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 2010

FINANCIAL HIGHLIGHTS

1. Turnover increased by 23.2% to RMB2,305.7 million (2009: RMB1,871.5 million).

2. Sales volume rose 14.9% to 108,470 tonnes (2009: 94,400 tonnes).

3. Gross profit boosted by 24.9% to RMB234.0 million (2009: RMB187.4 million).

4. Profit for the year increased by 3.8% to RMB72.9 million (2009: RMB70.2 million).

5. Earnings per share were RMB0.174 (2009: RMB0.168).

6. The Board recommend the payment of a final dividend for the year ended 31 December 2010 of RMB0.035 (2009: RMB0.033) 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 2010, together with the comparative figures for the corresponding financial year ended 31 December 2009 and the relevant explanatory notes as set out below.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2010
(Expressed in Renminbi)

	Note	**2010**	2009
		RMB'000	*RMB'000*
Turnover	*2*	**2,305,749**	1,871,480
Cost of sales		**(2,071,700)**	(1,684,088)
Gross profit		**234,049**	187,392
Other revenue	*3*	**6,803**	6,644
Other net (loss)/income	*3*	**(1,802)**	7,319
Distribution costs		**(35,920)**	(29,945)
Administrative expenses		**(83,378)**	(58,749)
Profit from operation		**119,752**	112,661
Finance costs		**(36,825)**	(30,965)
Profit before taxation	*4*	**82,927**	81,696
Income tax expenses	*5*	**(10,044)**	(11,488)
Profit for the year		**72,883**	70,208
Basic and diluted earnings per share (RMB yuan)	*7*	**0.174**	0.168

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010
(Expressed in Renminbi)

	2010	2009
	RMB'000	*RMB'000*
Profit for the year	**72,883**	70,208
Other comprehensive income for the year		
Exchange differences on translation of financial statements of operations outside the People's Republic of China (the "PRC")	**(1,036)**	90
Total comprehensive income for the year attributable to equity shareholders of the Company	**71,847**	70,298

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2010

(Expressed in Renminbi)

	Note	2010 RMB'000	2009 RMB'000
Non-current assets			
Property, plant and equipment		**976,726**	531,824
Lease prepayments		**379,919**	295,753
Prepayment for machinery		**107,050**	–
Deferred tax assets		**25,726**	16,075
		1,489,421	843,652
Current assets			
Inventories		**393,534**	244,210
Derivative financial instruments		**1,324**	879
Trade and other receivables	*8*	**632,406**	581,916
Pledged deposits		**77,017**	89,552
Cash and cash equivalents		**144,926**	279,836
		1,249,207	1,196,393
Current liabilities			
Trade and other payables	*9*	**559,286**	326,133
Loans and borrowings		**706,036**	697,443
Obligations under finance leases		**23,271**	22,321
Derivative financial instruments		**520**	83
Current tax payables		**23,996**	19,264
		1,313,109	1,065,244
Net current (liabilities)/assets		**(63,902)**	131,149
Total assets less current liabilities		**1,425,519**	974,801
Non-current liabilities			
Loans and borrowings		**545,000**	150,000
Obligations under finance leases		**24,408**	47,679
Deferred income		**78,698**	60,908
		648,106	258,587
Net assets		**777,413**	716,214
Capital and reserves			
Share capital		**3,731**	3,731
Reserves		**773,682**	712,483
Total equity		**777,413**	716,214

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company							
	Share capital	Share premium	Capital reserve	Other reserve	PRC statutory reserves	Exchange reserves	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 2009:								
Profit for the year	–	–	–	–	–	–	70,208	70,208
Other comprehensive income	–	–	–	–	–	90	–	90
Total comprehensive income for the year	–	–	–	–	–	90	70,208	70,298
Dividends approved in respect of the previous year	–	–	–	–	–	–	(20,900)	(20,900)
Capital contribution	–	–	3,054	–	–	–	–	3,054
Appropriation to reserves	–	–	–	–	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 2010:								
Profit for the year	–	–	–	–	–	–	72,883	72,883
Other comprehensive income	–	–	–	–	–	(1,036)	–	(1,036)
Total comprehensive income for the year	–	–	–	–	–	(1,036)	72,883	71,847
Dividends approved in respect of the previous year	–	–	–	–	–	–	(13,794)	(13,794)
Capital contribution	–	–	3,146	–	–	–	–	3,146
Appropriation to reserves	–	–	–	–	10,630	–	(10,630)	–
Balance at 31 December 2010	3,731	196,160	6,200	209,822	74,407	(1,538)	288,631	777,413

