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 FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2009

HIGHLIGHTS

1. Turnover of our Group decreased by 12.4% to approximately RMB1,871.5 million (2008: RMB2,136.4 million) due to the drop of average market price of aluminum ingots by 18.9%.

2. Sales volume recorded approximately 94,400 tonnes (2008: 95,200 tonnes).

3. Gross profit improved by 6.9% to approximately RMB187.4 million (2008: RMB175.3 million).

4. Profit for the year attributable to equity shareholders of the Company rose by 139.5% to approximately RMB70.2 million (2008: RMB29.3 million) whilst the basic earnings per share was also increased to RMB0.168 (2008: RMB0.075).

5. Cash and cash equivalents were approximately RMB279.8 million at 31 December 2009 (2008: RMB214.9 million).

6. The Board recommended the payment of a final dividend for the year ended 31 December 2009 of RMB0.033 (2008: RMB0.021) per ordinary share.

RESULTS

The board of directors (the "**Directors**" or the "**Board**") of Xingfa Aluminium Holdings Limited (the "**Company**") is pleased to announce the audited 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 ("**IFRS**") for the year ended 31 December 2009, together with the comparative figures for the corresponding financial year ended 31 December 2008 and the relevant explanatory notes as set out below.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2009
(Expressed in Renminbi)

	Note	**2009** ***RMB'000***	2008 *RMB'000*
Turnover	*3*	**1,871,480**	2,136,368
Cost of sales		**(1,684,088)**	(1,961,110)
Gross profit		**187,392**	175,258
Other revenue	*4*	**6,644**	9,781
Other net income/(loss)	*4*	**7,319**	(14,525)
Distribution costs		**(29,945)**	(37,301)
Administrative expenses		**(58,749)**	(61,914)
Finance costs	*5(a)*	**(30,965)**	(33,282)
Profit before taxation	*5*	**81,696**	38,017
Income tax expenses	*6*	**(11,488)**	(8,704)
Profit for the year attributable to equity shareholders of the Company		**70,208**	29,313
Dividends payable to equity shareholders of the Company attributable to the year:	*7*		
Dividends proposed after balance sheet date			
– Final dividends		**13,794**	8,778
– Special dividends		**–**	12,122
		13,794	20,900
Basic and diluted earnings per share *(RMB yuan)*	*8*	**0.168**	0.075

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009
(Expressed in Renminbi)

	Note	2009 RMB'000	2008 RMB'000
Profit for the year		**70,208**	29,313
Other comprehensive income for the year:			
Exchange differences on translation of financial statements of operations outside the People's Republic of China (the "PRC")		**90**	(592)
Total comprehensive income for the year attributable to equity shareholders of the Company		**70,298**	28,721

CONSOLIDATED BALANCE SHEET

At 31 December 2009
(Expressed in Renminbi)

	Note	**2009**	2008
		RMB'000	*RMB'000*
Non-current assets			
Property, plant and equipment		**531,824**	351,713
Lease prepayments		**295,753**	153,661
Deferred tax asset		**16,075**	390
		843,652	505,764
Current assets			
Inventories		**244,210**	196,332
Derivative financial instruments		**879**	–
Trade and other receivables	*9*	**581,916**	466,720
Pledged deposits		**89,552**	36,646
Cash and cash equivalents		**279,836**	214,905
		1,196,393	914,603
Current liabilities			
Loans and borrowings		**697,443**	559,329
Obligations under finance leases		**22,321**	–
Trade and other payables	*10*	**326,133**	195,544
Derivative financial instruments		**83**	1,137
Current tax payables		**19,264**	595
		1,065,244	756,605
Net current assets		**131,149**	157,998
Total assets less current liabilities		**974,801**	663,762
Non-current liabilities			
Loans and borrowings		**150,000**	–
Obligations under finance leases		**47,679**	–
Deferred income		**60,908**	–
		258,587	–
Net assets		**716,214**	663,762
Capital and reserves			
Paid-in capital		**3,731**	3,731
Reserves		**712,483**	660,031
Total equity		**716,214**	663,762

