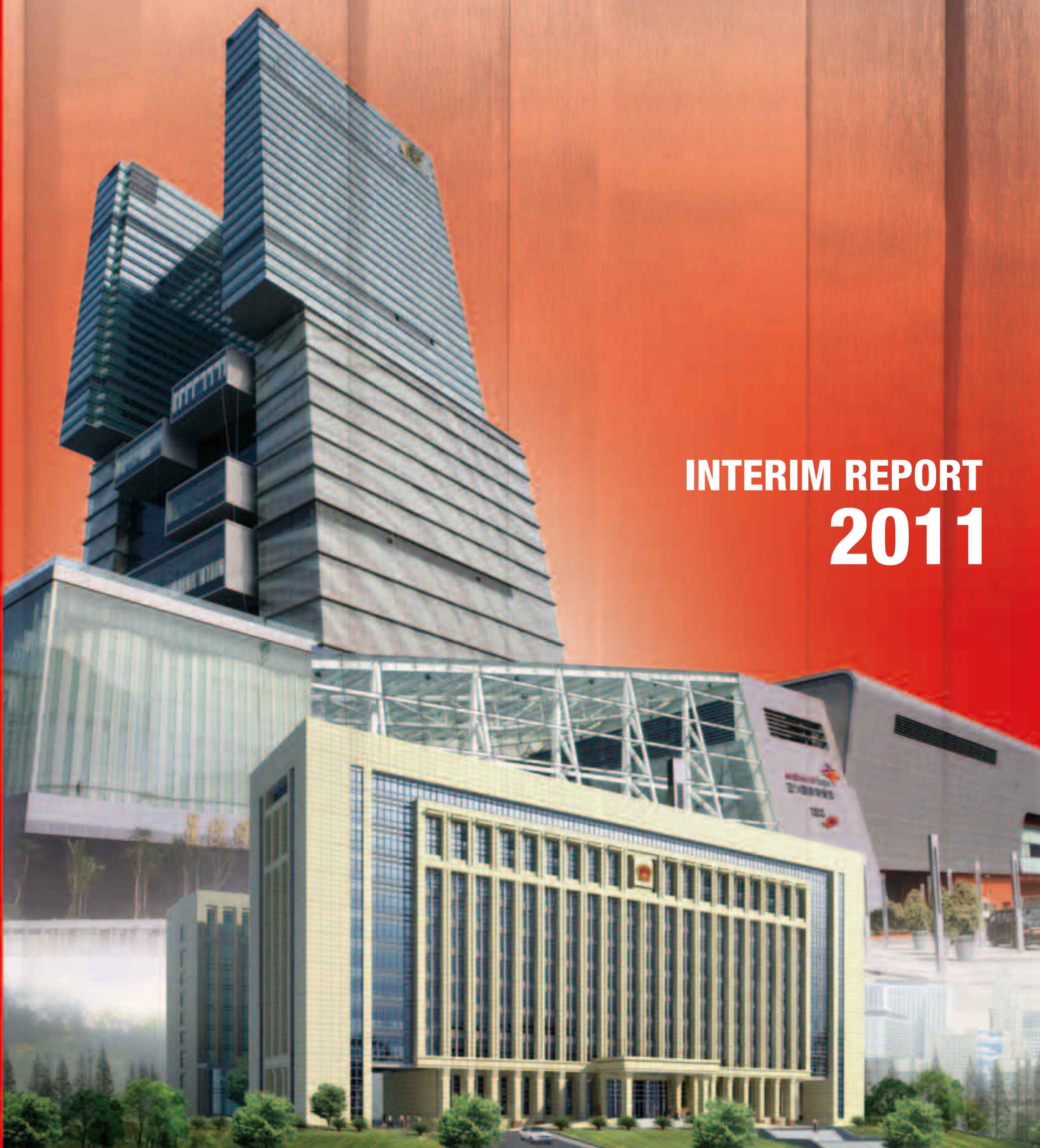
興發鋁業控股有限公司

XINGFA ALUMINIUM HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)
(HKEX stock code: 98)



