興發鋁業控股有限公司

XINGFA ALUMINIUM HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 00098)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2007

HIGHLIGHTS

1. Turnover increased by approximately 15.4% from approximately RMB1,861.24 million for the year ended 31 December 2006 to approximately RMB2,148.67 million for the year ended 31 December 2007.

2. Sales volume increased by approximately 16.4% from 76,702 tonnes in 2006 to 89,295 tonnes in 2007.

3. Gross profit increased by approximately 45.9% from approximately RMB136.50 million for the year ended 31 December 2006 to approximately RMB199.18 million for the year ended 31 December 2007, while our gross profit margin increased significantly from approximately 7.3% to approximately 9.3% during the two years ended 31 December 2006 and 2007.

4. Profit for the year increased significantly by approximately 383.7% from RMB60.29 million for the year ended 31 December 2006 to approximately RMB291.60 million for the year ended 31 December 2007. The increase in the net profit margin from approximately 3.2% to 13.6% during these two years of review was mainly attributable to the recognition of a one-off gain of approximately RMB172.86 million on disposal of lease prepayments, net of business tax, surcharges and land appreciation tax. Without accounting for the one-off gain of approximately RMB172.86 million, the net profit margin would have increased from approximately 3.2% to 5.5% during these two years of review.

RESULTS

The board (the "Board") of directors (the "Directors") of Xingfa Aluminium Holdings Limited (the "Company", "we" or "our Company") is pleased to announce the combined results of the Company and its subsidiaries (collectively referred to as the "Group" or "our Group") for the year ended 31 December 2007, with the comparative figures for the preceding financial year ended 31 December 2006, as follows:

COMBINED INCOME STATEMENT
Year ended 31 December 2007

	Notes	2007 RMB'000	2006 RMB'000
Turnover	4	**2,148,674**	1,861,244
Cost of sales		**(1,949,498)**	(1,724,743)
Gross profit		**199,176**	136,501
Other net income	5	**182,168**	5,906
Distribution expenses		**(32,529)**	(21,419)
Administrative expenses		**(29,849)**	(32,289)
Results from operating activities		**318,966**	88,699
Finance income		**2,435**	2,368
Finance expenses		**(30,478)**	(24,903)
Net finance costs		**(28,043)**	(22,535)
Profit before income tax	6	**290,923**	66,164
Income tax (expenses)/credit	7	**677**	(5,875)
Profit for the year		**291,600**	60,289
Attributable to:			
Equity holders of the Company		**291,750**	59,377
Minority interests		**(150)**	912
Profit for the year		**291,600**	60,289
Dividends attributable to the year			
Dividends declared and paid during the year	8	**118,961**	—
Basic and diluted earnings per share (*RMB yuan*)	9	**0.94**	0.19

COMBINED BALANCE SHEET
As at 31 December 2007

	Notes	**2007** **RMB'000**	2006 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**139,007**	191,847
Investment property		**—**	3,756
Lease prepayments		**—**	81,484
Total non-current assets		**139,007**	277,087
CURRENT ASSETS			
Inventories		**239,625**	173,156
Derivative financial instruments		**810**	2,983
Trade and other receivables	*10*	**488,300**	475,540
Amounts due from related parties		**4,845**	170,931
Pledged deposits		**32,422**	135,687
Cash and cash equivalents		**146,411**	56,088
Assets classified as held for sale		**10,486**	—
Total current assets		**922,899**	1,014,385
CURRENT LIABILITIES			
Loans and borrowings		**297,000**	406,700
Trade and other payables	*11*	**245,323**	527,287
Amounts due to related parties		**1,447**	568
Derivative financial instruments		**722**	501
Current tax payables		**2,086**	3,941
		546,578	938,997
NET CURRENT ASSETS		**376,321**	75,388
TOTAL ASSETS LESS CURRENT LIABILITIES		**515,328**	352,475
NON-CURRENT LIABILITIES			
Loans and borrowings		**80,000**	—
Deferred tax liabilities		**—**	235
		80,000	235
Net assets		**435,328**	352,240
Capital and reserves			
Paid-in capital		**210,000**	225,000
Reserves		**225,328**	98,101
Total equity attributable to equity holders of the Company		**435,328**	323,101
Minority interests		**—**	29,139
Total equity		**435,328**	352,240

Notes:

1. THE REORGANISATION AND THE PREDECESSOR ENTITIES

Xingfa Aluminium Holdings Limited (the "Company") was incorporated in the Cayman Islands on 13 September 2007 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

At 31 December 2007, 10,000,000 nil-paid shares were held by a group of ultimate equity holders (referred to as the "Controlling Shareholders"). The Company did not carry on any business during the period from the date of incorporation to 31 December 2007. Accordingly, there was neither balance sheet item nor profit or loss item in the financial statement of the Company as at 31 December 2007.

