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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2008

FINANCIAL HIGHLIGHTS

1. Turnover increased by approximately 19.8% from approximately RMB905.36 million for the six months ended 30 June 2007 to approximately RMB1,084.20 million for the six months ended 30 June 2008.

2. Sales volume increased by approximately 24.1% from 37,370 tonnes for the six months ended 30 June 2007 to 46,389 tonnes for the six months ended 30 June 2008.

3. Gross profit increased by approximately 28.7% from approximately RMB87.00 million for the six months ended 30 June 2007 to RMB111.99 million for the six months ended 30 June 2008, while our gross profit margin also improved from approximately 9.6% to 10.3% for the six months ended 30 June 2007 and 2008 respectively.

4. Net profit for the periods under review decreased by approximately 85.0% from RMB224.59 million for the six months ended 30 June 2007 to RMB33.67 million for the six months ended 30 June 2008. The decrease in net profit for the six months ended 30 June 2008 was mainly attributable to the following reasons:

   (a) There was a one-off gain of approximately RMB172.86 million on disposal of lease prepayments, net of business tax, surcharges and land appreciation tax for the six months ended 30 June 2007 but no such one-off gain recorded in the period under review.

   (b) Increase in administrative expenses by approximately 128.8% from RMB13.03 million for the six months ended 30 June 2007 to RMB29.81 million for the six months ended 30 June 2008 due to the payment of an one-off IPO related professional fees of approximately RMB9.61 million during the period under review.

   (c) Increase in net finance expenses by approximately 68.8% from RMB11.63 million for the six months ended 30 June 2007 to RMB19.63 million for the six months ended 30 June 2008 as a result of the increase in average borrowing and interest rate.

   (d) Increase in provision for enterprise income tax by RMB7.3 million for Xingfa Aluminium Co., Ltd., our sole operating subsidiary in China for the six months ended 30 June 2008.

5. If the above-mentioned one-off gain on disposal of lease prepayments of RMB172.86 million and one-off IPO related professional fees of RMB9.61 million were excluded, the operating profit before taxation decreased slightly by approximately 2.2% from RMB51.40 million to RMB50.28 million for the six months ended 30 June 2007 and 2008 respectively.

RESULTS

The board of directors (the "**Directors**" or the "**Board**") of Xingfa Aluminium Holdings Limited (the "**Company**") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**", "**our Group**", "**we**" or "**us**") prepared under International Financial Reporting Standards ("**IFRSs**") for the six months ended 30 June 2008, together with the comparative figures for the corresponding period in 2007 and the relevant explanatory notes as set out below. The consolidated results are unaudited, but have been reviewed by the Company's independent auditors, KPMG, and the audit committee of the Company.

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2008
(Expressed in Renminbi)

		For the six months ended 30 June	
		2008	2007
	Notes	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)
Turnover	*3*	**1,084,200**	905,361
Cost of sales		**(972,212)**	(818,361)
Gross profit		**111,988**	87,000
Other net (loss)/income	*4*	**(1,795)**	177,499
Distribution expenses		**(20,090)**	(15,580)
Administrative expenses		**(29,809)**	(13,030)
Results from operating activities		**60,294**	235,889
Finance income		**1,732**	1,671
Finance expenses		**(21,358)**	(13,297)
Profit before taxation	*5*	**40,668**	224,263
Income tax (expenses)/credit	*6*	**(6,996)**	330
Profit for the period		**33,672**	224,593
Attributable to:			
Equity holders of the Company		**33,672**	224,673
Minority interests		**—**	(80)
Profit for the period		**33,672**	224,593
Dividends attributable to the period			
Dividends declared and paid during the period		**—**	—
Basic and diluted earning per share *(RMB yuan)*	*8*	**0.09**	0.72

CONSOLIDATED BALANCE SHEET

At 30 June 2008

(Expressed in Renminbi)