INTERIM REPORT 2011

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CORPORATE INFORMATION

DIRECTORS AND BOARD COMMITTEES

Directors

Executive Directors

LUO Su *(Chairman)*
LUO Riming *(Chief Executive Officer)*
LIAO Yuqing
LAW Yung Koon
WANG Zhihua

Non-executive Director

WONG Siu Ki

Independent Non-executive Directors

CHEN Mo
HO Kwan Yiu
LAM Ying Hung, Andy

Board Committees

Audit Committee

LAM Ying Hung, Andy *(Chairman)*
CHEN Mo
HO Kwan Yiu

Remuneration Committee

HO Kwan Yiu *(Chairman)*
CHEN Mo
LAM Ying Hung, Andy
LUO Su

Nomination Committee

LUO Su *(Chairman)*
CHEN Mo
HO Kwan Yiu
LAM Ying Hung, Andy

COMPANY SECRETARY

TANG Yuen Wa

AUTHORIZED REPRESENTATIVES

WANG Zhihua
WONG Siu Ki
LAM Ying Hung, Andy
(alternate to WANG Zhihua)

REGISTERED OFFICE

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Cayman Islands

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Guangdong, China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Harbour City,
Tsim Sha Tsui,
Kowloon,
Hong Kong

PRINCIPAL BANKERS

Bank of China, Foshan Branch
Agriculture Bank of China,
Foshan Nanzhuang Sub-branch
China Construction Bank
Corporation, Foshan Branch

LEGAL ADVISER

As to Hong Kong law:

Leung & Lau

As to PRC law:

Jingtian & Gongcheng

As to Cayman Islands law:

Conyers Dill & Pearman

AUDITORS

KPMG
8th Floor, Prince's Building,
10 Chater Road, Central, Hong Kong

SHARE REGISTRARS

Principal Share Registrar and Transfer Office in the Cayman Islands

Butterfield Fund Services (Cayman)
Limited
Butterfield House
68 Fort Street
P. O. Box 705
Grand Cayman KY1-1107
Cayman Islands

Branch Share Registrar and Transfer Office in Hong Kong

Tricor Investor Services Limited
26th Floor, Tesbury Centre,
28 Queen's Road East
Wanchai, Hong Kong

INVESTOR RELATIONS

Strategic Financial Relations (China)
Limited

WEBSITE

www.xingfa.com

STOCK CODE

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INTRODUCTION

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		**(1,173,740)**	(907,138)
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		**(53,490)**	(39,418)
Profit from operation		**43,577**	67,102
Finance costs	*6(a)*	**(35,191)**	(18,516)
Profit before taxation	*6*	**8,386**	48,586
Income tax expenses	*7*	**(1,995)**	(6,157)
Profit for the period		**6,391**	42,429
Basic and diluted earnings per share *(RMB yuan)*	*9*	**0.02**	0.10

The notes on pages 11 to 26 form part of this interim financial report.

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

The notes on pages 11 to 26 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2011 – unaudited
(Expressed in Renminbi)

	Note	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Non-current assets			
Property, plant and equipment	10	**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
		1,678,827	1,489,421
Current assets			
Inventories	11	**474,282**	393,534
Derivative financial instruments		**650**	1,324
Trade and other receivables	12	**709,916**	632,406
Pledged deposits	13	**97,416**	77,017
Cash and cash equivalents	14	**289,062**	144,926
		1,571,326	1,249,207
Current liabilities			
Trade and other payables	15	**638,697**	559,286
Loans and borrowings	16	**977,174**	706,036
Obligations under finance leases	17	**23,795**	23,271
Derivative financial instruments		**–**	520
Current tax payables		**34,227**	23,996
		1,673,893	1,313,109
Net current liabilities		**(102,567)**	(63,902)
Total assets less current liabilities		**1,576,260**	1,425,519

	Note	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Non-current liabilities			
Loans and borrowings	16	**684,000**	545,000
Obligations under finance leases	17	**12,378**	24,408
Deferred income	18	**111,396**	78,698
		807,774	648,106
Net assets		**768,486**	777,413
Capital and reserves			
Share capital		**3,731**	3,731
Reserves		**764,755**	773,682
Total equity		**768,486**	777,413

The notes on pages 11 to 26 form part of this interim financial report.

