XINGFA ALUMINIUM HOLDINGS LIMITED
興發鋁業控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 98)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2009 ("1H09")

HIGHLIGHTS

1. Positive policies launched by the Central Government of the PRC in 1Q09 have partially offset the negative impacts brought by the financial turmoil in 4Q08. Our Group's sales orders started to recover in 2Q09, leveled down the total sales drop in 1H09. Turnover and sales volume recorded approximately RMB771.47 million and 41,000 tonnes respectively in 1H09. Gross profit margin maintained at 10.3% (1H08: 10.3%) while sales to production ratio was further improved to 98.0% (1H08: 96.4%).

2. Profit attributable to equity shareholders of our Company recorded RMB33.5 million in 1H09, mainly attributable to our Group's stringent cost controls with administrative and distribution expenses reduced by 27% and net finance costs down by 47%.

3. Continuous production capacity expansion in the new Sanshui Factory will contribute to our Group's increasing economies of scales with a view to improving the gross profit margin in 2H09. Following the installation of the Asia-largest surface anodising machines, powder coating machines and PVDF coating machines to enhance the surface finishing capability, our Group is currently equipping seven new extrusion production lines to catch up the increasing demand in 2H09.

4. Production capacity expansion plan in other parts of the PRC has been executed smoothly. Two new production bases in Chengdu City of Sichuan Province and Yichun City of Jiangxi Province have commenced their first phase development each with a planned annual production capacity of 50,000 tonnes of aluminium profiles and are expected to be completed by the end of 2010.

5. Gradual production capacity expansion will be carefully and prudently blueprinted in line with the market trend, with the ultimate goal to expand the designed annual production capacity of each of the two new bases to 100,000 tonnes and to extend the market coverage to South-West and South-East China. Together with the capacity expansion in Sanshui Factory, the total capacity of aluminium profiles is planned to be reaching 300,000 tonnes by 2014.

RESULTS

The board of directors ("**Directors**" or "**Board**") of Xingfa Aluminium Holdings Limited ("**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 the International Financial Reporting Standards for the six months ended 30 June 2009 ("**1H09**"), together with the comparative figures for the corresponding period in 2008 ("**1H08**") and the relevant explanatory notes as set out below. The consolidated results are unaudited, but have been reviewed by our independent auditors, KPMG, and our audit committee. The following financial information has been extracted from the Group's unaudited interim financial report, prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, for the six months ended 30 June 2009.

CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2009 – UNAUDITED

(Expressed in Renminbi)

		For the six months ended 30 June	
		2009	2008
	Note	***RMB'000***	*RMB'000*
Turnover	*3&4*	**771,466**	1,084,200
Cost of sales		**(692,360)**	(972,212)
Gross profit		**79,106**	111,988
Other net income/(loss)	*5*	**5,301**	(1,795)
Distribution expenses		**(12,721)**	(20,090)
Administrative expenses		**(23,597)**	(29,809)
Profit from operations		**48,089**	60,294
Finance income		**1,592**	1,732
Finance expenses		**(11,997)**	(21,358)
Net finance costs		**(10,405)**	(19,626)
Profit before taxation	*6*	**37,684**	40,668
Income tax expenses	*7*	**(4,176)**	(6,996)
Profit for the period attributable to equity shareholders of the Company		**33,508**	33,672
Basic and diluted earnings per share ***(RMB yuan)***	*9*	**0.08**	0.09

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2009 – UNAUDITED

(Expressed in Renminbi)

	For the six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
Profit for the period	**33,508**	33,672
Other comprehensive income for the period (after tax and reclassification adjustments):		
Exchange differences on translation of financial statements of overseas subsidiaries	**143**	(763)
Total comprehensive income for the period attributable to equity shareholders of the Company	**33,651**	32,909

CONSOLIDATED BALANCE SHEET
AT 30 JUNE 2009 – UNAUDITED

(Expressed in Renminbi)

