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 2010 ("1H10")

FINANCIAL HIGHLIGHTS

1. Turnover increased by 34% to RMB1,033.9 million (1H09: RMB771.5 million).
2. Sales volume rose approximately 16% to 47,500 tonnes (1H09: 41,000 tonnes).
3. Gross profit boosted by approximately 60% to RMB126.8 million (1H09: RMB79.1 million).
4. Profit for the period increased by approximately 27% to RMB42.4 million (1H09: RMB33.5 million).
5. Earnings per share were RMB0.10 (1H09: RMB0.08).

RESULTS

The board of directors (the "**Directors**" or the "**Board**") of Xingfa Aluminium Holdings Limited (the "**Company**") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**", "**our Group**", "**we**" or "**us**") prepared under International Financial Reporting Standards ("**IFRS**") for the six months ended 30 June 2010 ("**1H10**"), together with the comparative figures for the corresponding period in 2009 ("**1H09**") and the relevant explanatory notes as set out below. The consolidated results are unaudited, but have been reviewed by the Company's independent auditors, KPMG, and the audit committee of the Company.

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2010 – Unaudited
(Expressed in Renminbi)

	Note	For the six months ended 30 June 2010 RMB'000	2009 RMB'000
Turnover	*3*	**1,033,943**	771,466
Cost of sales		**(907,138)**	(692,360)
Gross profit		**126,805**	79,106
Other revenue	*5*	**4,713**	2,558
Other net (loss)/income	*5*	**(8,275)**	4,573
Distribution costs		**(16,723)**	(12,721)
Administrative expenses		**(39,418)**	(23,597)
Profit from operation		**67,102**	49,919
Finance costs		**(18,516)**	(12,235)
Profit before taxation	*6*	**48,586**	37,684
Income tax expenses	*7*	**(6,157)**	(4,176)
Profit for the period attributable to equity shareholders of the Company		**42,429**	33,508
Basic and diluted earnings per share *(RMB yuan)*	*9*	**0.10**	0.08

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2010 – Unaudited
(Expressed in Renminbi)

	For the six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Profit for the period	**42,429**	33,508
Other comprehensive income for the period		
Exchange differences on translation of financial statements of operations outside the People's Republic of China (the "PRC")	**(226)**	143
Total comprehensive income for the period attributable to equity shareholders of the Company	**42,203**	33,651

CONSOLIDATED BALANCE SHEET

At 30 June 2010 – Unaudited
(Expressed in Renminbi)

	Note	**At 30 June 2010** *RMB'000*	At 31 December 2009 *RMB'000*
Non-current assets			
Property, plant and equipment		**830,994**	531,824
Lease prepayments		**292,037**	295,753
Deposits for land use right		**25,190**	–
Deferred tax assets		**18,088**	16,075
		1,166,309	843,652
Current assets			
Inventories		**328,527**	244,210
Derivative financial instruments		**–**	879
Trade and other receivables	*10*	**545,175**	581,916
Pledged deposits		**87,632**	89,552
Cash and cash equivalents		**271,438**	279,836
		1,232,772	1,196,393
Current liabilities			
Trade and other payables	*11*	**307,623**	326,133
Loans and borrowings		**701,164**	697,443
Obligations under finance leases		**22,813**	22,321
Derivative financial instruments		**3,890**	83
Current tax payables		**20,963**	19,264
		1,056,453	1,065,244
Net current assets		**176,319**	131,149
Total assets less current liabilities		**1,342,628**	974,801
Non-current liabilities			
Loans and borrowings		**500,000**	150,000
Obligations under finance leases		**36,148**	47,679
Deferred income		**60,283**	60,908
		596,431	258,587
Net assets		**746,197**	716,214
Capital and reserves			
Share capital		**3,731**	3,731
Reserves		**742,466**	712,483
Total equity		**746,197**	716,214

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2010 – Unaudited
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company							
	Share capital	Share premium	Capital reserve	Other reserve	PRC statutory reserves	Exchange reserve	Retained earnings	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
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 and 1 July 2009	3,731	196,160	–	209,822	53,847	(449)	213,402	676,513
Changes in equity for the six months ended 31 December 2009								
Waiver of liabilities from equity shareholders	–	–	3,054	–	–	–	–	3,054
Total comprehensive income for the period	–	–	–	–	–	(53)	36,700	36,647
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
Balance at 1 January 2010	3,731	196,160	3,054	209,822	63,777	(502)	240,172	716,214
Changes in equity for the six months ended 30 June 2010								
Waiver of liabilities from equity shareholders	–	–	1,574	–	–	–	–	1,574
Dividends approved in respect of the previous year	–	–	–	–	–	–	(13,794)	(13,794)
Total comprehensive income for the period	–	–	–	–	–	(226)	42,429	42,203
Balance at 30 June 2010	**3,731**	**196,160**	**4,628**	**209,822**	**63,777**	**(728)**	**268,807**	**746,197**

Notes:

1 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 ("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 31 August 2010.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2009 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2010 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 2009 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").