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							
	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	Total RMB'000
Balance at 1 January 2010	3,731	196,160	3,054	209,822	63,777	(502)	240,172	716,214
Changes in equity for the six months ended 30 June 2010								
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	3,731	196,160	4,628	209,822	63,777	(728)	268,807	746,197
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	3,731	196,160	6,200	209,822	74,407	(1,538)	288,631	777,413
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	**3,731**	**196,160**	**6,200**	**209,822**	**74,407**	**(2,226)**	**280,392**	**768,486**

The notes on pages 11 to 26 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

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*
Cash generated from operations	**100,754**	15,027
Income tax paid	**(4,312)**	(6,472)
Net cash generated from operating activities	**96,442**	8,555
Net cash used in investing activities	**(263,283)**	(318,108)
Net cash generated from financing activities	**310,976**	301,178
Net increase/(decrease) in cash and cash equivalents	**144,135**	(8,375)
Cash and cash equivalents at 1 January	**144,926**	279,836
Effect of foreign exchange rate changes	**1**	(23)
Cash and cash equivalents at 30 June	**289,062**	271,438

The notes on pages 11 to 26 form part of this interim financial report.

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi)

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").

The interim financial report is unaudited, but has been reviewed by the Audit Committee of the Company. It has also been reviewed by KPMG in accordance with the Hong Kong Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). KPMG's independent review report to the Board of Directors is included on pages 27 to 28.

The financial information relating to the financial year ended 31 December 2010 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2010 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 31 March 2011.

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 Operating segments

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

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

- Construction aluminium profiles: this segment manufactures and sells construction aluminium profiles with surface finishing, including anodic oxidation aluminium profiles, electrophoresis coating aluminium profiles, powder coating aluminium profiles and PVDF coating aluminium profiles. Construction aluminium profiles are widely used in architecture decoration.

All other segments include the provision of processing services and manufacture and sale of aluminium panels, moulds and spare parts.

(a) Segment results, assets and liabilities

In accordance with IFRS 8, segment information disclosed in the interim financial report has been prepared in a manner consistent with the information used by the Group's most senior executive management for the purposes of assessing segment performance and allocating resources between segments. In this regard, the Group's senior executive management monitors the results attributable to each reportable segment.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. However, assistance provided by one segment to another, including sharing of assets and technical know-how, is not measured.

The measure used for reporting segment profit is gross profit. The Group's senior executive management is provided with segment information concerning segment revenue and profit. Segment assets and liabilities are not reported to the Group's senior executive management regularly.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period ended 30 June 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
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
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)
Consolidated profit before taxation	**8,386**	48,586

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
	4,555	4,713
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)
	(302)	(8,275)

6 Profit before taxation

(a) Finance costs

	For the six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
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)
	35,191	18,516

(b) Other items

	For the six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
Depreciation	**30,932**	24,771
Amortisation of lease prepayments	**4,087**	3,798
Research and development costs	**321**	473
Write down of inventories *(note 11)*	**1,602**	1,342
Impairment loss on trade and other receivables *(note 12)*	**–**	114
Operating lease charges	**526**	2,130

7 Income tax expenses

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

(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) Pursuant to the New Tax Law in the PRC, from 1 January 2008, non-resident enterprises without an establishment or place of business in the PRC or which have an establishment or place of business in the PRC but whose relevant income is not effectively connected with the establishment or a place of business in the PRC, will be subject to withholding tax at the rate of 10% (unless reduced by tax treaty) on various types of passive income such as dividends derived from sources within the PRC. As Guangdong Xingfa is held by a Hong Kong incorporated subsidiary, a rate of 5% is applicable to the calculation of this withholding tax.