The Company and its subsidiaries (hereinafter referred to as the "Group") as set out below are principally engaged in manufacturing and sales of aluminium profiles in the People's Republic of China (the "PRC").

Name of company	Place and date of incorporation/ establishment	Issued and fully paid up/ registered capital	Attributable equity interest		Principal activities
			Direct	Indirect	
China Xingfa (BVI) Limited ("Xingfa BVI")	The British Virgin Islands (the "BVI") 2 October 2007	USD1,000	100%	—	Investment holding
Xingfa Aluminium Pte Ltd. ("Xingfa SG")	Singapore 3 April 2006	SGD43,666,000	—	100%	Investment holding
廣東興發鋁業有限公司 (Guangdong Xingfa Aluminium Co., Ltd.) ("Xingfa Aluminium")	the PRC 26 May 2006	RMB180,040,000	—	100%	Manufacturing and sales of aluminium profiles

The combined financial statements have been approved for issue by the Board of Directors on 21 April 2008.

Pursuant to a reorganisation (the "Reorganisation") of the Group completed on 29 February 2008 to rationalise the Group structure for the public listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the business operations of the manufacturing and sales of aluminium profiles (the "Aluminium Profile Business") with relevant assets and liabilities of the entities under common control (collectively referred to as "Predecessor Entities") were transferred to the subsidiaries now comprising the Group and the Company became the holding company of the subsidiaries now comprising the Group. The shares of the Company were listed on the Stock Exchange on 31 March 2008.

Details of the Reorganisation are set out in the prospectus dated 17 March 2008 (the "Prospectus") issued by the Company.

2. BASIS OF PRESENTATION

Although the Reorganisation was not completed until 29 February 2008, the Group is regarded as a continuing entity resulting from the Reorganisation under common control. The combined financial statements have been prepared on the basis that the Company was the holding company of the Group for both years presented. Accordingly, the combined results of the Group for the years ended 2007 and 2006 included the results of the Company and its subsidiaries now comprising the Group with effect from 1 January 2006 or since their respective dates of incorporation, whichever is a shorter period as if the Aluminium Profile Business had been operated by the subsidiaries now comprising the Group and the current group structure had been in existence throughout the years presented. All material intra-group transactions and balances have been eliminated on consolidation. In the opinion of the directors of the Company, the combined financial statements prepared on this basis present fairly the results of operations and the state of affairs of the Group as a whole.

3. SEGMENT INFORMATION

Geographical segment information is the Group's sole reporting format. In presenting information on the basis of geographical segment, segment revenue is based on the geographical location of customers. The Group's assets and liabilities are almost located in the PRC and accordingly, no analysis of segment assets, liabilities and capital expenditure is presented.

Geographical segments

	2007	2006
	RMB'000	*RMB'000*
Turnover		
The PRC	**1,962,703**	1,599,121
North America	**40,387**	57,395
Europe	**24,098**	60,107
Hong Kong	**60,381**	43,650
Asia Pacific (other than the PRC and Hong Kong)	**50,334**	84,653
Others	**10,771**	16,318
Total	**2,148,674**	1,861,244

4. TURNOVER

The Group is principally engaged in the manufacturing and sale of aluminium profiles. Turnover represents the sales value of goods supplied to customers. Turnover excludes value added taxes or other sales taxes and is after allowance for goods returned and deduction of any trade discounts. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2007	2006
	RMB'000	*RMB'000*
Manufacture and sale of aluminium profiles	**2,039,331**	1,807,621
Manufacture and sale of aluminium panels, moulds and spare parts	**108,920**	42,099
Provision of processing services	**423**	11,524
	2,148,674	1,861,244

5. OTHER NET INCOME

	2007 *RMB'000*	2006 *RMB'000*
Compensation from patent infringements	**936**	3,540
Government grants	**415**	1,845
Rental income		
— investment property	**329**	329
— others	**78**	56
Realised net gains/(losses) on settlement of derivative financial instruments	**3,159**	(2,985)
Unrealised net gains of derivative financial instruments	**88**	2,482
Gain on disposal of lease prepayments	**174,941**	—
Services income generated from design and installation of aluminium panels	**1,668**	388
Others	**554**	251
	182,168	5,906

6. PROFIT BEFORE INCOME TAX

	2007 *RMB'000*	2006 *RMB'000*
(a) **Finance (income) and expenses:**		
Interest income on bank deposits	**(2,435)**	(2,368)
Finance income	**(2,435)**	(2,368)
Interest expense on bank loans	**26,211**	23,471
Net foreign exchange losses	**4,267**	1,432
Finance expenses	**30,478**	24,903
Net finance costs	**28,043**	22,535
(b) **Other items:**		
Depreciation		
— Property, plant and equipment	**23,872**	26,868
— Investment property	**94**	187
Amortisation of lease prepayments	**1,143**	1,852
Research and development costs	**2,265**	2,113
Auditors' remuneration	**195**	221
Cost of inventories	**1,949,498**	1,724,743
Operating lease charges: minimum lease payments		
— plant and machinery	**2,345**	—
— properties	**4,473**	—

