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 2014

CONTENTS

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 *(Chief Financial Officer)*
LAW Yung Koon
WANG Zhihua

Non-executive Director

CHEN Shengguang

Independent Non-executive Directors

CHEN Mo
HO Kwan Yiu
LAM Ying Hung, Andy
LIANG Shibin

Alternate Director to LIU Libin
WONG Siu Ki

Board Committees

Audit Committee

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

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

TAM Ka Wai, Kelvin

AUTHORIZED REPRESENTATIVES

LIU Libin
DAI Feng
WONG Siu Ki
(alternate to LIU Libin)
LAM Ying Hung, Andy
(alternate to DAI Feng)

REGISTERED OFFICE

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Cayman Islands

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Guangdong Province, China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Wing On Plaza,
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Tsim Sha Tsui East,
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.

WEBSITE

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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**", "**our Group**", "**we**" or "**us**") prepared under International Financial Reporting Standards ("**IFRS**") for the six months ended 30 June 2014 ("**1H14**"), together with the comparative figures for the corresponding period in 2013 ("**1H13**") 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 STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2014 – unaudited
(Expressed in Renminbi)

	Note	For the six months ended 30 June **2014** ***RMB'000***	2013 *RMB'000*
Turnover	*3*	**2,007,142**	1,615,258
Cost of sales		**(1,718,813)**	(1,415,175)
Gross profit		**288,329**	200,083
Other revenue	*5*	**17,786**	26,966
Other net loss	*5*	**(118)**	(2,051)
Distribution costs		**(36,032)**	(28,903)
Administrative expenses		**(90,397)**	(76,247)
Profit from operations		**179,568**	119,848
Finance costs	*6(a)*	**(75,796)**	(60,372)
Share of losses of an associate		**(385)**	–
Profit before taxation	*6*	**103,387**	59,476
Income tax expenses	*7*	**(21,122)**	(12,439)
Profit for the period attributable to equity shareholders of the Company		**82,265**	47,037
Basic and diluted earnings per share *(RMB yuan)*	*8*	**0.20**	0.11

The notes on pages 11 to 31 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in Note 20.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2014 – unaudited
(Expressed in Renminbi)

	For the six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
Profit for the period	**82,265**	47,037
Other comprehensive income for the period		
Exchange differences on translation of financial statements of operations outside the People's Republic of China (the "PRC") which may be reclassified subsequently to profit or loss	**77**	(99)
Total comprehensive income for the period attributable to equity shareholders of the Company	**82,342**	46,938

The notes on pages 11 to 31 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2014 – unaudited
(Expressed in Renminbi)

	Note	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Non-current assets			
Property, plant and equipment	9	**1,887,362**	1,832,942
Lease prepayments		**364,270**	363,274
Deferred tax assets		**15,054**	20,995
Non-current financial assets		**11,912**	11,912
Interest in an associate	10	**3,237**	–
		2,281,835	2,229,123
Current assets			
Inventories	11	**584,133**	445,701
Derivative financial instruments	12	**413**	–
Trade and other receivables	13	**1,190,471**	1,252,169
Pledged deposits	14	**302,117**	77,016
Cash and cash equivalents	15	**315,391**	240,919
		2,392,525	2,015,805
Current liabilities			
Trade and other payables	16	**1,171,680**	833,616
Loans and borrowings	17	**2,022,025**	1,786,999
Obligations under finance leases	18	**26,117**	26,024
Current tax payables		**16,556**	32,975
		3,236,378	2,679,614
Net current liabilities		**(843,853)**	(663,809)
Total assets less current liabilities		**1,437,982**	1,565,314

	Note	**At 30 June 2014** ***RMB'000***	At 31 December 2013 *RMB'000*
Non-current liabilities			
Loans and borrowings	*17*	**316,500**	495,690
Obligations under finance leases	*18*	**18,593**	30,422
Deferred income	*19*	**61,398**	63,458
		396,491	589,570
Net assets		**1,041,491**	975,744
Capital and reserves			
Share capital		**3,731**	3,731
Reserves		**1,037,760**	972,013
Total equity		**1,041,491**	975,744