2 CHANGES IN ACCOUNTING POLICIES

The IASB has issued two revised IFRSs, a number of amendments to IFRSs and one new Interpretation that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's interim financial report:

- IFRS 3 (revised 2008), Business combinations

- Amendments to IAS 27, Consolidated and separate financial statements

- Amendments to IFRS 5, Non-current assets held for sale and discontinued operations – plan to sell the controlling interest in a subsidiary

- Amendments to IAS 39, Financial instruments: Recognition and measurement – eligible hedged items

- Improvements to IFRSs (2009)

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The amendments to IAS 39 have had no material impact on the Group's interim financial report as the amendments were consistent with policies already adopted by the Group. The other developments resulted in changes in accounting policy but none of these changes in policy have a material impact on the current or comparative periods, for the following reasons:

- The impact of the majority of the revisions to IFRS 3, IFRS 5 and IAS 27 have not yet had a material effect on the Group's interim financial report as these changes will first be effective as and when the Group enters into a relevant transaction (for example, a business combination, a disposal of a subsidiary or a non-cash distribution) and there is no requirement to restate the amounts recorded in respect of previous such transactions.

- As a result of the amendment to IAS 17, Leases, arising from the "Improvements to IFRSs (2009)" omnibus standard, the Group has re-evaluated the classification of its interests in leasehold land as to whether, in the Group's judgement, the lease transfers significantly all the risks and rewards of ownership of the land such that the Group is in a position economically similar to that of a purchaser. The Group has concluded that the classification of such leases as operating leases continue to be appropriate and the amendment to IAS 17 has had no material impact on the Group's interim financial report.

- The Group has early adopted an amendment in the "Improvements to IFRSs (2009)" which amended IFRS 8, Operating segments, 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 Group's interim financial reports of the six months ended 30 June 2009 and 2010 respectively.

Further details of these changes in accounting policies are as follows:

- As a result of the adoption of IFRS 3 (revised 2008), any business combination acquired on or after 1 January 2010 will be recognised in accordance with the new requirements and detailed guidance contained in IFRS 3 (revised 2008). These include the following changes in accounting policies:

  – Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees, will be expensed as incurred, whereas previously they were accounted for as part of the cost of the business combination and therefore impacted the amount of goodwill recognised.

  – If the Group holds interests in the acquiree immediately prior to obtaining control, these interests will be treated as if disposed of and re-acquired at fair value on the date of obtaining control. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.

  – Contingent consideration will be measured at fair value at the acquisition date. Any subsequent changes in the measurement of that contingent consideration will be recognised in profit or loss, unless they arise from obtaining additional information about facts and circumstances that existed at the acquisition date within 12 months from the date of acquisition (in which case they will be recognised as an adjustment to the cost of the business combination). Previously, contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably. All subsequent changes in the measurement of contingent consideration and from its settlement were previously recognised as an adjustment to the cost of the business combination and therefore impacted the amount of goodwill recognised.

– If the acquiree has accumulated tax losses or other temporary deductible differences and these fail to meet the recognition criteria for deferred tax assets at the date of acquisition, then any subsequent recognition of these assets will be recognised in profit or loss, rather than as an adjustment to goodwill as was previously the policy.

– In addition to the Group's existing policy of measuring the non-controlling interests (previously known as the "minority interests") in the acquiree at the non-controlling interest's proportionate share of the acquiree's net identifiable assets, in future the Group may elect, on a transaction by transaction basis, to measure the non-controlling interest at fair value.

In accordance with the transitional provisions in IFRS 3 (revised 2008), these new accounting policies will be applied prospectively to any business combinations in the current or future periods. The new policy in respect of recognition in the movement of deferred tax assets will also be applied prospectively to accumulated tax losses and other temporary deductible differences acquired in previous business combinations. No adjustments have been made to the carrying values of assets and liabilities that arose from business combinations whose acquisition dates preceded the application of this revised standard.