As Guangdong Xingfa is wholly owned by the Company, the Company can control the payments of dividends by Guangdong Xingfa and the Company's directors have confirmed that it is unlikely that Guangdong Xingfa will pay dividends in connection with the profits generated after 1 January 2008 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 Property, plant and equipment

During the six months ended 30 June 2011, the Group acquired items of property, plant and machinery with a cost of RMB91,589,000 (six months ended 30 June 2010: RMB323,945,000).

11 Inventories

During the six months ended 30 June 2011, the Group recognised a reduction in the amount of inventories of RMB1,602,000 (six months ended 30 June 2010: RMB1,342,000), being the amount of a write-down of inventories to net realisable value.

12 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 *RMB'000*	At 31 December 2010 *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) *(Note 16(b))*.

At 30 June 2011, the Group's trade debtors of RMB487,000 (31 December 2010: RMB487,000) was individually determined to be impaired. The individually impaired receivable related to two customers that were in financial difficulties and management assessed that the receivables are expected not to be recovered. No specific allowance for doubtful debt was recognised during the six month ended 30 June 2011 (six months ended 30 June 2010: RMB114,000).

13 Pledged deposits

At 30 June 2011, pledged deposits have been pledged to banks as securities for certain banking facilities *(Note 16(b))* and to a future dealer as securities for the aluminium future contracts entered into by the Group.

The aggregate notional contract value of the aluminium future contracts secured by pledged deposits as at 30 June 2011 was RMB145,022,000 (31 December 2010: RMB62,357,000).

14 Cash and cash equivalents

	At 30 June 2011 *RMB'000*	At 31 December 2010 *RMB'000*
Cash and cash at bank	**289,062**	144,926

15 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 *RMB'000*	At 31 December 2010 *RMB'000*
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

16 Loans and borrowings

(a) *Loans and borrowings were repayable as follows:*

	At 30 June 2011 *RMB'000*	At 31 December 2010 *RMB'000*
Within one year	**977,174**	706,036
After 1 year but within 2 years	**165,200**	116,000
After 2 years but within 5 years	**464,800**	429,000
After 5 years	**54,000**	–
	1,661,174	1,251,036

(b) *Terms*

	At 30 June 2011 *RMB'000*	At 31 December 2010 *RMB'000*
Secured bank loans	**1,104,078**	788,482
Unsecured bank loans	**557,096**	462,554
	1,661,174	1,251,036

At 30 June 2011, the Group's banking facilities amounted to RMB1,717,577,000 (31 December 2010: RMB1,090,290,000) were secured by the following assets:

	At 30 June 2011 *RMB'000*	At 31 December 2010 *RMB'000*
Carrying value of assets:		
Property, plant and equipment	**25,689**	25,689
Lease prepayment	**331,704**	291,955
Trade receivables *(Note 12)*	**38,304**	–
Bills receivable *(Note 12)*	**10,000**	–
Pledged deposits *(Note 13)*	**73,178**	19,268
	478,875	336,912

As at 30 June 2011, the Group's utilised banking facilities amounted to RMB312,839,000 (31 December 2010: RMB291,500,000) were guaranteed by the related parties.

As at 30 June 2011, banking facilities of the Group totalling RMB2,626,473,000 (31 December 2010: RMB2,270,344,000) were utilised to the extent of RMB1,741,532,000 (31 December 2010: RMB1,345,517,000).

17 Obligations under finance leases

The Group had obligations under finance leases repayable as follows:

	At 30 June 2011		At 31 December 2010	
	Present value of the minimum lease payments *RMB'000*	**Total minimum lease payments** *RMB'000*	Present value of the minimum lease payments *RMB'000*	Total minimum lease payments *RMB'000*
Within one year	**23,795**	**25,221**	23,271	25,107
After 1 years but within 2 years	**12,378**	**12,621**	24,408	25,129
	36,173	**37,842**	47,679	50,236
Less: total future interest expenses		**(1,669)**		(2,557)
Present value of lease obligations		**36,173**		47,679

18 Deferred income

The Group had received government grants in connection with acquisition of assets for the new production plants set up in Jiangxi Province, Sichuan Province and Henan Province of the PRC. The subsidies were granted to the Group as development fund of the investment projects by local municipal government.