The notes on pages 11 to 31 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2014 – 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 2013	3,731	196,160	6,200	209,822	85,879	(3,322)	363,901	862,371
Changes in equity for the six months ended 30 June 2013:								
Profit for the period	–	–	–	–	–	–	47,037	47,037
Other comprehensive income	–	–	–	–	–	(99)	–	(99)
Total comprehensive income for the period	–	–	–	–	–	(99)	47,037	46,938
Dividends *(Note 20)*	–	(16,592)	–	–	–	–	–	(16,592)
Balance at 30 June 2013 and 1 July 2013	3,731	179,568	6,200	209,822	85,879	(3,421)	410,938	892,717
Changes in equity for the six months ended 31 December 2013:								
Profit for the period	–	–	–	–	–	–	83,563	83,563
Other comprehensive income	–	–	–	–	–	(536)	–	(536)
Total comprehensive income for the period	–	–	–	–	–	(536)	83,563	83,027
Appropriation to reserves	–	–	–	–	14,714	–	(14,714)	–
Balance at 31 December 2013	3,731	179,568	6,200	209,822	100,593	(3,957)	479,787	975,744
Balance at 1 January 2014	3,731	179,568	6,200	209,822	100,593	(3,957)	479,787	975,744
Changes in equity for the six months ended 30 June 2014:								
Profit for the period	–	–	–	–	–	–	82,265	82,265
Other comprehensive income	–	–	–	–	–	77	–	77
Total comprehensive income for the period	–	–	–	–	–	77	82,265	82,342
Dividends *(Note 20)*	–	–	–	–	–	–	(16,595)	(16,595)
Appropriation to reserves	–	–	–	–	254	–	(254)	–
Balance at 30 June 2014	3,731	179,568	6,200	209,822	100,847	(3,880)	545,203	1,041,491

The notes on pages 11 to 31 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

for the six months ended 30 June 2014 – unaudited
(Expressed in Renminbi)

	For the six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
Cash generated from/(used in) operations	**536,233**	(104,759)
Income tax paid	**(31,600)**	(11,680)
Net cash generated from/(used in) operating activities	**504,633**	(116,439)
Net cash used in investing activities	**(381,312)**	(86,292)
Net cash (used in)/generated from financing activities	**(49,001)**	132,021
Net increase/(decrease) in cash and cash equivalents	**74,320**	(70,710)
Cash and cash equivalents at 1 January	**240,919**	264,804
Effect of foreign exchange rate changes	**152**	(782)
Cash and cash equivalents at 30 June	**315,391**	193,312

The notes on pages 11 to 31 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 29 August 2014.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2013 annual financial statements, except for the accounting policies disclosed in Note 1(b), 1(c) and the accounting policy changes that are expected to be reflected in the 2014 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 Xingfa Aluminum Holdings Limited (the "Company") and its subsidiaries (the "Group") since the 2013 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 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. KPMG's independent review report to the Board of Directors is included on page 32.

The financial information relating to the financial year ended 31 December 2013 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 2013 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 2014.

As at 30 June 2014, the Group's current liabilities exceeded its current assets by RMB843,853,000 which indicated the existence of an uncertainty which may cast doubt on the Group's ability to continue as a going concern. Notwithstanding the net current liabilities position, the Directors are of the opinion that, based on undrawn banking facilities of RMB1,379,208,000 of the Group as at 30 June 2014 and a detailed review of the working capital forecast of the Group for the twelve-month period ending 30 June 2015, the Group will have the necessary liquid funds to finance its working capital and capital expenditure requirements. Accordingly, the interim financial report has been prepared on a going concern basis.

(b) The Associate

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investee's other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

For investment in an associate accounted for under the equity method in the consolidated financial statements, the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount. The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

(c) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. The Group does not adopt hedge accounting.