	Note	At 30 June 2009 RMB'000	At 31 December 2008 RMB'000
Non-current assets			
Property, plant and equipment		**392,950**	351,713
Lease prepayment		**152,119**	153,661
Deferred tax assets		**–**	390
		545,069	505,764
Current assets			
Inventories		**215,857**	196,332
Derivative financial instruments		**2,155**	–
Trade and other receivables	*10*	**422,188**	466,720
Pledged deposits		**34,333**	36,646
Cash and cash equivalents		**141,819**	214,905
		816,352	914,603
Current liabilities			
Loans and borrowings		**489,249**	559,329
Trade and other payables	*11*	**192,219**	195,544
Derivative financial instruments		**–**	1,137
Current tax payables		**3,283**	595
		684,751	756,605
Net current assets		**131,601**	157,998
Total assets less current liabilities		**676,670**	663,762
Non-current liabilities			
Deferred tax liabilities		**157**	–
		157	–
Net assets		**676,513**	663,762
Capital and reserves			
Paid-in capital		**3,731**	3,731
Reserves		**672,782**	660,031
Total equity		**676,513**	663,762

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2009 – UNAUDITED

(Expressed in Renminbi)

	Attributable to equity shareholders of the Company						
	Share capital *RMB'000*	**Share premium** *RMB'000*	**Other reserve** *RMB'000*	**Statutory reserves** *RMB'000*	**Exchanges reserves** *RMB'000*	**Retained earnings** *RMB'000*	**Total** *RMB'000*
Balance at 1 January 2008	210,000	–	–	47,880	–	177,448	435,328
Changes in equity for the six months ended 30 June 2008:							
Arising from Reorganisation	(209,822)	–	209,822	–	–	–	–
Share issued under the placing and global offering	959	217,763	–	–	–	–	218,722
Share issuance costs	–	(19,009)	–	–	–	–	(19,009)
Capitalisation issue	2,594	(2,594)	–	–	–	–	–
Total comprehensive income for the period	–	–	–	–	(763)	33,672	32,909
Balance at 30 June 2008 and 1 July 2008	3,731	196,160	209,822	47,880	(763)	211,120	667,950
Changes in equity for the six months ended 31 December 2008:							
Total comprehensive income for the period	–	–	–	–	171	(4,359)	(4,188)
Transfer from retained earnings	–	–	–	5,967	–	(5,967)	–
Balance at 31 December 2008	3,731	196,160	209,822	53,847	(592)	200,794	663,762
Balance at 1 January 2009	3,731	196,160	209,822	53,847	(592)	200,794	663,762
Changes in equity for the six months ended 30 June 2009:							
Dividends approved in respect of the previous year	–	–	–	–	–	(20,900)	(20,900)
Total comprehensive income for the period	–	–	–	–	143	33,508	33,651
Balance at 30 June 2009	**3,731**	**196,160**	**209,822**	**53,847**	**(449)**	**213,402**	**676,513**

Notes:

1 BASIS OF PRESENTATION AND PREPARATION

(a) General information and group reorganisation

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

Pursuant to a reorganisation (the "Reorganisation") of the Company and its subsidiaries now comprising 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 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") in the People's Republic of China (the "PRC") were transferred to the subsidiaries now comprising the Group by 28 July 2007 and the Company became the holding company of the subsidiaries now comprising the Group from 29 February 2008. The shares of the Company have been listed on the Main Board of the Stock Exchange since 31 March 2008. Details of the Reorganisation are set out in the prospectus dated 17 March 2008 issued by the Company.

(b) Basis of presentation

Since all entities which took part in the Reorganisation were under common control of a group of ultimate equity holders (referred to as the "Controlling Shareholders"), before and immediately after the Reorganisation, the Group is regarded as a continuing entity resulting from the Reorganisation under common control. Accordingly, the Company has applied merger accounting to account for the Reorganisation in accordance with Accounting Guideline 5 "Merger Accounting for Common Control combinations" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), under which the interim financial report 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 with effect from 1 January 2008, rather than from 29 February 2008. Accordingly, the consolidated results of the Group for the six months ended 30 June 2008 include the results of the Company and its subsidiaries now comprising the Group for the six months ended 30 June 2008 (or where the companies were established/incorporated at a date later than 1 January 2008, for the period from the date of establishment/incorporation to 30 June 2008) as if the current group structure had been in existence with effect from 1 January 2008.