The government grants are recorded as deferred income and are to be recognised as income on a straight-line basis over the expected useful live of related assets.

	At 30 June 2011 *RMB'000*	At 31 December 2010 *RMB'000*
Total deferred income	**117,752**	84,000
Less: current portion included in trade and other payables	**(6,356)**	(5,302)
	111,396	78,698

19 Commitments

(a) Capital commitments

Capital commitments outstanding at 30 June 2011 not provided for in the interim financial report were as follows:

	At 30 June 2011 *RMB'000*	At 31 December 2010 *RMB'000*
Contracted for		
– Building a new aluminium profile production base in Chengdu City	**34,590**	74,788
– Building a new aluminium profile production base in Yichun City	**56,544**	128,592
– Building a new aluminium profile production base in Qinyang City	**59,267**	–
– Purchase of property, plant and equipment for the production base in Sanshui District, Foshan City	**14,055**	2,320
	164,456	205,700
Authorised but not contracted for	**443,784**	1,096,560
	608,240	1,302,260

(b) Operating lease commitments

At 30 June 2011, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 June 2011 *RMB'000*	At 31 December 2010 *RMB'000*
Within 1 year	**14**	635

20 Material related party transactions

In addition to the transactions and balances disclosed elsewhere in this interim financial report, the Group entered into the following material related party transactions:

During the period ended 30 June 2011, the directors are of the view that related parties of the Group include the following individuals/companies:

Name of related party	Relationship with the Group
LUO Su	Executive Director
LUO Riming	Executive Director
LIAO Yuqing	Executive Director
Foshan Leahin Coating Co., Ltd. ("Leahin Coating") (佛山立興塗料有限公司) *(i)*	Effectively owned by the Executive Directors
Guangdong Xingfa Curtain Wall, Door & Window Co., Ltd. ("Xingfa Curtain Wall") (廣東興發幕牆門窗有限公司) *(i)*	Effectively owned by the Executive Directors
Guangdong Xingfa Group Co., Ltd ("Xingfa Group") (廣東興發集團有限公司) *(i)*	Effectively owned by the Executive Directors
Guangdong Xingfa Innovation Co., Ltd ("Xingfa Innovation") (廣東興發創新有限公司) *(i)*	Effectively owned by the Executive Directors

(i) The English translation of the company names is for reference only. The official names of these companies are in Chinese.

(a) Transactions

(i) Sales and purchase

	For the six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
Sales of goods to		
– Xingfa Curtain Wall	**25,352**	18,530
Purchase of raw materials from		
– Leahin Coating	**3,088**	8,026
– Xingfa Curtain Wall	**–**	9,037
	3,088	17,063

(ii) Operating lease arrangements

	For the six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
Operating lease expenses charged by		
– Xingfa Group	**–**	996
– Xingfa Innovation	**–**	578
	–	1,574

(iii) Receipt on behalf of the Group

	For the six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
Xingfa Innovation	**–**	150
Xingfa Group	**–**	2,468
Total	**–**	2,618

(iv) Financial guarantees

Certain banking facilities utilised by the Group were guaranteed by the following related parties as at the end of the reporting period.

	At 30 June 2011	At 31 December 2010
	RMB'000	*RMB'000*
LUO Su, LUO Riming, and LIAO Yuqing	**272,839**	261,500
Xingfa Group, LUO Su, LUO Riming and LIAO Yuqing	**20,000**	25,000
Xingfa Group	**20,000**	5,000
	312,839	291,500

(b) Balances with related parties

As at the end of the reporting period, the Group had the following balances with related parties:

(i) Trade and other receivables

	At 30 June 2011 ***RMB'000***	At 31 December 2010 *RMB'000*
Trade related		
Xingfa Curtain Wall	**9,406**	5,111

(ii) Trade and other payables

	At 30 June 2011 ***RMB'000***	At 31 December 2010 *RMB'000*
Trade related		
Leahin Coating	**852**	1,020

The amounts due from/(to) related parties are unsecured, interest free and have no fixed terms of repayment.