	Notes	At 30 June 2008 RMB'000 (unaudited)	At 31 December 2007 RMB'000 (audited)
Non-current assets			
Property, plant and equipment		**178,133**	139,007
		178,133	139,007
Current assets			
Inventories		**320,501**	239,625
Trade and other receivables	*9*	**559,691**	493,955
Pledged deposits		**128,446**	32,422
Cash and cash equivalents		**336,459**	146,411
Assets classified as held for sale		**10,486**	10,486
		1,355,583	922,899
Current liabilities			
Loans and borrowings		**380,047**	297,000
Trade and other payables	*10*	**419,512**	247,492
Current tax payables		**6,207**	2,086
		805,766	546,578
Net current assets		**549,817**	376,321
Total assets less current liabilities		**727,950**	515,328
Non-current liabilities			
Loans and borrowings		**60,000**	80,000
		60,000	80,000
NET ASSETS		**667,950**	435,328
CAPITAL AND RESERVES			
Share capital		**3,731**	210,000
Reserves		**664,219**	225,328
TOTAL EQUITY		**667,950**	435,328

Notes:

1. BASIS OF PRESENTATION AND PREPARATION

(a) Basis of presentation

Xingfa Aluminium Holdings Limited (the "Company") is 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 Company and its subsidiaries (the "Group") are principally engaged in manufacturing and sales of aluminium profiles (the "Aluminium Profile Business").

Pursuant to a reorganisation (the "Reorganisation") of the Company and the companies now comprising the group (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 operations of the Aluminium Profile Business with the relevant assets and liabilities of Guangdong Xingfa Group Co., Ltd. ("Xingfa Group"), Guangdong Xingfa Innovation Co., Ltd. ("Xingfa Innovation") and Foshan Xingfa Aluminium Co., Ltd. ("Foshan Xingfa") (hereinafter collectively referred to as the "Predecessor Entities"), were transferred to the companies 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 issued by the Company.

Since all entities which took part in the Reorganisation were under common control of a group of ultimate equity holders (the "Controlling Shareholders"), the Group is regarded as a continuing entity resulting from the Reorganisation under common control. The consolidated financial statements have been prepared on the basis that the Company was the holding company of the Group as if the current group structure had been in existence for both periods presented, rather than from 29 February 2008.

Accordingly, the consolidated results of the Group for the six months ended 30 June 2007 include the results of operations of Aluminium Profile Business of the Predecessor Entities and the results of the operations of the companies now comprising the Group for the six months ended 30 June 2007 (or where the companies were established/incorporated at a date later than 1 January 2007, for the period from the date of establishment/incorporation to 30 June 2007). The consolidated results of the Group for the six months ended 30 June 2008 include the results of the Company and the subsidiaries now comprising the Group with effect from 1 January 2008 or since their respective dates of incorporation, whichever is a shorter period.

The consolidated balance sheet at 31 December 2007 is the combination of the balance sheets of the Company and the subsidiaries now comprising the Group at 31 December 2007. All material inter-group transactions and balances have been eliminated on consolidation. In the opinion of the directors, the consolidated financial statements prepared on this basis present fairly the results of operations and the state of affairs of the Group as a whole.

(b) Basis of preparation

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange, including compliance with International Accounting Standards ("IAS") 34, Interim financial reporting, adopted by the International Accounting Standards Board ("IASB"). It was authorised for issuance on 19 September 2008.

The interim financial report also has been prepared in accordance with the same accounting policies adopted in the 2007 Annual Report of the Company dated 21 April 2008.

The IASB has issued a number of new and revised International Financial Reporting Standards ("IFRSs"), which term collectively includes all applicable individual International Financial Reporting Standards, IASs and Interpretations, that are effective for accounting periods beginning on or after 1 January 2008. The Board of Directors has determined the accounting policies to be adopted in the preparation of the Group's financial statements for the year ending 31 December 2008, on the basis of IFRSs currently in issue.

The IFRSs that will be effective or are available for voluntary early adoption in the Group's financial statements for the year ending 31 December 2008 may be affected by the issue of additional interpretation(s) or other changes announced by the IASB subsequent to the date of issuance of this interim financial report. Therefore the policies that will be applied in the Group's financial statements for that period cannot be determined with certainty at the date of issuance of this interim financial report. The Group has not applied any new standards or interpretations that are not yet effective for the current accounting period.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial report contains condensed consolidated financial statements ("interim financial statements") and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2007 Annual Report. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with IFRSs.

The 2007 Annual report of the Company included statutory financial statements of the Company and the combined financial statements of the Company and the subsidiaries now comprising the Group for the year ended 31 December 2007. The combined financial statements did not form part of the Company's statutory financial statements for the year ended 31 December 2007. The basis of presentation of the combined financial statements for the year ended 31 December is consistent to the basis of presentation for this interim financial report as set out above.