All material inter-group transactions and balances have been eliminated on consolidation. In the opinion of the Directors, the interim financial report prepared on this basis present fairly the results of operations and the state of affairs of the Group as a whole.

(c) 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 (the "Listing Rules"), including compliance with International Accounting Standard ("IAS") 34, Interim Financial Reporting, adopted by the International Accounting Standards Board ("IASB"). It was authorised for issuance on 28 August 2009.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2008 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2009 annual financial statements. Details of these changes in accounting policies are set out in note 2.

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 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 2008 annual financial statements. 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 International Financial Reporting Standards ("IFRSs").

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with the Hong Kong Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity", issued by the HKICPA. KPMG's independent review report to the Board of Directors is included in the interim financial report to be sent to shareholders

The financial information relating to the financial year ended 31 December 2008 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2008 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 17 April 2009.

2 CHANGES IN ACCOUNTING POLICIES

The IASB has issued certain new and revised IFRSs, a number of amendments to IFRSs and new Interpretations that are first effective or available for early adoption for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- IFRS 8, *Operating segments*

- IAS 1 (revised 2007), *Presentation of Financial Statements*

- Improvements to IFRSs (2008)

- Amendments to IFRS 1, *First-time Adoption of International Financial Reporting Standards*, and IAS 27, *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*

- Amendments to IFRS 7, *Financial Instruments: Disclosures – Improving disclosures about financial instruments*

- IAS 23 (revised 2007), *Borrowing costs*

- Improvements to IFRSs (2009)

The "Improvements to IFRSs (2008)" comprise a number of minor and non-urgent amendments to a range of IFRSs which the IASB has issued as an omnibus batch of amendments. These amendments have no material impact on the accounting policies already adopted by the Group. In addition, the amendments to IFRS 7 do not contain any additional disclosure requirements specifically applicable to the interim financial report. The impact of the remainder of these developments is in the interim financial report is as follows:

- IFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. This contrasts with the presentation of segment information in prior years which was based on a disaggregation of the Group's financial statements into segments based on geographical areas. The adoption of IFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group's most senior executive management, and has resulted in new reportable segments being identified and presented *(see note 3)*. As this is the first period in which the Group has presented segment information in accordance with the IFRS 8, additional explanation has been included in the interim financial report which explains the basis of preparation of the information. Corresponding amounts have also been provided on a basis consistent with the revised segment information.

- The Group has adopted early an amendment in the "Improvements to IFRSs (2009)" which amended IFRS 8 such that measure of total assets for each reportable segment is only required to be presented if it is regularly provided to the Group's chief operating decision maker. Segment assets are not reported to the Group's chief operating decision maker regularly. As a result, reportable segment assets have not been presented in the interim financial report.

- As a result of adoption of IAS 1 (revised 2007), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. The new format for the consolidated statement of comprehensive income and the consolidated statement of changes in equity has been adopted in this interim financial report and corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

- The amendments to IAS 27 have removed the requirement that dividends out of pre-acquisition profits should be recognised as a reduction in the carrying amount of the investment in the investee, rather than as income. As a result, as from 1 January 2009 all dividends receivable from subsidiaries, associates and jointly controlled entities, whether out of pre- or post-acquisition profits, will be recognised in the Company's profit or loss and the carrying amount of the investment in the investee will not be reduced unless that carrying amount is assessed to be impaired as a result of the investee declaring the dividend. In such cases, in addition to recognising dividend income in profit or loss, the Company would recognise an impairment loss. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any dividends receivable in the current or future periods and previous periods have not been restated.

- In respect of borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009, the Group capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Previously the Group immediately recognised all borrowing costs as an expense. This change in accounting policy was due to the adoption of IAS 23, *Borrowing Costs (2007)*. In accordance with the transitional provisions of such standard, comparative figures have not been restated. The change in accounting policy had no material impact on earnings per share. The Group has capitalised borrowing costs with respect to property, plant and equipment under construction with effect from 1 January 2009.

3 OPERATING SEGMENTS

The Group manages its businesses by product lines. On the first-time adoption of IFRS 8, *Operating segments*, and in a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following two reportable segments. Except for the reportable segment of aluminium profiles with surface finishing, no operating segments have been aggregated to form the following reportable segments.