Notes:

1 STATEMENT OF COMPLIANCE

The consolidated results set out in this announcement do not constitute the Group's consolidated financial statements for the year ended 31 December 2010 but are extracted from those audited consolidated financial statements.

The consolidated financial statements for the year ended 31 December 2010 comprise the Company and its subsidiaries (collectively referred to as the "Group") and are expressed in Renminbi unless otherwise indicated.

The financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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 financial report:

- IFRS 3 (revised 2008), *Business combination*
- 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 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, IAS 27 and IFRS 5 have not yet had a material effect on the Group's 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 continues to be appropriate and the amendment to IAS 17 has had no material impact on the Group's 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 financial reports of the year ended 31 December 2009 and 2010.

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 will be 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 end of reporting period 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 financial report in previous periods.

2 SEGMENT REPORTING

The Group manages its businesses by product lines. In a manner consistent with the way in which the 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, 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 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 year ended 31 December 2010 and 2009 is 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	**503,641**	366,115	**1,665,897**	1,353,779	**136,211**	151,586	**2,305,749**	1,871,480
Reportable segment profit								
Gross profit	**70,111**	62,202	**140,638**	98,533	**23,300**	26,657	**234,049**	187,392

(b) Reconciliations of reportable segment profit

	2010 *RMB'000*	2009 *RMB'000*
Reportable segment profit derived from the Group's external customers	**234,049**	187,392
Other revenue	**6,803**	6,644
Other net (loss)/income	**(1,802)**	7,319
Distribution costs	**(35,920)**	(29,945)
Administrative expenses	**(83,378)**	(58,749)
Finance costs	**(36,825)**	(30,965)
Consolidated profit before taxation	**82,927**	81,696

3 OTHER REVENUE AND OTHER NET (LOSS)/INCOME

	2010 *RMB'000*	2009 *RMB'000*
Other revenue		
Interest income	**3,274**	4,430
Government grants	**3,501**	2,194
Rental income	**28**	20
	6,803	6,644
Other net (loss)/income		
Net realised and unrealised (losses)/gains on derivative financial instruments		
– aluminium future contracts	**(1,519)**	7,701
– forward foreign exchange contracts	**(437)**	497
Loss on disposal of property, plant and equipment	**–**	(240)
Foreign exchange (losses)/gains	**(333)**	151
Others	**487**	(790)
	(1,802)	7,319

4 PROFIT BEFORE TAXATION

(a) Finance costs

	2010	2009
	RMB'000	*RMB'000*
Interest expenses on bank loans	**57,112**	32,197
Finance charges on obligations under finance leases	**2,704**	–
Less: interest expenses capitalised into construction in progress	**(22,991)**	(1,232)
	36,825	30,965

(b) Other items

	2010	2009
	RMB'000	*RMB'000*
Depreciation	**50,765**	38,398
Amortisation of lease prepayments	**7,557**	3,124
Research and development costs	**3,596**	2,339
Write down of inventories	**1,100**	–
Impairment losses on trade and other receivables	**277**	841
Operating lease charges	**4,143**	11,270

5 INCOME TAX EXPENSES

	2010	2009
	RMB'000	*RMB'000*
Current tax		
Provision for PRC income tax	**18,987**	27,173
Provision for Hong Kong Profits Tax	**708**	–
	19,695	27,173
Deferred tax		
Origination and reversal of temporary differences	**(9,651)**	(15,685)
	10,044	11,488

(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 year ended 31 December 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 year ended 31 December 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 year ended 31 December 2010 (2009: 25%).

