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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 2011 (“1H11”)

FINANCIAL HIGHLIGHTS

1. Turnover increased by 24% to RMB1,285.6 million (1H10: RMB1,033.9 million).
2. Sales volume rose 22% to 57,800 tonnes (1H10: 47,500 tonnes)
3. Gross profit was RMB111.8 million (1H10: RMB126.8 million).
4. Profit for the period was RMB6.4 million (1H10: RMB42.4 million).
5. Earnings per share were RMB0.02 (1H10: RMB0.10).

RESULTS

The board of directors (the “**Directors**” or the “**Board**”) of Xingfa Aluminium Holdings Limited (the “**Company**” or “**Xingfa Aluminium**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”, “**the Group**”, “**we**” or “**us**”) prepared under International Financial Reporting Standards (“**IFRS**”) for the six months ended 30 June 2011 (“**1H11**”), together with the comparative figures for the corresponding period in 2010 (“**1H10**”) 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 2011 – unaudited

(Expressed in Renminbi)

		For the six months ended 30 June	
		2011	2010
	Note	RMB'000	RMB'000
Turnover	3	1,285,582	1,033,943
Cost of sales		<u>(1,173,740)</u>	<u>(907,138)</u>
Gross profit		111,842	126,805
Other revenue	5	4,555	4,713
Other net loss	5	(302)	(8,275)
Distribution costs		(19,028)	(16,723)
Administrative expenses		<u>(53,490)</u>	<u>(39,418)</u>
Profit from operation		43,577	67,102
Finance costs	6(a)	<u>(35,191)</u>	<u>(18,516)</u>
Profit before taxation		8,386	48,586
Income tax expenses	7	<u>(1,995)</u>	<u>(6,157)</u>
Profit for the period		<u>6,391</u>	<u>42,429</u>
Basic and diluted earnings per share (RMB yuan)	9	<u>0.02</u>	<u>0.10</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2011 – unaudited

(Expressed in Renminbi)

	For the six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Profit for the period	6,391	42,429
Other comprehensive income for the period		
Exchange differences on translation of financial statements of operations outside the People's Republic of China (the "PRC")	(688)	(226)
Total comprehensive income for the period attributable to equity shareholders of the Company	5,703	42,203

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2011 – unaudited

(Expressed in Renminbi)

		At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
	Note		
Non-current assets			
Property, plant and equipment		1,174,440	976,726
Lease prepayments		384,211	379,919
Prepayment for machinery		81,901	107,050
Deferred tax assets		38,275	25,726
		<u>1,678,827</u>	<u>1,489,421</u>
Current assets			
Inventories		474,282	393,534
Derivative financial instruments		650	1,324
Trade and other receivables	10	709,916	632,406
Pledged deposits		97,416	77,017
Cash and cash equivalents		289,062	144,926
		<u>1,571,326</u>	<u>1,249,207</u>
Current liabilities			
Trade and other payables	11	638,697	559,286
Loans and borrowings		977,174	706,036
Obligations under finance leases		23,795	23,271
Derivative financial instruments		–	520
Current tax payables		34,227	23,996
		<u>1,673,893</u>	<u>1,313,109</u>
Net current liabilities		<u>(102,567)</u>	<u>(63,902)</u>
Total assets less current liabilities		<u>1,576,260</u>	<u>1,425,519</u>
Non-current liabilities			
Loans and borrowings		684,000	545,000
Obligations under finance leases		12,378	24,408
Deferred income		111,396	78,698
		<u>807,774</u>	<u>648,106</u>
Net assets		<u>768,486</u>	<u>777,413</u>
Capital and reserves			
Share capital		3,731	3,731
Reserves		764,755	773,682
Total equity		<u>768,486</u>	<u>777,413</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2011 – unaudited

(Expressed in Renminbi)