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company							
	Share capital *RMB'000*	**Share premium** *RMB'000*	**Capital reserve** *RMB'000*	**Other reserve** *RMB'000*	**PRC 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 year ended 31 December 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 year	–	–	–	–	–	(592)	29,313	28,721
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 year ended 31 December 2009:								
Dividends approved in respect of the previous year	–	–	–	–	–	–	(20,900)	(20,900)
Capital contribution	–	–	3,054	–	–	–	–	3,054
Total comprehensive income for the year	–	–	–	–	–	90	70,208	70,298
Transfer from retained earnings	–	–	–	–	9,930	–	(9,930)	–
Balance at 31 December 2009	3,731	196,160	3,054	209,822	63,777	(502)	240,172	716,214

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 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") (hereinafter collectively referred to as the "Predecessor Entities"), 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 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.

(b) Basis of presentation

Since all entities which took part in the Reorganisation were under common control of a group of ultimate equity 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 financial report has been prepared on the basis that the Company was the holding company of the Group as if the current group structure had been in with effect from 1 January 2008, rather than from 29 February 2008.

Accordingly, the consolidated results of the Group for the year ended 31 December 2008 include the results of the Company and its subsidiaries now comprising the Group for the year ended 31 December 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 31 December 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 consolidated financial statements prepared on this basis present fairly the results of operations and the state of affairs of the Group as a whole.

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)
- 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 consolidated financial statements. The impact of the remainder of these developments 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 consolidated financial statements 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 early adopted 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 consolidated financial statements.

- As a result of adoption of IAS 1 (revised 2007), details of changes in equity during the year 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 year, 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 the consolidated financial statements 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, associated 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.

3 OPERATING SEGMENTS

The Group manages its businesses by product lines. On the first-time adoption of IFRS 8, 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 construction aluminium profiles, no operating segments have been aggregated to form the following reportable segments.

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

- Construction aluminium profiles: this segment manufactures and sells construction aluminium profiles, including anodic oxidation aluminium profiles, electrophoresis coating aluminium profiles, powder coating aluminium profiles and PVDF coating aluminium profiles. Construction aluminium profiles 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 consolidated financial statements 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 year ended 31 December 2008 and 2009 is set out below.

	Industrial aluminium profiles		**Construction aluminium profiles**		**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	**366,115**	654,593	**1,353,779**	1,370,729	**151,586**	111,046	**1,871,480**	2,136,368
Reportable segment profit								
Gross profit	**62,202**	87,842	**98,533**	78,163	**26,657**	9,253	**187,392**	175,258

(b) Reconciliations of reportable segment profit

	2009	2008
	RMB'000	*RMB'000*
Reportable segment profit derived from the Group's external customers	**187,392**	175,258
Other revenue	**6,644**	9,781
Other net income/(loss)	**7,319**	(14,525)
Distribution costs	**(29,945)**	(37,301)
Administrative expenses	**(58,749)**	(61,914)
Finance costs	**(30,965)**	(33,282)
Consolidated profit before taxation	**81,696**	38,017

(c) Geographic information

Analysis of the Group's turnover and results as well as analysis of the Group's carrying amount of segment assets and additions to property, plant and equipment by geographical market has not been presented as over 90% of the turnover are generated from the PRC market.