7. INCOME TAX EXPENSES/(CREDIT)

(a) Taxation in the combined income statement represents:

	2007	2006
	RMB'000	*RMB'000*
Current tax		
Provision for PRC income tax	**—**	5,175
Provision for PRC land appreciation tax	**2,081**	—
	2,081	5,175
Deferred tax		
Origination and reversal of temporary differences	**(2,818)**	700
Effect of tax rate change	**60**	—
	(2,758)	700
	(677)	5,875

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI. No provision for Singapore Corporate Profits Tax and Hong Kong Profits Tax was made as the Group has no assessable profits subject to Singapore Corporate Profits Tax and Hong Kong Profits Tax during the year (2006: Nil).

Pursuant to the income tax rules and regulations of the PRC, the PRC entities of the Group and the Predecessor Entities are liable to PRC enterprise income tax as follows:

- Xingfa Aluminium is a wholly foreign owned enterprise and is entitled to tax concessions whereby the profit for the first two financial years beginning with the first profit-making year is exempted from income tax in the PRC and the profit for each of the subsequent three years is taxed at 50% of the prevailing tax rate set by the local authority. No provision for PRC income tax has been made during 2007 and 2006 as 2006 is the entity's first profit-making year.

- 廣東興發集團有限公司 (Guangdong Xingfa Group Co., Ltd.) is a limited liability company established under the laws of the PRC. It is liable to the PRC enterprise income tax at a rate of 33%.

- 佛山興發鋁型材有限公司 (Foshan Xingfa Aluminium Profiles Co., Ltd.) is located in the coastal economic open zone of Foshan, pursuant to the Income Tax Law of the PRC for Enterprises with Foreign Investment & Foreign Enterprises and relevant rules, the income tax rate applicable to the entity is 27%.

- 廣東興發創新股份有限公司 (Guangdong Xingfa Innovation Co., Ltd.) is recognised as an Advanced Technology Enterprise according to the approval from Guangdong Provincial Department of Science and Technology. Pursuant to the approval of Local Tax Bureau of Foshan in 2003, income tax rate applicable to the entity is 15%.

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC (the "new tax law") which has taken effect on 1 January 2008. In December 2007, the Implementation Rules of the Corporate Income Tax Law of the PRC and "Guo Fa [2007] No. 39" were promulgated to specify certain implementation details and grandfathering arrangements of the new tax law. As a result of the new tax law, Xingfa Aluminium is subject to a unified tax rate of 25% and will continue to enjoy the existing preferential tax treatment until the end of above mentioned tax holidays.

Pursuant to the new tax law passed on 16 March 2007, a 10% withholding tax will be levied on dividends declared to foreign investors from the PRC effective from 1 January 2008. A lower withholding tax rate may be applied if there is a tax treaty arrangement between the PRC and the jurisdiction of the foreign investors. On 22 February 2008, Caishui (2008) No. 1 was promulgated by the tax authorities to specify that dividends declared and remitted out of the PRC from the retained earnings as at 31 December 2007 are exempted from the withholding tax.

The financial impacts due to the new tax law have been reflected in the combined financial statements.

Pursuant to "Fo Fu Ban [2003] No. 46" and "Fo Di Shui Fa [2003] No. 68" issued by the relevant government authorities in Foshan, the land appreciation tax rate applicable to the Group is 1% on the sales proceed on disposal of land use right. Gain on disposal of land use right, net of land appreciation tax and surcharges, is subject to the relevant income tax rules and regulations of the PRC as mentioned above.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2007	2006
	RMB'000	*RMB'000*
Profit before income tax	**290,923**	66,164
Notional tax on profit before taxation, calculated at the rates applicable to the jurisdiction concerned	**96,004**	21,834
Effect of tax rate change	**60**	—
Tax effect of non-deductible expenses	**1,673**	1,936
Effect of tax concession	**(99,808)**	(17,895)
Tax effect on land appreciation tax	**(687)**	—
Provision for land appreciation tax	**2,081**	—
Income tax (credit)/expenses	**(677)**	5,875

Effect of tax concession represents the difference between standard income tax rate and preferential income tax rate enjoyed by the Group as set out in Note 7(a).

8. DIVIDENDS

Pursuant to the resolutions passed at the board of directors' meetings of Xingfa SG on 13 December 2007 and 24 December 2007, interim dividends at an aggregate amount of RMB118,961,000 were declared by Xingfa SG to its then equity holders. The amounts declared were fully paid in December 2007. The directors of the Company consider that the dividend payment during the year is not indicative of the future dividend policy of the Company.