The financial information relating to the financial year ended 31 December 2007 that is included in the interim financial statements as being previously reported information does not constitute the Company's statutory financial statements and the combined financial statements for that financial year but is derived from those financial statements. The Company's statutory annual financial statements and the combined financial statements for the year ended 31 December 2007 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 21 April 2008.

2. SEGMENT INFORMATION

As all of the Group's total turnover and profits were derived from Aluminium Profile Business, accordingly no analysis by business segments is presented for the Group. In addition, the Group's business participates primarily in one geographical location classified by the location of assets, that is the People's Republic of China (the "PRC"), and accordingly, no geographical segmental analysis is provided. Segment revenue based on the geographical location of customers is presented as follows:

	For the six months ended 30 June	
	2008	2007
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Turnover		
The PRC (other than Hong Kong)	**1,000,984**	794,709
North America	**4,413**	27,810
Europe	**9,200**	2,128
Hong Kong	**38,172**	31,420
Asia Pacific (other than the PRC and Hong Kong)	**11,234**	43,909
Others	**20,197**	5,385
	1,084,200	905,361

3. 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 period is as follows:

	For the six months ended 30 June	
	2008	2007
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Manufacture and sales of aluminium profiles	**1,027,794**	874,590
Manufacture and sales of aluminium panels, moulds and spare parts	**56,017**	29,635
Provision of processing services	**389**	1,136
	1,084,200	905,361

4. OTHER NET (LOSS)/INCOME

	For the six months ended 30 June	
	2008	2007
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Compensation income	**—**	706
Government grants	**70**	338
Rental income from		
— investment property	**—**	300
— others	**171**	47
Net (losses)/gains on derivative financial instruments	**(1,967)**	598
Gain on disposal of lease prepayment	**—**	174,941
Others	**(69)**	569
	(1,795)	177,499

5. PROFIT BEFORE INCOME TAX

Profit before taxation is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2008	2007
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
(a) Finance income and expenses:		
Interest on bank deposits	**(1,732)**	(1,671)
Finance income	**(1,732)**	(1,671)
Interest expense on bank loans	**15,758**	12,008
Net foreign exchange losses	**5,473**	1,289
Changes in fair value of foreign exchange forward contracts	**127**	—
Finance expenses	**21,358**	13,297
Net finance costs	**19,626**	11,626
(b) Other items:		
Depreciation		
— Property, plant and equipment	**11,358**	13,129
— Investment property	**—**	94
Amortisation of lease prepayment	**—**	799
Research and development costs	**1,339**	1,072
Auditor's remuneration	**700**	100
Operating lease charges		
— Plants and machineries	**3,092**	—
— Properties	**5,899**	—

6. INCOME TAX EXPENSES/(CREDIT)

(a) Income tax expenses/(credit) in the consolidated income statement (unaudited) represents:

	For the six months ended 30 June	
	2008	2007
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Current tax		
Provision for PRC income tax	**6,996**	—
Provision for PRC land appreciation tax	**—**	2,081
	6,996	2,081
Deferred tax		
Origination and reversal of temporary differences	**—**	(2,891)
Effect of tax rate change	**—**	480
	6,996	(330)

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (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 period (six months ended 30 June 2007: Nil).

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

- Guangdong Xingfa Aluminium Co., Ltd. ("Guangdong Xingfa") is a wholly foreign owned enterprise and is entitled to tax concessions whereby the profits for the first two financial years beginning with the first profit-making year are exempted from income tax in the PRC and the profits for each of the subsequent three years are 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. No provision for PRC income tax has been made during 2007 as 2006 is the entity's first profit-making year.

- 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, Guangdong Xingfa is subject to an unified tax rate of 25% and will continue to enjoy the existing preferential tax treatment until the end of above mentioned tax holidays. The applicable tax rate of Guangdong Xingfa during 2008 is 12.5%.

Following the consummation of the transfer of the operations of Aluminium Profile Business from the Predecessor Entities to the subsidiaries now comprising the Group on 28 July 2007, the Predecessor Entities did not form part of the Group. The applicable tax rates of the Predecessor Entities for the period ended 30 June 2007 were as follows:

- Xingfa Group is a limited liability company established under the laws of the PRC. It is liable to PRC enterprise income tax at a rate of 33%. Xingfa Group incurred loss for taxation purposes for the seven months ended 30 June 2007.