	Attributable to equity shareholders of the Company							Total RMB'000
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Other reserve RMB'000	PRC statutory reserves RMB'000	Exchange reserves RMB'000	Retained earnings RMB'000	
Balance at 1 January 2010	3,731	196,160	3,054	209,822	63,777	(502)	240,172	716,214
Capital contribution	–	–	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 and 1 July 2010	<u>3,731</u>	<u>196,160</u>	<u>4,628</u>	<u>209,822</u>	<u>63,777</u>	<u>(728)</u>	<u>268,807</u>	<u>746,197</u>
Changes in equity for the six months ended 31 December 2010								
Capital contribution	–	–	1,572	–	–	–	–	1,572
Total comprehensive income for the period	–	–	–	–	–	(810)	30,454	29,644
Transfer from retained earnings	–	–	–	–	10,630	–	(10,630)	–
Balance at 31 December 2010	<u>3,731</u>	<u>196,160</u>	<u>6,200</u>	<u>209,822</u>	<u>74,407</u>	<u>(1,538)</u>	<u>288,631</u>	<u>777,413</u>
Balance at 1 January 2011	3,731	196,160	6,200	209,822	74,407	(1,538)	288,631	777,413
Changes in equity for the six months ended 30 June 2011								
Dividends approved in respect of the previous year	–	–	–	–	–	–	(14,630)	(14,630)
Total comprehensive income for the period	–	–	–	–	–	(688)	6,391	5,703
Balance at 30 June 2011	<u>3,731</u>	<u>196,160</u>	<u>6,200</u>	<u>209,822</u>	<u>74,407</u>	<u>(2,226)</u>	<u>280,392</u>	<u>768,486</u>

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 2011.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2010 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2011 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 2010 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”).

As at 30 June 2011, the Group’s current liabilities exceeded its current assets by RMB102,567,000 which indicated the existence of an uncertainty which may cast doubt on the Group’s ability to continue as a going concern. As at 30 June 2011, the Group had undrawn banking facilities totalling RMB884,941,000 for working capital purposes. In addition, the Group is currently in the process of negotiating with certain banks to renew its current bank loans upon expiry or to obtain additional banking facilities in order to improve its liquidity position. The Directors have evaluated all the relevant facts available to them and are of the opinion that there are good track records or relationships with banks which would enhance the Group’s ability to renew its current bank loans upon expiry or secure adequate banking facilities to enable the Group to continue to operate as a going concern and to meet its financial obligations as and when they fall due for the foreseeable future. Accordingly, the interim financial report has been prepared on a going concern basis.

2 CHANGES IN ACCOUNTING POLICIES

The IASB has issued 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 statements:

- IAS 24 (revised 2009), Related party disclosures
- Improvements to IFRSs (2010)

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

The developments related primarily to clarification of certain disclosure requirements applicable to the Group’s interim financial statements. These developments have had no material impact on the contents of this interim financial report.

3 SEGMENT REPORTING

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 resources 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 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 resources allocation and assessment of segment performance for the period ended 30 June 2011 and 2010 respectively are set out below.

	Industrial aluminium profiles		Construction aluminium profiles		All other segments		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Reportable segment revenue								
Revenue from external customers	382,692	222,706	817,078	737,446	85,812	73,791	1,285,582	1,033,943
Reportable segment profit								
Gross profit	46,728	41,885	59,126	76,605	5,988	8,315	111,842	126,805

(b) **Reconciliations of reportable segment profit**

	For the six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Reportable segment profit derived from the Group's external customers	111,842	126,805
Other revenue	4,555	4,713
Other net loss	(302)	(8,275)
Distribution costs	(19,028)	(16,723)
Administrative expenses	(53,490)	(39,418)
Finance costs	(35,191)	(18,516)
	<u> </u>	<u> </u>
Consolidated profit before taxation	<u>8,386</u>	<u>48,586</u>

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

	For the six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Other revenue		
Interest income	2,132	1,886
Government grants	2,423	2,821
Rental income	–	6
	<u> </u>	<u> </u>
	<u>4,555</u>	<u>4,713</u>
Other net loss		
Net realised and unrealised gains/(losses) on derivative financial instruments		
– aluminium future contracts	29	(8,490)
– forward foreign exchange contracts	–	12
Foreign exchange (losses)/gains	(331)	349
Others	–	(146)
	<u> </u>	<u> </u>
	<u>(302)</u>	<u>(8,275)</u>

6 PROFIT BEFORE TAXATION

(a) Finance costs

	For the six months ended 30 June	
	2011	2010
	<i>RMB'000</i>	<i>RMB'000</i>
Interest expenses on bank loans	44,750	25,995
Finance charges on obligations under finance lease	1,054	1,474
Less: interest expenses capitalised into construction in progress	(10,613)	(8,953)
	<u>35,191</u>	<u>18,516</u>

(b) Other items

	For the six months ended 30 June	
	2011	2010
	<i>RMB'000</i>	<i>RMB'000</i>
Depreciation	30,932	24,771
Amortisation of lease prepayments	4,087	3,798
Research and development costs	321	473
Write down of inventories	1,602	1,342
Impairment loss on trade and other receivables	–	114
Operating lease charges	526	2,130
	<u>526</u>	<u>2,130</u>

