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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 2012

FINANCIAL HIGHLIGHTS

1. Turnover increased by 18% to RMB1,516.1 million (1H11: RMB1,285.6 million).
2. Sales volume rose by 29% to 74,700 tonnes (1H11: 57,800 tonnes).
3. Gross profit increased by 47% to RMB164.8 million (1H11: RMB111.8 million).
4. Profit for the period increased by 180% to RMB17.9 million (1H11: RMB6.4 million).
5. Earnings per share were RMB0.04 (1H11: RMB0.02).

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**”, “**our Group**”, “**we**” or “**us**”) prepared under International Financial Reporting Standards (“**IFRS**”) for the six months ended 30 June 2012 (“**1H12**”), together with the comparative figures for the corresponding period in 2011 (“**1H11**”) 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 2012 – unaudited

(Expressed in Renminbi)

		For the six months ended 30 June	
	Note	2012 RMB'000	2011 RMB'000
Turnover	3	1,516,117	1,285,582
Cost of sales		<u>(1,351,358)</u>	<u>(1,173,740)</u>
Gross profit		164,759	111,842
Other revenue	4	9,563	4,555
Other net loss	4	(2,844)	(302)
Distribution costs		(21,598)	(19,028)
Administrative expenses		<u>(62,751)</u>	<u>(53,490)</u>
Profit from operation		87,129	43,577
Finance costs	5	<u>(63,613)</u>	<u>(35,191)</u>
Profit before taxation	5	23,516	8,386
Income tax expenses	6	<u>(5,656)</u>	<u>(1,995)</u>
Profit for the period		<u>17,860</u>	<u>6,391</u>
Basic and diluted earnings per share (RMB yuan)	8	<u>0.04</u>	<u>0.02</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2012 – unaudited

(Expressed in Renminbi)

	For the six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Profit for the period	<u>17,860</u>	<u>6,391</u>
Other comprehensive income for the period		
Exchange differences on translation of financial statements of operations outside the People's Republic of China (the "PRC")	<u>654</u>	<u>(688)</u>
Total comprehensive income for the period attributable to equity shareholders of the Company	<u><u>18,514</u></u>	<u><u>5,703</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2012 – unaudited

(Expressed in Renminbi)

	<i>Note</i>	At 30 June 2012 <i>RMB'000</i>	At 31 December 2011 <i>RMB'000</i>
Non-current assets			
Property, plant and equipment		1,445,591	1,331,446
Lease prepayments		375,786	379,957
Prepayment for machinery		44,330	56,326
Deferred tax assets		36,947	39,191
Other investment		11,912	–
		<u>1,914,566</u>	<u>1,806,920</u>
Current assets			
Trading securities		–	1,005
Inventories		450,678	389,117
Trade and other receivables	9	1,002,124	1,275,835
Pledged deposits		166,734	194,962
Cash and cash equivalents		311,877	244,222
		<u>1,931,413</u>	<u>2,105,141</u>
Current liabilities			
Trade and other payables	10	861,539	1,258,246
Loans and borrowings		1,444,371	1,061,527
Obligations under finance leases		12,378	24,430
Derivative financial instruments		2,496	5,117
Current tax payables		32,840	32,097
		<u>2,353,624</u>	<u>2,381,417</u>
Net current liabilities		<u>(422,211)</u>	<u>(276,276)</u>
Total assets less current liabilities		<u>1,492,355</u>	<u>1,530,644</u>
Non-current liabilities			
Loans and borrowings		591,000	643,000
Deferred income		107,434	112,237
		<u>698,434</u>	<u>755,237</u>
Net assets		<u>793,921</u>	<u>775,407</u>
Capital and reserves			
Share capital		3,731	3,731
Reserves		790,190	771,676
Total equity		<u>793,921</u>	<u>775,407</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2012 – unaudited

(Expressed in Renminbi)

