRODUCTS	Primary aluminum - *Ingots* - *Plates*
OPERATIONS	**LIUPANSHUI PLANT** **Approved aluminum ingot capacity:** 145,000 tpa (216 reduction pots) **Annual Capacity:** 100,000 tpa of aluminum plates - *Stable and low cost electricity supply in Guizhou* - *Close to Guangdong province, a major market for primary aluminum products* **YICHANG PLANT** **Approved aluminum ingot capacity:** 130,000 tpa (208 reduction pots) - *Stable and low cost electricity supply from the Gezhouba hydroelectric power station* - *Easy access to water transportation via the Yangtze River* - *Close to major automobile manufacturing industries in Chongqing, Wuhan and Changsha* **JIANGYIN PLANT** **Annual Capacity:** 50,000 tpa of aluminum plates - *Close to aluminum supply in Wuxi* - *Located close to port facilities in Yangtze Delta region, which allows for easy shipment of plates to export market*
STRENGTHS	- *Highly energy efficient using 240kA pre-baked technology* - *Competitive cost position*

FABRICATION	
PRODUCTS	Fabricated aluminum - *Sheets* - *Coils* - *Foils*
OPERATIONS	**JIANGYIN PLANT** **Current capacity:** 50,000 tpa **Additional capacity expansion (by 2012):** 50,000 tpa - *Close to aluminum supply in Wuxi* - *Located in the Yangtze Delta region, where many of our customers for our fabrication products are located* - *Qualifies for favourable high-tech enterprise tax rate*
STRENGTHS	- *Located in high growth area with advanced technology* - *Continuous product upgrades*

TRADING AND MARKETING	
PRODUCTS	*Trade and market alumina and aluminum products to both domestic and overseas customers*
OPERATIONS	**XINREN ALUMINUM HOLDINGS (SINGAPORE), SHANGHAI SHUANGPAI (PRC) & FENGBO TRADING (PRC)** *- Sales and marketing operations in primary trading and distribution hubs located in China and Singapore* *- Facilitates sales of aluminum products within China and export/import activities*
STRENGTHS	*- Established track records in domestic and overseas sales*

XINJIANG PLANT	
On 25 February 2012, XinRen entered into a sale and purchase agreement to exercise the call option to purchase an initial interest of 21% in China Leading International Group Limited, and through this acquisition, a stake in Xinjiang Plant	
PRODUCTS	Primary aluminum
OPERATIONS	**ALUMINUM SMELTING PLANT** *- Production capacity of 447,000 tpa* *- 1/3 in trial production currently* **INDEPENDENT POWER PLANT** *- 2 power generating units with a total capacity of 2x350MW to be completed in 4QFY12* *- Tap on abundant and cheap coal resources in Xinjiang* *- Electricity cost significantly reduced with cheap coal, which is much lower than XinRen's current cost*

FINANCIAL & OPERATIONS REVIEW

OVERVIEW

In spite of the harsh trading environment, the Group achieved new records for the financial year ended 31 December 2011 (FY11), driving both revenue and net attributable profit (PATMI) to fresh peaks.

Revenue increased by 10.2% to RMB6,845.7 million, driven primarily by stronger trading activity, while PATMI rose 10.6% to RMB421.8 million. The gross margin decreased to 9.8% for FY11 from 12.5% in the year before, largely because of the increase in the cost of raw materials, electricity and labour as well as a higher trading loss.

Our increased use of inland river transportation in FY11 instead of the relatively more expensive land transportation helped to lower selling and administration expenses by 5.6%. This, combined with significantly lower administrative expenses and taxation enabled the Group to achieve the 10.6% increase in PATMI.

The Group's net assets increased from RMB1,309 million to RMB1,701 million in FY11, an increase of 29.9% due mainly to the higher PATMI achieved in FY11. XinRen's operations, on the other hand, generated positive net cash from operating activities of RMB187.3 million in FY11, 11.4% higher than FY10's RMB168.1 million, as the Group continued to diligently manage its working capital needs.

SEGMENTAL PERFORMANCE

SMELTING DIVISION

Revenue from the smelting segment decreased by 5.3% to RMB4,013 million in FY11 from RMB4,237 million in FY10. The main reason was that sales volumes of primary aluminum ingots dropped to 256,000 metric tonnes (MT) in FY11 from 260,000 MT in FY10. In addition, average selling prices for these ingots fell to RMB15,600 per MT (without value-added tax) from RMB16,300 per MT previously. As a result, pre-tax profit from the smelting division slipped 2% to RMB424.3 million in FY11.

FABRICATION DIVISION

Revenue from the fabrication segment rose by 0.9% to RMB573 million in FY2011, as the Group enjoyed consistent sales volumes and average selling prices that were similar to those seen in the previous year. However, pre-tax profit fell 22% to RMB80.7 million because the Group was unable to fully offset the higher operational costs.

TRADING DIVISION

The Group experienced higher trading activity of aluminum products to meet the shortfall resulting from increased exports, thus driving the division's revenue up to RMB2,260 million from RMB1,410 million in the previous year. After operating expenses are factored in, the trading arm posted a loss before taxation of RMB22.7 million.

ACQUISITION OF KEY OPERATING ASSETS

SMELTING OPERATIONS

In early 2011, the Group made a key investment decision to exercise an option to acquire two smelting plants – Guizhou Liupanshui Shuangyuan Aluminum Co., Ltd. (Liupanshui Plant) and Yichang Changjiang Aluminum Co., Ltd. (Yichang Plant) – from its major shareholders for an aggregate consideration of RMB442.4 million.

RMB421.8m

10.6% INCREASE IN NET PROFIT

The strategic location of these plants enables the Group to enjoy a stable and secure supply of electricity, as well as achieve cost efficiencies in terms of electricity consumption and transportation. As the Yichang Plant is located in Hubei province near the Gezhouba hydroelectric power station, the Group was able to construct and own two of the three electricity lines that connect the plant to the station. The Liupanshui Plant, on the other hand, is located in coal-rich Guizhou province, which enables XinRen to enjoy low electricity costs there.

In addition, the proximity of these plants to key shipping ports along the Yangtze River, as well as a major railway hub in China's south-west allows XinRen to deliver products to clients and receive supplies in a convenient and cost-effective manner.

The acquisition of Liupanshui Plant and Yichang Plant were completed in September 2011, and the first RMB60 million of the consideration has already been paid to the respective major shareholders.

EXPANSION AND INTEGRATION

EXPANDING FABRICATION OUTPUT

Keen to advance its lead in higher-value-added processed products, the Group's high-tech fabrication facility, Jiangyin Plant, commenced production of the additional aluminum plate capacity of 50,000 tpa in January 2011. To tap into higher-margin products and markets, XinRen will also be increasing the plant's current fabrication capacity for aluminum sheets, foils and coils to 100,000 tpa.

OPTIMISING COST EFFICIENCY

Besides electricity, carbon anodes represent another key cost component in the aluminum smelting process. To enhance its cost-competitiveness, XinRen will move further upstream along the aluminum value chain by constructing its own carbon anode plant with a capacity of 100,000 tpa in Liupanshui. The plant, which will cost approximately RMB300 million to build, is expected to come onstream from 3Q FY12. XinRen expects to enjoy cost savings from the new plant once it becomes fully operational next year.

PROPOSED ACQUISITION OF XINJIANG PLANT

Currently, both the Liupanshui Plant and Yichang Plant have reached almost 100% of their production capacities. Given the strict regulations imposed by the PRC government on the construction of new smelting plants, the Group had to explore alternative options to step up growth.

On 25 February 2012, the Group inked a sale and purchase (S&P) agreement to acquire an initial 21% stake in China Leading International Group Limited and, through this purchase, a stake in the Xinjiang Plant, an aluminum smelter with an integrated facility that is highly cost-competitive. This proposed strategic acquisition – which is subject to shareholder approval at the forthcoming Extraordinary General Meeting on 23 April 2012 (EGM) – will cost the Group a consideration of RMB1,890 million.

RMB6,845.7m

10.2% INCREASE IN REVENUE

The Xinjiang facility currently includes an aluminum smelting plant and an independent power plant consisting of two power generating units of total generating capacity of 2x350MW, which is now under construction. The easy access to cheap and abundant coal in Xinjiang gives the power plant a cost advantage that will in turn benefit XinRen, as energy accounts for about a third of gross operating costs in upstream aluminum production.

FINANCIAL & OPERATIONS REVIEW

The smelting plant owned by the Xinjiang Plant has a total capacity of 447,000 tpa, a third of which is currently under trial production. Once it is fully operational, the Group's smelting capacity is expected to increase to 722,000 tpa, while the self-owned power plant located within the facility will help save electricity costs.

If the proposed acquisition is approved by shareholders at the EGM, the Xinjiang Plant will enable the Group to lock in a lower-cost structure and position XinRen to be one of the leading cost effective aluminum producers in China.

ATTRACTIVE DIVIDEND

To reward shareholders, the Board has recommended an attractive final, tax-exempt dividend of S$0.02 a share for FY11. The total payout would amount to S$21.92 million, or 26% of the Group's earnings for FY11, subject to shareholders' approval of the proposal at the Annual General Meeting to be held on 23 April 2012.

FORGING AHEAD

The Group remains positive about prospects for the aluminum sector.

Currently at the top of its agenda is completing the initial acquisition of CLI in FY12. Other major objectives include the successful roll-out of the additional fabrication capacities at the Jiangyin Plant and the full commissioning of the Group's new carbon anode plant by FY13. Throughout, XinRen will continue to monitor costs and streamline operations so as to remain competitive.

The Group has the right to exercise a second call option to acquire an additional 30% stake in the CLI within five years upon completing the initial acquisition of the 21% stake in CLI. XinRen will also seek shareholder approval before exercising the second call option.

PROPOSES ATTRACTIVE DIVIDEND

S$0.02 PER SHARE

WHY INVEST IN XINJIANG?