- Foshan Xingfa 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%.

- Xingfa Innovation 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%.

Pursuant to the new tax law in the PRC, from 1 January 2008, non-resident enterprises without an establishment or place of business in the PRC or which have an establishment or place of business in the PRC but whose relevant income is not effectively connected with the establishment or a place of business in the PRC, will be subject to withholding tax at the rate of 10% (unless reduced by treaty) on various types of passive income such as dividends derived from sources within the PRC. As Guangdong Xingfa is directly and collectively held by a Hong Kong incorporated subsidiary and a Singapore incorporated subsidiary, a rate of 5% is applicable to the calculation of this withholding tax.

According to the notice Caishui [2008] No. 1 released by the Ministry of Finance and the State Administration of Taxation, distributions of the pre-2008 retained profits of a foreign-invested enterprise to a foreign investor in 2008 or after are exempt from corporate income tax. Accordingly, the retained profits amounted to RMB206,915,000 at 31 December 2007 in the Group's foreign-invested enterprise's books and accounts will not be subject to 5% withholding tax on future distributions.

The Group is liable to withholding tax on dividends distributed from Guangdong Xingfa in respect of its profits generated on or after 1 January 2008. At 30 June 2008, temporary differences relating to the undistributed profits of Guangdong Xingfa amounted to RMB47,313,000. Deferred tax liabilities have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of Guangdong Xingfa and it has been determined that it is probable that profits will not be distributed by Guangdong Xingfa in the foreseeable future.

7. DIVIDENDS

The directors do not propose the payment of interim dividends for the period ended 30 June 2008 (2007: Nil).

8. EARNINGS PER SHARE

The calculation of basic earnings per share during the period ended 30 June 2008 was based on the profit attributable to equity holders of the Company of RMB33,672,000 (six months ended 30 June 2007: RMB224,673,000) and the weighted average number of shares in issue during the period ended 30 June 2008 of 364,705,000 (six months ended 30 June 2007: 311,410,000). The weighted average number of shares in issue during the period ended 30 June 2007 and 2008 is based on the assumption that 311,410,000 shares issued upon the Reorganisation were outstanding throughout the entire two periods.

Weighted average number of shares

	For the six months ended 30 June	
	2008	2007
	'000 shares	*'000 shares*
Capitalisation upon Reorganisation	**311,410**	311,410
Effect of shares issued upon placing and public offering on 31 March 2008	**53,295**	—
	364,705	311,410

There were no dilutive potential ordinary shares in issue for the periods ended 30 June 2008 and 30 June 2007, and therefore, diluted earnings per share are the same as the basic earnings per share.

9. TRADE AND OTHER RECEIVABLES

	At 30 June 2008	At 31 December 2007
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade receivables	**315,914**	279,992
Bills receivable	**120,731**	120,049
Other receivables, prepayments and deposits	**123,046**	93,104
Derivative financial instruments	**—**	810
	559,691	493,955

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.

	At 30 June 2008	At 31 December 2007
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Current	**436,645**	400,041

Certain trade receivables with aggregate carrying value of RMB96,518,000 were pledged as securities for bank loans of the Group as at 30 June 2008 (31 December 2007: RMB7,000,000).

10. TRADE AND OTHER PAYABLES

	At 30 June 2008 *RMB'000* **(unaudited)**	At 31 December 2007 *RMB'000* (audited)
Trade payables	**58,427**	53,578
Bills payable	**240,565**	100,197
Other payables and accruals	**119,004**	92,191
Deferred income	**1,389**	804
Derivative financial instruments	**127**	722
	419,512	247,492

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.

	At 30 June 2008 *RMB'000* **(unaudited)**	At 31 December 2007 *RMB'000* (audited)
Due within 1 month or on demand	**9,904**	21,239
Due after 1 month but within 3 months	**169,088**	76,536
Due after 3 months but within 6 months	**120,000**	56,000
	298,992	153,775

(i) Bills payable as at 30 June 2008 and 31 December 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.