	Attributable to equity shareholders of the Company							
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Other reserve RMB'000	PRC statutory reserves RMB'000	Exchanges reserves RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 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:								
Profit for the period	-	-	-	-	-	-	6,391	6,391
Other comprehensive income	-	-	-	-	-	(688)	-	(688)
Total comprehensive income for the period	-	-	-	-	-	(688)	6,391	5,703
Dividends approved in respect of the previous year	-	-	-	-	-	-	(14,630)	(14,630)
Balance at 30 June 2011 and 1 July 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>
Changes in equity for the six months ended 31 December 2011:								
Profit for the period	-	-	-	-	-	-	8,421	8,421
Other comprehensive income	-	-	-	-	-	(1,500)	-	(1,500)
Total comprehensive income for the period	-	-	-	-	-	(1,500)	8,421	6,921
Appropriation to reserves	-	-	-	-	2,981	-	(2,981)	-
Balance at 31 December 2011	<u>3,731</u>	<u>196,160</u>	<u>6,200</u>	<u>209,822</u>	<u>77,388</u>	<u>(3,726)</u>	<u>285,832</u>	<u>775,407</u>
Balance at 1 January 2012	3,731	196,160	6,200	209,822	77,388	(3,726)	285,832	775,407
Changes in equity for the six months ended 30 June 2012:								
Profit for the period	-	-	-	-	-	-	17,860	17,860
Other comprehensive income	-	-	-	-	-	654	-	654
Total comprehensive income for the period	-	-	-	-	-	654	17,860	18,514
Balance at 30 June 2012	<u>3,731</u>	<u>196,160</u>	<u>6,200</u>	<u>209,822</u>	<u>77,388</u>	<u>(3,072)</u>	<u>303,692</u>	<u>793,921</u>

Notes:

1 BASIS OF PREPARATION

- (a) 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 of Hong Kong Limited (“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 issue on 31 August 2012.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2011 annual financial statements, except as mentioned in Note 1 (b) and for the accounting policy changes that are expected to be reflected in the 2012 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 2011 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 2012, the Group’s current liabilities exceeded its current assets by RMB422,211,000 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 2012, the Group had undrawn banking facilities totalling RMB672,365,000 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.

(b) Other investment

Other investment that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the statement of financial position at cost less impairment losses.

Other investments that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about a significant or prolonged decline in the fair value of an investment below its cost.

If any such evidence exists, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for other investments carried at cost are not reversed.

2 CHANGES IN ACCOUNTING POLICIES

The IASB has issued a few amendments to IFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following development is relevant to the Group's interim financial statements:

- Amendments to IFRS 7, Financial instruments: Disclosures – Transfers of financial assets

The amendments to IFRS 7 require certain disclosures to be included in the annual financial statements in respect of all transferred financial assets that are not derecognised and for any continuing involvement in a transferred asset existing at the reporting date, irrespective of when the related transfer transaction occurred. However, an entity need not provide the disclosures for the comparative period in the first year of adoption. The Group did not have any significant transfers of financial assets in previous periods or the current period which require disclosure in the current accounting period under the amendments.

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

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 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 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 2012 and 2011 respectively are set out below.

	Industrial		Construction		All other segments		Total	
	aluminium profiles		aluminium profiles					
	2012	2011	2012	2011	2012	2011	2012	2011
	<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	<u>378,686</u>	<u>382,692</u>	<u>1,113,677</u>	<u>817,078</u>	<u>23,754</u>	<u>85,812</u>	<u>1,516,117</u>	<u>1,285,582</u>
Reportable segment profit								
Gross profit	<u>48,291</u>	<u>46,728</u>	<u>115,143</u>	<u>59,126</u>	<u>1,325</u>	<u>5,988</u>	<u>164,759</u>	<u>111,842</u>

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

	For the six months	
	ended 30 June	
	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>
Reportable segment profit derived from the Group's external customers	164,759	111,842
Other revenue	9,563	4,555
Other net loss	(2,844)	(302)
Distribution costs	(21,598)	(19,028)
Administrative expenses	(62,751)	(53,490)
Finance costs	(63,613)	(35,191)
Consolidated profit before taxation	<u>23,516</u>	<u>8,386</u>

4 OTHER REVENUE AND OTHER NET LOSS

	For the six months ended 30 June	
	2012 RMB'000	2011 RMB'000
Other revenue		
Interest income	3,233	2,132
Government grants		
– Unconditional subsidies	1,426	73
– Conditional subsidies	4,904	2,350
	<u>9,563</u>	<u>4,555</u>
Other net loss		
Net realised and unrealised (losses)/gains on derivative financial instruments	(2,670)	29
Foreign exchange losses	(174)	(331)
	<u>(2,844)</u>	<u>(302)</u>

5 PROFIT BEFORE TAXATION

(a) Finance costs

	For the six months ended 30 June	
	2012 RMB'000	2011 RMB'000
Interest expenses on bank loans	72,100	44,750
Interest on discounted bills	4,997	–
Finance charges on obligations under finance lease	558	1,054
Less: interest expenses capitalised into construction in progress	(14,042)	(10,613)
	<u>63,613</u>	<u>35,191</u>

The borrowing costs have been capitalised at a rate of 6.210% to 7.181% (six months ended 30 June 2011: 5.149% – 6.800%) per annum.