The Xinjiang Uygur Autonomous Region is a province in north-western China that has been blessed with vast natural grasslands as well as rich deposits of natural resources and minerals. Although it makes up only about a sixth of China's total land mass, it lays claim to about 40% of the coal reserves and more than 25% of the petroleum and natural gas.

According to the National Development and Reform Commission of China, Xinjiang could contain as much as 2.2 trillion tonnes of natural coal – and mostly high-grade and clean-burning (low-sulphur content) at that. Furthermore, the coal in Xinjiang is cheaper to mine than other parts of China, such as Inner Mongolia, Shanxi and Shandong , because large coal seams can be surface-mined and production costs of less than US$25 a tonne are common.

Driven by the Eleventh Five-Year Plan (from 2006 to 2010), the production of raw coal in China came to a record 100 million tonnes in 2010 and is expected to rise to 169 million tonnes in 2012. Indeed, there are plans to build 17 super-large coal mines in Xinjiang that will boost the region's annual coal output to 400 million tonnes by 2015.

The Xinjiang government has been encouraging companies to use the abundant coal as an energy feedstock to produce lower-cost industrial products and chemicals. These efforts are backed by Xinjiang's excellent transport infrastructure. The airport at its capital Urumqi is among China's six major airports, and is well-connected to West Asia and Europe. In addition, new expressways are opening every year and there are plans to dramatically expand the rail network. As a result, Xinjiang has been attracting large-scale Chinese energy companies, coal chemical enterprises and power-dependent industries, including aluminum smelting and fabrication operations.

Experts believe that these Xinjiang projects, fuelled by cheaper energy, should be able to lock in a significant cost advantage over time and provide solid investment returns over the long term.

Although Xinjiang is neatly tucked away at the top lefthand corner of China, and is relatively sparsely populated with only about 30 million people, it looks set to play a vital role in China's industrial and energy future in the years to come.

THE XINJIANG UYGUR AUTONOMOUS REGION IS A PROVINCE IN NORTH-WESTERN CHINA THAT HAS BEEN BLESSED WITH VAST NATURAL GRASSLANDS AS WELL AS RICH DEPOSITS OF NATURAL RESOURCES AND MINERALS.

Sources : http://www.xj.gov.cn
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http://seekingalpha.com
http://news.xinhuanet.com
http://www.chinamining.org

BOARD OF DIRECTORS

MR ZENG CHAOYI
EXECUTIVE CHAIRMAN

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

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

MR ZENG CHAOLIN
EXECUTIVE DIRECTOR &
CHIEF EXECUTIVE OFFICER

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

MR ZENG XIAOQIAO @ ZENG XIAOSHAN
EXECUTIVE DIRECTOR

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

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

MR LIANG HONGBO
EXECUTIVE DIRECTOR

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

MS ZENG MINGLIU
EXECUTIVE DIRECTOR

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

MR CHEN TIMOTHY TECK LENG @ CHEN TECK LENG

NON-EXECUTIVE LEAD INDEPENDENT DIRECTOR & AUDIT COMMITTEE CHAIRMAN

Mr Chen Timothy Teck Leng @ Chen Teck Leng (陈德仁) is the Lead Independent Director on our Board and the Chairman of its Audit Committee. He has more than three decades of management experience in the international finance, insurance, banking and corporate advisory sectors. He currently sits on the boards of several SGX-listed companies. He has been an independent director and audit committee chairman for Tianjin ZhongXin Pharmaceutical Group Corporation Limited and TMC Education Corporation Ltd., and an independent director for China Hu An Cable Holdings Ltd.

Mr Chen earned his bachelor of science in business administration from the University of Tennessee in 1979 and master's in business administration from Ohio State University in 1981. He was granted his corporate director certification by the Canadian Institute of Corporate Directors, receiving his ICD.D designation in 2006.

MR LOH WENG WHYE

NON-EXECUTIVE INDEPENDENT DIRECTOR & NOMINATING COMMITTEE CHAIRMAN

Mr Loh Weng Whye (罗永威) is an Independent Director on our Board and the Chairman of its Nominating Committee. A 40-year veteran of the infrastructure development and energy industries in Singapore and across the region, he has held senior appointments with the civil service, government-linked companies and the private sector. He was formerly President and CEO of ST Energy Pte. Ltd. and SembCorp Energy Pte. Ltd., and also served as an adviser to Green Dot Capital, an investment and holding company under Temasek Holdings, and as senior adviser to YTL Power International Bhd.

Currently, Mr Loh sits on the boards of both local and overseas corporations, including 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 with various public and charitable organisations. He served on the mechanical engineering advisory and consultative panels of the National University of Singapore and Nanyang Technological University for many years.

Holding MSc (Ind Engg) and BEng (Mech) degrees, Mr Loh is registered as a Professional Engineer (Er) of Singapore. He is a member of the Singapore Institute of Directors, and was elected a fellow of the Institution of Engineers Singapore in 1995.

MR LIU JINGAN

NON-EXECUTIVE INDEPENDENT DIRECTOR & REMUNERATION COMMITTEE CHAIRMAN

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

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

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

KEY MANAGEMENT

MS LI YAZHOU

VICE-GENERAL MANAGER (OPERATIONS)

Ms Li Yazhou (李亚洲) is our Vice-General Manager for Operations. She is responsible for assisting the CEO in the day-to-day operations of the Group, supported by more than 10 years of experience in the aluminum business. She graduated from Shaoyang College in June 1995 as an English major. In 2007, Ms Li was conferred the Guizhou Province Outstanding Female Entrepreneur (贵州优秀女企业家) Award by the Guizhou Province Women's Federation, Guizhou Federation of Industry and Commerce, Guizhou Small Medium Enterprises Union and Guizhou Communist Youth League. In 2008, she received the National Venture Star (创业之星) Award from the China Rural Labor Resources Development Society, China Aid Foundation for Poverty Alleviation and China State Development Research Centre.

MS LIM JOO SENG

CHIEF FINANCIAL OFFICER

Ms Lim Joo Seng (林友欣) is our Chief Financial Officer and was appointed to the Group in February 2010. She is responsible for overseeing its financial and management accounting matters. She has more than 10 years of experience in finance and accounting, with her most recent appointment being audit manager at Deloitte Touche Tohmatsu CPA Ltd. in Shanghai. Ms Lim has been a member of CPA Australia and the Malaysian Institute of Accountants since 2003. She holds a bachelor's in commerce from Macquarie University.

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.

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 operations.

CORPORATE GOVERNANCE REPORT

PRINCIPLE 2: BOARD'S COMPOSITION AND BALANCE

The Board as at 31 December 2011 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 18 and 19 of this Annual Report.

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

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

PRINCIPLE 3: CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

2. NOMINATION MATTERS

PRINCIPLE 4: BOARD MEMBERSHIP

NC makes recommendation to the Board on all board appointments. All the members of the committees including the Chairman are independent. The nature of the Director's appointment on the Board and details of their membership on the Board committees as at 31 December 2011 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.

CORPORATE GOVERNANCE REPORT

PRINCIPLE 5: BOARD PERFORMANCE

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

The attendances of each Board member at meetings of the Board and other committees in respect of the financial year ended 31 December 2011 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	4	4	-	-	-	-	-	-
Zeng Xiaoqiao @ Zeng Xiaoshan	4	4	-	-	-	-	-	-
Zeng Chaolin	4	4	-	-	-	-	-	-
Zeng Mingliu	4	4	-	-	-	-	-	-
Liang Hongbo	4	4	-	-	-	-	-	-
Chen Timothy Teck Leng @ Chen Teck Leng	4	4	4	4	1	1	1	1
Loh Weng Whye	4	4	4	4	1	1	1	1
Liu Jingan	4	4	4	4	1	1	1	1

PRINCIPLE 6: ACCESS TO INFORMATION

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

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

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

CORPORATE GOVERNANCE REPORT

3. REMUNERATION MATTERS

PRINCIPLE 7: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

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

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

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

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

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

c) recommend the fees of the Directors.

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

PRINCIPLE 8: LEVEL OF MIX OF REMUNERATION

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

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

CORPORATE GOVERNANCE REPORT

PRINCIPLE 9: DISCLOSURE ON REMUNERATION

The breakdowns of the remuneration of the Directors for the financial year ended 31 December 2011 are as follows:

Name	Fees	Salary	Bonus	Other Benefits	Total
	%	%	%	%	%
Current Directors					
Zeng Chaoyi	-	80	20	-	100
Zeng Xiaoqiao @ Zeng Xiaoshan	-	80	20	-	100
Zeng Chaolin	-	80	20	-	100
Zeng Mingliu	-	80	20	-	100
Liang Hongbo	-	80	20	-	100
Chen Timothy Teck Leng @ Chen Teck Leng	100	-	-	-	100
Loh Weng Whye	100	-	-	-	100
Liu Jingan	100	-	-	-	100

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

The remuneration paid to each of the executives who are not Directors of the Company are all below S$250,000. A breakdown of the level and mix of remuneration of these key executives is as follows:

Name	Fees	Salary	Bonus	Other Benefits	Total
	%	%	%	%	%
Li Yazhou	-	80	20	-	100
Lim Joo Seng	-	82	18	-	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 2011

CORPORATE GOVERNANCE REPORT

4. ACCOUNTABILITY AND AUDIT

PRINCIPLE 10: ACCOUNTABILITY

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

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

PRINCIPLE 11: AUDIT COMMITTEE

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

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

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

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

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

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

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

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

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

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

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

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

h) review any potential conflict of interests;

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

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

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

CORPORATE GOVERNANCE REPORT

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

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

The aggregate amount of fees paid and payable by the Group to the external auditors for the financial year ended 31 December 2011 is S$546,000, of which audit fees amounted to approximately S$484,000 and non-audit fees (in relation to tax and other services) amount to approximately S$62,000.00.

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

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

PRINCIPLE 12: INTERNAL CONTROL

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

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

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

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

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

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.