• As a result of the adoption of IAS 27 (amended 2008), the following changes in policies has been applied as from 1 January 2010:

– If the Group acquires an additional interest in a non-wholly owned subsidiary, the transaction will be accounted for as a transaction with equity shareholders (the non-controlling interests) in their capacity as owners and therefore no goodwill will be recognised as a result of such transactions. Similarly, if the Group disposes of part of its interest in a subsidiary but still retains control, this transaction will also be accounted for as a transaction with equity shareholders (the non-controlling interests) in their capacity as owners and therefore no profit or loss will be recognised as a result of such transactions.

– If the Group loses control of a subsidiary, the transaction will be accounted for as a disposal of the entire interest in that subsidiary, with any remaining interest retained by the Group being recognised at fair value as if reacquired. In addition, as a result of the adoption of the amendment to IFRS 5, if at the balance sheet date the Group has the intention to dispose of a controlling interest in a subsidiary, the entire interest in that subsidiary will be classified as held for sale (assuming that the held for sale criteria in IFRS 5 are met) irrespective of the extent to which the Group will retain an interest.

In accordance with the transitional provisions in IAS 27, these new accounting policies will be applied prospectively to transactions in current or future periods and therefore previous periods have not been restated.

• As a result of the amendments to IAS 27, as from 1 January 2010 any losses incurred by a non-wholly owned subsidiary will be allocated between the controlling and non-controlling interests in proportion to their interests in that entity, even if this results in a deficit balance within consolidated equity being attributed to the non-controlling interests. Previously, if the allocation of losses to the non-controlling interests would have resulted in a deficit balance, the losses were only allocated to the non-controlling interests if the non-controlling interests were under a binding obligation to make good the losses. In accordance with the transitional provisions in IAS 27, this new accounting policy is being applied prospectively and therefore there has had no impact on the Group's interim financial report in previous periods.

3 OPERATING SEGMENT

The Group manages its businesses by product lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purpose of resource allocation and performance assessment, the Group has identified the following two reportable segments.

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

- Construction aluminium profiles: this segment manufactures and sells construction aluminium profiles with surface finishing, 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 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 period ended 30 June 2010 and 2009 respectively are set out below.

	Industrial aluminium profiles		Construction aluminium profiles		All other segments		Total	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Reportable segment revenue								
Revenue from external customers	**222,706**	182,675	**737,446**	534,447	**73,791**	54,344	**1,033,943**	771,466
Reportable segment profit								
Gross profit	**41,885**	41,256	**76,605**	30,093	**8,315**	7,757	**126,805**	79,106

(b) Reconciliations of reportable segment profit

	For the six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Reportable segment profit derived from the Group's external customers	**126,805**	79,106
Other revenue	**4,713**	2,558
Other net (loss)/income	**(8,275)**	4,573
Distribution costs	**(16,723)**	(12,721)
Administrative expenses	**(39,418)**	(23,597)
Finance costs	**(18,516)**	(12,235)
Consolidated profit before taxation	**48,586**	37,684

4 SEASONALITY OF OPERATIONS

The Group's operation on average experiences 30% lower sales in the first quarter, compared to other quarters in the year, due to the decreased demand for its products during the Chinese New Year holidays.

5 OTHER REVENUE AND OTHER NET (LOSS)/INCOME

	For the six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Other revenue		
Interest income	**1,886**	1,592
Government grants	**2,821**	961
Rental income	**6**	5
	4,713	2,558
Other net (loss)/income		
Net realised and unrealised (losses)/gains on derivative financial instruments		
– aluminium future contracts	**(8,490)**	3,515
– forward foreign exchange contracts	**12**	606
Foreign exchange gains	**349**	238
Others	**(146)**	214
	(8,275)	4,573

6 PROFIT BEFORE TAXATION

(a) Finance costs

	For the six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Interest expenses on bank loans wholly repayable within five years	**25,995**	12,711
Finance charges on obligations under finance lease	**1,474**	–
Less: interest expenses capitalised into construction in progress	**(8,953)**	(476)
	18,516	12,235

(b) Other items

	For the six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Depreciation	**24,771**	16,959
Amortisation of lease prepayments	**3,798**	1,542
Research and development costs	**473**	1,080
Write down of inventories	**1,342**	439
Impairment loss on trade and other receivables	**114**	373
Operating lease charges	**2,130**	4,800

7 INCOME TAX EXPENSES

	For the six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Current tax		
Provision for PRC income tax	**7,668**	2,953
Provision for Hong Kong Profits Tax	**503**	676
	8,171	3,629
Deferred tax		
Origination and reversal of temporary differences	**(2,014)**	547
	6,157	4,176

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

(b) The provision for Hong Kong Profits Tax for the six months ended 30 June 2010 is calculated by applying the estimated annual effective tax rate of 16.5% (2009: 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 2010 is 25% (2009: 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 2010 (2009: 12.5%). 2009 and 2010 are the entity's fourth and fifth profit making year respectively.