(b) Other items:

Depreciation	33,505	30,932
Amortisation of lease prepayments	4,171	4,087
Research and development costs	1,958	321
Write down of inventories	–	1,602
Operating lease charges	283	526
	<u>39,917</u>	<u>37,468</u>

6 INCOME TAX EXPENSES

	For the six months ended 30 June	
	2012 RMB'000	2011 RMB'000
Current tax		
Provision for PRC income tax	2,883	5,297
Provision for Hong Kong Profits Tax	529	737
	<u>3,412</u>	<u>6,034</u>
Deferred tax		
Origination and reversal of temporary differences	2,244	(4,039)
	<u>5,656</u>	<u>1,995</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 2012 is calculated by applying the estimated annual effective tax rate of 16.5% (2011: 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:
- All PRC subsidiaries of the Group are limited liability companies established under the laws of the PRC. They are liable to the PRC corporate income tax at a rate of 25% for the six months ended 30 June 2012 (2011: 25%).
 - Guangdong Xingfa Aluminium Co., Ltd. (“Guangdong Xingfa”) was qualified as an “Advanced and New Technology Enterprise” and entitled to the preferential income tax rate of 15% from 2009 to 2011. Guangdong Xingfa is applying for the extension of “Advanced and New Technology Enterprise” and the entitlement of the preferential income tax rate for 2012 to 2014. In the opinion of directors, they do not foresee any difficulties to be entitled the preferential income tax rate for 2012 to 2014. The corporate income tax rate applicable to Guangdong Xingfa was 15% for the six months ended 30 June 2012 (2011: 15%).
- (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. As at 30 June 2012, no provision of withholding tax was provided by Guangdong Xingfa.

7 DIVIDENDS

The directors do not propose the payment of interim dividends for the six months ended 30 June 2012 (six months ended 30 June 2011: Nil).

8 EARNINGS PER SHARE

The calculation of basic earnings per share during the six months ended 30 June 2012 was based on the profit attributable to equity shareholders of the Company of RMB17,860,000 (six months ended 30 June 2011: RMB6,391,000) and 418,000,000 shares (30 June 2011: 418,000,000 shares) in issue during the six months ended 30 June 2012.

There were no dilutive potential ordinary shares in issue for the six months ended 30 June 2012 and 2011, and therefore, the diluted earnings per share are the same as the basic earnings per share.

9 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 the reporting period. The credit terms granted by the Group to customers generally range from 60 days to 90 days.

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Current	797,232	772,413
1 to 3 month past due	42,090	328,677
3 to 6 month past due	4,712	13,400
More than 6 months past due	1,392	3,587
Trade debtors and bills receivable, net of allowance for doubtful debts	845,426	1,118,077
Other receivables, prepayments and deposits	156,698	157,758
	1,002,124	1,275,835

Certain trade and other receivables with carrying value of RMB38,300,000 were pledged for bank loans as at 30 June 2012 (31 December 2011: RMB11,242,000).

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

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Due within 1 month or on demand	213,578	491,232
Due after 1 month but within 3 months	281,772	227,934
Due after 3 months but within 6 months	227,755	328,525
Trade creditors and bills payable	723,105	1,047,691
Other payables and accruals	126,719	198,413
Deferred income	11,715	12,142
	861,539	1,258,246

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.

Sichuan Chengdu and Jiangxi Yichun plants have commenced trial production in the second half of 2011 smoothly, adding a long-term growth momentum to the Group. Besides, Henan Qinyang plant will commence trial production in the second half of 2012, it marks another milestone to the Group. With the aim to become an all-round and one-stop aluminium service provider in the PRC, these strategically-located plants allow us to access to clientele closely and tap our products to the market in a more convenient and cost-effective ways. Therefore, it could increase our market share in the long-run.

In 1H12, we are excited to see the fruitful returns from the capacity expansion plan executed in the past few years. Both Sichuan Chengdu and Jiangxi Yichun started to make profit and became another two profit engines to the Group.

Turnover

Turnover and sales volume recorded approximately RMB1,516.1 million and 74,700 tonnes respectively for the six months ended 30 June 2012 (1H11: RMB1,285.6 million and 57,800 tonnes respectively). The increase in turnover during the period under review was mainly contributed to the increase in sales order for construction aluminium profiles. Such increase was driven by the production capacity expansion in Sichuan Chengdu and Jiangxi Yichun plants that perfectly tapped the increasing demand for aluminium profiles in these two regions.

During the period under review, sales volume for construction aluminium profiles increased by approximately 44% to 54,500 tonnes (1H11: 37,800 tonnes). Riding on the expansion of surface finishing capacity, more sales orders were concluded for powder coating and oxidation aluminium profiles in 1H12. On the other hand, sales volume for industrial aluminium profiles remained steady and recorded 20,200 tonnes in 1H12 (1H11: 20,000 tonnes).