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.

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 2011.

CORPORATE GOVERNANCE REPORT

7. DEALINGS IN SECURITIES

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

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

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

8. MATERIAL CONTRACT

Save as disclosed under the acquisition of Guizhou Liupanshui Shuangyuan Aluminum Co., Ltd. and Yichang Changjiang Aluminum Co., Ltd., 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 2011.

9. RISK MANAGEMENT

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

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

As at 31 December 2011, approximately S$83.9 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 2011	Amount to be deployed as at 31 Dec 2011
	S$'000	S$'000	S$'000
Increasing the capacity of Jiangyin fabrication plant	52,900	46,100	6,800
Strategic investments, acquisitions and general corporate purpose	14,400	10,000	4,400
Working capital	28,800	27,800	1,000
Total, net of IPO expenses	96,100	83,900	12,200

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 2011.

DIRECTORS

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

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

Zeng Chaolin, Zeng Mingliu and Liang Hongbo 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.

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

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

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

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under section 164 of the Singapore Companies Act, 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 the beginning of financial year or date of appointment	At the end of financial year	At the beginning of financial year or date of appointment	At the end of financial year
The Company Ordinary shares				
Zeng Chaoyi	–	–	774,000,000	777,000,000
Zeng Chaolin	–	–	774,000,000	777,000,000
Zeng Mingliu	–	–	774,000,000	777,000,000
Zeng Xiaoqiao @ Zeng Xiaoshan	–	–	774,000,000	777,000,000
Liang Hongbo	–	–	774,000,000	777,000,000

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2012.

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

DIRECTORS' REPORT

DIRECTORS' CONTRACTUAL BENEFITS

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

AUDIT COMMITTEE

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

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

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

The Board of directors and the AC have reviewed the adequacy of the Group's internal controls that address the Group's financial, operational and compliance risks. Based on the review conducted, the Board of directors and the AC are of the opinion that, in the absence of any evidence to the contrary, the system of internal controls in place are adequate in meeting the current scope of the Group's business operations.

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

DIRECTORS' REPORT

AUDITORS

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

On behalf of the Board of directors:

Zeng Chaolin
Director

Liang Hongbo
Director

Singapore
30 March 2012

STATEMENT BY DIRECTORS

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

(i) the accompanying balance sheets, consolidated statement of comprehensive income, statements of changes in equity, and consolidated cash flow statement together with notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2011 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
30 March 2012

INDEPENDENT AUDITORS' REPORT

To the Members of XinRen Aluminum Holdings Limited

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of XinRen Aluminum Holdings Limited (the "Company") and its subsidiary companies (collectively the "Group") set out on pages 37 to 82, which comprise the balance sheets of the Group and the Company as at 31 December 2011, the statements of changes in equity of the Group and the Company and the consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and a summary of the significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

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

INDEPENDENT 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 2011 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

ERNST & YOUNG LLP
Public Accountants and Certified Public Accountants

Singapore
30 March 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2011

	Note	GROUP 2011 RMB'000	GROUP 2010 RMB'000
REVENUE	4	6,845,715	6,214,611
Cost of sales		(6,176,857)	(5,436,658)
GROSS PROFIT		668,858	777,953
OTHER ITEMS OF INCOME			
Finance income		9,476	12,402
Other income		48,642	23,735
OTHER ITEMS OF EXPENSE			
Selling and distribution expenses		(68,951)	(73,051)
Administrative expenses		(77,638)	(125,070)
Finance costs		(95,724)	(92,132)
Other expenses		(7,335)	(4,577)
PROFIT BEFORE TAXATION	5	477,328	519,260
Taxation	6	(55,575)	(137,890)
PROFIT AFTER TAXATION		421,753	381,370
OTHER COMPREHENSIVE INCOME:			
Net (loss)/gain on available-for-sale financial assets	25	(716)	101
Foreign currency translation	25	(26,245)	(3,079)
Other comprehensive income for the year		(26,961)	(2,978)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		394,792	378,392
PROFIT ATTRIBUTABLE TO:			
Owners of the parent		421,753	381,370
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent		394,792	378,392
EARNINGS PER SHARE (IN CENTS)			
Basic (RMB cents)	7	38	41
Diluted (RMB cents)	7	38	41

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

BALANCE SHEETS

As at 31 December 2011

	Note	GROUP		COMPANY	
		2011	2010	2011	2010
		RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment	8	2,282,676	1,923,217	3,876	2,419
Land use rights	9	49,775	43,220	–	–
Investment in subsidiaries		–	–	844	844
Deferred expenses	10	3,625	3,850	–	–
Deferred tax assets	22	3,671	3,768	–	–
		2,339,747	1,974,055	4,720	3,263
CURRENT ASSETS					
Inventories	11	822,431	682,616	–	–
Prepayments	12	546,850	549,208	–	–
Amounts due from related parties	13	21,296	–	–	–
Amounts due from subsidiaries	13	–	–	273,312	161,658
Amounts due from directors	18	4,004	–	–	–
Income tax receivable		6,441	13,769	–	–
Trade and other receivables	14	576,005	342,576	307,000	72,270
Deferred expenses	10	166,536	5,906	168,898	–
Short term investments	15	4,028	4,744	–	4,077
Short term deposits, secured	16	572,839	704,497	–	–
Cash and cash equivalents	16	382,072	527,016	97,449	386,337
		3,102,502	2,830,332	846,659	624,342
CURRENT LIABILITIES					
Loans and borrowings	17	2,332,518	2,146,515	–	–
Amounts due to directors	18	–	690	–	–
Amounts due to related parties	13	–	2,789	–	–
Amounts due to subsidiaries	13	–	–	22,290	29,122
Trade and other payables	19	310,200	225,895	5,704	10,439
Deferred revenue	10	119,636	–	119,636	–
Advances from customers	20	395,668	345,045	–	–
Accrued operating expenses	21	4,828	30,867	–	–
Income tax payable		45,635	141,901	18,297	14,570
		3,208,485	2,893,702	165,927	54,131
NET CURRENT (LIABILITIES)/ASSETS		(105,983)	(63,370)	680,732	570,211
NON-CURRENT LIABILITIES					
Deferred tax liabilities	22	120,368	88,941	–	–
Loans and borrowings	17	30,000	70,000	–	–
Amounts due to equity holders	23	382,420	442,420	–	–
NET ASSETS		1,700,976	1,309,324	685,452	573,474
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT					
Share capital	24	522,260	522,260	522,260	522,260
Treasury shares	24	(3,140)	–	(3,140)	–
Revenue reserve		1,000,235	625,222	196,561	54,561
Other reserves	25	181,621	161,842	(30,229)	(3,347)
TOTAL EQUITY		1,700,976	1,309,324	685,452	573,474

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 2011

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT					
Group	Share capital (Note 24)	Treasury shares (Note 24)	Revenue reserve	Other reserves (Note 25)	Total reserves	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
BALANCE AT 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 AND 1 JANUARY 2011	522,260	–	625,222	161,842	787,064	1,309,324
Profit for the year	–	–	421,753	–	421,753	421,753
Other comprehensive income for the year	–	–	–	(26,961)	(26,961)	(26,961)
Total comprehensive income for the year	–	–	421,753	(26,961)	394,792	394,792
Contributions by and distributions to owners						
Purchase of treasury shares	–	(3,140)	–	–	–	(3,140)
Appropriation to statutory reserve	–	–	(46,740)	46,740	–	–
Total transactions with owners in their capacity as owners	–	(3,140)	(46,740)	46,740	–	(3,140)
BALANCE AT 31 DECEMBER 2011	522,260	(3,140)	1,000,235	181,621	1,181,856	1,700,976

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 2011

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT					
	Share capital (Note 24)	Treasury shares (Note 24)	Revenue reserve	Other reserves (Note 25)	Total reserves	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COMPANY						
BALANCE AT 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
Contributions by and distributions to owners						
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 AND 1 JANUARY 2011	522,260	–	54,561	(3,347)	51,214	573,474
Profit for the year	–	–	142,000	–	142,000	142,000
Other comprehensive income for the year	–	–	–	(26,882)	(26,882)	(26,882)
Total comprehensive income for the year	–	–	142,000	(26,882)	115,118	115,118
Contributions by and distributions to owners						
Purchase of treasury shares	–	(3,140)	–	–	–	(3,140)
BALANCE AT 31 DECEMBER 2011	522,260	(3,140)	196,561	(30,229)	166,332	685,452

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

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2011

	2011 RMB'000	2010 RMB'000
OPERATING PROFIT BEFORE CHANGES IN WORKING CAPITAL (NOTE 16(c))	622,309	710,190
Increase in inventories	(139,815)	(208,431)
Decrease/(increase) in prepayments	66,185	(217,621)
(Increase)/decrease in amounts due from directors and related parties	(25,300)	32,449
(Increase)/decrease in trade and other receivables	(233,429)	236,790
Increase in deferred expenses	(160,405)	(5,831)
Decrease in amounts due to directors and related parties	(3,479)	(17,097)
Increase/(decrease) in trade and other payables	84,305	(129,985)
Increase/(decrease) in advances from customers	50,623	(103,944)
Increase in deferred revenue	119,636	–
(Decrease)/increase in accrued operating expenses	(26,039)	803
CASH GENERATED FROM OPERATING ACTIVITIES	354,591	297,323
Interest income received	9,476	12,402
Interest expense paid	(63,751)	(58,466)
Tax refunded	10,539	–
Tax paid	(123,528)	(83,141)
NET CASH GENERATED FROM OPERATING ACTIVITIES	187,327	168,118
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(470,699)	(206,794)
Payment for land use rights	(7,834)	–
Purchase of short term investments	–	(213)
Repayment of equity loan	(60,000)	–
Prepayment for purchase of property, plant and equipment	(63,827)	(139,059)
Proceeds from disposal of property, plant and equipment	58	1,994
NET CASH USED IN INVESTING ACTIVITIES	(602,302)	(344,072)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans and borrowings	3,851,551	3,661,811
Repayment of loans and borrowings	(3,705,548)	(3,499,820)
Purchase of treasury shares	(3,140)	–
Proceeds from issuance of new shares	–	544,594
Share issuance expense	–	(56,600)
Decrease in short term deposits, secured	131,658	8,123
NET CASH GENERATED FROM FINANCING ACTIVITIES	274,521	658,108
Net (decrease)/increase in cash and cash equivalents	(140,454)	482,154
Effect of exchange rate changes on cash and cash equivalents	(4,490)	(3,918)
Cash and cash equivalents at beginning of year	527,016	48,780
CASH AND CASH EQUIVALENTS AT END OF YEAR (NOTE 16(b))	382,072	527,016

