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
2012

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CORPORATE INFORMATION

DIRECTORS AND BOARD COMMITTEES

Directors

Executive Directors

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

Non-executive Directors

CHEN Shengguang
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
CHEN Shengguang
WONG Siu Ki

Remuneration Committee

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

Nomination Committee

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

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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Grand Cayman KY1-1111
Cayman Islands

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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 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.

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www.xingfa.com

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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**", "**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	
		2012	2011
	Note	***RMB'000***	*RMB'000*
Turnover	*3*	**1,516,117**	1,285,582
Cost of sales		**(1,351,358)**	(1,173,740)
Gross profit		**164,759**	111,842
Other revenue	*5*	**9,563**	4,555
Other net loss	*5*	**(2,844)**	(302)
Distribution costs		**(21,598)**	(19,028)
Administrative expenses		**(62,751)**	(53,490)
Profit from operation		**87,129**	43,577
Finance costs	*6(a)*	**(63,613)**	(35,191)
Profit before taxation	*6*	**23,516**	8,386
Income tax expenses	*7*	**(5,656)**	(1,995)
Profit for the period		**17,860**	6,391
Basic and diluted earnings per share *(RMB yuan)*	*9*	**0.04**	0.02

The notes on pages 11 to 28 form part of this interim financial report.

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	**17,860**	6,391
Other comprehensive income for the period		
Exchange differences on translation of financial statements of operations outside the People's Republic of China (the "PRC")	**654**	(688)
Total comprehensive income for the period attributable to equity shareholders of the Company	**18,514**	5,703

The notes on pages 11 to 28 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2012 – unaudited
(Expressed in Renminbi)

	Note	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Non-current assets			
Property, plant and equipment	10	**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	**11,912**	–
		1,914,566	1,806,920
Current assets			
Trading securities		**–**	1,005
Inventories	12	**450,678**	389,117
Trade and other receivables	13	**1,002,124**	1,275,835
Pledged deposits	14	**166,734**	194,962
Cash and cash equivalents	15	**311,877**	244,222
		1,931,413	2,105,141
Current liabilities			
Trade and other payables	16	**861,539**	1,258,246
Loans and borrowings	17	**1,444,371**	1,061,527
Obligations under finance leases	18	**12,378**	24,430
Derivative financial instruments		**2,496**	5,117
Current tax payables		**32,840**	32,097
		2,353,624	2,381,417
Net current liabilities		**(422,211)**	(276,276)
Total assets less current liabilities		**1,492,355**	1,530,644

	Note	**At 30 June 2012** *RMB'000*	At 31 December 2011 *RMB'000*
Non-current liabilities			
Loans and borrowings	*17*	**591,000**	643,000
Deferred income	*19*	**107,434**	112,237
		698,434	755,237
Net assets		**793,921**	775,407
Capital and reserves			
Share capital		**3,731**	3,731
Reserves		**790,190**	771,676
Total equity		**793,921**	775,407

The notes on pages 11 to 28 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months 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	3,731	196,160	6,200	209,822	74,407	(2,226)	280,392	768,486
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	3,731	196,160	6,200	209,822	77,388	(3,726)	285,832	775,407
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	**3,731**	**196,160**	**6,200**	**209,822**	**77,388**	**(3,072)**	**303,692**	**793,921**

The notes on pages 11 to 28 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

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*
Cash (used in)/generated from operations	**(64,900)**	100,754
Income tax paid	**(2,669)**	(4,312)
Net cash (used in)/generated from operating activities	**(67,569)**	96,442
Net cash used in investing activities	**(120,102)**	(263,283)
Net cash generated from financing activities	**255,014**	310,976
Net increase in cash and cash equivalents	**67,343**	144,135
Cash and cash equivalents at 1 January	**244,222**	144,926
Effect of foreign exchange rate changes	**312**	1
Cash and cash equivalents at 30 June	**311,877**	289,062

The notes on pages 11 to 28 form part of this interim financial report.

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi)

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 disclosed 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").

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 page 29.

The financial information relating to the financial year ended 31 December 2011 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 2011 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 29 March 2012.

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 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 2012 and 2011 respectively are set out below.

	Industrial aluminium profiles		Construction aluminium profiles		All other segments		Total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Reportable segment revenue								
Revenue from external customers	**378,686**	382,692	**1,113,677**	817,078	**23,754**	85,812	**1,516,117**	1,285,582
Reportable segment profit								
Gross profit	**48,291**	46,728	**115,143**	59,126	**1,325**	5,988	**164,759**	111,842

(b) Reconciliations of reportable segment profit

	For the six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
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	**23,516**	8,386

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

6 Profit before taxation

(a) *Finance costs*

	For the six months ended 30 June	
	2012	2011
	RMB'000	*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)
	63,613	35,191

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

7 Income tax expenses

	For the six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
Current tax		
Provision for PRC income tax	**2,883**	5,297
Provision for Hong Kong Profits Tax	**529**	737
	3,412	6,034
Deferred tax		
Origination and reversal of temporary differences	**2,244**	(4,039)
	5,656	1,995

(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) 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. As at 30 June 2012, no provision of withholding tax was provided by Guangdong Xingfa.