2 Changes in accounting policies

The IASB has issued the following 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:

- Amendments to IFRS 10, IFRS 12 and IAS 27, Investment entities
- Amendments to IAS 32, Offsetting financial assets and financial liabilities
- Amendments to IAS 36, Recoverable amount disclosures for non-financial assets
- IFRIC 21, Levies

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

Amendments to IFRS 10, IFRS 12 and IAS 27, Investment entities

The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended IFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. These amendments do not have an impact on the Group's interim financial report as the Company does not qualify to be an investment entity.

Amendments to IAS 32, Offsetting financial assets and financial liabilities

The amendments to IAS 32 clarify the offsetting criteria in IAS 32. The amendments do not have an impact on the Group's interim financial report as they are consistent with the policies already adopted by the Group.

Amendments to IAS 36, Recoverable amount disclosures for non-financial assets

The amendments to IAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or cash-generating unit whose recoverable amount is based on fair value less costs of disposal. The Group did not have any impaired non-financial assets which require disclosure in the current accounting period under the amendments.

IFRIC 21, Levies

The Interpretation provides guidance on when a liability to pay a levy imposed by a government should be recognised. The amendments do not have an impact on the Group's interim financial report as the guidance is consistent with the Group's existing accounting policies.

3 Segment reporting

The Group manages its businesses by product lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes 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 architectural decoration.

All other segments include the provision of processing services and the manufacture and sale of 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 six months ended 30 June 2014 and 2013 respectively is set out below.

	Industrial aluminium profiles		Construction aluminium profiles		All other segments		Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Reportable segment revenue								
Revenue from external customers	**339,543**	275,990	**1,624,479**	1,317,857	**43,120**	21,411	**2,007,142**	1,615,258
Reportable segment profit								
Gross profit	**39,327**	24,230	**241,865**	168,008	**7,137**	7,845	**288,329**	200,083

(b) Reconciliations of reportable segment profit

	For the six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
Reportable segment profit derived from the Group's external customers	**288,329**	200,083
Other revenue	**17,786**	26,966
Other net loss	**(118)**	(2,051)
Distribution costs	**(36,032)**	(28,903)
Administrative expenses	**(90,397)**	(76,247)
Finance costs	**(75,796)**	(60,372)
Share of losses of an associate	**(385)**	–
Consolidated profit before taxation	**103,387**	59,476

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	
	2014	2013
	RMB'000	*RMB'000*
Other revenue		
Interest income	**2,607**	2,826
Rental income	**6,227**	632
Government grants		
– Unconditional subsidies	**3,590**	2,631
– Conditional subsidies	**5,362**	20,877
	17,786	26,966
Other net loss		
Net realised and unrealised gains on derivative financial instruments	**706**	–
Foreign exchange losses	**(661)**	(1,288)
Loss on disposal of property, plant and equipment	**(163)**	(763)
	(118)	(2,051)

6 Profit before taxation

(a) Finance costs

	For the six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
Interest expenses on bank loans	**72,784**	64,095
Interest on discounted bills	**5,709**	2,165
Finance charges on obligations under finance lease	**1,655**	1,974
Less: interest expenses capitalised into construction in progress	**(4,352)**	(7,862)
	75,796	60,372

The borrowing costs have been capitalised at a rate of 5.91% to 6.6% (six months ended 30 June 2013: 6.05% to 6.90%) per annum.

(b) Other items:

	For the six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
Depreciation	**53,013**	46,959
Amortisation of lease prepayments	**3,843**	4,171
Research and development costs	**989**	1,008
Operating lease charges	**308**	250

7 Income tax expenses

	For the six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
Current tax		
Provision for PRC income tax	**14,914**	6,074
Provision for Hong Kong Profits Tax	**267**	446
	15,181	6,520
Deferred tax		
Origination and reversal of temporary differences	**5,941**	5,919
	21,122	12,439

(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 2014 is calculated by applying the estimated annual effective tax rate of 16.5% (2013: 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% (2013: 25%) except Guangdong Xingfa Aluminium (Jiangxi) Co., Ltd ("Xingfa Jiangxi") for the six months ended 30 June 2014.