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

NOTES OF FINANCIAL STATEMENTS
31 December 2011

1. CORPORATE INFORMATION

1.1 The Company

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

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

1.2 The Subsidiary Companies

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

Name	Principal activities	Country of incorporation and place of business	Proportion (%) of ownership interest	
			2011	2010
HELD BY THE COMPANY:				
Jiangyin Xinren International Trading Co., Ltd.	Investment holding	PRC	100%	100%
Harvestlink Investment Ltd.	Trading and marketing of aluminum related products	BVI	@	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%
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%
Shuicheng County Xinxin Carbon Co., Ltd.	Manufacture of carbon and coal chemical products	PRC	100%	–

NOTES OF FINANCIAL STATEMENTS
31 December 2011

1. CORPORATE INFORMATION (CONT'D)

1.2 The Subsidiary Companies (cont'd)

Name	Principal activities	Country of incorporation and place of business	Proportion (%) of ownership interest 2011	2010
HELD THROUGH JIANGYIN XINREN TECHNOLOGY CO., LTD.:				
Guizhou Liupanshui Shuangyuan Aluminum Co., Ltd. *	Manufacture of aluminum ingots through smelting process	PRC	100%	–
Yichang Changjiang Aluminum Co., Ltd. *	Manufacture of aluminum ingots through smelting process	PRC	100%	–

@ Liquidated in 2011.

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.

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

1.3 Seasonality of operations

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

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

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

2.2 Fundamental accounting concept

As at 31 December 2011, the Group's current liabilities exceeded its current assets by RMB 105,983,000 (2010: RMB 63,370,000) and this may cast doubt on the validity of the going concern assumption used in the preparation of the Group's financial statements. The ability of the Group to continue as a going concern is dependent on the Group's ability to generate positive cashflows. In the opinion of the directors, the Group is able to continue as a going concern despite its net current liabilities position as the Directors are of the view that the Group will be able to continue to generate net cash inflows from its operating activities for a period of 12 months from the date these financial statements were approved and to enable it to meet its financial obligations as and when they fall due.

NOTES OF FINANCIAL STATEMENTS
31 December 2011

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

2.2 Fundamental accounting concept (cont'd)

Accordingly, the directors are of the view that the going concern assumption is appropriate for the preparation of the financial statements of the Group.

2.3 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards and Interpretations of FRS ("INT FRS") that are effective for annual periods beginning on or after 1 January 2011. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company.

2.4 Standards issued but not yet effective

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

			Effective for annual periods beginning on or after
FRS 107	:	Amendments to FRS 107 Disclosures – Transfers of Financial Assets	1 July 2011
FRS 12	:	Amendments to FRS 12 Deferred Tax – Recovery of Underlying Assets	1 January 2012
FRS 1	:	Amendments to FRS 1 – Presentation of Items of Other Comprehensive Income	1 July 2012
FRS 19	:	Employee Benefits (Revised 2011)	1 January 2013
FRS 27	:	Separate Financial Statements (Revised 2011)	1 January 2013
FRS 28	:	Investment in Associates and Joint Ventures (Revised 2011)	1 January 2013
FRS 110	:	Consolidated Financial Statements	1 January 2013
FRS 111	:	Joint Arrangements	1 January 2013
FRS 112	:	Disclosure of Interest in Other Entities	1 January 2013
FRS 113	:	Fair Value Measurements	1 January 2013

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

Amendments to FRS 1 Presentation of Items of Other Comprehensive Income

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

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

FRS 112 Disclosure of Interests in Other Entities

FRS 112 is effective for financial periods beginning on or after 1 January 2013.

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

NOTES OF FINANCIAL STATEMENTS

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

2.5 Basis of consolidation and business combinations

(a) Basis of consolidation

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

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

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

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

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

– De-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when controls is lost;

– De-recognises the carrying amount of any non-controlling interest;

– De-recognises the cumulative translation differences recorded in equity;

– Recognises the fair value of the consideration received;

– Recognises the fair value of any investment retained;

– Recognises any surplus or deficit in profit or loss;

– Re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

(b) Business combinations

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 reported in the consolidated financial statements of the controlling holding company.

– No adjustments are made to reflect the fair values on the date of combination, 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.

NOTES OF FINANCIAL STATEMENTS

31 December 2011

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

2.5 Basis of consolidation and business combinations (cont'd)

(b) Business combinations (cont'd)

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's identifiable net assets.

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.

2.6 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The accounting policy for borrowing costs is set out in Note 2.16. 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

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.

NOTES OF FINANCIAL STATEMENTS

31 December 2011

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

2.6 Property, plant and equipment (cont'd)

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

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

2.7 Land use rights

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

2.8 Impairment of non-financial assets

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

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

2.9 Subsidiaries

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

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

NOTES OF FINANCIAL STATEMENTS

31 December 2011

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

2.10 Financial assets

Initial recognition and measurement

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

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.

NOTES OF FINANCIAL STATEMENTS
31 December 2011

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

2.11 Impairment of financial assets

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

(a) Financial assets carried at amortised cost

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

If there is objective evidence that an impairment loss on 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.

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.

NOTES OF FINANCIAL STATEMENTS

31 December 2011

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

2.11 Impairment of financial assets (cont'd)

(c) Available-for-sale financial assets (cont'd)

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

2.12 Cash and cash equivalents

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

2.13 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.

2.14 Provisions

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

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

2.15 Financial liabilities

Initial recognition and measurement

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

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

NOTES OF FINANCIAL STATEMENTS

31 December 2011

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

2.15 Financial liabilities (cont'd)

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

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

Other financial liabilities

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

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.

2.16 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.

2.17 Employee benefits

(a) Defined contribution plan

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

(b) Employee leave entitlement

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

NOTES OF FINANCIAL STATEMENTS

31 December 2011

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

2.18 Foreign currencies

The Group's consolidated financial statements are presented in RMB, whereas the 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) Consolidated financial statements

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

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

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

2.19 Revenue

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

(a) Sale of goods

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

(b) Interest income

Interest income is recognised using the effective interest method.

NOTES OF FINANCIAL STATEMENTS

31 December 2011

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.20 Taxes

(a) Current income tax

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

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

(b) Deferred tax

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

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

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

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

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

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

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

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

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

NOTES OF FINANCIAL STATEMENTS

31 December 2011

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.20 Taxes (cont'd)

(c) Sales tax (cont'd)

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

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

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

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

2.21 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.

2.22 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.

2.23 Treasury shares

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

2.24 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.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.25 Leases

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

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.

2.26 Related parties

A related party is defined as follows:

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

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

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

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

2.27 Government grants

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

NOTES OF FINANCIAL STATEMENTS

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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 2011, the carrying amount of the Group's income tax payable was approximately RMB 45,635,000 (2010: RMB 141,901,000). As at 31 December 2011, the Group's deferred tax assets and liabilities were approximately RMB 3,671,000 (2010: RMB 3,768,000) and RMB 120,368,000 (2010: RMB 88,941,000) respectively.

(b) Going concern assumption

As at 31 December 2011, the Group's current liabilities exceeded its current assets by RMB 105,983,000 (2010: RMB 63,370,000). 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 cashflows from its operations to enable it to meet its financial obligations as and when they fall due. Judgement is involved in determining some of the assumptions used in the assessment. In making this judgement, the Group evaluates among other factors, the historical prices of aluminium ingots, prices of alumina and the production capacity of its production facilities.

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 2010 and 2011 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.

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31 December 2011

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

3.2 Key sources of estimation uncertainty (cont'd)

(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.

5. PROFIT BEFORE TAXATION

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

	GROUP	
	2011	2010
	RMB'000	RMB'000
Other income:		
- government subsidy	31,319	16,426
- investment gain	–	77
- sale of scraps	7,621	6,451
- foreign exchange gain	9,469	–
- others	233	781
Interest income	9,476	12,402
Finance expense:		
- interest expense	(63,751)	(58,466)
- bank charges#	(30,485)	(30,016)
- foreign exchange loss	–	(3,650)
- others	(1,488)	–
Amortisation for land use rights	(1,279)	(1,143)
Depreciation of property, plant and equipment	(111,182)	(114,508)
Listing related expenses	–	(29,215)
Employee benefits expense:		
- Short-term employee benefits	(74,580)	(53,895)
- Contributions to defined contribution plan	(2,294)	(5,584)

Bank charges mainly relate to charges incurred for notes payable.

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

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6. TAXATION

Major components of income tax expense

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

	GROUP	
	2011	2010
	RMB'000	RMB'000
CONSOLIDATED INCOME STATEMENT		
Current income tax		
- Current year	64,228	99,720
- Over provision in respect of previous years	(40,177)	–
Deferred income tax		
- Current year	21,312	20,057
- Effect of change in tax rate	–	2,579
- Withholding tax on profit appropriation	10,212	15,534
	55,575	137,890

Relationship between tax expense and accounting profit

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

	GROUP	
	2011	2010
	RMB'000	RMB'000
Profit before taxation	477,328	519,260
Tax at the domestic rates applicable to profits in the countries where the Group operates	82,121	117,901
Non-deductible expenses	1,766	4,553
Income not subject to taxation	(13)	(910)
Effect of income taxed of concessionary rate	3,221	2,579
Effect of partial tax exemption and tax relief	(2,550)	(1,767)
Deferred tax assets not recognised	995	–
Over provision in respect of previous years	(40,177)	–
Withholding tax on profit appropriation	10,212	15,534
Income tax expense recognised in profit or loss	55,575	137,890

The tax rates used in computing taxes for entities incorporated in the PRC were 15% to 25% for the financial years ended 31 December 2010 and 2011. 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 22% and 24% for the financial years ended 31 December 2010 and 2011, respectively. The other PRC entities were taxed at 25% for the financial years ended 31 December 2010 and 2011.