Except for the above no dividends have been declared and paid by the companies now comprising the Group and the Predecessor Entities during the year or from the period after 31 December 2007 to the date of issue of the combined financial statements.

9. EARNINGS PER SHARE

The calculation of basic earnings per share during the year ended 31 December 2007 was based on the profit attributable to equity holders of the Company of RMB291,750,000 (2006: RMB59,377,000) and the 311,410,000 (2006: 311,410,000) shares in issue and issuable, comprising 10,000,000 ordinary shares as at 31 December 2007, 10,000,000 ordinary shares issued pursuant to the Reorganisation (as defined and detailed in the Prospectus), and 291,410,000 ordinary shares issued pursuant to the Capitalisation Issue (as defined and detailed in the Prospectus) as if the shares were outstanding throughout both 2006 and 2007.

There were no dilutive potential ordinary shares in issue for the years ended 31 December 2006 and 2007, and therefore, diluted earnings per share are the same as the basic earnings per share.

10. TRADE AND OTHER RECEIVABLES

	2007 ***RMB'000***	2006 *RMB'000*
Trade receivables	**279,992**	253,429
Bills receivable	**120,049**	110,955
Other receivables	**88,259**	111,156
	488,300	475,540

Included in trade and other receivables are trade receivables (net of impairment loss for bad and doubtful debts) and bills receivable with the following aging analysis as of the balance sheet date. The credit period ranges from 30 days to 60 days, according to the credit history of each customer.

	2007 ***RMB'000***	2006 *RMB'000*
Current	**400,041**	358,560
3 to 6 months past due	—	4,189
More than 6 months but less than 12 months past due	—	1,635
Amounts past due	—	5,824
At 31 December	**400,041**	364,384

Included in bills receivable are bills discounted to banks with recourse amounted to RMB7,000,000 as at 31 December 2007 (2006: RMB8,200,000). The proceeds from discounted bills are included in the secured bank loans.

Pursuant to the Reorganisation (as defined in the Prospectus), certain bills receivable and trade and other receivables with an aggregate carrying value of RMB244,351,000 were retained by the Predecessor Entities and had been reflected as deemed appropriation to equity holders of the Company for year ended 31 December 2007.

11. TRADE AND OTHER PAYABLES

	2007	2006
	RMB'000	*RMB'000*
Trade payables	**53,578**	142,689
Bills payable	**100,197**	267,200
Other payables and accruals	**90,744**	113,313
Deferred income	**804**	4,085
At 31 December	**245,323**	527,287

Included in trade and other payables are trade payables and bills payable with the following aging analysis as of the balance sheet date. The credit period granted by various suppliers ranges from 30 days to 60 days.

	2007	2006
	RMB'000	*RMB'000*
Due within 1 month or on demand	**21,239**	137,605
Due after 1 month but within 3 months	**76,536**	123,334
Due after 3 months but within 6 months	**56,000**	148,950
	153,775	409,889

(i) Bills payable as at 31 December 2006 and 2007 were secured by pledged bank deposits.

(ii) Deferred income consists of deferred government grants. The grants from local government were conditional and the conditions would be fulfilled upon the completion of several research projects and the approval obtained from the relevant authorities. These grants will be recognised as other income when the conditions are fulfilled.

(iii) Pursuant to the Reorganisation, the Predecessor Entities have obtained the consents of relevant banks and creditors to transfer the operations of Aluminium Profile Business together with the selected assets and liabilities to the subsidiaries now comprising the Group. Pursuant to the relevant PRC laws, bills payable and amounts due to creditors of RMB182,000,000 and RMB142,640,000 respectively would not be included in the liabilities assumed by the subsidiaries now comprising the Group after the transfer of operations of Aluminium Profile Business, together with the relevant assets and liabilities which are necessary to the Aluminium Profile Business, from the Predecessor Entities to the Group, and were retained by the Predecessor Entities. They had been reflected as deemed appropriation to equity holders of the Company for the year ended 31 December 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

Analysis of operating result

Turnover

We are one of the leading aluminium profiles manufacturers in the PRC and are principally engaged in the manufacture and sale of aluminium profiles.

Our turnover increased by approximately 15.4% from approximately RMB1,861.24 million for the year ended 31 December 2006 to approximately RMB2,148.67 million for the year ended 31 December 2007. The increase in our turnover during the year was mainly attributable to the increase in our total sales volume by approximately 16.4% from 76,702 tonnes in 2006 to 89,295 tonnes in 2007.

In particular, our sales volume of plain aluminium profiles increased by approximately 21.7% from 28,495 tonnes for the year ended 31 December 2006 to 34,690 tonnes for the year ended 31 December 2007 as a result of the increased customers demand for aluminium profiles used on transportation equipment industry during the year.