INDEPENDENT REVIEW REPORT

KPMG

Independent review report to the board of directors of
Xingfa Aluminium Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial report set out on pages 5 to 26 which comprises the consolidated statement of financial position of Xingfa Aluminium Holdings Limited as of 30 June 2011 and the related consolidated income statement, consolidated statement of comprehensive income and consolidated statement of changes in equity and condensed consolidated statement of cash flow for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim financial reporting" adopted by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of this interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2011 is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim financial reporting".

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

31 August 2011

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 rose 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 RMB1,173.7 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 costs increased by approximately 14% to approximately RMB19.0 million in 1H11 (1H10: RMB16.7 million), whilst the distribution costs 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: RMB39.4 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: RMB18.5 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 to (i) 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 *(Note)*	**0.94**	0.95
Quick ratio *(Note)*	**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 *(Note)*	**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 *(Note)*	**67**	57

Notes:

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

Inventories balance as at the respective periods end during the two periods ended 30 June 2010 and 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 *(Note)*	**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 *(Note)*	**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
	RMB'million	*RMB'million*
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.

Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- **market risk**
- **credit risk**
- **liquidity risk**

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group' activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(a) Market risk

Increasing market fluctuations may result in significant cash-flow and profit volatility risk for the Group. The Group's income or the values of its holding of financial instruments are affected by changes in commodity price of aluminium, foreign exchange rate and interest rate. The objective of market risk management is to manage and control market risk exposures within the acceptable parameters, while minimising the costs on managing the risk.

The Group seeks to manage and control the market risks primarily through its regular operating and financial activities, and uses derivative instruments when deemed appropriate. All such transactions are carried out within the guidelines set by the Board of Directors.

(i) Commodity price risk on aluminium

Aluminium ingots are the major raw materials of the Group's products which account for approximately 80% of total cost of sales. Fluctuations on commodity price of aluminium will have a significant impact on the Group's earnings, cash flows as well as the value of the inventories. The Group uses its futures contracts traded on the Shanghai Futures Exchange to reduce its risks arising from fluctuations in aluminium price. The Group enters futures based on the inventories on hand, expected usage of aluminium and sales requirements. The Group considers that it is not cost effective to maintain a highly effective hedge on transaction basis.

(ii) Foreign currency risk

As the Group's principal activities are carried out in the PRC, the Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the functional currency of the operations in the PRC, RMB, to which they relate. The transactions in foreign currency are primarily denominated in USD. The Group currently does not have a policy to exercise fair value hedges on foreign currency risk as the impact of foreign currency on the Group's total cost of sales are minimal. However, management monitors foreign currency exposure to ensure that the net exposure is kept to an acceptable level and will consider hedging significant transactions should the need arise.

(iii) Interest rate risk

The Group adopts a policy of ensuring that over 50% of its exposure to changes in interest rates on borrowings is on a fixed rate basis. The Group's loans and borrowings are mainly short-term and on fixed rate basis.

(b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and other receivables.

The Group has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, where available. Credit limit is established for each customer which represents the maximum open amount without requiring approval from the Board of Directors; these limits are reviewed annually. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group on a prepayment basis. The Group chases the customers to settle the due balances and monitors the settlement progress on an ongoing basis.

The maximum exposure of credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position, including derivative financial instruments.

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

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.

OTHER INFORMATION

Interim Dividend

Having considered the need to retain the Company's cash for working capital and capital expenditure, the Board did not recommend any interim dividend for the six months ended 30 June 2011.

Share Option Scheme

The Company adopted a share option scheme (the "**Scheme**") on 29 February 2008. The purpose of the Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group.