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

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

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7. EARNINGS PER SHARE

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

(a) the weighted average of total number of issued shares of the Company of 1,097,302,466 excluding treasury shares as of 31 December 2011; and

(b) the weighted average of total number of issued shares of the Company of 940,142,466 shares after the sub-division and issuance of the new shares for the year ended 31 December 2010.

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 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 and 1 January 2011	493,487	1,522,977	14,056	38,728	127,741	119,408	2,316,397
Additions	1,906	12,144	1,584	5,953	26,310	422,802	470,699
Transfers	13,201	23,639	–	–	–	(36,840)	–
Disposals	–	–	(278)	–	–	–	(278)
At 31 December 2011	508,594	1,558,760	15,362	44,681	154,051	505,370	2,786,818
ACCUMULATED DEPRECIATION							
At 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 and 1 January 2011	56,904	249,256	10,169	11,157	65,694	–	393,180
Charge for the year	9,505	67,555	1,486	6,130	26,506	–	111,182
Disposals	–	–	(220)	–	–	–	(220)
At 31 December 2011	66,409	316,811	11,435	17,287	92,200	–	504,142
NET CARRYING AMOUNT							
At 31 December 2010	436,583	1,273,721	3,887	27,571	62,047	119,408	1,923,217
At 31 December 2011	442,185	1,241,949	3,927	27,394	61,851	505,370	2,282,676

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

Company	Office equipment RMB'000
COST	
At 1 January 2010	–
Additions	2,807
At 31 December 2010 and 1 January 2011	2,807
Additions	2,504
At 31 December 2011	5,311
ACCUMULATED DEPRECIATION	
At 1 January 2010	–
Charge for the year	388
At 31 December 2010 and 1 January 2011	388
Charge for the year	1,047
At 31 December 2011	1,435
NET CARRYING AMOUNT	
At 31 December 2010	2,419
At 31 December 2011	3,876

Certain buildings are pledged to secure bank loans amounting to approximately RMB 205,027,000 (2010: RMB 195,765,833) for financial year ended 31 December 2011. Certain machinery and equipment are pledged to secure loans and borrowings amounting to approximately RMB 624,127,000 and RMB 1,171,971,000 for financial years ended 31 December 2010 and 2011, respectively. Certain office equipment is pledged to secure loans and borrowings amounting to approximately Nil and RMB 16,835,000 for financial years ended 31 December 2010 and 2011, respectively. Information regarding loans and borrowings are disclosed in Note 17.

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9. LAND USE RIGHTS

	GROUP 2011 RMB'000	GROUP 2010 RMB'000
COST		
At 1 January	49,159	49,159
Additions	7,834	–
	56,993	49,159
ACCUMULATED AMORTISATION		
At 1 January	5,939	4,796
Amortisation for the year	1,279	1,143
At 31 December	7,218	5,939
Net carrying amount	49,775	43,220

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 42 years to 46 years as at 31 December 2011 (2010: 43 years to 47 years).

Certain land use rights are pledged to secure bank loans amounting to approximately RMB 21,753,000 and RMB 28,440,000 for financial years ended 31 December 2010 and 2011.

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

10. DEFERRED REVENUE DEFERRED EXPENSES

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

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.

11. INVENTORIES

	GROUP 2011 RMB'000	GROUP 2010 RMB'000
Raw materials	356,816	351,857
Work-in-progress	245,811	220,957
Finished goods	201,333	94,685
Spares and consumables	18,471	15,117
	822,431	682,616
Inventories recognised as an expense in cost of sales	6,165,042	5,423,744
Inventories pledged to banks	434,045	288,525

NOTES OF FINANCIAL STATEMENTS

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12. PREPAYMENTS

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

13. AMOUNTS DUE FROM/(TO) RELATED PARTIES AMOUNTS DUE FROM/(TO) SUBSIDIARIES

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

Included in amounts due from/(to) subsidiaries as at 31 December 2011 is an amount of approximately RMB 225,890,000 for the expansion of a subsidiary company of the Group in the PRC.

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

14. TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2011	2010	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Trade and other receivables:				
Trade receivable	430,321	172,487	305,104	69,817
Bills receivable	55,534	6,697	–	–
Refundable VAT and other taxes	32,870	97,707	–	–
Advances to employees	6,954	6,448	314	–
Other receivables	50,326	59,237	1,582	2,453
Total trade and other receivables	576,005	342,576	307,000	72,270
Add:				
Amounts due from related parties (Note 13)	21,296	–	–	–
Amounts due from subsidiaries (Note 13)	–	–	273,312	161,658
Amounts due from directors (Note 18)	4,004	–	–	–
Short term deposits, secured (Note 16)	572,839	704,497	–	–
Cash and cash equivalents (Note 16)	382,072	527,016	97,449	386,337
Total loans and receivables	1,556,216	1,574,089	677,761	620,265

Trade receivables

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

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

	GROUP		COMPANY	
	2011	2010	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000
USD	366	5,131	–	–

Bills receivables

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

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31 December 2011

14. TRADE AND OTHER RECEIVABLES (CONT'D)

Advances to employees

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

Other receivables

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

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 48,118,000 and RMB 232,884,000 for the financial years ended 31 December 2010 and 2011 respectively. These receivables are unsecured and the analysis of their aging at the balance sheet date is as follows:

	GROUP		COMPANY	
	2011	2010	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables past due:				
Less than 90 days	43,307	44,538	16,194	28,156
90 to 180 days	138,281	2,431	134,179	2,408
181 to 365 days	42,919	1,149	18,578	–
More than 1 year	8,377	–	–	–
	232,884	48,118	168,951	30,564

The Group had no trade receivables that are impaired as at 31 December 2010 and 2011.

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 and letters of credit (Note 17).

(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	
	2011	2010	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000
USD	75,988	33,991	–	–
RMB	750	250	750	250
SGD	74,155	285,135	74,155	285,135

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

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

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

	GROUP		COMPANY	
	2011	2010	2011	2010
Interest rates on short-term deposits (per annum)	0.08%-3.30%	0.36%-6.25%	0.08%	6.25%

(c) Cash flow from operating activities

	GROUP	
	2011	2010
	RMB'000	RMB'000
Profit before taxation	477,328	519,260
Adjustments for:-		
Depreciation of property, plant and equipment	111,182	114,508
Amortisation of land use rights	1,279	1,143
Listing related expense	–	29,215
Interest expense	63,751	58,466
Interest income	(9,476)	(12,402)
Unrealised exchange gain	(9,611)	–
Exchange realignment	(12,144)	–
Operating profit before changes in working capital	622,309	710,190

17. LOANS AND BORROWINGS

	GROUP	
	2011	2010
	RMB'000	RMB'000
Fixed rate bank loans, unsecured	40,000	72,531
Fixed rate bank loans, secured	112,000	263,860
Floating rate bank loans, unsecured	–	230,000
Floating rate bank loans, secured	845,978	412,600
Notes payable, secured	1,364,540	1,237,524
	2,362,518	2,216,515
Comprising :		
Current portion	2,332,518	2,146,515
Non-current portion	30,000	70,000
	2,362,518	2,216,515

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17. LOANS AND BORROWINGS (CONT'D)

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

	GROUP		COMPANY	
	2011	2010	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000
USD	126,018	2,531	–	–

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

	GROUP	
	2011	2010
Fixed rate bank loans	6.67%-11.15%	2.96% to 9.45%
Floating rate bank loans	5.81%-7.22%	5.10% to 6.44%
Fixed rate and floating rate of bank loans have various maturity dates till:		
Fixed rate bank loans	29 Dec 2012	21 Dec 2011
Floating rate bank loans	11 Jan 2013	9 Dec 2012

Fixed rate bank loans

These loans are secured by guarantees from the following:-

	GROUP	
	2011	2010
	RMB'000	RMB'000
A subsidiary of the Group	70,000	72,531

Floating rate bank loans

These loans are secured by charges over land use rights (Note 9), buildings (Note 8), inventories (Note 11) and machinery and equipment (Note 8) and/or guarantees by the following:-.

Directors	50,000	12,600
Subsidiaries of the Group	351,018	180,000
Directors and subsidiaries	120,000	120,000
	521,018	312,600

Notes Payables

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

	GROUP	
	2011	2010
	RMB'000	RMB'000
Directors and subsidiaries	234,000	234,400
A subsidiary of the Group	168,000	49,000

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18. AMOUNTS DUE FROM/(TO) DIRECTORS

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

19. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2011	2010	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Trade and other payables:				
Trade payables	141,083	93,743	4,564	–
Other payables	169,117	132,152	1,140	10,439
Total trade and other payables	310,200	225,895	5,704	10,439
Add:				
Loans and borrowings (Note 17)	2,362,518	2,216,515	–	–
Amounts due to directors (Note 18)	–	690	–	–
Amounts due to related parties (Note 13)	–	2,789	–	–
Amounts due to subsidiaries (Note 13)	–	–	22,290	29,122
Accrued operating expenses (Note 21)	4,828	30,867	–	–
Amounts due to equity holders (Note 23)	382,420	442,420	–	–
Total financial liabilities carried at amortised cost	3,059,966	2,919,176	27,994	39,561

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.