Cost of sales

Our cost of sales increased by approximately 13.0% from approximately RMB1,724.74 million for the year ended 31 December 2006 to approximately RMB1,949.50 million for the year ended 31 December 2007. The increase in the cost of sales was primarily due to the increase in the purchase of aluminium ingots to meet the production needs.

Gross profit and gross profit margin

As a result of the factors mentioned in the sub-paragraphs headed "Turnover" and "Cost of sales" above, our gross profit increased by approximately 45.9% from approximately RMB136.50 million for the year ended 31 December 2006 to approximately RMB199.18 million for the year ended 31 December 2007, while our gross profit margin increased significantly from approximately 7.3% to approximately 9.3% during the two years ended 31 December 2006 and 2007.

The following table sets forth the gross profit margin of our aluminium profiles:

	For the year ended 31 December	
	2007	2006
Aluminium profiles with surface finishing	**8.9%**	6.1%
Plain aluminium profiles	**10.9%**	8.4%

The improvement in overall gross profit margin was mainly attributable to the following factors:

1. After the technical modification of our production lines in 2006, the equipment utilisation rate was further improved from approximately 79.6% for the year ended 31 December 2006 to approximately 80.7% for the year ended 31 December 2007. A better production economy of scale was then achieved.

2. At the same time, we have enhanced our production technology so as to reduce wastage during the production by streamlining each of the individual processes.

3. The slightly change in our Group's product mix as a result of the increase in the sale volume of plain aluminium profiles which has a higher gross profit margin than aluminium profiles with surface finishing. The percentage of turnover of plain aluminium profiles to our Group's total turnover has increased from approximately 33.5% to 34.4% during the year under review.

Other net income

Other net income increased from approximately RMB5.91 million for the year ended 31 December 2006 to an income of approximately RMB182.17 million for the year ended 31 December 2007. The increase was primarily due to the fact that our Group recognized a one-off gain on disposal of lease prepayments of approximately RMB174.94 million, net of business tax and surcharges for the year ended 31 December 2007.

Distribution expenses

Our distribution expenses increased by approximately 51.9% from approximately RMB21.42 million for the year ended 31 December 2006 to approximately RMB32.53 million for the year ended 31 December 2007. Our distribution expenses as a percentage of turnover increased from approximately 1.2% for the year ended 31 December 2006 to approximately 1.5% for the year ended 31 December 2007. The increase in distribution expenses was mainly attributable to the combined effects of (i) the increase in sales incentives to our staff by approximately 50.4% or RMB0.88 million; (ii) the increase in agency fee to our distributors by approximately 50.0% or RMB0.45 million; (iii) the increase in advertising expenses by approximately 150.5% or RMB4.07 million as a result of launch of several advertising campaign for the year ended 31 December 2007 to boost sales; and (iv) the increase in transportation fee by approximately 39.2% or RMB5.08 million.

Administrative expenses

Our administrative expenses decreased by approximately 7.6% from approximately RMB32.29 million for the year ended 31 December 2006 to RMB29.85 million for the year ended 31 December 2007. This decrease in administrative expenses was mainly attributable to the decrease in (i) depreciation charge of approximately RMB1.59 million; and (ii) repairs and maintenance of approximately RMB1.17 million. Therefore, our administrative expenses as a percentage of turnover decreased from approximately 1.7% for the year ended 31 December 2006 to approximately 1.4% for the year ended 31 December 2007 after the adoption of cost saving measures.

Results from operating activities

As a result of the factors discussed above, the results from operating activities increased by approximately 259.6% from approximately RMB88.70 million for the year ended 31 December 2006 to approximately RMB318.97 million for the year ended 31 December 2007. The increase in operating profit margin was mainly attributable to the recognition of a one-off gain on disposal of lease prepayments of approximately RMB174.94 million, net of business tax and surcharges.

Net finance costs

Net finance costs increased by approximately 24.4% from approximately RMB22.54 million for the year ended 31 December 2006 to approximately RMB28.04 million for the year ended 31 December 2007. The increase in net finance costs was mainly due to the increase in interest expense on bank borrowings to finance working capital and capital expenditures for the expansion of our business during two years of review.

Income tax (expense)/credit

We are not liable to pay any income tax expense for the year ended 31 December 2007 as our principal operating subsidiary, Xingfa Aluminium, is a wholly foreign owned enterprise established in 2006. According to the Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises, Xingfa Aluminium, being an enterprise with foreign investment and is entitled to tax concessions whereby the profit for the first two financial years beginning with the first profit-making year is exempted from income tax in the PRC and the profit for each of the subsequent three years is taxed at 50% of the prevailing tax rate set by the local authority. No provision for PRC income tax has been made for the year ended 31 December 2007. However, during the year ended 31 December 2007, a land appreciation tax provision of approximately RMB2.08 million was recognised which was arisen from the disposal of lease prepayments. Overall, we recorded an income tax credit of approximately RMB0.68 million for the year ended 31 December 2007.