11. POST BALANCE SHEET EVENT

Pursuant to an extraordinary general meeting held on 25 July 2008, the shareholders approved the Company to acquire 100% equity interest in Foshan Xinggao Aluminium Co., Ltd. ("Xinggao Aluminium") in consideration of RMB142,699,000 from the Controlling Shareholders (the "Acquisition"). As part of the Acquisition, Xinggao Aluminium would acquire from Xingfa Group and Xingfa Innovation of certain machineries, which were leased to the Group under operating leases, at an aggregated consideration of RMB14,256,000 (the "Assets Purchase").

Xinggao Aluminium, Xingfa Group and Xingfa Innovation are limited liability companies established in the PRC and were principally engaged in leasing of land use right and property, plant and equipment for the production of aluminium profiles to the Group. They are effectively owned by the Controlling Shareholders.

The corresponding sales and purchase agreements on the Acquisition and the Assets Purchase were signed on 26 July 2008 and Xinggao Aluminium has become the wholly-owned subsidiary of the Company since that date.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Operations

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 19.8% from approximately RMB905.36 million for the six months ended 30 June 2007 to approximately RMB1,084.20 million for the six months ended 30 June 2008. The increase in our turnover during the period under review was mainly attributable to the increase in our total sales volume by approximately 24.1% from 37,370 tonnes for the six months ended 30 June 2007 to 46,389 tonnes for the six months ended 30 June 2008.

In particular, our sales volume of aluminium profiles with surface finishing increased by approximately 37.4% from 21,975 tonnes for the six months ended 30 June 2007 to 30,193 tonnes for the six months ended 30 June 2008 as a result of the increased customers demand for construction materials in relation to the uncompleted projects on hand in 2007.

Cost of sales

Our cost of sales increased by approximately 18.8% from approximately RMB818.36 million for the six months ended 30 June 2007 to RMB972.21 million for the six months ended 30 June 2008. 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 results of the factors mentioned in the sub-paragraphs headed “Turnover” and “Cost of sales” above, our gross profit increased by approximately 28.7% from approximately RMB87.00 million for the six months ended 30 June 2007 to RMB111.99 million for the six months ended 30 June 2008, while our gross profit margin was further improved from 9.6% to 10.3% for the six months ended 30 June 2007 and 2008 respectively.

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

	For the six months ended 30 June	
	2008	2007
Average gross profit margin	**10.3%**	9.6%
— Aluminium profiles with surface finishing	**10.1%**	7.8%
— Plain aluminium profiles	**11.0%**	13.1%

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

1. Increase in overall production volume by approximately 22.2% from 39,410 tonnes to 48,140 tonnes for the six months ended 30 June 2007 and 2008 respectively. A better production economy of scale was achieved. The corresponding sale to production ratio was further improved from 94.8% to 96.4% during the period under review.

2. The equipment utilisation rate was improved from approximately 79.3% for the six months ended 30 June 2007 to approximately 80.2% for the six months ended 30 June 2008.

3. The slightly change in our Group's product mix as a result of the increase in the sales volume of aluminium profiles with surface finishing during the period under review, whose gross profit margin was improved from 7.8% to 10.1% for the six months ended 30 June 2007 and 2008 respectively resulting from the increase in production volume. A better production economy of scale was achieved.

4. However, it was partially offset by the decrease in gross profit margin of plain aluminium profiles as a result of the shift of production capacity from producing plain aluminium profiles to producing aluminium profiles with surface finishing in the period under review in order to meet the customers' demand.

Other net (loss)/income

Other net income decreased from RMB177.50 million for the six months ended 30 June 2007 to a loss of RMB1.80 million for the six months ended 30 June 2008. The decrease was primarily due to the fact that our Group recognised a one-off gain on disposal of lease prepayments of approximately RMB 174.94 million, net of business tax and surcharges in 2007.

Distribution expenses

Our distribution expenses increased by approximately 28.9% from RMB15.58 million to RMB 20.09 million, while our distribution expenses as a percentage of turnover increased slightly from approximately 1.7% to 1.9% for the six months ended 30 June 2007 and 2008 respectively, which were consistent with the increase in turnover.