The principal terms of the Scheme are summarised as follows:

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Scheme and any other schemes of the Group must not exceed 41,800,000 Shares, being 10% of Shares in issue on the date of listing of the Shares on the Stock Exchange unless approval of the shareholders of the Company ("**Shareholders**") has been obtained, and which must not in aggregate exceed 30% of the Shares in issue from time to time.

No share option was granted by the Company since its adoption. As at 30 June 2011, the total number of Shares available for issue under the Scheme is 41,800,000 Shares, which represents 10% of the issued Shares as at the date of listing of the Shares on the Stock Exchange.

The maximum number of Shares issued and to be issued upon exercise of the options granted to each eligible participant (including exercised and outstanding options) in any 12-month period shall not exceed 1% of the issued Shares from time to time.

The subscription price for the Shares under the Scheme shall be such price as the board of Directors ("**Board**") may in its absolute discretion determine at the time of grant of the option but the subscription price shall not be less than the highest of (i) the closing price of a Share as stated in the Stock Exchange's daily quotation sheets on the date of the Board approving the grant of an option, which must be a business day ("**Offer Date**"); (ii) the average closing price of a Share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the Offer Date; and (iii) the nominal value of a Share.

An option may be exercised in whole or in part in accordance with the terms of the Scheme at any time during the period commencing immediately after the business day on which the option is deemed to be granted and accepted in accordance with the Scheme ("**Commencement Date**") and expiring on such date of the expiry of the option as the Board may in its absolute discretion determine and which shall not exceed ten years from the Commencement Date but subject to the provisions for early termination thereof as set out in the Scheme.

Upon acceptance of the grant of an option, the grantee shall pay HK$1.00 to the Company as nominal consideration for the grant.

The Scheme shall be valid and effective for a period of 10 years commencing on 29 February 2008.

Directors' Rights to Acquire Shares or Debt Securities

At no time during the period under review was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.

Sufficiency of Public Float

Based on information that is available to the Company and within the knowledge of its Directors, the Company has maintained sufficient public float as required under the Listing Rules during the six months ended 30 June 2011.

Pre-emptive Rights

There are no provision for pre-emptive rights under the Company's articles of association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

Purchase, Sale or Redemption of Listed Securities of the Company

The listing of the Company's shares commenced on 31 March 2008. Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2011.

Directors' Interests in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations

As at 30 June 2011, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) ("**SFO**")) as recorded in the register required to be kept by the Company under section 352 of the SFO, or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules ("**Model Code**"), to be notified to the Company and the Stock Exchange, were as follows:

Company/Name of associated corporations	Name of directors	Capacity	Number and class of securities *(Note)*	Percentage shareholding in the same class of securities as at 30 June 2011
Company	LUO Su	Beneficial owner	136,978,600 ordinary Shares *(L)*	32.77%
Company	LUO Riming	Beneficial owner	96,495,300 ordinary Shares *(L)*	23.09%
Company	LIAO Yuqing	Beneficial owner	59,126,100 ordinary Shares *(L)*	14.15%
Company	LAW Yung Koon	Beneficial owner	6,139,000 ordinary Shares *(L)*	1.47%

Note: The letter "L" represents the director's interests in the shares.

Save as disclosed above, as at 30 June 2011, none of the Directors had registered an interest or short position in the shares, underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders and Other Persons Who Are Required to Disclose Their Interests Pursuant to Part XV of the SFO

Save as disclosed in the paragraph headed "Directors' Interests in shares, underlying shares and debentures of the Company and its associated corporations" above, as at 30 June 2011, no other person had interests or short positions in the shares and underlying shares of the Company which are required to be recorded in the register required to be kept by the Company under section 336 of the SFO.

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 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 of our Company has met with the external auditors of our Company, KPMG, to review the accounting principles and practices adopted by our Group and the consolidated results of our Group for the six months period ended 30 June 2011. The audit committee is composed of three independent non-executive directors of the Company, 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 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.

On behalf of the Board of
Xingfa Aluminium Holdings Limited
LUO Su
Chairman

Hong Kong, 31 August 2011