The effective tax rate of the Group for the year ended 31 December 2006 was approximately 8.9% whereas no provision for PRC income has been made for the year ended 31 December 2007. Such reduction is mainly attributable to the tax concessions enjoyed by Xingfa Aluminium since its net profit was exempted from income tax in the PRC for its second profit-making year. Further, the gain on disposal of lease prepayments recorded by Xingfa Aluminium for the year ended 31 December 2007 in the PRC was also exempted from income tax in the PRC as mentioned above.

Profit for the year and the net profit margin

As a result of the foregoing factors, the profit for the year increased significantly by approximately 383.7% from RMB60.29 million for the year ended 31 December 2006 to approximately RMB291.60 million for the year ended 31 December 2007. The increase in the net profit margin from approximately 3.2% to 13.6% during these two years of review was mainly attributable to the recognition of a one-off gain of approximately RMB172.86 million on disposal of lease prepayments in respect of the piece of land with a site area of approximately 138,719 sq.m. owned by Xingfa Aluminium, net of business tax, surcharges and land appreciation tax. Without accounting for the one-off gain of approximately RMB172.86 million, the net profit margin would have increased from approximately 3.2% to 5.5% during the year under review.

Analysis of financial position

Current and quick ratios

The following table sets out the summary of our Group's current and quick ratios as at 31 December 2006 and 2007:

	As at 31 December 2007	As at 31 December 2006
Current Ratio *(Note)*	**1.69**	1.08
Quick Ratio *(Note)*	**1.25**	0.90

Note: Current ratio is calculated based on the total current assets divided by the total current liabilities at the end of the year.

Quick ratio is calculated based on the difference between the total current assets and the inventories divided by the total current liabilities at the end of the year.

As at 31 December 2007, the current ratio and the quick ratio of our Group had increased slightly to approximately 1.69 and 1.25, respectively, which was mainly attributable to the combined effects of (i) increase in inventories of approximately RMB66.47 million to cope with the business expansion; (ii) increase in cash and cash equivalents of approximately RMB90.32 million as a result of the receipt of the consideration with respect to the disposal of lease prepayments of approximately RMB208.08 million less dividend payment of approximately RMB118.96 million in 2007 and (iii) derecognition of loans and borrowings and trade and other payables of approximately RMB212.50 million and approximately RMB324.64 million respectively of Xingfa Group and Xingfa Innovation as a result of Reorganisation of our Group.

Gearing Ratio

The following table sets out the summary of our Group's gearing ratio as at 31 December 2006 and 2007:

	As at 31 December 2007	As at 31 December 2006
Gearing Ratio *(Note)*	**35.5%**	31.5%

Note: Gearing ratio is calculated based on the loans and borrowings divided by total assets and multiplied by 100%.

As at 31 December 2007, our gearing ratio was increased to approximately 35.5% which was mainly due to the decrease in total assets as a result of derecognition of total assets of approximately RMB707.36 million of Xingfa Group and Xingfa Innovation pursuant to the Reorganisation of our Group.

Inventory Turnover Days

The following table sets out the summary of the Group's inventory turnover days during the two years ended 31 December 2006 and 2007:

	Year ended 31 December 2007	Year ended 31 December 2006
Inventory Turnover Days *(Note)*	**39**	29

Note: Inventory turnover days is calculated based on the average of the beginning and ending inventory balance for the year divided by the total cost of sales during the year multiplied by 365 days.

Inventories balance as at the respective years end during the two year ended 31 December 2006 and 2007 represents our raw materials, work in progress and the unsold finished goods.

Our inventory turnover days were approximately 29 and 39 during the two years ended 31 December 2006 and 2007. The increase inventory turnover days from approximately 29 days in 2006 to approximately 39 days in 2007 was due to the increase in inventory of aluminium ingots for production for construction materials to meet with delivery demand for the several significant construction projects such as the Burj Tower Project in Dubai. Despite a deemed appropriation of approximately RMB28.35 million of inventories was made as a result of Reorganisation in 2007, there is no material impact on the analysis of inventory turnover days. Our Group has not made any material provisions for inventory obsolescence during the two years ended 31 December 2006 and 2007. Aluminium ingots, our Group's primary raw material, is not generally susceptible to obsolescence by passage of time. Our Group has not experienced any material shortage of inventory during the two years ended 31 December 2006 and 2007.