4 OTHER REVENUE AND OTHER NET INCOME/(LOSS)

	2009	2008
	RMB'000	*RMB'000*
Other revenue		
Interest income	**4,430**	6,622
Government grants	**2,194**	2,927
Rental income	**20**	232
	6,644	9,781
Other net income/(loss)		
Net realised and unrealised gains/(losses) of derivative financial instruments		
– aluminium future contracts	**7,701**	(19,342)
– foreign exchange forward contracts	**497**	(580)
Gain on disposal of assets held for sale	**–**	11,637
Loss on disposal of property, plant and equipment	**(240)**	–
Net foreign exchange gains/(losses)	**151**	(6,788)
Others	**(790)**	548
	7,319	(14,525)

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging and (crediting) the following:

(a) Finance costs

	2009	2008
	RMB'000	*RMB'000*
Interest expenses on bank loans	**32,197**	33,282
Less: interest expenses capitalised into construction in progress	**(1,232)**	–
Finance costs, net	**30,965**	33,282

(b) Other items:

	2009	2008
	RMB'000	*RMB'000*
Depreciation	**39,398**	26,929
Amortisation	**3,124**	1,338
Research and development costs	**2,239**	2,403
Increase in inventory provisions	**–**	1,900
Increase in trade receivable provisions	**841**	–
Auditor's remuneration		
– audit services	**1,167**	998
– other services	**422**	1,050
Cost of inventories	**1,684,088**	1,961,110
Operating lease charges:		
– plants and machineries	**1,272**	3,607
– properties	**9,998**	11,046

6 INCOME TAX EXPENSES

	2009	2008
	RMB'000	*RMB'000*
Current tax		
Provision for PRC income tax	**27,173**	8,862
Provision for PRC land appreciation tax	**–**	232
	27,173	9,094
Deferred tax		
Origination and reversal of temporary differences	**(15,685)**	(390)
	11,488	8,704

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

(b) No provision has been made for Hong Kong Profit Tax as the Group does not earn any income subject to Hong Kong Profit Tax during the year.

(c) Pursuant to the income tax rules and regulations of the PRC, the PRC subsidiaries of the Company 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 year ended 31 December 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"), Xingfa Aluminium (Chengdu) Co., Ltd. ("Xingfa Chengdu") and Guangdong Xingfa Aluminium (Jiangxi) Co., Ltd. ("Xingfa Jiangxi") are limited liability companies established under the laws of the PRC and are wholly-owned subsidiaries of Guangdong Xingfa. They are liable to the PRC enterprise income tax at a rate of 25% for the year ended 31 December 2008 and 2009 or since their date of incorporation if applicable.

(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. The undistributed profits amounted to RMB155,153,000 as retained by the Group's PRC subsidiary before 31 December 2007 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 31 December 2009, temporary differences relating to the undistributed profits of Guangdong Xingfa amounted to RMB 146,481,000 (2008: RMB 59,445,000). Deferred tax liabilities of RMB7,324,000 (2008:RMB2,972,000) 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 determined that it is probable that profits will not be distributed by Guangdong Xingfa in the foreseeable future.

7 DIVIDENDS

(i) Dividends payable to equity shareholders attributable to the financial year

The Directors recommended the payment of a final dividend of RMB0.033 per ordinary share for the year ended 31 December 2009 (2008: RMB0.021), subject to the approval by the shareholders of the Company at the forthcoming Annual General Meeting of the Company. The pay-out ratio is about 20% based on net profit for the year ended 31 December 2009.

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

	2009	2008
	RMB'000	*RMB'000*
Final and special dividends in respect of the previous financial year, approved and paid during the year, of RMB 0.05 per share (2008: Nil)	**20,900**	–

8 EARNINGS PER SHARE

The calculation of basic earnings per share during the year ended 31 December 2009 was based on the profit attributable to equity shareholders of the Company of RMB70,208,000 (2008: RMB29,313,000) and the weighted average number of shares in issue during the year ended 31 December 2009 of 418,000,000 (2008: 391,789,000). For the year ended 31 December 2008, the weighted average number of the ordinary shares issued pursuant to Reorganisation which was completed on 28 February 2008 is calculated as if the shares had been outstanding throughout the year ended 31 December 2008.

	2009	2008
	'000 shares	*'000 shares*
Issued ordinary shares at 1 January	**418,000**	–
Share issued upon Reorganisation	**–**	311,410
Effect of shares issued upon placing and public offering on 31 March 2008	**–**	80,379
Weighted average number of shares at 31 December	**418,000**	391,789

There were no dilutive potential ordinary shares in issue for the years ended 31 December 2008 and 2009, and therefore, the diluted earnings per share are the same as the basic earnings per share.