(d) In addition, the Group would be subject to withholding tax at the rate of 5% if profits generated by Guangdong Xingfa after 31 December 2007 were to be distributed. As Guangdong Xingfa is wholly owned by the Company, 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.

6 DIVIDENDS

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

The Directors recommended the payment of a final dividend of RMB 0.035 per ordinary share for the year ended 31 December 2010 (2009: RMB0.033), 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 net profit in 2010.

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

	2010	2009
	RMB'000	*RMB'000*
Final dividends in respect of the previous financial year, approved and paid during the year, of RMB 0.033 per share (2009: RMB 0.05)	**13,794**	20,900

7 EARNINGS PER SHARE

The calculation of basic earnings per share during the year ended 31 December 2010 was based on the profit attributable to equity shareholders of the Company of RMB72,883,000 (2009: RMB70,208,000) and 418,000,000 shares (2009: 418,000,000 shares) in issue during the year ended 31 December 2010.

There were no dilutive potential ordinary shares in issue during the years ended 31 December 2009 and 2010, and therefore, the diluted earnings per share are the same as the basic earnings per share.

8 TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade debtors (net of impairment loss for bad and doubtful debts) and bills receivable with the following aging analysis as at the end of reporting period. The credit terms granted by the Group to customers generally range from 60 days to 90 days.

	2010	2009
	RMB'000	*RMB'000*
Current	**590,207**	460,365
1 to 3 months past due	**13,192**	–
3 to 6 months past due	**–**	115
More than 6 months but less than 12 months past due	**–**	373
Trade debtors and bills receivable, net of allowance for doubtful debts	**603,399**	460,853
Other receivables, prepayments and deposits	**29,007**	121,063
	632,406	581,916

No trade and other receivables were pledged for bank loans as at 31 December 2010. Certain bills receivable with an aggregate carrying value of RMB88,540,000 were pledged as securities for banking facilities of the Group as at 31 December 2009.

9 TRADE AND OTHER PAYABLES

Included in trade and other payables are trade creditors and bills payable with the following aging analysis as of the end of reporting period. The credit terms granted by various suppliers range from 15 days to 30 days.

	2010	2009
	RMB'000	*RMB'000*
Due within 1 month or on demand	**246,014**	40,188
Due after 1 month but within 3 months	**92,395**	113,468
Due after 3 months but within 6 months	**40,889**	36,000
Total creditors and bills payable	**379,298**	189,656
Other payables and accruals	**174,686**	133,265
Deferred income	**5,302**	3,212
	559,286	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 for 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 RMB2,305.7 million and 108,470 tonnes for the year ended 31 December 2010 respectively (2009: RMB1,871.5 million and 94,400 tonnes). The increase in turnover during the year was mainly due to the increase in sales volume and increase in average selling price ("ASP").

As benefited from the continuous economic development in China and global economy recovery, the demand for aluminium profiles increased generally. Our sales volume increased by approximately 14.9% year-on-year to 108,470 tonnes in 2010. In particular, our sales volume for industrial aluminium profiles increased by approximately 26.0% year-on-year to 27,120 tonnes (2009: 21,524 tonnes). This was mainly due to the increase in sales orders received from cold storage containers resulting from the recovery of shipping industry. On the other hand, sales of construction aluminium profiles also increased by approximately 11.7% year-on-year to 81,350 tonnes in 2010 (2009: 72,850 tonnes).

Our average selling price constitutes the average market price of aluminium ingots and our average processing fee which we billed our customers. In 2010, our average processing fee remained steadily.

Cost of sales

Our cost of sales increased by approximately 23.0% year-on-year to RMB2,071.7 million in 2010 (2009: RMB1,684.1 million) which was aligned with the increase in turnover.

Gross profit and gross profit margin

Gross profit margin remained steady at 10.2% during the year (2009: 10.0%) whilst sales to production ratio also remained steady at 97.5% (2009: 97.0%).