Debtors' turnover days

The following table sets out the summary of our Group's debtors' turnover days during the two years ended 31 December 2006 and 2007:

	Year ended 31 December 2007	Year ended 31 December 2006
Debtors' turnover days *(Note)*	**65**	55

Note: Debtors' turnover days is calculated based on the average of the beginning and ending balance of trade and bills receivables for the year divided by turnover during the year multiplied by 365 days.

Trade receivables balance as at the respective year end during the two years ended 31 December 2006 and 2007 represents the outstanding amounts receivable by us from our customers which have been granted with credit period. Normally, we require our customers to settle our invoices by cash on delivery. The granting of credit to customers is assessed on a case-by-case basis and we may grant credit terms of 30 to 60 days on a rolling basis to our customers with whom we have maintained a longer business relationship.

The debtors' turnover days was increased from approximately 55 days for the year ended 31 December 2006 to approximately 65 days for the year ended 31 December 2007. The increase was mainly attributable to the combined effects of (i) the increase in turnover in the fourth quarter of 2007 by approximately RMB169.52 million or 32.7% as compared to fourth quarter in 2006 which caused an increase in trade receivables from approximately RMB253.43 million to approximately RMB279.99 million as at 31 December 2006 and 31 December 2007 respectively and (ii) more customers utilised bills for settlement as evidenced by the increase in bills receivables by approximately 8.2% from approximately RMB110.96 million at 31 December 2006 to approximately RMB120.05 million at 31 December 2007.

Creditors' turnover days

The following table sets out the summary of our Group's creditors' turnover days during the two years ended 31 December 2006 and 2007:

	Year ended 31 December 2007	Year ended 31 December 2006
Creditors' turnover days *(Note)*	**53**	76

Note: Creditors' turnover days is calculated based on the average of the beginning and ending balance of trade and bills payables for the year divided by the total cost of sales during the year multiplied by 365 days.

Trade payables balance as at the respective year end during the two years ended 31 December 2006 and 2007 represents the outstanding amounts payable by us to our suppliers of raw materials. The credit periods granted by various suppliers generally range from 30 days to 60 days during the two years ended 31 December 2006 and 2007.

Our creditors' turnover days were approximately 76 and 53 during the two years ended 31 December 2006 and 2007, respectively. The creditors' turnover days of 2007 was in line with the credit terms of 30 days to 60 days granted by our Group's suppliers to our Group. Creditor's turnover days decreased gradually over the two years ended 31 December 2006 and 2007. As at 31 December 2006 and 2007, approximately RMB267.20 million and approximately RMB100.20 million of bills payables respectively remained on the balance sheet which were settled after year end date which relevant trade payables decreased accordingly due to such significant bills payables' balances. This led to the decrease in creditor's turnover days from 76 days for year ended 31 December 2006 to approximately 53 days for year ended 31 December 2007. Further, as a result of the Reorganisation, trade and bills payables amounted to approximately RMB244.90 million was de-recognised and retained by our Predecessor Entities. This further decreased our creditors' turnover days for the year ended 31 December 2007.

LIQUIDITY, FINANCIAL RESOURCES AND CAPTIAL STRUCTURE

Cash flow

The table below summarises the Group's cash flow during the two years ended 31 December 2006 and 31 December 2007:

	2007	2006
	RMB' million	*RMB' million*
Net cash used in operating activities	**(145.62)**	(92.49)
Net cash generated from in investing activities	**213.94**	38.93
Net cash generated from financing activities	**22.00**	49.68

We generally finance our operations through a combination of shareholders' equity, internally generated cash flows and bank borrowings. Following the issuance of new shares in March 2008, we expect to finance our capital expenditure and operating requirements through internally generated cash flows, net proceeds from the issuance of new shares and our cash and cash equivalents. Our Directors believe that on a long-term basis, our liquidity will be funded from operations and, if necessary, additional equity financing or bank borrowings.

Capital expenditures

Capital expenditure was used for acquisition of property, plant and equipment. For the year ended 31 December 2007, the Group's capital expenditure were approximately RMB61.06 million. The significant capital expenditures during the year ended 31 December 2007 were mainly for acquisition of plant and equipment for the Sanshui Factory and payment for lease prepayments.

Loans and Borrowings

As at 31 December 2007, the Group's loans and borrowings amounted to RMB377 million. The Group's loans and borrowings primarily comprise of (1) short-term loans and borrowings of RMB297 million provided by local banks: and (2) long-term loans and borrowings of RMB80 million provided by locals banks.

SUBSEQUENT EVENT

Save as disclosed elsewhere in this announcement, on 31 March 2008, the Company completed its global initial public offering and its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited.

PROSPECTS

We are one of the leading aluminium profiles manufacturers in the PRC and are principally engaged in the manufacture and sale of aluminium profiles. Our Group was awarded as the "No. 1 of the Top-Ten National Aluminium Profiles Enterprises" by 中國有色金屬加工工業協會 (China Non-Ferrous Metals Fabrication Industrial Association) ("CNFA") in 2003 and such status was confirmed by CNFA in February 2008.