Cost of sales

Cost of sales increased from RMB1,173.7 million in 1H11 to RMB1,351.4 million in 1H12 which was in line with the increase in turnover.

Gross profit and gross profit margin

Gross profit margin improved to 10.9% (1H11: 8.7%) whilst sales to production ratio stood at 97.6% in 1H12 (1H11: 97.7%).

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

	For the six months ended 30 June	
	2012	2011
Average gross profit margin	10.9%	8.7%
– Industrial aluminium profiles	12.8%	12.2%
– Construction aluminium profiles	10.3%	7.2%

With the completion of investments in Sichuan Chengdu, Jiangxi Yichun and Guangdong Sanshui plants, each plant has its own production specialty which improved the whole production logistics starting from order acceptance to delivery in each plant, which could resolve our production mismatch amongst these three plants in the long run. As a result of better division of labour in production specialty, better economy of scale in production can be achieved to lower the unit cost. It helped to increase in production volume and improved the gross profit margin.

Meanwhile, more sales orders were concluded for powder coating aluminium profiles, representing approximately 63% and 46% of sales orders for construction aluminium profiles and overall aluminium profiles respectively. The drop in average unit cost as a result of better division of labour definitely improved the average gross profit margin for construction aluminium profiles. As such, these slightly changes in product mix contributed to the improvement of the overall gross profit margin to 10.9% in 1H12.

Other revenue and other net loss

Our Group recorded other revenue of approximately RMB9.6 million for the six months ended 30 June 2012 (1H11: RMB4.6 million) and other net loss of approximately RMB2.8 million for the six months ended 30 June 2012 (1H11: RMB0.3 million).

The increase of other revenue in 1H12 was mainly due to the unconditional government grants for the brand name development of RMB0.76 million and conditional government grants of RMB2.55 million which had fulfilled the requirement of income recognition.

Distribution costs

Distribution costs increased by approximately 14% to approximately RMB21.6 million for the six months ended 30 June 2012 (1H11: RMB19.0 million), whilst our distribution expenses as a percentage of turnover remained steady at approximately 1.4% (1H11: 1.5%).

Administrative expenses

Administrative expenses recorded approximately RMB62.8 million for the six months ended 30 June 2012, which was approximately 17.4% higher than that in 2011 (1H11: RMB53.5 million) and our administrative expenses as a percentage of turnover remained steady at 4.1% (1H11: 4.2%).

Finance costs

Finance costs increased by approximately 81% to approximately RMB63.6 million for the six months ended 30 June 2012 (1H11: RMB35.2 million) mainly due to the increase in average loans and borrowings and average interest rate in 1H12 in financing our working capital needs.

Profit for the period and the net profit margin

In 1H12, our Group recorded profit of approximately RMB17.9 million for the six months ended 30 June 2012 (1H11: RMB6.4 million) while the net profit margin improved to approximately 1.2% (1H11: 0.5%). Such improvement was mainly attributable to the increase in sales volume, improvement in average gross profit margin and increase in government grants.

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 2012 and 31 December 2011:

	At 30 June 2012	At 31 December 2011
Current Ratio (<i>Note</i>)	0.82	0.88
Quick Ratio (<i>Note</i>)	0.63	0.72

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 2012 as compared to that at 31 December 2011.

Gearing ratio

The following table sets out the summary of our Group's gearing ratio as at 30 June 2012 and 31 December 2011:

	At 30 June 2012	At 31 December 2011
Gearing ratio (<i>Note</i>)	53.2%	44.2%

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 53.2% since the Group has assumed more loans and borrowings to finance our working capital needs.

Inventory Turnover Days

The following table sets out the summary of our Group's inventory turnover days during the six months ended 30 June 2012 and 2011:

	For the six months ended 30 June	
	2012	2011
Inventory Turnover Days (<i>Note</i>)	56	67

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 2012 and 2011 represents our raw materials, work in progress and the unsold finished goods.

Inventory turnover days improved slightly during the period under review as a result of the shortened and improved production process amongst the three plants of our Group.

Debtors' Turnover days

The following table sets out the summary of our Group's debtors' turnover days during the six months ended 30 June 2012 and 2011:

	For the six months ended 30 June	
	2012	2011
Debtors' Turnover Days (<i>Note</i>)	117	89

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.

In 1H12, a comparatively high balance of not matured bills receivable as at 31 December 2011 lead to longer debtors' turnover days.