- Xingfa Aluminium (Chengdu) Co., Ltd. ("Xingfa Chengdu"), Guangdong Xingfa Aluminium (Jiangxi) Co., Ltd. ("Xingfa Jiangxi") and Guangdong Xingfa Aluminium (Henan) Co., Ltd. ("Xingfa Henan") 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 six months ended 30 June 2010 (2009: 25%).

(d) In addition, pursuant to the Implementation Rules of the Corporate Income Tax Law of the PRC which started to take effect on 1 January 2008 and the Sino-Hong Kong Double Tax Arrangements, the gross amount of dividends received by Hong Kong company from its PRC subsidiaries in respect of their profits generated after 1 January 2008 is subject to withholding tax at a rate of 5%. Under the grandfathering treatments, the undistributed profits of the PRC subsidiaries as at 31 December 2007 are exempted from withholding tax.

As at 30 June 2010, the remaining undistributed pre-2008 profits of Guangdong Xingfa, which amounted to RMB105,153,000, 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 2010, post 1 January 2008 undistributed profits amounted to RMB140,926,000 (2009: RMB88,678,000). Deferred tax liabilities of RMB7,046,000 (2009: RMB4,434,000) 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 2010 (2009: 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	
	2010	2009
	RMB'000	*RMB'000*
Final dividends in respect of the previous financial year, approved and paid during the interim period, of RMB0.033 per share (2009: RMB0.05 (final and special dividends))	**13,794**	20,900

9 EARNINGS PER SHARE

The calculation of basic earnings per share during the six months ended 30 June 2010 was based on the profit attributable to equity shareholders of the Company of RMB42,429,000 (six months ended 30 June 2009: RMB33,508,000) and 418,000,000 shares (2009: 418,000,000 shares) in issue during the six months ended 30 June 2010.

There were no dilutive potential ordinary shares in issue for the six months ended 30 June 2009 and 2010 respectively, and therefore, the diluted earnings per share are the same as the basic earnings per share.

10 TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade debtors and bills receivable with the following aging analysis as at the balance sheet date. The credit terms granted by the Group to customers generally range from 30 days to 60 days.

	At 30 June 2010 *RMB'000*	At 31 December 2009 *RMB'000*
Current	**504,619**	460,365
1 to 3 month past due	**198**	–
More than 3 months but less than 12 months past due	**104**	488
Trade debtors and bills receivable, net of allowance for doubtful debts	**504,921**	460,853
Other receivables, prepayments and deposits	**40,254**	121,063
	545,175	581,916

Certain bills receivable with an aggregate carrying value of RMB34,895,000 were pledged as securities for banking facilities of the Group as at 30 June 2010 (31 December 2009: RMB88,540,000)

11 TRADE AND OTHER PAYABLES

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

	At 30 June 2010 *RMB'000*	At 31 December 2009 *RMB'000*
Due within 1 month or on demand	**30,492**	40,188
Due after 1 month but within 3 months	**142,112**	113,468
Due after 3 months but within 6 months	**–**	36,000
Trade creditors and bills payable	**172,604**	189,656
Other payables and accruals	**132,097**	133,265
Deferred income	**2,922**	3,212
	307,623	326,133

MANAGEMENT DISCUSSION AND ANALYSIS

Review of operations

Xingfa Aluminium is one of the leading aluminium profiles manufacturers in the PRC and principally engaged in the manufacture and sale of aluminium profiles which are 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 over the past 20 years. Xingfa Aluminium 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.

Turnover

Turnover and sales volume recorded approximately RMB1,033.9 million and 47,500 tonnes respectively for the six months ended 30 June 2010 (1H09: RMB771.5 million and 41,000 tonnes respectively). The rise in turnover was mainly attributable to the following factors:

1. Increase in sales volume which was in line with the production capacity expansion at Guangdong Sanshui plant in 1H10.

2. Increase in average selling price which was due to the increase in average aluminium ingot price in 1H10 by 23% to RMB13,662 per tonne (value-added tax excluded) (1H09: RMB11,080 per tonne).