Administrative expenses

Our administrative expenses increased by approximately 128.8% from RMB13.03 million to RMB 29.81 million, while our administrative expenses as a percentage of turnover increased significantly from approximately 1.4% to 2.7% for the six months ended 30 June 2007 and 2008 respectively. The substantial increase in our administrative expenses was mainly attributable due to the following factors:

1. Payment of a one-off IPO related professional fees of RMB9.61 million during the period under review.

2. Increase in staff costs according to statutory requirements.

Results from operating activities

As a result of the factors discussed above, the results from operating activities decreased by 74.4% from RMB235.89 milloin to RMB60.29 million for the six months ended 30 June 2007 and 2008 respectively. The decrease in operating profit was mainly attributable to the decrease in one-off gain on disposal of lease prepayments and increase in administrative expenses resulting from the payment of a one-off IPO related professional fees.

Net finance costs

Net finance costs increased by 68.8% from RMB11.63 million to RMB19.63 million for the six months ended 30 June 2007 and 2008 respectively. The increase in net finance costs was mainly due to the increase in interest expenses on bank borrowings and average bank borrowings to finance working capital and capital expenditures for the expansion of our business during the period under review.

Income tax (expense)/credit

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 period (2007: Nil).

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

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed 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 an unified tax rate of 25% and will continue to enjoy the existing preferential tax treatment until the end of above mentioned tax holidays. The applicable tax rate of Xingfa Aluminium during 2008 is 12.5%.

Further under the new tax law, from 1 January 2008, non-resident enterprises without an establishment or place of business in the PRC or which have an establishment or place of business in the PRC but whose relevant income is not effectively connected with the establishment or a place of business in the PRC, will be subject to withholding tax at the rate of 10% (unless reduced by treaty) on various types of passive income such as dividends derived from sources within the PRC. As Guangdong Xingfa is directly and collectively held by a Hong Kong incorporated subsidiary and a Singapore incorporated subsidiary, a rate of 5% is applicable to the calculation of this withholding tax.

According to the notice Caishui [2008] No. 1 released by the Ministry of Finance and the State Administration of Taxation, distributions of the pre-2008 retained profits of a foreign-invested enterprise to a foreign investor in 2008 or after are exempted from corporate income tax. Accordingly, the retained profits as at 31 December 2007 in the Group's foreign-invested enterprise' books and accounts will not be subject to 5% withholding tax on future distributions.

The Group is liable to withholding tax on dividends distributed from Guangdong Xingfa in respect of its profits generated on or after 1 January 2008. At 30 June 2008, temporary differences relating to the undistributed profits of Guangdong Xingfa amounted to RMB47,313,000. Deferred tax liabilities have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of Guangdong Xingfa and it has been determined that it is probable that profits will not be distributed by Guangdong Xingfa in the foreseeable future.

Profit for the period and the net profit margin

As a result of the foregoing factors, the net profit for the period under review decreased by approximately 85.0% from RMB224.59 million to RMB33.67 million for the six months ended 30 June 2007 and 2008 respectively. The decrease in the net profit margin from 24.8% to 3.1% during these two periods of review was mainly attributable to the combined effects of the decrease in one-off gain on disposal of lease prepayments of approximately RMB172.86 million, the increase in one-off payment of IPO related professional fees of RMB9.61 million during the period under review and the increase in provision for enterprise income tax by RMB7.30 million.

If the above-mentioned one-off gain on disposal of lease prepayments of RMB172.86 million and one-off IPO related professional fees of RMB9.61 million were excluded, the operating profit before taxation decreased slightly by approximately 2.2% from RMB51.40 million to RMB50.28 million for the six months ended 30 June 2007 and 2008 respectively.

Liquidity, capital resources and gearing ratio

Current and quick ratios

The following table sets out the summary of our Group's current and quick ratios as at 30 June 2008 and 31 December 2007:

	As at 30 June 2008	As at 31 December 2007
Current ratio *(Note)*	**1.68**	1.69
Quick ratio *(Note)*	**1.28**	1.25

Note:

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

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 period.

As at 30 June 2008, the current ratio and the quick ratio of our Group had improved slightly to approximately 1.68 and 1.28 respectively, which was mainly attributable to the combined effects of (i) increase in inventories of approximately RMB80.88 million to cope with the business expansion; and (ii) increase in cash and bank balances of RMB190.05 million from the IPO proceeds in the period under review.

Gearing ratio

The following table sets out the summary of our Group's gearing ratio as at 30 June 2008 and 31 December 2007:

	As at 30 June 2008	As at 31 December 2007
Gearing ratio *(Note)*	**28.7%**	35.5%

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

As at 30 June 2008, our gearing ratio was improved to 28.7%, which was mainly due to the increase in total assets as a result of the receipt of IPO proceeds after listing on 31 March 2008.