- Plain aluminium profiles: this segment manufactures and sells plain aluminium profiles, mainly for industrial usage.

- Aluminium profiles with surface finishing: this segment manufactures and sells aluminium profiles with surface finishing, including anodic oxidation aluminium profiles, electrophoresis coating aluminium profiles, powder coating aluminium profiles and PVDF coating aluminium profiles. Aluminium profiles with surface finishing are widely used in architecture decoration.

All other segments include the provision of processing services and manufacture and sale of aluminium panels, moulds and spare parts.

(a) Segment results, assets and liabilities

In accordance with IFRS 8, segment information disclosed in the interim financial report has been prepared in a manner consistent with the information used by the Group's most senior executive management for the purposes of assessing segment performance and allocating resources between segments. In this regard, the Group's senior executive management monitors the results attributable to each reportable segment.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. However, assistance provided by one segment to another, including sharing of assets and technical know-how, is not measured.

The measure used for reporting segment profit is gross profit. The Group's senior executive management is provided with segment information concerning segment revenue and profit. Segment assets and liabilities are not reported to the Group's senior executive management regularly.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2009 and 2008 respectively is set out below:

	Plain aluminium profiles		Aluminium profiles with surface finishing		All other segments		Total	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Reportable segment revenue								
Revenue from external customers	**182,675**	330,634	**534,447**	697,160	**54,344**	56,406	**771,466**	1,084,200
Reportable segment profit								
Gross profit	**41,256**	36,344	**30,093**	70,414	**7,757**	5,230	**79,106**	111,988

(b) Reconciliations of reportable segment profit

	For the six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
Reportable segment profit derived from Group's external customers	**79,106**	111,988
Other net income	**5,301**	(1,795)
Distribution expenses	**(12,721)**	(20,090)
Administrative expenses	**(23,597)**	(29,809)
Net finance costs	**(10,405)**	(19,626)
Consolidated profit before taxation	**37,684**	40,668

4 SEASONALITY OF OPERATIONS

The Group's operation experiences seasonality where sales for the period from January to March are usually 30% lower than other quarters in the year. The seasonality is primarily attributable to the decreased demand for its products during the Chinese New Year holidays.

5 OTHER NET INCOME/(LOSS)

	For the six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
Government grants	**961**	70
Rental income	**5**	171
Net gains/(losses) on derivative financial instruments	**4,121**	(1,967)
Others	**214**	(69)
	5,301	(1,795)

6 PROFIT BEFORE TAXATION

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

		For the six months ended 30 June	
		2009	2008
		RMB'000	*RMB'000*
(a)	Finance income and expenses:		
	Interest income on bank deposits	**(1,592)**	(1,732)
	Finance income	**(1,592)**	(1,732)
	Interest expense on bank loans	**12,711**	15,758
	Less: interest expense capitalised into construction in progress	**(476)**	–
	Net foreign exchange (gain)/losses	**(238)**	5,473
	Changes in fair value of foreign exchange forward contracts	**–**	127
	Finance expenses	**11,997**	21,358
	Net finance costs	**10,405**	19,626
(b)	Other items:		
	Depreciation	**16,959**	11,358
	Amortisation of lease prepayments	**1,542**	–
	Research and development costs	**1,080**	1,339
	Writing down of inventories	**439**	–
	Impairment loss on trade and other receivables	**373**	–
	Operating lease charges		
	– plants and machineries	**–**	3,092
	– properties	**4,800**	5,899

7 INCOME TAX EXPENSES

	For the six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
Current tax		
Provision for PRC income tax	**2,953**	6,996
Provision for Hong Kong Profits Tax	**676**	–
	3,629	6,996
Deferred tax		
Origination and reversal of temporary differences	**547**	–
	4,176	6,996

(a) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands, respectively.

(b) The provision for Hong Kong Profits Tax for the six months ended 30 June 2009 is calculated by applying the estimated annual effective tax rate of 16.5% (2008:16.5%).