- Xingfa Jiangxi has applied for the "Advanced and New Technology Enterprise" in 2013 but finally been granted such status in the second quarter of 2014. This has entitled Xingfa Jiangxi to the preferential income tax rate of 15% from 2013 to 2015. Thus Xingfa Jiangxi made the income tax provision at the rate of 25% in 2013 then enjoyed the preferential tax rate of 15% subsequently in the corporate income tax filing for year 2013 in 2014. The corporate income tax rate applicable to Xingfa Jiangxi is 15% for the six months ended 30 June 2014.

- Guangdong Xingfa Aluminium Co., Ltd. ("Guangdong Xingfa") is qualified as an "Advanced and New Technology Enterprise" and entitled to the preferential income tax rate of 15% from 2012 to 2014. The corporate income tax rate applicable to Guangdong Xingfa is 15% for the six months ended 30 June 2014 (2013: 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 2014, no provision of withholding tax was provided by Guangdong Xingfa.

8 Earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB82,265,000 (six months ended 30 June 2013: RMB47,037,000) and 418,000,000 shares (six months ended 30 June 2013: 418,000,000 shares) in issue during the six months ended 30 June 2014.

There were no dilutive potential ordinary shares in issue for the six months ended 30 June 2014 and 2013, and therefore, the diluted earnings per share are the same as the basic earnings per share.

9 Property, plant and equipment

During the six months ended 30 June 2014, the Group acquired items of property, plant and machinery with a cost of RMB196,102,000 (six months ended 30 June 2013: RMB202,922,000).

On 22 January 2013, the Group had entered into a sale and finance lease back contract for certain production equipments expiring in three years. At the end of the respective lease term, the Group has the option to purchase the equipment at a price deemed to be a bargain purchase option. The lease contract did not include contingent rental. As at 30 June 2014, the net book value of machineries held under the finance lease of the Group was RMB96,400,000 (31 December 2013: RMB100,292,000).

10 Interest in an associate

	At 30 June 2014 *RMB'000*	At 31 December 2013 *RMB'000*
Share of net assets	**3,237**	–

Details of the Group's interest in the associate, which is accounted for using the equity method in the consolidated financial statements, are as follows:

Name of associate	Form of business structure	Place of incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by a subsidiary	Principal activity
Jiangxi Province Jingxing Aluminium Panel Manufacturing Co., Ltd ("Jiangxi Jingxing") ("江西省景興鋁模板製造有限公司") *(i)*	Limited liability company	People's Republic of China	Registered capital of RMB5,000,000	80% *(ii)*	80% *(ii)*	Manufacturing and sales of aluminium panels

(i) The English translation of the company's name is for reference only. The official name of the company is in Chinese.

(ii) 20% of Jiangxi Jingxing's paid up capital was contributed by 廣州景興建築科技有限公司 (in English for identification only, Guangzhou Jingxing Construction Technology Co. Ltd.) ("Guangzhou Jingxing"). The Group has entered into the contractual arrangement with Guangzhou Jingxing to determine the direction of the relevant activities of Jiangxi Jingxing. According to the contractual arrangement, the Group does not have rights sufficient to give it power over Jiangxi Jingxing, thus the Group deems Jiangxi Jingxing as an associate.

Jiangxi Jingxing, the only associate in which the Group participates, is an unlisted corporate entity whose quoted market price is not available.

11 Inventories

During the six months ended 30 June 2014 and 2013, there was no reduction recognised to write down the inventories.

At 30 June 2014, aluminium profiles of RMB40,000,000 was pledged for secured bank loan *(Note 17(b))*.

12 Derivative financial instruments

	At 30 June 2014 Assets	Liabilities
Aluminium futures contracts	**413**	**–**

The notional contract value outstanding at the end of the reporting period and the related terms are summarised as below:

	At 30 June 2014 *RMB'000*
Purchase contracts	
Volume *(tonne)*	**5,000**
Market value	**67,248**
Notional contract value	**66,835**
Fair value	**413**
Contract maturity date	**July to October 2014**

13 Trade and other receivables

As of the end of the reporting period, the aging analysis of trade debtors and bills receivable (which are included in trade and other receivables), based on the invoice date and net of allowance for doubtful debts, is as follows:

	At 30 June 2014 *RMB'000*	At 31 December 2013 *RMB'000*
Within 1 month	**576,886**	667,559
1 to 3 months	**348,598**	303,420
3 to 6 months	**137,945**	139,651
Over 6 months	**39,157**	44,619
Trade debtors and bills receivable, net of allowance for doubtful debts	**1,102,586**	1,155,249
Other receivables, prepayments and deposits	**87,885**	96,920
	1,190,471	1,252,169

Trade debtors and bills receivable are generally due within 60 days to 90 days from the date of invoice.