21. ACCRUED OPERATING EXPENSES

	GROUP	
	2011	2010
	RMB'000	RMB'000
Accrued payroll-related expenses	4,753	18,670
Sundry accruals	75	12,197
	4,828	30,867

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22. DEFERRED TAX (ASSETS)/LIABILITIES

	GROUP	
	2011	2010
	RMB'000	RMB'000
Deferred tax assets		
- Differences in depreciation and amortisation	(3,511)	(3,512)
- Accruals and provisions	(160)	(256)
	(3,671)	(3,768)
Deferred tax liabilities		
- Differences in depreciation and amortisation	87,022	65,807
- Withholding tax on dividend appropriation	33,346	23,134
	120,368	88,941
Deferred tax liabilities, net	116,697	85,173

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

Unrecognised temporary differences relating to investment in subsidiaries:

As at 31 December 2011, deferred tax liability has been recognised for withholding tax that would be payable on certain undistributed earnings of the PRC subsidiaries which are directly held by the Group. There are no unrecognised temporary differences relating to investment in subsidiaries as the Group has determined that portion of the undistributed earnings of its PRC subsidiaries will not be distributed in the foreseeable future to be insignificant.

23. AMOUNTS DUE TO EQUITY HOLDERS

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

On 28 February 2012, the Company entered into a debt conversion agreement with Zeng Chaoyi, Li Yazhou, Zeng Chaolin, Zeng Xiaoqiao @ Zeng Xiaoshan, Deng Eying, Zeng Mingliu, Zeng Hong and Zeng Yiliu for the proposed issuance of an aggregate of 152,968,000 new ordinary shares in the capital of the Company at issue price of SGD 0.50 per new share for the settlement of the entire outstanding amount of RMB 382,420,000 (Note 34(iii)).

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24. SHARE CAPITAL AND TREASURY SHARES

(a) Share capital

	GROUP AND COMPANY	
	2011	2010
	RMB'000	RMB'000
ISSUED AND FULLY PAID ORDINARY SHARES		
Balance as at 1 January		
1,098,000,000 (2010: 1,000,000) ordinary shares	522,260	5,051
Sub-division into Nil (2010: 899,000,000) new ordinary shares	–	–
Additional Nil (2010: 198,000,000) ordinary shares issued	–	544,594
Share issuance expense	–	(27,385)
Balance as at 31 December		
1,098,000,000 (2010: 1,098,000,000) ordinary shares	522,260	522,260

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

(b) Treasury shares

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

The Company exercised the share buy-back mandate to purchase 1,800,000 (2010: Nil) shares in the Company through purchases on the Singapore Exchange during the year. The total amount paid to acquire the shares was RMB 3,140,000 (2010: Nil) and presented as a component within shareholders' equity.

25. OTHER RESERVES

Other reserves comprise:

	GROUP		COMPANY	
	2011	2010	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Statutory reserve fund	125,695	78,955	–	–
Capital surplus reserve	84,090	84,090	–	–
Fair value adjustment reserve	2,065	2,781	–	–
Foreign currency translation reserve	(30,229)	(3,984)	(30,229)	(3,347)
At 31 December	181,621	161,842	(30,229)	(3,347)

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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	
	2011	2010
	RMB'000	RMB'000
At 1 January	78,955	47,498
Transferred from revenue reserve	46,740	31,457
At 31 December	125,695	78,955

Capital surplus reserve

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

Fair value adjustment reserve

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

	GROUP	
	2011	2010
	RMB'000	RMB'000
At 1 January	2,781	2,680
Fair value adjustment	(716)	101
At 31 December	2,065	2,781

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	
	2011	2010	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January	(3,984)	(905)	(3,347)	(180)
Foreign currency translation	(26,245)	(3,079)	(26,882)	(3,167)
At 31 December	(30,229)	(3,984)	(30,229)	(3,347)

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26. DIVIDENDS

	GROUP AND COMPANY	
	2011	2010
	RMB'000	RMB'000
PROPOSED BUT NOT RECOGNISED AS LIABILITY AS AT 31 DECEMBER		
Dividends on ordinary shares, subject to shareholders' approval at the annual general meeting		
- First and final exempt (one-tier) dividend for 2011: SGD 2 cents equivalent to RMB 10 cents (2010: Nil) per share	109,839	–

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 aluminum and aluminum ingots.

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

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

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

27. SEGMENT INFORMATION (CONT'D)

	SMELTING		FABRICATION		TRADING		ADJUSTMENTS AND ELIMINATIONS		NOTE	CONSOLIDATED FINANCIAL STATEMENTS	
	2011	2010	2011	2010	2011	2010	2011	2010		2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		RMB'000	RMB'000
REVENUE:											
- external customers	4,012,963	4,236,653	573,178	567,920	2,259,574	1,410,038	–	–		6,845,715	6,214,611
- inter-segment	564,087	264,515	46,292	240,507	102,526	–	(712,905)	(505,022)	A	–	–
Total revenue	4,577,050	4,501,168	619,470	808,427	2,362,100	1,410,038	(712,905)	(505,022)		6,845,715	6,214,611
RESULTS:											
Finance income	5,748	9,356	3,728	2,555	–	491	–	–		9,476	12,402
Investment gain	–	–	–	77	–	–	–	–		–	77
Depreciation and amortisation	(80,133)	(95,036)	(15,148)	(20,601)	(17,180)	(14)	–	–		(112,461)	(115,651)
Segment profit/(loss)	424,271	433,034	80,690	103,434	(22,678)	(13,120)	(4,955)	(4,088)	B	477,328	519,260
ASSETS:											
Additions to non-current assets	343,455	117,298	122,413	89,496	12,665	–	–	–	C	478,533	206,794
SEGMENT ASSETS	6,260,670	5,803,353	1,128,623	1,082,592	1,677,338	703,253	(3,624,382)	(2,784,811)	D	5,442,249	4,804,387
SEGMENT LIABILITIES	4,228,824	4,314,572	924,337	873,425	1,358,235	626,445	(2,770,123)	(2,319,379)	E	3,741,273	3,495,063

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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:

	2011 RMB'000	2010 RMB'000
Profit from inter-segment sales	(4,955)	(515)
Finance costs	–	(3,573)
	(4,955)	(4,088)

C Additions to non-current assets consist of additions to property, plant and equipment (Note 8) and land use rights (Note 9).

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

	2011 RMB'000	2010 RMB'000
Deferred tax assets	3,671	3,768
Income tax receivable	6,441	13,769
Inter-segment assets	(3,634,494)	(2,802,348)
	(3,624,382)	(2,784,811)

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

	2011 RMB'000	2010 RMB'000
Deferred tax liabilities	120,368	88,941
Income tax payable	45,635	141,901
Inter-segment liabilities	(2,936,126)	(2,550,221)
	(2,770,123)	(2,319,379)

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27. SEGMENT INFORMATION (CONT'D)

Geographical information

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

	2011 RMB'000	2010 RMB'000
PRC	5,026,680	5,183,331
Overseas	1,819,035	1,031,280
	6,845,715	6,214,611

Non-current assets amounting to RMB 3,876,000 (2010: RMB 2,420,000) and RMB 2,335,871,000 (2010: RMB 1,971,635,000) are located in Singapore and PRC respectively. 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 1,727,121,000 (2010: RMB 1,132,970,000), 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	
	2011 RMB'000	2010 RMB'000
Non-cancellable amounts payable		
within 1 year	4,878	3,604
within 2 to 5 years	482	2,084
	5,360	5,688

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 2011 amounted to approximately RMB 4,660,291 (2010: RMB 3,012,000).

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28. COMMITMENTS (CONT'D)

(b) Purchase commitments

	GROUP	
	2011	2010
Non-cancellable purchases (in tonnes)		
within 1 year	655	744
within 2 to 5 years	1,849	2,674
	2,504	3,418

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

(c) Capital commitments

	GROUP	
	2011	2010
Non-cancellable purchases within 1 year	101,252	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 Notes 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		COMPANY	
	2011	2010	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Purchase of goods from subsidiaries	–	–	1,748,570	937,474
Payments on behalf by related parties	–	24	–	24
Payments on behalf of related parties	–	(19,198)	–	–
Advances from related parties	663	16,670	–	–
Advances to related parties	(24,745)	(69,041)	–	–
Advances from directors	3,874	40,942	80	40,942
Advances to directors	(8,571)	(24,396)	(2,384)	(200)

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

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29. RELATED PARTY DISCLOSURES (CONT'D)

(b) Compensation of directors and key management personnel

	GROUP	
	2011	2010
	RMB'000	RMB'000
Short-term employee benefits paid to key management personnel	10,289	4,703
Comprise amounts paid to:		
Directors of the Company	8,112	3,596
Other key management personnel	2,177	1,107
	10,289	4,703

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 2011.

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 2011. 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 subsidiary received a waiver in-principle for the covenants on 13 September 2011.

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	
	2011	2010
	RMB'000	RMB'000
Amounts due to related parties (Note 13)	–	2,789
Loans and borrowings (Note 17)	2,362,518	2,216,515
Trade and other payables (Note 19)	310,200	225,895
Less : Short term deposits, secured (Note 16)	(572,839)	(704,497)
Cash and cash equivalents (Note 16)	(382,072)	(527,016)
Net debt	1,717,807	1,213,686
Equity attributable to equity holders	1,700,976	1,309,324
Less : Statutory reserve fund	(125,695)	(78,955)
Total capital	1,575,281	1,230,369
Capital and net debt	3,293,088	2,444,055
Gearing ratio	0.52	0.50

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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.

Exposure to credit risk

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

Credit risk concentration profile

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

	GROUP			
	2011		2010	
	RMB'000	% of total	RMB'000	% of total
Smelting	377,269	88%	117,911	68%
Fabrication	27,965	6%	44,771	26%
Trading	25,087	6%	9,805	6%
	430,321	100%	172,487	100%

As at 31 December 2011, approximately:

– 71% (2010: 40%) of the Group's trade receivables were due from 1 major customer located in Switzerland.