(c) Pursuant to the income tax rules and regulations of the PRC, the PRC subsidiaries of the Group are liable to PRC enterprise income tax as follows:

- Guangdong Xingfa Aluminium Co., Ltd. ("Guangdong Xingfa") 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. The prevailing tax rate of Guangdong Xingfa in 2009 is 25% (2008: 25%), but Guangdong Xingfa can continue to enjoy the existing preferential tax treatment until the end of above mentioned tax holidays. The income tax rate applicable to Guangdong Xingfa was 12.5% for the six months ended 30 June 2009 (2008: 12.5%). 2008 and 2009 are the entity's third and fourth profit making year respectively.

- Foshan Xinggao Aluminium Co., Ltd. ("Xinggao Aluminium") is a limited liability company established under the laws of the PRC and is a wholly-owned subsidiary of Guangdong Xingfa. It is liable to the PRC enterprise income tax at a rate of 25% for the six months ended 30 June 2009 (2008: 25%).

(d) 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 tax treaty) on various types of passive income such as dividends derived from sources within the PRC. As Guangdong Xingfa is held by a Hong Kong 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. As at 30 June 2009, the remaining undistribution pre-2008 profits of Guangdong Xingfa, which amounted to RMB155,153,000, are not subject to the 5% withholding tax in future distributions.

The Group is liable to withholding tax on dividends distributed from Guangdong Xingfa of its profits generated on or after 1 January 2008. At 30 June 2009, post 1 January 2008 undistributed profits amounted to RMB88,678,000 (2008:RMB47,313,000). Deferred tax liabilities of RMB4,434,000 (2008:RMB2,366,000) have not been recognised in respect of these undistributed profits as the Company controls the dividend policy of Guangdong Xingfa and it has determined that Guangdong Xingfa will not distribute post 1 January 2008 profits in the foreseeable future.

8 DIVIDENDS

(i) Dividends payable to equity shareholders attributable to the interim period

The directors do not propose the payment of interim dividends for the six months ended 30 June 2009 (2008: Nil).

(ii) Dividends payable to equity shareholders attributable to the previous financial year, approved and paid during the interim period

	For the six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
Final and special dividends in respect of the previous financial year, approved and paid during the interim period, of RMB 0.05 per share (2008: Nil)	**20,900**	–

9 EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2009 was based on the profit attributable to equity share holders of the Company of RMB33,508,000 (six months ended 30 June 2008: RMB33,672,000) and the weighted average number of shares in issue during the six months ended 30 June 2009 of 418,000,000 (six months ended 30 June 2008: 364,705,000). The weighted average number of shares in issue for the six months ended 30 June 2008 is calculated on the assumption that the 311,410,000 shares issued upon the Reorganisation were outstanding throughout the entire period.

	2009	2008
	'000 shares	*'000 shares*
Share issued at 31 January	**418,000**	311,410
Effect of shares issued upon placing and public offering on 31 March 2008	**–**	53,295
Weighted average number of shares at 30 June	**418,000**	364,705

There were no dilutive potential ordinary shares in issue for the six months ended 30 June 2009 and 2008, and therefore, the diluted earnings per share are the same as the basic earnings per share.

10 TRADE AND OTHER RECEIVABLES

	At 30 June 2009 *RMB'000*	At 31 December 2008 *RMB'000*
Trade debtors	**231,469**	281,422
Bills receivable	**121,211**	138,544
Other receivables, prepayment and deposits	**69,508**	46,754
	422,188	466,720

Included in trade and other receivables are debtors and bills receivable (net of allowance for doubtful debts) with the following aging analysis as of the balance sheet date. The credit terms granted by the Group to customers generally range from 30 days to 60 days, generally according to the credit history of each customer.

	At 30 June 2009 *RMB'000*	At 31 December 2008 *RMB'000*
Current	**351,054**	419,966
3 to 6 months past due	**1,626**	–
	352,680	419,966

At 30 June 2009, the Group's trade debtor of RMB373,000 (six months ended 30 June 2008: nil) was individually determined to be impaired. The individually impaired receivable related to a customer that was in financial difficulties and the management assessed that the receivable is expected not to be recovered. Consequently, a specific allowance for doubtful debt of RMB373,000 was recognised.