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

	For the year ended 31 December	
	2010	2009
Average gross profit margin	**10.2%**	10.0%
– Industrial aluminium profiles	**13.9%**	17.0%
– Construction aluminium profiles	**8.4%**	7.3%

Bought by the improvement in economies of scale after the expansion of production capacity at Guangdong Sanshui Plant, in particular, with the installation of seven new surface finishing production lines, the gross profit margin of construction aluminium profiles improved to 8.4% in 2010 (2009: 7.3%). On the contrary, fewer orders for electricity conductive aluminium profiles for metro-locomotive were concluded in 2010, which led to the drop in gross profit margin of industrial aluminium profiles.

Other revenue and other net (loss)/income

Our Group recorded other revenue and other net loss of approximately RMB5.0 million for the year ended 31 December 2010 (2009: RMB14.0 million). This variance was mainly due to the net losses of aluminium future contracts of approximately RMB1.5 million for the year ended 31 December 2010 as compared to the net gains of aluminium future contracts of approximately RMB7.7 million for the year ended 31 December 2009.

Distribution costs

Distribution costs increased by approximately 20.0% to approximately RMB35.9 million for the year ended 31 December 2010 (2009: RMB29.9 million), whilst our distribution expenses as a percentage of turnover remained steady at approximately 1.6% (2009: 1.6%).

Administrative expenses

Administrative expenses recorded approximately RMB83.4 million for the year ended 31 December 2010, which was approximately 42.1% higher than that in 2009 (2009: RMB58.7 million) and our administrative expenses as a percentage of turnover rose to approximately 3.6% (2009: 3.1%). Such increase was mainly attributable to the increase in pre-operating expenses of approximately RMB15.6 million (2009: RMB2.5 million) for the new plants at Jiangxi Yichun, Sichuan Chengdu and Henan Qinyang in 2010 and the increase in provision for inventory obsolescence of approximately RMB1.1 million in 2010 (2009: nil).

Finance costs

Finance costs increased by approximately 18.7% to approximately RMB36.8 million for the year ended 31 December 2010 (2009: RMB31.0 million) which was mainly due to the increase in average loans and borrowings in 2010 to finance the capital expenditures incurred for the three new plants.

Profit for the year and the net profit margin

In 2010, our Group recorded profit for the year of approximately RMB72.9 million (2009: RMB70.2 million) while the net profit margin stood at approximately 3.2% (2009: 3.8%).

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 2009 and 2010:

	As at 31 December 2010	As at 31 December 2009
Current Ratio *(Note)*	**0.95**	1.12
Quick Ratio *(Note)*	**0.65**	0.89

Note:

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

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

In order to tape for the increasing demand for our products after Chinese New Year in 2011, more stock was reserved at 31 December 2010. Therefore, both current and quick ratios were reduced.

Gearing ratio

The following table sets out the summary of our Group's gearing ratio as at 31 December 2010 and 2009:

	As at 31 December 2010	As at 31 December 2009
Gearing ratio *(Note)*	**47.4%**	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 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 the summary of our Group's inventory turnover days during the two years ended 31 December 2009 and 2010:

	For the year ended 31 December	
	2010	2009
Inventory Turnover Days *(Note)*	**56**	48

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 2010 and 2009 represents our raw materials, work in progress and the unsold finished goods.

As mentioned in the above, more stocks were reserved at year end for preparing for the upcoming peak seasons in 2011.

Debtors' Turnover days

The following table sets out the summary of our Group's debtors turnover days during the two years ended 31 December 2009 and 2010:

	For the year ended 31 December	
	2010	2009
Debtors' Turnover Days *(Note)*	**84**	86

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.

Debtors' turnover days remained steady in 2010.

Creditors' Turnover days

The following table sets out the summary of our Group's creditors turnover days during the two years ended 31 December 2009 and 2010 :

	For the year ended 31 December	
	2010	2009
Creditors' Turnover Days *(Note)*	**50**	34

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 accounts payables were recorded at the year end of 2010 due to the increase in procurement of raw materials at the year end of 2010 for the purpose of preparing for the upcoming peak season.