8 Dividends

(i) Dividends payable to equity shareholders attributable to the interim period

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

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

	For the six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
Final dividends in respect of the previous financial year, approved and paid during the interim period ended 30 June 2011 of RMB0.035 per share	–	14,630

9 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.

10 Property, plant and equipment

During the six months ended 30 June 2012, the Group acquired items of property, plant and machinery with a cost of RMB322,237,000 (six months ended 30 June 2011: RMB91,589,000).

11 Other investment

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 *(Note 21(a)(ii))*. The principal activities of Star Lake Material are manufacturing and sale of nonferrous metals and biomaterials.

12 Inventories

During the six months ended 30 June 2012, there was no reduction recognised to write-down the inventories. During the six months ended 30 June 2011, the Group recognised a reduction in the amount of inventories of RMB1,602,000, being the amount of a write-down of inventories to net realisable value.

13 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
Amount past due	**48,194**	345,664
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). *(Note 17(b))*

At 30 June 2012, the Group's trade debtors of RMB487,000 (31 December 2011: 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 months ended 30 June 2012 (six months ended 30 June 2011: nil).

14 Pledged deposits

At 30 June 2012, pledged deposits have been pledged to banks as securities for certain banking facilities *(Note 17(b))* and to future dealers as securities for 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 2012 was RMB53,506,000 (31 December 2011: RMB59,225,000).

15 Cash and cash equivalents

	At 30 June 2012 *RMB'000*	At 31 December 2011 *RMB'000*
Cash and cash at bank	**311,877**	244,222

16 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

17 Loans and borrowings

(a) Loans and borrowings were repayable as follows:

	At 30 June 2012 *RMB'000*	At 31 December 2011 *RMB'000*
Within one year	**1,444,371**	1,061,527
After 1 year but within 2 years	**242,190**	162,780
After 2 years but within 5 years	**348,810**	431,220
After 5 years	**–**	49,000
	2,035,371	1,704,527

(b) Terms

	At 30 June 2012 *RMB'000*	At 31 December 2011 *RMB'000*
Secured bank loans	**1,354,589**	1,142,337
Unsecured bank loans	**680,782**	562,190
	2,035,371	1,704,527

The secured bank loans were secured by the following assets of the Group as at the end of the reporting period.

	At 30 June 2012 *RMB'000*	At 31 December 2011 *RMB'000*
Carrying value of assets:		
Property, plant and equipment	**19,867**	20,155
Lease prepayment	**375,786**	235,415
Trade and other receivables *(Note 13)*	**38,300**	11,242
Pledged deposits *(Note 14)*	**155,308**	179,718
	589,261	446,530

As at 30 June 2012, banking facilities of the Group totalling RMB3,062,036,000 (31 December 2011: RMB2,860,666,000) were utilised to the extent of RMB2,389,671,000 (31 December 2011: RMB2,142,967,000).

As at 30 June 2012, the Group's utilised banking facilities amounted to RMB261,860,000 (31 December 2011: RMB251,290,000) were guaranteed by the related parties *(Note 21(a)(iii))*.

18 Obligations under finance leases

The Group had obligations under finance leases repayable as follows:

	At 30 June 2012		At 31 December 2011	
	Present value of the minimum lease payments	**Total minimum lease payments**	Present value of the minimum lease payments	Total minimum lease payments
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Within one year	**12,378**	**12,621**	24,430	25,231
Less: total future interest expenses		**(243)**		(801)
Present value of lease obligations		**12,378**		24,430

19 Deferred income

The Group had received government grants. The entitlement of certain government grants is conditional. They are granted to subsidise acquisition of assets for new production plants in Jiangxi Province and Sichuan Province of the PRC.

These 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 2012	At 31 December 2011
	RMB'000	*RMB'000*
Total unamortised deferred income	**119,149**	124,379
Less: current portion included in trade and other payables	**(11,715)**	(12,142)
	107,434	112,237

20 Commitments

(a) Capital commitments

Capital commitments outstanding at 30 June 2012 not provided for in the interim financial report were as follows:

	At 30 June 2012 *RMB'000*	At 31 December 2011 *RMB'000*
Contracted for purchase of property, plant and equipment in		
– Production base in Chengdu City	**12,904**	35,156
– Production base in Yichun City	**24,744**	37,337
– Production base in Sanshui, Foshan City	**32,181**	55,662
– Production base in Qinyang City	**43,088**	49,881
	112,917	178,036
Authorised but not contracted for	**587,670**	915,799
	700,587	1,093,835

Capital commitments that authorised but not contracted for were related to next construction phases of the production plants in Yichun City, Chengdu City and Qinyang City, which were estimated to be carried on in 2014 or after.