11 TRADE AND OTHER PAYABLES

	At 30 June 2009	At 31 December 2008
	RMB'000	*RMB'000*
Trade payables	**69,897**	93,318
Bills payable	**–**	28,807
Other payables and accruals	**120,949**	71,424
Deferred income	**1,373**	1,995
	192,219	195,544

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 2009	At 31 December 2008
	RMB'000	*RMB'000*
Due within 1 month or on demand	**870**	37,485
Due after 1 month but within 3 months	**69,027**	76,520
Due after 3 months but within 6 months	**–**	8,120
	69,897	122,125

12 COMPARATIVE FIGURES

As a result of the application of IAS 1 (revised 2007), Presentation of financial statements, certain comparative figures have been adjusted to conform to current period's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2009. Further details of these developments are disclosed in note 2.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Operations

We are one of the leading aluminium profiles manufacturers in the PRC and our products are principally applied as construction and industrial materials. Currently, we are the largest provider of electricity conductive aluminium profile for metro vehicles in the PRC. Leveraging on our advanced R&D capability and commitment to quality, our Group has established extensive and stable sales networks in the PRC and overseas for the past 20 years. Our Group was awarded as the No. 1 of the Top-Ten National Aluminium Profiles Enterprises by the China Non-Ferrous Metals Fabrication Industrial Association ("CNFA") in 2003, and such status was re-confirmed by CNFA in February 2008. During 1H09, Xingfa Aluminium won the tender for several landmark projects, including electricity conductive aluminium profile for metro locomotive of Guangzhou-Foshan train, the Shenzhen International Commerce Center and the headquarters of the Government of the Hong Kong Special Administrative Region etc.

Turnover

Turnover and sales volume recorded approximately RMB771.47 million and 41,000 tonnes in 1H09 respectively (1H08: RMB1,084.20 million and 46,389 tonnes). The decrease in turnover was due to the combined effect of the drop of average selling price ("ASP") and the drop of sales volume of aluminium profiles in 1H09.

The ASP of our products dropped by 21% from approximately RMB22,156 per tonne in 1H08 to RMB17,481 per tonne in 1H09. We billed our customers the processing fee with reference to the market price of aluminium ingots, the average market price of which was dropped by approximately 31% to about RMB11,080 per tonne (value-added tax excluded) in 1H09 (1H08: RMB16,080 per tonne). However, the drop of ASP was partially offset by the improvement in processing fee with an increase of 5% in 1H09.

With respect to the drop of sales volume, it was mainly attributable to the decrease in sales volume of plain aluminium profiles by approximately 31% to 11,170 tonnes in 1H09 (1H08: 16,196 tonnes), in particular for the cold storage containers. Meanwhile, the sales volume for aluminium profiles with surface finishing remained steady in 1H09. Positive policies launched by the Central Government of the PRC in the first quarter in 2009 ("1Q09") have partially offset the negative impacts brought by the financial turmoil in the fourth quarter in 2008 ("4Q08"). Our Group's sales orders started to recover in the second quarter of 2009 ("2Q09") leveled down the total sales drop in 1H09.

Cost of sales

Our cost of sales decreased from approximately RMB972.21 million in 1H08 to RMB692.36 million in 1H09 which was in line with the decrease in turnover.

Gross profit and gross profit margin

Gross profit margin maintained at 10.3% (1H08: 10.3%) whilst sales to production ratio was 98.0% in 1H09 (1H08: 96.4%).

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

	For the six months ended 30 June	
	2009	2008
Average gross profit margin	**10.3%**	10.3%
– Plain aluminium profiles	**22.6%**	11.0%
– Aluminium profiles with surface finishing	**5.6%**	10.1%

Continuous production capacity expansion in our Sanshui Factory contributed to our Group's increasing economies of scales and hence increased the gross profit margin of plain aluminium profiles to 22.6%. In addition, in 1H09, our Group has concluded more sales orders of electricity conductive aluminium profile for metro-locomotive of Guangzhou-Foshan train which has higher processing fee than other industrial materials. This relative change in product mix improved the gross profit margin of plain aluminium profile in 1H09, which has also partially offset the negative impact brought by the drop in sales volume.

Further, following the installation of the Asia-largest surface anodising machines, powder coating machines and PVDF coating machines to enhance the surface finishing capability in late 1Q09, we are expecting the gross profit margin of aluminium profiles with surface finishing will be improved in the second half of 2009 ("2H09").