7 INCOME TAX EXPENSES

	For the six months ended 30 June	
	2011	2010
	<i>RMB'000</i>	<i>RMB'000</i>
Current tax		
Provision for PRC income tax	5,297	7,668
Provision for Hong Kong Profits Tax	737	503
	<u>6,034</u>	<u>8,171</u>
Deferred tax		
Origination and reversal of temporary differences	(4,039)	(2,014)
	<u>1,995</u>	<u>6,157</u>

- (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 2011 is calculated by applying the estimated annual effective tax rate of 16.5% (2010: 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 corporate 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. 2010 was the entity’s fifth profit making year. The corporate income tax rate applicable to Guangdong Xingfa was 12.5% for the six months ended 30 June 2010.
 - The prevailing tax rate of Guangdong Xingfa in 2011 is 25% (2010: 25%), but Guangdong Xingfa is qualified as an “Advanced and New Technology Enterprise” and entitled to the preferential income tax rate of 15% from 2009 to 2011. The corporate income tax rate applicable to Guangdong Xingfa was 15% for the six months ended 30 June 2011.
 - All other PRC subsidiaries of the Group 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 Corporate Income Tax at a rate of 25% for the six months ended 30 June 2011 (2010: 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.

8 DIVIDENDS

(a) 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 2011 (30 June 2010: Nil).

(b) **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	
	2011	2010
	RMB'000	RMB'000
Final dividends in respect of the previous financial year, approved and paid during the interim period, of RMB0.035 per share (2010: RMB0.033)	14,630	13,794

9 EARNINGS PER SHARE

The calculation of basic earnings per share during the six months ended 30 June 2011 was based on the profit attributable to equity shareholders of the Company of RMB6,391,000 (six months ended 30 June 2010: RMB42,429,000) and 418,000,000 shares (2010: 418,000,000 shares) in issue during the six months ended 30 June 2011.

There were no dilutive potential ordinary shares in issue for the six months ended 30 June 2010 and 2011, 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 end of reporting period. The credit terms granted by the Group to customers generally range from 60 days to 90 days.

	At 30 June 2011	At 31 December 2010
	RMB'000	RMB'000
Current	656,583	590,207
1 to 3 months past due	5,693	13,192
More than 3 months but less than 12 months past due	133	–
Trade debtors and bills receivable, net of allowance for doubtful debts	662,409	603,399
Other receivables, prepayments and deposits	47,507	29,007
	709,916	632,406

Certain trade receivables and bills receivable with an aggregate carrying value of RMB38,304,000 and RMB10,000,000 respectively were pledged as securities for banking facilities of the Group as at 30 June 2011 (31 December 2010: Nil).

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 end of reporting period. The credit terms granted by various suppliers range from 15 days to 30 days.

	At 30 June 2011 <i>RMB'000</i>	At 31 December 2010 <i>RMB'000</i>
Due within 1 month or on demand	249,031	246,014
Due after 1 month but within 3 months	208,458	92,395
Due after 3 months but within 6 months	23,882	40,889
Due after 6 months	2,469	—
Total creditors and bills payable	483,840	379,298
Other payables and accruals	148,501	174,686
Deferred income	6,356	5,302
	638,697	559,286

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 one of the largest providers of electricity conductive aluminium profile for metro vehicles in the PRC. Leveraging on the advanced R&D capability and commitment to quality, the 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.

Capacity expansion at Sichun Chengdu and Jiangxi Yichun plants has been executed smoothly. The first phase of construction has been completed in 1H11. Four and three extrusion production lines were installed progressively at Sichuan Chengdu plant and Jiangxi Yichun plant respectively, offering processing capacity of approximately 17,000 tonnes per annum and 41,000 tonnes per annum respectively.

Furthermore, two powder coating production facilities with production capacity of 20,000 tonnes per annum each are added to these two new plants to accommodate the increasing demand for construction materials at those particular regions. The two plants have been able to run independently and provide one-stop services from smelting, extrusion to surface finishing to customers.

During 1H11, the increased capacity has quickly tapped the increased market demand, contributing to the rise in sales volume. However, the competitive market applied adverse effect to our gross profit margin. The strategy to strengthen customer base in new market regions posted pressure on product margin, while in the long run the Group is confident to resume its margin trend with solidified clientele in both new and existing regions.