(b) Operating lease commitments

At 30 June 2012, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 June 2012 *RMB'000*	At 31 December 2011 *RMB'000*
Within 1 year	**546**	542

21 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 2012, 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 Province Guangxin Holdings Group Ltd ("Guangxin Holdings") (廣東省廣新控股集團有限公司) *(i)*	A substantial shareholder of the Group

(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	
	2012	2011
	RMB'000	*RMB'000*
Sales of goods to		
– Xingfa Curtain Wall	**47,477**	25,352
Purchase of raw materials from		
– Leahin Coating	**886**	3,088

(ii) Other investment

On 16 March 2012, the Group had invested RMB11,911,500 in Star Lake Material, which representing 3.89% of the equity interests of Star Lake Material *(Note 11)*. Star Lake Material is controlled by Guangxin Holdings.

(iii) 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 2012	At 31 December 2011
	RMB'000	*RMB'000*
LUO Su, LUO Riming, and LIAO Yuqing	**219,000**	202,000
Xingfa Group, LUO Su, LUO Riming and LIAO Yuqing	**42,860**	34,290
Xingfa Group	**–**	15,000
	261,860	251,290

(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 2012	At 31 December 2011
	RMB'000	*RMB'000*
Trade related		
Xingfa Curtain Wall	**42,356**	72,280

(ii) Trade and other payables

	At 30 June 2012	At 31 December 2011
	RMB'000	*RMB'000*
Trade related		
Leahin Coating	**289**	81

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

INDEPENDENT REVIEW REPORT

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 28 which comprises the consolidated statement of financial position of Xingfa Aluminium Holdings Limited as of 30 June 2012 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 2012 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 2012

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 *(Note)*	**0.82**	0.88
Quick Ratio *(Note)*	**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 *(Note)*	**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 *(Note)*	**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 *(Note)*	**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 *(Note)*	**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
	RMB'million	*RMB'million*
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.

Contingent liabilities

As at 30 June 2012, our Group did not provide any guarantee in respect of liabilities of any company not being a member of our Group. Our Group had no material contingent liabilities as at 30 June 2012.

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 Hong Kong Dollars and USD.

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.

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 2012.

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 2012, 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 2012.

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

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 2012.

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

As at 30 June 2012, 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 Issuers contained in the Listing Rules ("**Model Code**"), to be notified to the Company and the Stock Exchange, were as follows:

Long position

Company/Name of associated corporations	Name of directors	Capacity	Number and class of securities	Percentage shareholding in the same class of securities as at 30 June 2012
Company	LUO Su	Beneficial owner	54,956,200 ordinary Shares	13.15%
Company	LUO Riming	Beneficial owner	51,813,700 ordinary Shares	12.40%
Company	LIAO Yuqing	Beneficial owner	48,200,100 ordinary Shares	11.53%
Company	LAW Yung Koon	Beneficial owner	19,050,000 ordinary Shares	4.56%
		Interest of spouse	1,719,000 ordinary Shares	0.41%

Save as disclosed above, as at 30 June 2012, 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

As at 30 June 2012, the following persons, other than a Director or the executive of the Company, 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:

Long position

Name of entities	Capacity	Number and class of securities	Percentage shareholding in the same class of securities as at 30 June 2012
Guangxin Aluminium (HK) Limited	Beneficial owner	123,000,000 ordinary Shares	29.43%
廣東省廣新控股集團有限公司	Interest of controlled corporation	123,000,000 ordinary Shares	29.43%
廣東省人民政府國有資產監督管理委員會	Interest of controlled corporation	123,000,000 ordinary Shares	29.43%

Save as disclosed above and in the paragraph headed “Directors’ interests in shares, underlying shares and debentures of the Company and its associated corporations” above, as at 30 June 2012, 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

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 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.

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 2012. The audit committee is composed of three independent non-executive directors and two non-executive directors of the Company, Mr. CHEN Mo, Mr. HO Kwan Yiu, Mr. LAM Ying Hung Andy, Mr. WONG Siu Ki and Mr. CHEN Shengguang. 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 2012.

On behalf of the Board of
Xingfa Aluminium Holdings Limited
LIU Libin
Chairman

Hong Kong, 31 August 2012