Other net income/(loss)

Our Group recorded other net income of RMB5.30 million in 1H09 as compared to other net loss of RMB1.80 million in 1H08. This variance was mainly due to the net gains of derivate financial instruments of RMB4.12 million in 1H09 as compared to the net losses derivate financial instruments of RMB1.97 million in 1H08.

Distribution expenses

Our distribution expenses was reduced by 37% to RMB12.72 million (1H08: RMB20.09 million) whilst our distribution expenses as a percentage of turnover was reduced to 1.65% in 1H09 (1H08: 1.85%). Such decrease was in line with the decrease in turnover in 1H09, particularly attributable to the decrease in agency fees, advertising expenses and transportation expenses etc.

Administrative expenses

Our administrative expenses recorded RMB23.60 million in 1H09 which was approximately 21% lower than that in 1H08. Such decrease was mainly due to the absence of an one-off IPO related professional fees of RMB9.61 million incurred in 1H08.

Profit from operations

As a result of the above-mentioned factors, the profit from operations was reduced by 20% from RMB60.29 million to RMB48.09 million in 1H08 and 1H09 respectively.

Net finance costs

Net finance costs were reduced by approximately 47% to RMB10.4 million in 1H09 as compared to RMB19.63 million in 1H08 as a result of the drop of average borrowing amount and the drop of interest rate.

Profit for the period and the net profit margin

In 1H09, our Group recorded profit for the period of approximately RMB33.51 million (approximately 1H08: RMB33.67 million) while the net profit margin was further improved to 4.3% in 1H09 (1H08: 3.1%). The improvement in net profit margin was mainly attributable to the net gains of holding aluminium future contracts, decrease in distribution and administrative expenses and saving in net finance costs in 1H09.

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 30 June 2009 and 31 December 2008:

	As at 30 June 2009	As at 31 December 2008
Current ratio *(Note 1)*	**1.19**	1.21
Quick ratio *(Note 2)*	**0.88**	0.95

Notes:

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

2. 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/year.

Both current ratio and quick ratio of our Group had remained relatively steady in 1H09.

Gearing ratio

The following table sets out the summary of our Group's gearing ratio as at 30 June 2009 and 31 December 2008:

	As at 30 June 2009	As at 31 December 2008
Gearing ratio *(Note)*	**35.9%**	39.4%

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

Gearing ratio of our Group was reduced to 35.9% as at 30 June 2009 due to the repayment of short-term bank loans.

Inventory turnover days

The following table sets out the summary of our Group's inventory turnover days during the two periods ended 30 June 2008 and 2009:

	For the six months ended 30 June	
	2009	2008
Inventory turnover days *(Note)*	**54**	52

Note: Inventory turnover days is calculated based on the average of the beginning and ending inventory balance before provision for the periods divided by the total cost of sales during the periods multiplied by 181 days.

Inventories balance as at the respective period end for the two periods ended 30 June 2008 and 2009 represents our raw materials, work in progress and unsold finished goods.

Our inventory turnover days had remained steady in 1H09.

Debtors' turnover days

The following table sets out the summary of our Group's debtors turnover days during the two periods ended 30 June 2008 and 2009:

	For the six months ended 30 June	
	2009	2008
Debtors' turnover Days *(Note)*	**90**	70

Note: Debtors' turnover days is calculated based on the average of the beginning and ending balance of trade and bills receivables for the periods divided by turnover during the periods multiplied by 181 days.

Our debtors' turnover days deteriorated to 90 days in 1H09 due to the fact that more sales orders were concluded in June 2009 as a result of the market recovery.

Creditors' turnover days

The following table sets out the summary of our Group's creditors turnover days during the two periods ended 30 June 2008 and 2009:

	For the six months ended 30 June	
	2009	2008
Creditors' turnover Days *(Note)*	**25**	42

Note: Creditors' turnover days is calculated based on the average of the beginning and ending balance of trade and bills payables for the periods divided by the total cost of sales during the periods multiplied by 181 days.

In 1H09, our creditors' turnover days reduced to 25 days since we have settled all outstanding bills payable as at 30 June 2009.