9 TRADE AND OTHER RECEIVABLES

	2009	2008
	RMB'000	*RMB'000*
Trade receivables	**322,010**	281,422
Bills receivable	**138,843**	138,544
Other receivables	**121,063**	46,754
	581,916	466,720

Included in trade and other receivables are trade receivables (net of impairment loss for bad and doubtful debts) and bills receivable with the following ageing analysis as of the balance sheet date. The credit period ranges from 60 days to 90 days, depending on the credit history of each customer.

	2009 *RMB'000*	2008 *RMB'000*
Current	**460,365**	419,966
3 to 6 months past due	**115**	–
More than 6 months past due	**373**	–
	460,853	419,966

Included in bills receivable are bills discounted to banks with recourse amounted to RMB 88,540,000 as at 31 December 2009 (2008: RMB 26,346,000).

10 TRADE AND OTHER PAYABLES

	2009 *RMB'000*	2008 *RMB'000*
Trade payables	**123,656**	93,318
Bills payable	**66,000**	28,807
Other payables and accruals	**133,265**	71,424
Deferred income *(i)*	**3,212**	1,995
	326,133	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.

	2009 *RMB'000*	2008 *RMB'000*
Due within 1 month or on demand	**40,188**	37,485
Due after 1 month but within 3 months	**113,468**	76,520
Due after 3 months but within 6 months	**36,000**	8,120
	189,656	122,125

(i) Included in deferred income are current portion of deferred government grants and subsidies for research projects. These grants will be recognised as other revenue over the useful life of relevant assets or when the conditions are fulfilled.

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.

In 2009, our Group won the tender for several landmark projects, including electricity conductive aluminium profiles for metro locomotive of Guangzhou-Foshan train, Shenzhen International Commerce Center, the headquarters of the Government of the Hong Kong Special Administrative Region, Kingkey Finance Center Plaza in Shenzhen and Microsoft Asia-Pacific R&D Group Headquarter etc.

Turnover

Turnover and sales volume recorded approximately RMB1,871.5 million and 94,400 tonnes for the year ended 31 December 2009 respectively (2008: RMB2,136.4 million and 95,200 tonnes). The decrease in turnover was mainly due to the drop of average market price of aluminium ingots during the year.

We billed our customers the processing fee with reference to the market price of aluminium ingots, which has dropped by approximately 18.9% to about RMB11,966 per tonne in 2009 (value-added tax excluded)(2008: RMB14,750 per tonne), while our processing fee remained steady in 2009.

Our sales volume also remained steady in 2009. Despite the negative impacts brought by the financial turmoil in the fourth quarter in 2008 which has caused the drop of sales volume in the first half of 2009 by 12%, our Group's sales orders recovered quickly and met the annual sales target of approximately 94,400 tonnes in 2009 (2008: 95,200 tonnes). In particular, the sales volume of construction aluminium profiles increased by 16.6% to 72,850 tonnes (2008: 62,483 tonnes) after the enhancement of production capacity of surface finishing in our Guangdong Sanshui factory, which offset the decrease in sales volume of industrial aluminium profiles by 34.2% to 21,524 tonnes (2008: 32,733 tonnes).

Cost of sales

Our cost of sales decreased by approximately 14.1% to RMB1,684.1 million (2008: RMB1,961.1 million) which was mainly due to the drop of average market price of aluminium ingots during the year.

Gross profit and gross profit margin

Gross profit margin improved to 10.0% (2008: 8.2%) whilst sales to production ratio is 97.0% in the year ended 31 December 2009 (2008: 99.9%).

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

	2009	2008
Average gross profit margin	**10.0%**	8.2%
– Industrial aluminium profiles	**17.0%**	13.4%
– Construction aluminium profiles	**7.3%**	5.7%

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

1. In 2009, we have concluded more sales order of electricity conductive aluminium profiles for metro-locomotive of Guangzhou-Foshan train, which we charged a relatively higher processing fee than other industrial materials.