On the other hand, the Group, riding on its industry-leading technical proficiency, has dedicated its efforts on achieving better economy of scale with lowered cost of production. Coupled with the goals to strengthen balance sheets and enhance equipment utilization rate, the Group is going to see its fruitful returns being delivered to its shareholders.

Review of financials

Turnover

Turnover and sales volume recorded approximately RMB1,285.6 million and 57,800 tonnes respectively for the six months ended 30 June 2011 (1H10: approximately RMB1,033.9 million and 47,500 tonnes respectively). The increase in turnover was mainly attributable to the following factors:

1. Increase in sales volume as benefited from the continuous economic development in China. With the production capacity expansion of the Group in 1H11, we achieved to meet the increase in market demand; and
2. Increase in average selling price due to the increase in average aluminium ingot price in 1H11 by 5% to approximately RMB14,400 per tonne (value-added tax excluded) (1H10: approximately RMB13,662 per tonne).

During 1H11, sales volume for industrial aluminium profiles increased by approximately 70% to 20,000 tonnes (1H10: 11,800 tonnes). Such increase was mainly due to the increase in demand for industrial aluminium profiles of cold storage containers resulting from the recovery of shipping industry. On the other hand, construction aluminium profiles also achieved a steady growth of 6% to 37,800 tonnes in 1H11 (1H10: 35,700 tonnes).

Cost of sales

Cost of sales increased from RMB907.1 million in 1H10 to 1,173.7 million in 1H11 which was in line with the increase in turnover.

Gross profit and gross profit margin

Gross profit margin dropped to 8.7% (1H10: 12.3%) whilst sales to production ratio stood at approximately 97.7% in 1H11 (1H10: 98.2%).

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

	For the six months ended 30 June	
	2011	2010
Average gross profit margin	8.7%	12.3%
– Industrial aluminium profiles	12.2%	18.8%
– Construction aluminium profiles	7.2%	10.4%

In 1H11, the increase in production costs comprising mainly the labour and electricity costs and depreciation eroded the average gross profit margin. This adverse factor caused the drop of gross profit margin for industrial aluminium profiles by 6.6 percentage points to 12.2%. For construction aluminium profiles, the Group was able to increase the processing fee to neutralize the above-mentioned impact, resulting in a slightly drop of gross profit margin to 7.2% in 1H11. Besides, the change of product mix to 34% industrial aluminium profiles and 66% construction aluminium profiles in 1H11 (1H10: 25% industrial aluminium profiles and 75% construction aluminium profiles) also led to the drop of average gross profit margin during the period under review.

Other revenue and other net losses

The Group recorded other net revenue of approximately RMB4.3 million in 1H11 as compared to other net loss of approximately RMB3.6 million in 1H10. This variance was mainly due to the absence of net losses of aluminium future contracts in 1H11 as compared to the net losses of aluminium future contracts of approximately RMB8.5 million in 1H10.

Distribution costs

Distribution expenses increased by approximately 14% to approximately 19.0 million in 1H11 (1H10: 16.7 million), whilst the distribution expenses as a percentage of turnover remained steady at 1.5% (1H10: 1.6%).

Administrative expenses

Administrative expenses recorded approximately RMB53.5 million in 1H11, which was 36% higher than that in 1H10 (1H10: 39.4 million) and the administrative expenses as a percentage of turnover increased to 4.2% (1H10: 3.8%). Such increase was mainly attributable to the rise in staff cost of approximately RMB6.1 million for Jiangxi Yichun, Sichuan Chengdu and Henan Qinyang new plants in 1H11.

Finance costs

Finance costs increased by approximately 90% to approximately RMB35.2 million (1H10: 18.5 million) mainly due to the increase in average loans and borrowings and average interest rate in 1H11 to finance the capital expenditures incurred for three new plants.

Profit for the period and the net profit margin

In 1H11, the Group recorded profit for the period of approximately RMB6.4 million (1H10: RMB42.4 million) while the net profit margin reduced to 0.5% (1H10: 4.1%). The decrease in profit for the period is mainly attributable (i) to the drop of gross profit margin; (ii) the increase in administrative expenses as a result of a rise of the pre-operating expenses for the new plants; and (iii) the increase in the average borrowings and interest rates which led to a rise in finance costs in 1H11.

ANALYSIS OF FINANCIAL POSITION

Current and quick ratios

The following table sets out the summary of the Group's current and quick ratios as at 30 June 2011 and 31 December 2010:

	As at 30 June 2011	As at 31 December 2010
Current Ratio (<i>Note</i>)	0.94	0.95
Quick Ratio (<i>Note</i>)	0.66	0.65

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 ratios remained steady at 30 June 2011 as compared to that at 31 December 2010.