3. Increase in average processing fee by 2%.

During the period under review, sales volume for construction aluminium profiles increased by 20% to 35,700 tonnes (1H09: 29,800 tonnes). Riding on the expansion of surface finishing capacity, more sales orders were concluded for powder coating and PVDF coating aluminium profiles in 1H10. On the other hand, sales for industrial aluminium profiles also achieved a steady growth of 5% to 11,800 tonnes in 1H10 (1H09: 11,200 tonnes).

Our Group is glad to see that, after commencement of the full-scale production of seven additional extrusion production lines and one additional Italy imported powder coating production line in late 4Q09, the total designed production capacity at Guangdong Sanshui plant is reaching approximately 143,000 tonnes per annum. With the expanded production capacity, our Group was able to tap the increasing customers' demand for our products.

Cost of sales

Cost of sales increased from RMB692.4 million in 1H09 to RMB907.1 million in 1H10 which was in line with the increase in turnover.

Gross profit and gross profit margin

Gross profit margin improved to 12.3% (1H09: 10.3%) whilst sales to production ratio stood at 98.2% in 1H10 (1H09: 98.0%).

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

	For the six months ended 30 June	
	2010	2009
Average gross profit margin	**12.3%**	10.3%
– Industrial aluminium profiles	**18.8%**	22.6%
– Construction aluminium profiles	**10.4%**	5.6%

Brought by the improvement in economies of scale after the expansion of production capacity at Guangdong Sanshui plant, the overall gross profit margin of the Group improved to 12.3%. In particular, with the installation of seven new surface finishing production lines, the gross profit margin of the construction aluminium profiles surged to 10.4% in 1H10 (1H09: 5.6%). On the contrary, fewer orders for electricity conductive aluminium profiles for metro-locomotive were concluded in 1H10, which led to the slight drop in gross profit margin of industrial aluminium profiles. These slightly change of product mix caused the improvement of the overall gross profit margin in 1H10.

Other revenue and other net (losses)/income

Our Group recorded other net losses of approximately RMB3.6 million in 1H10 as compared to other net income of approximately RMB7.1 million in 1H09. This variance was mainly due to the net unrealised losses of aluminium future contracts of approximately RMB8.5 million in 1H10 as compared to the net unrealised gains of aluminium future contracts of approximately RMB3.5 million in 1H09.

Distribution costs

Distribution expenses increased by approximately 31% to approximately 16.7 million in 1H10 (1H09: 12.7 million), whilst our distribution expenses as a percentage of turnover remained steady at 1.6% (1H09: 1.6%).

Administrative expenses

Administrative expenses recorded approximately RMB39.4 million in 1H10, which was approximately 67% higher than that in 1H09 (1H09: 23.6 million) and our administrative expenses as a percentage of turnover increased to 3.8% (1H09: 3.1%). Such increase was mainly attributable to the increase in pre-operating expenses of approximately 6.4 million (1H09: nil) for the new plants at Jiangxi Yichun, Sichuan Chengdu and Henan Qinyang in 1H10 and the increase in provision for inventory obsolescence of approximately RMB1.3 million in 1H10.

Finance costs

Finance costs increased by approximately 51% to approximately RMB18.5 million (1H09: 12.2 million) mainly due to the increase in average loans and borrowings in 1H10 to finance the capital expenditures incurred for the three new plants.

Profit for the period and the net profit margin

In 1H10, our Group recorded profit for the period of approximately RMB42.4 million (1H09: RMB33.5 million) while the net profit margin stood at 4.1% (1H09: 4.3%). The improvement in net profit for the period is mainly attributable to the improved gross profit margin but partially offset by the unrealised losses of aluminium future contracts in 1H10.

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 2010 and 31 December 2009:

	As at 30 June 2010	As at 31 December 2009
Current ratio *(Note)*	**1.17**	1.12
Quick ratio *(Note)*	**0.86**	0.89

Note:

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

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

Both current and quick ratio remained steady in 1H10 as compared to that at 31 December 2009.