2. Following the enhancement of surface finishing capacity through the installation of the Asia-largest anodising, powder coating and PVDF coating production lines at Guangdong Sanshui factory in the second half of 2009, the economies of scales were further enhanced.

3. The equipment utilisation ratio was further improved to 80.3% in 2009. (2008: 79.4%)

Other net income/(loss)

Our Group recorded other net income of RMB7.3 million in 2009 as compared to other net loss of RMB14.5 million in 2008. This variance was mainly due to the net gains of aluminium future contracts of RMB7.7 million in 2009 as compared to the net losses of aluminium future contracts of RMB19.3 million in 2008.

Distribution expenses

Distribution expenses reduced by approximately 19.7% to RMB29.9 million in the year ended 31 December 2009 (2008: 37.3 million), while our distribution expenses as a percentage of turnover also reduced to 1.6% (2008: 1.7%). Such decrease was consistent with the decrease in turnover during the year.

Administrative expenses

Administrative expenses recorded RMB58.7 million in the year ended 31 December 2009, which was 5.1% lower than that in 2008 (2008: 61.9 million) and our administrative expenses as a percentage of turnover remained at 3.1% (2008: 2.9%). Such decrease was mainly due to the absence of an one-off IPO expenses of RMB9.6 million which incurred in 2008 but partially offset by the increase in pre-operating expenses of RMB2.5 million for our Jiangxi Yichun and Sichuan Chengdu new plants in 2009.

Finance costs

Finance costs reduced by approximately 6.9% to RMB31.0 million in the year ended 31 December 2009 (2008: RMB33.3 million) as a result of the drop of average interest rate during the year.

Profit for the year attributable to equity shareholders of the Company and the net profit margin

For the year ended 31 December 2009, our Group recorded profit for the year attributable to equity shareholders of the Company of approximately RMB70.2 million (2008: RMB29.3 million) while the net profit margin was also improved to 3.8% (2008: 1.4%). The improvement in net profit margin was mainly attributable to the improvement in gross profit margin, net gains of aluminium future contracts and savings in operating and finance expenses in 2009.

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 2008 and 2009:

	As at 31 December 2009	As at 31 December 2008
Current Ratio *(Note i)*	**1.12**	1.21
Quick Ratio *(Note ii)*	**0.89**	0.95

Notes:

(i) Current ratio is calculated based on the total current assets divided by the total current liabilities at the end of the year.

(ii) 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.

Both current and quick ratios remained at a healthy level in 2009.

Gearing ratio

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

	As at 31 December 2009	As at 31 December 2008
Gearing ratio *(Note)*	**45.0%**	39.4%

Note:

Gearing ratio is calculated based on the total loans and borrowings and obligations under finance leases divided by total assets and multiplied by 100%.

Our Group assumed more bank borrowings in 2009 to finance our capacity expansion plan at our new Jiangxi Yichun and Sichuan Chengdu plants.

Inventory Turnover Days

The following table sets out the summary of our Group's inventory turnover days during the two years ended 31 December 2008 and 2009:

	For the year ended 31 December	
	2009	2008
Inventory turnover days *(Note)*	**48**	41

Note:

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

Inventories balance as at the respective years ended 31 December 2008 and 2009 represents our raw materials, work in progress and unsold finished goods.

More products were produced at the year end of 2009 in order to fill up the secured sales order to be delivered in the first quarter of 2010. Such increase in inventories balance led to the slightly increase in inventory turnover days.

Debtors' Turnover days

The following table sets out the summary of our Group's debtors turnover days during the two years ended 31 December 2008 and 2009:

	For the year ended 31 December	
	2009	2008
Debtors' turnover days *(Note)*	**86**	70

Note:

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

The debtors' turnover days were slightly increased to 86 days in 2009 due to more sales orders were concluded in the forth quarter of 2009 as compared to that in 2008.