Our aggregate annual design production capacity of aluminium profiles at our production plant located at Chancheng District, Foshan City, Guangdong Province, the PRC ("Chancheng Factory") and our production plant located at Sanshui District, Foshan City, Guangdong Province, the PRC ("Sanshui Factory") was approximately 113,400 tonnes as at 31 December 2007. The relocation of production operation from the Chancheng Factory to the Sanshui Factory will begin in May 2008. Up to September 2007, five smelters and eight extruders in the Sanshui Factory were installed and currently in parallel run. Our Directors expect the entire relocation process will be completed in December 2009. Upon integration of production facilities originally located at the Chancheng Factory and new production facilities to be acquired until June 2010, the Sanshui Factory is expected to have an annual designed production capacity of aluminium profiles of approximately 150,000 tonnes in 2010.

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The proceeds from the Company's issue of new shares on the Stock Exchange in March 2008, after deduction of related issuance expenses, amounted to approximately HK$207.19 million. These net proceeds have been temporarily placed in short-term deposits with licensed banks in Hong Kong as at the date of this announcement. The Directors intend to apply these net proceeds in the manner as set out in the prospectus of the Company dated 17 March 2008.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 28 May 2008 to Friday, 30 May 2008, both dates inclusive. During such period, no transfer of shares of the Company will be registered. In order to qualify for the entitlement to attend the forthcoming annual general meeting of the Company, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:00 p.m. on Tuesday, 27 May 2008.

DIVIDENDS

Pursuant to the resolutions passed at the board of directors' meetings of Xingfa SG on 13 December 2007 and 24 December 2007, interim dividends at an aggregate amount of RMB118,961,000 were declared by Xingfa SG to its then equity holders. The amounts declared were fully paid in December 2007. The directors of the Company consider that the dividend payment during the year is not indicative of the future dividend policy of the Company. The directors do not recommend the payment of any final dividend for the year ended 31 December 2007.

EMPLOYEES AND EMOLUMENTS

As at 31 December 2007, the Group employed a total of 2,502 full time employees in the PRC which included management staff, technicians, salespersons and workers. For the year ended 31 December 2007, the Group's total expenses on the remuneration of employees was RMB43.48 million and represents 2.0% of the turnover of the Group. The Group's emolument policies are formulated on the performance of individual employees, which will be reviewed regularly every year. Apart from the provident fund scheme (according to the provisions of the Mandatory Provident Fund Schemes Ordinance for Hong Kong employees) or state-managed retirement pension scheme (for the PRC employees) and medical insurance, discretionary bonuses and employee share options are also awarded to employees according to the assessment of individual performance.

CORPORATE GOVERNANCE

Since the Company's listing on 31 March 2008, the Company has fully complied with the applicable code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has also adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct for securities transactions. Having made specific enquiry of all Directors, all Directors confirmed that they had complied with the required standards set out in the Model Code during the period from 31 March 2008 (being the date on which the shares of the Company were listed on the Stock Exchange) to the date of this announcement.

REVIEW BY THE AUDIT COMMITTEE

The Listing Rules require every listed issuer to establish an audit committee comprising at least three members who must be non-executive directors only, and the majority thereof must be independent non-executive directors, at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. The Company has an audit committee which is accountable to the Board and the primary duties of the audit committee include the review and supervision of the Group's financial reporting process and internal control measures.

The audit committee of the Company has met with the external auditors of the Company, KPMG, to review the accounting principles and practices adopted by the Group and the consolidated results of the Group for the year ended 31 December 2007. The audit committee is composed of three independent non-executive directors of the Company, Mr. Chen Mo, Mr. Ho, Kwan Yiu and Mr. Lam, Ying Hung Andy. Mr. Lam serves as the chairman of the audit Committee of the Company. The chairman of the audit committee has professional qualification and experience in financial matters.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The listing of the Company's shares commenced on 31 March 2008. Neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2007.

PUBLICATION OF 2007 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This announcement is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.xingfa.com), and the 2007 annual report of the Company containing all the information required by the Listing Rules will be despatched to shareholders and published on the respective websites of the Company and the Stock Exchange in due course.

On behalf of the Board of
Xingfa Aluminium Holdings Limited
Luo Su
Chairman

Hong Kong, 21 April 2008

As at the date of this announcement, the Board comprises four executive directors, namely Mr. Luo Su (Chairman), Mr. Luo Riming (Chief Executive Officer), Mr. Liao Yuqing and Mr. Wang Zhihua; and three independent non-executive directors, namely Mr. Chen Mo, Mr. Ho, Kwan Yiu and Mr. Lam, Ying Hung Andy.