Gearing ratio

The following table sets out our Group's gearing ratio as at 30 June 2010 and 31 December 2009:

	As at 30 June 2010	As at 31 December 2009
Gearing ratio *(Note)*	**52.5%**	45.0%

Note:

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

Gearing ratio increased to 52.5% since our Group has assumed more loans and borrowings to finance the capital expenditures for our three new plants at Jiangxi Yichun, Sichuan Chengdu and Henan Qinyang.

Inventory turnover days

The following table sets out our Group's inventory turnover days during the two periods ended 30 June 2010 and 2009:

	For the six months ended 30 June	
	2010	2009
Inventory turnover days *(Note)*	**57**	54

Notes:

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 periods end during the two periods ended 30 June 2010 and 2009 represents our raw materials, work in progress and the unsold finished goods.

Inventory turnover days remained steady in 1H10.

Debtors' turnover days

The following table sets out our Group's debtors' turnover days during the two periods ended 30 June 2010 and 2009:

	For the six months ended 30 June	
	2010	2009
Debtors' turnover days *(Note)*	**85**	90

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.

Debtors' turnover days improved slightly to 85 days in 1H10.

Creditors' turnover days

The following table sets out our Group's creditors' turnover days during the two periods ended 30 June 2010 and 2009:

	For the six months ended 30 June	
	2010	2009
Creditors' turnover days *(Note)*	**36**	25

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, a comparatively low balance of trade and bills payable stood at 30 June 2009 led to shorter creditors' turnover days. In 1H10, creditors' turnover days remained at a normal and healthy level.

Cash flow

The table below summarises our Group's cash flow during the two periods ended 30 June 2010 and 2009:

	For the six months ended 30 June	
	2010	2009
	RMB'million	*RMB'million*
Net cash generated from operating activities	**8.6**	63.0
Net cash used in investing activities	**(318.1)**	(31.9)
Net cash generated from/(used in) financing activities	**301.2**	(104.3)

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. During the six months ended 30 June 2010, our Group's capital expenditures were approximately RMB296 million. The significant capital expenditures during the period were mainly for the acquisition of plant and equipment for the Guangdong Sanshui factory and the two new plants at Sichuan Chengdu and Jiangxi Yichun.

Loans and borrowings

As at 30 June 2010, our Group's loans and borrowings amounted to approximately RMB1,201.2 million (31 December 2009: RMB847.4 million).

Banking facilities and guarantee

As at 30 June 2010, the banking facilities of our Group amounted to approximately RMB 1,389.2 million (31 December 2009: RMB1,267.2 million), of which approximately RMB1,201.2 million were utilised (31 December 2009: RMB1,022.6 million).

Certain banking facilities amounted to RMB262 million (31 December 2009: RMB328 million) were guaranteed by certain related parties of the Group.

Human resources

As at 30 June 2010, our Group employed a total of 3,200 full time employees in the PRC which included management staff, technicians, salespersons and workers. In 1H10, our Group's total expenses on the remuneration of employees was approximately RMB41.2 million and represents approximately 4% 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 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

We will continue to carry out our production capacity expansion plan in other parts of the PRC. With the three new production bases in Sichuan Chengdu, Jiangxi Yichun and Henan Qinyang 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 annual designed production capacity of each of the three 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 plant, the total capacity of aluminium profiles is planned to be reaching 450,000 tonnes per annum by 2015. We expect the plants in Sichuan Chengdu and Jiangxi Yichun can commence trial production in the fourth quarter this year.

INTERIM DIVIDEND

The Directors do not propose the payment of interim dividends for the six months ended 30 June 2010 (1H09: 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

Our Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as the code of conduct regarding Directors' securities transactions. After having made specific enquiry with all Directors, our Company has received confirmations from all Directors that they have complied with the required standards set out in the Model Code during the six months ended 30 June 2010.

The Company has also adopted procedures on terms no less exacting than the Model Code in respect of the securities transactions of the employees who are likely to be in possession of unpublished price-sensitive information.

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 namely, 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 six months ended 30 June 2010.

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 2010.

PUBLICATION OF 2010 INTERIM 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 2010 interim 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

Foshan, the PRC, 31 August 2010

As at the date of this announcement, the Board comprises the following members:

Executive Directors:	Mr. LUO Su *(Chairman)* Mr. LUO Riming *(Chief Executive Officer)* Mr. LIAO Yuqing Mr. LAW Yung Koon Mr. WANG Zhihua
Non-executive Director:	Mr. WONG Siu Ki
Independent non-executive Directors:	Mr. CHEN Mo Mr. HO Kwan Yiu Mr. LAM Ying Hung Andy