Creditors' Turnover days

The following table sets out the summary of our Group's creditors' turnover days during the six months ended 30 June 2012 and 2011:

	For the six months ended 30 June	
	2012	2011
Creditors' Turnover Days (<i>Note</i>)	119	67

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 1H12, a comparatively high balance of trade and bills payable stood at 31 December 2011 lead to longer creditors' turnover days.

Cash flow

The table below summarises our Group's cash flow during the six months ended 30 June 2012 and 2011:

	For the six months ended 30 June	
	2012	2011
	<i>RMB'million</i>	<i>RMB'million</i>
Net cash (used in)/generated from operating activities	(67.6)	96.4
Net cash used in investing activities	(120.1)	(263.3)
Net cash generated from financing activities	255.0	311.0

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 1H12, our Group's capital expenditures were approximately RMB140.7 million. The significant capital expenditures during the period were mainly for the acquisition of plant and equipment for the Guangdong Sanshui factory and the three new plants at Sichuan Chengdu, Jiangxi Yichun and Henan Qinyang.

Loans and borrowings

As at 30 June 2012, our Group's loans and borrowings amounted to approximately RMB2,035.4 million (31 December 2011: RMB1,704.5 million).

Banking facilities and guarantee

As at 30 June 2012, the banking facilities of our Group amounted to approximately RMB3,062.0 million (31 December 2011: RMB2,860.7 million), of which approximately RMB2,389.7 million were utilised (31 December 2011: RMB2,143.0 million).

Certain banking facilities amounted to RMB261.9 million (31 December 2011: RMB251.3 million) were guaranteed by certain related parties.

Human resources

As at 30 June 2012, our Group employed a total of approximately 3,301 full time employees in the PRC which included management staff, technicians, salespersons and workers. In 1H12, our Group's total expenses on the remuneration of employees were approximately RMB85 million, represented 5.6% 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

On 16 March 2012, the Group invested RMB11,911,500 in Guangdong Star Lake New Material Company Limited ("Star Lake Material") representing 3.89% of the equity interests of Star Lake Material.

PROSPECTS

Following the successful capacity expansion plan at the three new plants in Sichuan Chengdu, Jiangxi Yichun and Henan Qinyang, this organic growth tied perfectly with the demand growth ahead to extend our market coverage from South-East China to also South-West and South-East China. In 1H12, Sichuan Chengdu and Jiangxi Yichun plants started to have profit contribution to the Group whilst Henan Qinyang plant will commence trial production in the second half of 2012. These three newly set up plants are critical income sources of the Group. Together with the other three established plants, our annual designed production capacity will reach 230,000 tonnes of aluminium profiles per annum, thereby increasing our profit and market share in the long-run.

In line with our prudent approach and in view of the fragile global economic environment, strengthening balance sheet management, optimizing product mix and enhancing operating efficiency will be our main focuses in the second half in this year.

In addition, since Guangxin Group, a state-owned enterprise, has become our major shareholder, more synergy will be achieved in sharing corporate resources including but not limited to corporate finance, investment opportunities, etc.

INTERIM DIVIDEND

The Directors do not propose the payment of interim dividend for the six months ended 30 June 2012 (1H11: Nil).

CORPORATE GOVERNANCE

In the opinion of the directors of the Company, the Company had complied with all the code provisions of (i) the former Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules during the period from 1 January 2012 to 31 March 2012 and (ii) the revised and renamed Corporate Governance Code as set out in Appendix 14 to the Listing Rules for the period from 1 April 2012 to 30 June 2012.

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 for the six months ended 30 June 2012.

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 and two non-executive Directors of the Company namely, Mr. CHEN Mo, Mr. HO Kwan Yiu, Mr. LAM Ying Hung Andy, Mr. WONG Siu Ki and Mr. CHEN Shengguang. Mr. LAM Ying Hung Andy 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 unaudited consolidated results of our Group for the six months ended 30 June 2012.

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 for the six months ended 30 June 2012.

PUBLICATION OF 2012 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 2012 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
LIU Libin
Chairman

Hong Kong, 31 August 2012

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

Executive Directors:

Mr. LIU Libin (*Chairman*)
Mr. LUO Su (*Honorary Chairman*)
Mr. LUO Riming (*Chief Executive Officer*)
Mr. LIAO Yuqing
Mr. DAI Feng
Mr. LAW Yung Koon
Mr. WANG Zhihua

Non-executive Directors:

Mr. CHEN Shengguang
Mr. WONG Siu Ki

Independent non-executive Directors:

Mr. CHEN Mo
Mr. HO Kwan Yiu
Mr. LAM Ying Hung Andy