Cash flow

The table below summarises our Group's cash flow during the two periods ended 30 June 2008 and 2009:

	For the six months ended 30 June	
	2009	2008
	RMB'million	*RMB'million*
Net cash generated from operating activities	**63.00**	70.07
Net cash used in investing activities	**(31.93)**	(121.14)
Net cash (used in)/generated from financing activities	**(104.30)**	245.72

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

Capital expenditure was used for acquisition of property, plant and equipment. In 1H09, our Group's capital expenditures were approximately RMB58.20 million. The significant capital expenditures during 1H09 were mainly for acquisition of plant and equipment for our Sanshui Factory.

Loans and borrowings

As at 30 June 2009, our Group's loans and borrowings amounted to approximately RMB489.25 million (31 December 2008: approximately RMB559.33 million).

Banking facilities and guarantee

As at 30 June 2009, the banking facilities of our Group amounted to RMB821.62 million (31 December 2008: approximately RMB879.35 million), of which approximately RMB510.58 million were utilised (31 December 2008: approximately RMB594.09 million).

Certain banking facilities amounted to approximately RMB793.37 million (31 December 2008: approximately RMB773.00 million) were guaranteed by certain related parties.

Human resources

As at 30 June 2009, our Group employed a total of 2,509 full time employees which included management staff, technicians, salespersons and workers. In 1H09, our Group's total expenses on the remuneration of employees was approximately RMB27.33 million and represents approximately 3.5% of the turnover of our Group. Our Group's emolument policies are formulated based 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 the 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

With our continuous development in our Sanshui Factory, further enhancement of our economies of scales and gross profit margin are expected to be seen in the near future. In the meantime, following the installation of the Asia-largest surface anodising machines, powder coating machines and PVDF coating machines to enhance the surface finishing capability, coupled with the establishment of seven new extrusion production lines, our Group is ready to capture the expected uprising demand in 2H09.

Apart from our new Sanshui Factory, we will continue to carry out our production capacity expansion plan in other parts of the PRC. With the two new production bases in Chengdu City of Sichuan Province and Yichun City of Jiangxi Province commenced their first phase development, it is expected that an annual production capacity of 50,000 tonnes of aluminium profiles of each plant are to be added to our Group by the end of 2010.

Looking forward, our Group will strive to capture the market opportunities throughout the PRC. Capacity growth ahead will be carefully and prudently blueprinted in line with the market trend, with the ultimate goal to expand the designed annual production capacity of each of the two new bases to 100,000 tonnes and to extend the market coverage to South-West and South-East China. Together with the production capacity expansion in our Sanshui Factory, the total capacity of aluminium profiles is planned to be reaching 300,000 tonnes by 2014.

INTERIM DIVIDEND

The Directors do not propose the payment of interim dividends for the six months ended 30 June 2009 (1H08: Nil).

CORPORATE GOVERNANCE

Our 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 Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

On 29 February 2008, our Company 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") (in force prior to 1 January 2009) as its own code of conduct for securities transactions (the "Old Code"). With effect from 1 April 2009, the Company has adopted a new set of codes for securities transactions on terms no less exacting than those set out in the Model Code (in force on 1 April 2009) as its own code of conduct for securities transactions (the "New Code"). Having made specific enquiry of all Directors, all Directors confirmed that they had complied with the required standards set out in the Old Code for the period from 1 January 2009 to 31 March 2009 and the New Code for the period from 1 April 2009 to 30 June 2009.

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. Our 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 our Group's financial reporting process and internal control measures. 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 our Company. The chairman of the audit committee has professional qualification and experience in financial matters.

The audit committee of our Company has met with the external auditors of our Company, KPMG, to review the interim financial report of our Group for the six months period ended 30 June 2009.

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

Neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2009.

PUBLICATION OF 2009 INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.xingfa.com), and the 2009 interim 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, 28 August 2009

As at the date of this announcement, the Board comprises five executive directors, namely Mr. LUO Su (Chairman), Mr. LUO Riming (Chief Executive Officer), Mr. LIAO Yuqing, Mr. LAW Yung Koon and Mr. WANG Zhihua; and three independent non-executive directors, namely Mr. CHEN Mo, Mr. HO Kwan Yiu and Mr. LAM Ying Hung Andy.