– 5% (2010: 19%) of the Group's trade receivables were due from debtors which were previously related parties.

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

(a) Credit risk (cont'd)

Financial assets that are neither past due nor impaired

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

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 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.

The Group's liquidity risk management policy is that to maintain sufficient liquid financial assets and short term loan facilities with different banks and business alliances. At the end of the reporting period, approximately 99% (2010: 97%) of the Group's loans and borrowings will mature in less than one year based on the carrying amount reflected in the financial statements.

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

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

	2011			
Group	One year or less	One to five years	Over five years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
FINANCIAL ASSETS:				
Amounts due from related parties (Note 13)	21,296	–	–	21,296
Amounts due from directors (Note 18)	4,004	–	–	4,004
Trade and other receivables (Note 14)	576,005	–	–	576,005
Short term deposits, secured (Note 16)	572,839	–	–	572,839
Cash and cash equivalents (Note 16)	382,072	–	–	382,072
Total undiscounted financial assets	1,556,216	–	–	1,556,216
FINANCIAL LIABILITIES:				
Trade and other payables (Note 19)	310,200	–	–	310,200
Loans and borrowings (Note 17)	2,397,582	30,043	–	2,427,625
Accrued operating expenses (Note 21)	4,828	–	–	4,828
Amounts due to equity holders (Note 23)	–	382,420		382,420
Total undiscounted financial liabilities	2,712,610	412,463	–	3,125,073
Total net undiscounted financial liabilities	(1,156,394)	(412,463)	–	(1,568,857)

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

(b) Liquidity risk (cont'd)

Group	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)	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)	2,175,257	72,619	–	2,247,876
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
Total undiscounted financial liabilities	2,435,498	72,619	442,420	2,950,537
Total net undiscounted financial liabilities	(861,409)	(72,619)	(442,420)	(1,376,448)

Company	2011			
	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)	307,000	–	–	307,000
Amounts due from subsidiaries (Note 13)	273,312	–	–	273,312
Cash and cash equivalents (Note 16)	97,449	–	–	97,449
Total undiscounted financial assets	677,761	–	–	677,761
FINANCIAL LIABILITIES:				
Trade and other payables (Note 19)	5,704	–	–	5,704
Amounts due to subsidiaries (Note 13)	22,290	–	–	22,290
Total undiscounted financial liabilities	27,994	–	–	27,994
Total net undiscounted financial assets	649,767	–	–	649,767

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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
Total undiscounted financial liabilities	39,561	–	–	39,561
Total net undiscounted financial assets	580,704	–	–	580,704

(c) Interest rate risk

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

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

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

At 31 December 2010 and 2011, 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 4,598,000 and RMB 872,000 higher/lower respectively, arising mainly as a result of lower/higher interest expense on short term deposits, cash at bank and floating rate loans and borrowings.

(d) Foreign exchange risk

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group's entities, primarily RMB and USD. The foreign currencies in which these transactions are denominated are mainly USD. Approximately 27% (2010: 18%) 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 2010 and 2011, such foreign currency balances have been disclosed in Note 16(b) to the financial statements.

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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	
	2011	2010
	RMB'000	RMB'000
Against RMB		
USD - strengthened 10% (2010: 10%)	(4,005)	2,858
- weakened 10% (2010: 10%)	4,005	(2,858)
SGD - strengthened 10% (2010: 10%)	6,669	22,972
- weakened 10% (2010: 10%)	(6,669)	(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	
	2011	2010
	RMB'000 Quoted prices in active markets for identified instruments (Level 1)	RMB'000 Quoted prices in active markets for identified instruments (Level 1)
Financial assets:		
- short term investments (Note 15)	4,028	4,744

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).

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

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

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 from/(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			
	2011		2010	
	Carrying amount	Fair value	Carrying amount	Fair value
	RMB'000	RMB'000	RMB'000	RMB'000
FINANCIAL LIABILITIES:				
Fixed rate bank loans (Note 17)	152,000	142,374	336,391	318,030
Amounts due to equity holders (Note 23)	382,420	–	442,420	–

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)

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.

NOTES OF FINANCIAL STATEMENTS
31 December 2011

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

(i) On 8 February 2012, the Company announced that it has entered into a conditional call option agreement (the "Call Option Agreement") with Wealth Checker Limited ("Wealth Checker"), pursuant to which Wealth Checker, in consideration of the payment of RMB 40,000,000, granted the Company a call option (the "Call Option") to acquire 2,000 shares owned by Wealth Checker in the capital of China Leading International Limited ("China Leading"), an investment holding company set up in the British Virgin Islands. Pursuant to the Call Option Agreement, the Call Option may be exercised at any time for a period of six months from the date of the Call Option Agreement.

(ii) On 25 February 2012, the Company entered into the sale and purchase agreement with Wealth Checker and the ultimate shareholder of Wealth Checker to exercise the Call Option and acquire an aggregate 2,100 ordinary shares in the capital of China Leading for an aggregate consideration of RMB 1,890,000,000. The consideration shall be payable in cash in United States dollar or Singapore dollar (based on the exchange rate on the date of payment) and by way of installments.

(iii) On 28 February 2012, the Company entered into a debt conversion agreement with Zeng Chaoyi and Li Yazhou for the proposed issuance of an aggregate of 56,756,000 new ordinary shares in the capital of the Company at the issue price of SGD 0.50 per new share for the settlement of the outstanding amount of RMB 141,889,150 payable to them for the acquisition of Liupanshui Shuangyuan and a debt conversion agreement dated 28 February 2012 with Zeng Chaolin, Zeng Xiaoqiao @ Zeng Xiaoshan, Deng Eying, Zeng Mingliu, Zeng Hong and Zeng Yiliu for the proposed issuance of an aggregate of 96,212,000 new shares at the issue price for the settlement of the outstanding amount of RMB 240,530,850 payable to them for the acquisition of Yichang Changjiang.

(iv) On 28 February 2012, the Company entered into a shareholders' agreement with China Leading and the other shareholders of China Leading to regulate their relationship as shareholders of China Leading.

Subsequently, on 28 March 2012, the Company entered into a supplemental shareholder agreement with China Leading and the other shareholders to vary, inter alia, the Reserved Matters and the Second Call Option set out in the shareholders agreement entered into above. The supplemental shareholder agreement should be read in conjunction with the shareholders' agreement.

35. AUTHORISATION OF FINANCIAL STATEMENTS

The audited consolidated financial statements as at and for the financial year ended 31 December 2011 were authorised for issue in accordance with a resolution of the directors on 30 March 2012.

STATISTICS OF SHAREHOLDINGS

As at 16 March 2012

Class of shares	:	Ordinary Shares
Voting rights excluding treasury shares	:	One vote per ordinary share
No. of issued shares excluding treasury shares	:	1,095,020,000
No. of treasury shares	:	2,980,000
Percentage of treasury shares	:	0.27%

DISTRIBUTION OF HOLDERS OF SHARES BY SIZE OF SHAREHOLDINGS AS AT 16 MARCH 2012

Size of Shareholdings	No. of Holders	%	No. of Shares	%
1 - 999	2	0.09	206	0.00
1,000 - 10,000	982	42.75	6,845,328	0.63
10,001 - 1,000,000	1,287	56.03	61,341,000	5.60
1,000,001 and above	26	1.13	1,026,833,466	93.77
TOTAL	2,297	100.00	1,095,020,000	100.00

TWENTY LARGEST HOLDERS OF SHARES AS AT 16 MARCH 2012

No.	Name of Holders of Shares	No. of Shares	%
1	Sunshine International Global Capital Ltd	351,000,000	32.05
2	Jiacai International Ltd	342,000,000	31.23
3	Citibank Nominees Singapore Pte Ltd	72,803,000	6.65
4	BNP Paribas Nominees Singapore Pte Ltd	51,017,000	4.66
5	Shunqi International Ltd.	36,000,000	3.29
6	OCBC Securities Private Ltd	29,552,000	2.70
7	DBS Vickers Securities (S) Pte Ltd	24,539,000	2.24
8	UOB Kay Hian Pte Ltd	20,703,000	1.89
9	Tan Jiankang	16,815,000	1.54
10	Phillip Securities Pte Ltd	14,032,000	1.28
11	Raffles Nominees (Pte) Ltd	11,416,400	1.04
12	Royal Bank of Canada (Asia) Ltd	9,300,000	0.85
13	Shenchang International Ltd.	9,058,000	0.83
14	Hanwen International Group Ltd.	9,000,000	0.82
15	DBS Nominees Pte Ltd	7,408,500	0.68
16	United Overseas Bank Nominees Pte Ltd	3,344,566	0.31
17	Hong Leong Finance Nominees Pte Ltd	2,724,000	0.25
18	Morgan Stanley Asia (Singapore) Securities Pte Ltd	2,688,000	0.25
19	HSBC (Singapore) Nominees Pte Ltd	2,478,000	0.23
20	Mayban Kim Eng Securities Pte Ltd	2,467,000	0.23
	TOTAL	1,018,345,466	93.02

Note: The percentages are computed based on 1,095,020,000 ordinary shares (excluding 2,980,000 shares held as treasury shares) as at 16 March 2012.

STATISTICS OF SHAREHOLDINGS

As at 16 March 2012

SUBSTANTIAL SHAREHOLDERS AS AT 16 MARCH 2012

	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	Jiacai International Ltd	342,000,000	
3	Zeng Chaoyi		777,000,000(1)
4	Zeng Chaolin		777,000,000(2)
5	Zeng Xiaoqiao @ Zeng Xiaoshan		777,000,000(3)
6	Zeng Mingliu		777,000,000(4)
7	Liang Hongbo		777,000,000(5)
8	Deng Eying		777,000,000(6)
9	Zeng Hong		777,000,000(5)
10	Li Yazhou		777,000,000(1)

Note:

(1) Zeng Chaoyi owns 100% of Sunshine International Global Capital Ltd. Zeng Chaoyi, is the son of Zeng Xiaoqiao @ Zeng Xiaoshan and Deng Eying, and is the brother of Zeng Chaolin, Zeng Mingliu and Zeng Hong, and he and his wife, Li Yazhou are deemed to be interested in the Shares held by each of them through Hanwen International Group Ltd., Shunqi International Ltd., Jiacai International Ltd., Jintudi Group Ltd., and Yansheng Ltd., respectively.