Cash flow

The table below summarises our Group's cash flow during the two years ended 31 December 2009 and 2010:

	For the year ended 31 December	
	2010	2009
	RMB'million	*RMB'million*
Net cash generated from operating activities	**167.6**	150.1
Net cash used in investing activities	**(632.1)**	(320.5)
Net cash generated from financing activities	**331.7**	235.3

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 2010, our Group's capital expenditures were approximately RMB652 million (2009: RMB85 million). The significant capital expenditures during the year 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 31 December 2010, our Group's loans and borrowings amounted to approximately RMB1,251.0 million (31 December 2009: RMB847.4 million).

Banking facilities and guarantee

As at 31 December 2010, the banking facilities of our Group amounted to approximately RMB2,270.3 million (31 December 2009: RMB1,267.2 million), of which approximately RMB1,345.5 million were utilised (31 December 2009: RMB1,022.6 million).

Certain banking facilities of our Group amounting to RMB291.5 million (2009: RMB268.8 million) were guaranteed by certain related parties.

Human resources

As at 31 December 2010, our Group employed a total of approximately 3,700 full time employees in the PRC which included management staff, technicians, salespersons and workers. In 2010, our Group's total expenses on the remuneration of employees were RMB88.7 million, represented 3.8% 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.

Significant investment held, material acquisition and disposal of subsidiaries and associated companies

In 2010, our Group has entered into a land grant contract with 沁陽市國土資源局 (unofficial English translation as Qinyang City Bureau of State-owned Land Resources) in respect of the purchase of a piece of land situated at 沁北工業集聚區，焦克公路北側，東鄰義莊三街耕地 (unofficial English translation as the North Side of Jiao Ke High Way, Yi Zhuang Three Street Cultivated Lands to the East, Qin Bei Industrial Zone) in Qinyang City, Henan Province, the PRC, with a site area of 268,160.82 sq.m. at a consideration of RMB38,220,000. It is proposed that our Group will construct a production base on such land with expected annual designed production capacity of 50,000 tonnes of aluminium profiles. In 2010, the Group has also won the open tender for the land use right of a piece of land which is situated at 中國廣東省佛山市南莊鎮禪港路以西，季北路以北 (unofficial English translation as west of Changang Road and north of Jibei Road, Nanchuang County, Foshan City, Guangdong, the PRC) with a site area of approximately 16,961 sq.m.. The purchase price for such piece of land is RMB50,380,000. The Group plans to establish a flagship showroom and administrative centre on the land.

PROSPECTS

Our vision to expand the production capacity tied perfectly with the demand growth ahead. The organic growth of our existing Guangdong Sanshui plant, together with the new plants established in Sichuan Chengdu and Jiangxi Yichun, will gradually expand our production capacity to 450,000 tonnes per annum by 2015, as well as extend our market coverage from South-East China to also South-West and South-East China. In the short run, with Sichuan Chengdu and Jiangxi Yichun Plants having commenced trial production in the fourth quarter last year, 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.

Advanced equipment will be further employed to tailor the growing demand for complicated and hence higher margin products. It is our ultimate goal to sustain our profit margin with a healthy and balance portfolio, serving customers in the PRC as well as other parts of the world. Furthermore, our management team will continue to closely monitor the market trend and changing customers' needs to ensure proper strategies are implemented without delay . The Group is confident in our business outlook and will continue our best efforts to deliver fruitful returns to our shareholders.

FINAL DIVIDEND

The Directors recommended the payment of a final dividend of RMB0.035 per ordinary share for the year ended 31 December 2010 (2009: RMB0.033), subject to the approval by the shareholders of the Company at the forthcoming annual general meeting (the"Annual General Meeting"). The pay-out ratio is about 20% based on the net profit in 2010. 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 20 June 2011 to the shareholders whose names appear on the register of members of the Company on 3 June 2011.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the entitlement to the proposed final dividend and the right to attend the forthcoming Annual General Meeting, the register of members of the Company will be closed from Wednesday, 1 June 2011 to Friday, 3 June 2011, 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 Tuesday, 31 May 2011.

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 Rules Governing the Listing on Securities on the Stock Exchange (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 to 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 had complied with the required standards set out in the Model Code for the year ended 31 December 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 of the Company 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 year ended 31 December 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 year ended 31 December 2010.

PUBLICATION OF 2010 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 2010 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 2011

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