Cash flow

The following table summarises our Group's cash flow during the six months ended 30 June 2007 and 2008:

	For the six months ended 30 June	
	2008	2007
	RMB' million	*RMB' million*
Net cash generated from/(used in) operating activities	**70.06**	(47.27)
Net cash (used in)/generated from investing activities	**(121.14)**	175.97
Net cash generated from financing activities	**245.72**	2.17

We generally finance our operations through a combination of shareholders' equity, internally generated cash flows and bank borrowings.

Our Directors believe that on a long-term basis, our liquidity will be funded from operations, if necessary, additional equity financing or bank borrowings.

Capital expenditures

Capital expenditures were used for acquisition of property, plant and equipment. For the six months ended 30 June 2008, our Group's capital expenditure were approximately RMB50.48 million. These capital expenditures were mainly for acquisition of plant and equipment for our Group's production plant located at Sanshui District, Foshan City, Guangdong Province, the PRC ("Sanshui Factory").

Loans and borrowings

As at 30 June 2008, our Group's loans and borrowings amounted to RMB440.05 million. Our Group's loans and borrowings primarily comprise of (1) short-term loans and borrowings of RMB380.05 million provided by local banks; and (2) long-term loans and borrowings of RMB60.00 million provided by local banks. These loans and borrowings were secured by the Group's inventories, accounts receivable and pledged deposits.

Guarantee

Certain banking facilities amounted to RMB230,000,000 (31 December 2007: RMB385,000,000) were guaranteed by certain related parties, such backing facilities were utilised to the extent of RMB 97,000,000 (31 December 2007: RMB370,000,000).

Human resources

As at 30 June 2008, our Group employed a total of 2,254 full time employees in the PRC which included management staff, technicians, salespersons and workers. For the six months ended 30 June 2008, our Group's total expenses on the remuneration of employees was RMB25.01 million which represented approximately 2.3% of the turnover of our Group. Our 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.

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 China Non-Ferrous Metals Fabrication Industrial Association ("CNFA") in 2003 and such status was reconfirmed by CNFA in February 2008.

We are now in the process to relocate our production operation from the production plant located at Chancheng District, Foshan City, Guangdong Province, the PRC ("Chancheng Factory") to the Sanshui Factory. 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$220.97 million (approximately RMB198.75 million). These net proceeds have been temporarily placed in short-term deposits with licensed banks in Hong Kong as at 30 June 2008. The Directors intend to apply these net proceeds in the manner as set out in the prospectus of the Company dated 17 March 2008.

INTERIM DIVIDEND

Having considered the need to retain the Company's cash for working capital and capital expenditure, the Board did not recommend any interim dividend for the six months ended 30 June 2008.

CORPORATE GOVERNANCE

The Company has adopted the Code on Corporate Governance Practices (the "**CG Code**") as contained in Appendix 14 to the Rules (the "**Listing Rules**") Governing the Listing of Securities on the Stock Exchange as its own code of corporate governance.

During the period from 31 March 2008 (being the date on which the shares of the Company first commenced dealings on the Stock Exchange) to 30 June 2008, the Company has fully complied with the applicable code provisions of the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has also adopted a code of conduct governing securities transactions by directors and senior management of the Group on terms as set out in Appendix 10 to the Listing Rules (the "**Model Code**"). Having made specific enquiry of all Directors, all Directors confirmed that they had complied with the required standard set out in the Model Code during the period from 31 March 2008 (being the date on which the shares of the Company first commenced dealings on the Stock Exchange) to 30 June 2008.

AUDIT COMMITTEE

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 unaudited consolidated results of the Group for the six months ended 30 June 2008. The audit committee is composed of the three independent non-executive Directors 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 purchased, redeemed or sold any of the Company's listed securities during the Interim Period.

PUBLICATION OF 2008 INTERIM REPORT ON THE WEBSITE OF THE STOCK EXCHANGE

The 2008 interim report of the Company containing all the information required by the Listing Rules will be published on the respective websites of the Company (www.xingfa.com) and the Stock Exchange (www. hkex.com.hk) in due course.

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

Hong Kong, 19 September 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.