(2) Zeng Chaolin owns 100% of Jiacai International Ltd. Zeng Chaolin, is the son of Zeng Xiaoqiao @ Zeng Xiaoshan and Deng Eying, and is the brother of Zeng Chaoyi, Zeng Mingliu and Zeng Hong, and is deemed to be interested in the Shares held by each of them through Hanwen International Group Ltd., Shunqi International Ltd., Sunshine International Global Capital Ltd., Jintudi Group Ltd., and Yansheng Ltd., respectively.

(3) Zeng Xiaoqiao @ Zeng Xiaoshan owns 100% of Hanwen International Group Ltd. Zeng Xiaoqiao @ Zeng Xiaoshan, is the father of Zeng Chaoyi, Zeng Chaolin, Zeng Mingliu and Zeng Hong, and the husband of Deng Eying, and is deemed to be interested in the Shares held by each of them through Sunshine International Global Capital Ltd., Jiacai International Ltd., Jintudi Group Ltd., Yansheng Ltd., and Shunqi International Ltd., respectively.

(4) Zeng Mingliu owns 100% of Jintudi Group Ltd. Zeng Mingliu, is the daughter of Zeng Xiaoqiao @ Zeng Xiaoshan and Deng Eying, and is the sister of Zeng Chaoyi, Zeng Chaolin and Zeng Hong, and is deemed to be interested in the Shares held by each of them through Hanwen International Group Ltd., Shunqi International Ltd., Sunshine International Global Capital Ltd., Jiacai International Ltd., and Yansheng Ltd., respectively.

(5) Liang Hongbo, is the husband of Zeng Hong. Zeng Hong owns 100% of Yansheng Ltd. Zeng Hong, is the daughter of Zeng Xiaoqiao @ Zeng Xiaoshan and Deng Eying, and is the sister of Zeng Chaoyi, and Zeng Chaolin and she and her husband, Liang Hongbo are deemed to be interested in the Shares held by each of them through Hanwen International Group Ltd., Shunqi International Ltd., Sunshine International Global Capital Ltd., Jiacai International Ltd., and Jintudi Group Ltd., respectively.

(6) Deng Eying owns 100% of Shunqi International Ltd. Deng Eying, is the mother of Zeng Chaoyi, Zeng Chaolin, Zeng Mingliu and Zeng Hong, and the wife of Zeng Xiaoqiao @ Zeng Xiaoshan, and is deemed to be interested in the Shares held by each of them through Hanwen International Group Ltd., Sunshine International Global Capital Ltd., Jiacai International Ltd., Jintudi Group Ltd., and Yansheng Ltd., respectively.

On the basis of the information available to the Company as at 16 March 2012, approximately 29.042% of the Company's total number of issued shares excluding treasury shares is held in the hands of the public. This is in compliance with Rule 723 of the Listing Manual of the SGX-ST which requires at least 10% of a listed issuer's total number of issued shares excluding treasury shares at all times held by the public.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at Millenia 5, Level 2, The Ritz-Carlton, Millenia Singapore 7 Raffles Avenue Singapore 039799 on Monday, 23 April 2012 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 2011 and the Reports of the Directors and the Auditors thereon. **(Resolution 1)**

2. To declare a first and final tax exempt (one-tier) dividend of S$0.02 per ordinary share for the year ended 31 December 2011. **(Resolution 2)**

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

   (a) Mr Zeng Chaolin (Retiring under Article 94) **(Resolution 3)**
   (b) Ms Zeng Mingliu (Retiring under Article 94) **(Resolution 4)**
   (c) Mr Liang Hongbo (Retiring under Article 94) **(Resolution 5)**

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

5. To approve the payment of Directors' fees of S$182,000 for the financial year ending 31 December 2012 monthly in arrears. **(Resolution 7)**

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):

   (a) Mr Liu Jingan **(Resolution 8)**

   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 9)**

      (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]

8. **Approval for the renewal of Shareholders' Mandate for the Company to buy-back its own shares** **(Resolution 10)**

"That:-

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

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

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

NOTICE OF ANNUAL GENERAL MEETING

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

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

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

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

(c) in this Resolution:-

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

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

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

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

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

[See Explanatory Note 3]

NOTICE OF ANNUAL GENERAL MEETING

9. **Authority to allot and issue new shares pursuant to the proposed XinRen Aluminum Holdings Limited Scrip Dividend Scheme** **(Resolution 11)**

“That subject to the approval in-principle to be granted by the Singapore Exchange Securities Trading Limited (“SGX-ST”) to the Company for the listing and quotation of the new ordinary shares (the “New Shares”) to be issued, credited as fully paid, pursuant to the XinRen Aluminum Holdings Limited Scrip Dividend Scheme, on the Official List of the SGX-ST, the Directors be empowered to allot and issue, from time to time and pursuant to Section 161 of the Companies Act, Chapter 50, of Singapore, such number of shares in the capital of the Company as may be required to be allotted and issued pursuant to the XinRen Aluminum Holdings Limited Scrip Dividend Scheme.”

[See Explanatory Note 4]

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

By Order of the Board

Teo Meng Keong
Company Secretary

5 April 2012
Singapore

NOTICE OF ANNUAL GENERAL MEETING

EXPLANATORY NOTES:

1. The proposed Resolution 8, 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 9, if passed, will authorise the Directors of the Company to, from the date of the passing of Ordinary Resolution 9 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 9 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 9 is passed; and
   (c) any subsequent bonus issue, consolidation or sub-division of Shares.

   In exercising the authority conferred by Ordinary Resolution 9, the Company shall comply with the requirements of the SGX-ST (unless waived by the SGX-ST), all applicable legal requirements and the Company's Articles of Association. This authority, will, unless revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier.

3. The Ordinary Resolution 10 proposed in item 8 above, if passed, renews the Share Buy-Back Mandate authorising the Directors of the Company to buy back shares of the Company by way of on-market purchase(s) and/or off-market purchase(s) according to prescribed rules and regulations governed by the Companies Act and the Listing Manual of the SGX-ST.

4. The Ordinary Resolution 11 proposed in item 9 above, if passed and subject to the approval in-principle to be granted by the SGX-ST to the Company for the listing and quotation of the New Shares on the Official List of the SGX-ST, will empower the Directors to issue shares pursuant to the XinRen Aluminum Holdings Limited Scrip Dividend Scheme to members who, in respect of a qualifying dividend, have elected to receive scrip in lieu of all or part of the cash amount of a qualifying dividend.

   Any approval-in-principle of the SGX-ST for the listing of the New Shares is not taken as an indication of the merits of the XinRen Aluminum Holdings Limited Scrip Dividend Scheme, the New Shares, the Company or its subsidiaries.

NOTES:

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

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

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

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

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PROXY FORM

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

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

Annual General Meeting of XinRen Aluminum Holdings Limited (the "Company") to be held at **Millenia 5, Level 2, The Ritz-Carlton, Millenia Singapore 7 Raffles Avenue Singapore 039799, 23 April 2012 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 **Millenia 5, Level 2, The Ritz-Carlton, Millenia Singapore 7 Raffles Avenue Singapore 039799, 23 April 2012 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 2011 and the Reports of the Directors and the Auditors thereon		
2.	To declare a first and final tax exempt (one-tier) dividend of S$0.02 per ordinary share for the year ended 31 December 2011		
3.	To re-elect Mr Zeng Chaolin who is retiring pursuant to Article 94 of the Company's Articles of Association		
4.	To re-elect Ms Zeng Mingliu who is retiring pursuant to Article 94 of the Company's Articles of Association		
5.	To re-elect Mr Liang Hongbo who is retiring pursuant to Article 94 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 approve the payment of Directors' fees of S$182,000 for the financial year ending 31 December 2012 monthly in arrears		
8.	To re-appoint Mr Liu Jingan who is retiring pursuant to Section 153(6) of the Companies Act (Chapter 50)		
9.	To authorise Directors to allot and issue shares		
10.	To approve renewal of Shareholders' Mandate for the Company to buy-back its own shares		
11.	To authorise Directors to allot and issue new shares pursuant to the proposed XinRen Aluminum Holdings Limited Scrip Dividend Scheme		

Dated this ____________ day of ________________________ 2012.

Total Number of Shares Held

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

IMPORTANT: PLEASE READ NOTES OVERLEAF

NOTES:

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

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

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

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

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

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

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

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

Zeng Chaoyi,
Executive Chairman

Zeng Chaolin,
Chief Executive Officer and Executive Director

Zeng Xiaoqiao
@ Zeng Xiaoshan,
Executive Director

Zeng Mingliu,
Executive Director

Liang Hongbo,
Executive Director

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

Loh Weng Whye,
Non-Executive Independent Director

Liu Jingan,
Non-Executive Independent Director

AUDIT COMMITTEE

Chen Timothy Teck Leng
@ Chen Teck Leng,
Chairman

Loh Weng Whye

Liu Jingan

NOMINATING COMMITTEE

Loh Weng Whye,
Chairman

Liu Jingan

Chen Timothy Teck Leng
@ Chen Teck Leng

REMUNERATION COMMITTEE

Liu Jingan,
Chairman

Chen Timothy Teck Leng
@ Chen Teck Leng

Loh Weng Whye

COMPANY SECRETARIES

Teo Meng Keong,
ACIS

Low Siew Tian,
ACIS

REGISTERED OFFICE

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

SHARE REGISTRAR

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

COMPLIANCE ADVISER

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

AUDITORS

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

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