Certain bills receivable with carrying value of RMB296,142,000 were pledged as securities for bank loans of the Group as at 30 June 2014 (31 December 2013: RMB229,613,000) *(Note 17(b))*.

At 30 June 2014, the Group's trade receivables of RMB9,852,000 (31 December 2013: RMB9,448,000) was individually determined to be impaired. The individually impaired receivables related to four customers that were in financial difficulties and management assessed that the receivables are doubtful to be recovered. No specific allowance for doubtful debt was recognised during the six months ended 30 June 2014 (six months ended 30 June 2013: RMB3, 368,000). As at 30 June 2014, the allowance for doubtful debts was RMB5,367,000.

14 Pledged deposits

At 30 June 2014, pledged deposits represented bank deposits pledged to banks as securities for certain banking facilities *(Note 17(b))* of RMB147,765,000 (31 December 2013: RMB30,458,000), bills payable of RMB143,490,000 (31 December 2013: RMB46,558,000) and derivative financial instruments of RMB10,862,000 (31 December 2013: Nil).

15 Cash and cash equivalents

	At 30 June 2014 ***RMB'000***	At 31 December 2013 *RMB'000*
Cash and cash at bank	**315,391**	240,919

16 Trade and other payables

As of the end of the reporting period, the ageing analysis of trade creditors and bills payable (which are included in trade and other payables), based on the invoice date, is as follows:

	At 30 June 2014 ***RMB'000***	At 31 December 2013 *RMB'000*
Within 1 month	**305,484**	105,137
1 to 3 months	**348,189**	263,682
3 to 6 months	**207,159**	152,280
Over 6 months	**43,640**	18,283
Trade creditors and bills payable	**904,472**	539,382
Other payables and accruals	**250,717**	278,545
Deferred income *(Note 19)*	**16,491**	15,689
	1,171,680	833,616

17 Loans and borrowings

(a) Loans and borrowings were repayable as follows:

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Within one year	**2,022,025**	1,786,999
After 1 year but within 2 years	**222,000**	254,423
After 2 years but within 5 years	**94,500**	241,267
	316,500	495,690
	2,338,525	2,282,689

(b) Terms

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Secured bank loans	**1,563,525**	1,669,881
Unsecured bank loans	**775,000**	612,808
	2,338,525	2,282,689

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

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Carrying value of assets:		
Property, plant and equipment	**114,448**	36,650
Inventories	**40,000**	–
Lease prepayments	**312,043**	363,274
Bills receivable *(Note 13)*	**296,142**	229,613
Pledged deposits *(Note 14)*	**147,765**	30,458
	910,398	659,995

As at 30 June 2014, banking facilities of the Group totalling RMB3,833,378,000 (31 December 2013: RMB3,455,270,000) were utilised to the extent of RMB2,454,170,000 (31 December 2013: RMB2,401,430,000).

As at 30 June 2014, the loans and borrowings amounting to RMB1,763,115,000 have fixed interest rates ranging from 4.10% to 7.80% per annum (2013:2.85% to 6.60%). The remaining loans and borrowings have variable interest rates ranging from 6.00% to 6.90% per annum (2013:5.54% to 6.60%).