Gearing ratio

The following table sets out the summary of the Group's gearing ratio as at 30 June 2011 and 31 December 2010:

	As at 30 June 2011	As at 31 December 2010
Gearing ratio (<i>Note</i>)	52.2%	47.4%

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 52.2% since the Group has assumed more loans and borrowings to finance the capital expenditures for three new plants.

Inventory Turnover Days

The following table sets out the summary of the Group's inventory turnover days during the two periods ended 30 June 2010 and 2011:

	For the six months ended 30 June 2011	2010
Inventory Turnover Days (<i>Note</i>)	67	57

Note:

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

Inventories balance as at the respective periods end during the two periods ended 30 June 2010 and 2011 represents the raw materials, work in progress and the unsold finished goods.

Inventory turnover days increased to 67 days in 1H11. Following the commencement of trial production at Sichun Chengdu and Jiangxi Yichun plants, more stocks are produced and ready to tap the market demand in 2H11.

Debtors' Turnover Days

The following table sets out the summary of the Group's debtors' turnover days during the two periods ended 30 June 2010 and 2011:

	For the six months ended 30 June	
	2011	2010
Debtors' Turnover Days (<i>Note</i>)	89	85

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 remained steady in 1H11.

Creditors' Turnover Days

The following table sets out the summary of the Group's creditors' turnover days during the two periods ended 30 June 2010 and 2011:

	For the six months ended 30 June	
	2011	2010
Creditors' Turnover Days (<i>Note</i>)	67	36

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 1H11, a comparatively high balance of trade and bills payable stood at 30 June 2011 led to longer creditors' turnover days.

Cash flow

The table below summarises the Group's cash flow during the two periods ended 30 June 2010 and 2011:

	For the six months ended 30 June	
	2011	2010
	<i>RMB'million</i>	<i>RMB'million</i>
Net cash generated from operating activities	96.4	8.6
Net cash used in investing activities	(263.3)	(318.1)
Net cash generated from financing activities	311.0	301.2

We generally finance the operations through a combination of shareholders' equity, internally generated cash flows, bank borrowings and the cash and cash equivalents. The Directors believe that on a long-term basis, the 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 2011, the Group's capital expenditures were approximately RMB155 million. The significant capital expenditures during the period were mainly for the acquisition of plant and equipment for the Guangdong Sanshui factory and two new plants at Sichuan Chengdu and Jiangxi Yichun.

Loans and borrowings

As at 30 June 2011, the Group's loans and borrowings amounted to approximately RMB1,661 million (31 December 2010: RMB1,251 million).

Banking facilities and guarantee

As at 30 June 2011, the banking facilities of the Group amounted to approximately RMB2,626 million (31 December 2010: RMB2,270.3 million), of which approximately RMB1,741 million were utilised (31 December 2010: RMB1,345.5 million)

Certain utilised banking facilities of the Group amounted to RMB312.8 million (31 December 2010: RMB291.5 million) were guaranteed by certain related parties.

Human resources

As at 30 June 2011, the Group employed a total of approximately 3,800 full time employees in the PRC which included management staff, technicians, salespersons and workers. In 1H11, the Group's total expenses on the remuneration of employees are RMB61.1 million and represents 5% of the turnover of the Group. The 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

Following the completion of first phase construction at Sichuan Chengdu and Jiagnxi Yichun plants, the Group has started the commercial production in 2011. It is expected that an annual production capacity of 50,000 tonnes of aluminium profiles of each plant are to be added to the Group by the end of 2011. Looking forward, the 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 two new bases to 100,000 tonnes and to extend the market coverage to South-West and South-East China.

Besides, riding on the expanded production capacity, the Group believes that we are able to lower the production cost and improve the gross profit margin thereafter. Under the current dynamic change in economic environment both locally and globally, our management will continue to closely monitor the market trend to ensure proper policies and strategies are implemented without delay.

INTERIM DIVIDEND

The Directors do not propose the payment of interim dividends for the six months ended 30 June 2011 (1H10: Nil)

CORPORATE GOVERNANCE

The 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

The 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, the 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 2011.

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 the 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 the Company. The chairman of the audit committee has professional qualification and experience in financial matters.

The audit committee of the Company has met with the management and external auditors of the Company and has reviewed the consolidated results of the Group for the six months ended 30 June 2011.

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 2011.

PUBLICATION OF 2011 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 2011 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

Hong Kong, 31 August 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