Creditors' Turnover days

The following table sets out the summary of our Group's creditors turnover days during the two years ended 31 December 2008 and 2009:

	For the year ended 31 December	
	2009	2008
Creditors' turnover days *(Note)*	**34**	26

Note:

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

More raw materials were procured at the year end of 2009 in view of the increase in secured sales order to be delivered in the first quarter of 2010. Relative higher balances of trade and bills payables stood at the year end of 2009 which led to the slightly increase in creditors' turnover days.

Cash flow

The table below summarises our Group's cash flow during the two years ended 31 December 2008 and 2009:

	For the year ended 31 December	
	2009	2008
	RMB'million	*RMB'million*
Net cash generated from/(used in) operating activities	**150.1**	(30.9)
Net cash used in investing activities	**(320.5)**	(247.8)
Net cash generated from financing activities	**235.3**	347.3

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 expenditures

Capital expenditure was used for acquisition of property, plant and equipment and lease prepayment. In 2009, our Group's capital expenditures were approximately RMB85 million. The significant capital expenditures during the year were mainly for the acquisition of plant and equipment for the Guangdong Sanshui factory and acquisition of lease prepayment for the Sichuan Chengdu and Jiangxi Yichun new plants.

Loans and borrowings

As at 31 December 2009, our Group's loans and borrowings amounted to approximately RMB847.4 million (2008: RMB559.3 million)

Banking facilities and guarantee

As at 31 December 2009, the banking facilities of our Group amounted to RMB1,267.2 million (2008: RMB879.4 million), of which approximately RMB1,022.6 million were utilised (2008: RMB594.0 million)

Certain banking facilities amounted to RMB328.0 million (2008: RMB773.0 million) were guaranteed by certain related parties.

Human resources

As at 31 December 2009, our Group employed a total of 2,776 full time employees in the PRC which included management staff, technicians, salespersons and workers. In 2009, our Group's total expenses on the remuneration of employees was RMB69.4 million and represents 3.7% 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

With our continuous development in our Guangdong 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, powder coating and PVDF coating production lines to enhance the surface finishing capability, coupled with the establishment of seven additional new extrusion production lines, our Group is ready to capture the expected uprising demand in 2010.

Apart from our new Guangdong 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 commencing 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 2011.

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 our market coverage to South-West and South-East China. Together with the production capacity expansion in our Guangdong Sanshui factory, the total capacity of aluminium profiles is planned to be reaching 300,000 tonnes by 2014.

FINAL DIVIDEND

The Directors recommended the payment of a final dividend of RMB0.033 per ordinary share for the year ended 31 December 2009 (2008: RMB0.021), subject to the approval by the shareholders of the Company at the forthcoming Annual General Meeting. The pay-out ratio is about 20% based on the net profit in 2009. The conversion of RMB into Hong Kong dollars shall be calculated on the average price of the medium prices of the conversion of RMB into Hong Kong dollars as announced by the People's Bank of China one calendar week preceding the Annual General Meeting. Subject to the approval by the shareholders, the proposed final dividend is expected to be paid on or about 18 June 2010 to the shareholders whose names appear on the register of members of the Company on 3 June 2010.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 1 June 2010 to Thursday, 3 June 2010 both dates inclusive. During such period, no transfer of shares will be registered. In order to qualify for the proposed final dividend and the attendance in the forthcoming Annual General Meeting, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office 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 4:30 p.m. on Monday, 31 May 2010.

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 31 December 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. 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 our Group's financial reporting process and internal control measures.

The audit committee is composed of three independent non-executive Directors, 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 management and external auditors of our Company and has reviewed the consolidated results of our Group for the year ended 31 December 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 year ended 31 December 2009.

PUBLICATION OF 2009 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 2009 annual report of the Company containing all the information required by the Listing Rules will be despatched to the shareholders of the Company 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, 31 March 2010

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.