18 Obligations under finance leases

The Group had obligations under finance leases repayable as follows:

	At 30 June 2014		At 31 December 2013	
	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	**26,117**	**26,926**	26,024	26,830
After 1 year but within 2 years	**18,593**	**20,324**	24,516	27,024
After 2 years but within 5 years	**–**	**–**	5,906	6,787
	18,593	**20,324**	30,422	33,811
		47,250		60,641
Less: total future interest expenses		**(2,540)**		(4,195)
Present value of lease obligations		**44,710**		56,446

19 Deferred income

The movements in deferred income as stated under current and non-current liabilities are as follows:

	At 30 June 2014 ***RMB'000***	At 31 December 2013 *RMB'000*
At the beginning of the period/year	**79,147**	100,766
Received during the period/year	**4,104**	4,585
Recognised in profit or loss *(Note 5)*	**(5,362)**	(26,204)
At the end of the period/year	**77,889**	79,147
Net carrying amounts:		
Less: current portion included in trade and other payables *(Note 16)*	**(16,491)**	(15,689)
	61,398	63,458

Deferred income represents government grants obtained for the purposes of subsidising the Group's operation and sponsoring the costs of acquisition of fixed assets incurred by the Group. Government grants received are initially recognised in the consolidated balance sheet as deferred income.

Government grants received to subsidise the operation costs are charged through profit or loss in the same periods in which the related costs of operation are incurred.

Government grants received for sponsoring costs of acquisition of fixed assets are recognised in profit or loss over the useful life of the asset to offset the depreciation charge of the relevant assets.

Included in the deferred income as at 30 June 2014, RMB5,815,000 (31 December 2013: RMB5,315,000) and RMB72,074,000 (31 December 2013: RMB73,832,000) represent balances of government grants received to subsidise the operation costs and government grant received for sponsoring costs of acquisition of fixed assets, respectively, but not yet recognised in profit or loss.

20 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 2014 (six months ended 30 June 2013: 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	
	2014	2013
	RMB'000	*RMB'000*
Final dividends in respect of the previous financial year, approved and paid during the interim period ended 30 June 2014 of HKD 0.05 per share (six months ended 30 June 2013: HKD 0.05 per share)	**16,595**	16,592

21 Commitments

(a) Capital commitments

Capital commitments outstanding at 30 June 2014 not provided for in the interim financial report were as follows:

	At 30 June 2014 *RMB'000*	At 31 December 2013 *RMB'000*
Contracted for		
– Purchase of property, plant and equipment for the production base in Chengdu City	**766**	916
– Purchase of property, plant and equipment for the production base in Yichun City	**17,516**	503
– Purchase of property, plant and equipment for the production base in Sanshui, Foshan City	**19,083**	5,965
– Purchase of property, plant and equipment for the production base in Qinyang City	**23,590**	11,602
– Building an integrated commercial property in Foshan City	**391,704**	36,614
	452,659	55,600
Authorised but not contracted for	**45,136**	426,610
Total	**497,795**	482,210

(b) Operating lease commitments

At 30 June 2014, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 June 2014	At 31 December 2013
	RMB'000	*RMB'000*
Within 1 year	**708**	708
After 1 year but within 5 years	**767**	1,120
Total	**1,475**	1,828

22 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 2014, the directors are of the view that related parties of the Group include the following companies:

Name of related party	**Relationship with the Group**
Foshan Leahin Coating Co., Ltd. ("Leahin Coating") (佛山立興塗料有限公司) *(i)*	Effectively owned by certain Executive Directors of the Company
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 certain Executive Directors of the Company
Jiangxi Province Jingxing Aluminium Panel Manufacturing Co., Ltd ("Jiangxi Jingxing") (江西省景興鋁模板製造有限公司) *(i)*	Associate of one of the Company's subsidiaries
Guangxi Laibin Yinhai Aluminium Co., Ltd. ("LBYH") (廣西來賓銀海鋁材股份有限公司) *(i)*	Joint venture of Guangdong Province Guangxin Holdings Group Ltd (廣東省廣新控股集團有限公司) *(i)*

(i) The English translation of the company's name 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	
	2014	2013
	RMB'000	*RMB'000*
Sales of goods to		
– Xingfa Curtain Wall	**57,379**	32,492
– Jiangxi Jingxing	**4,786**	–
	62,165	32,492
Purchase of raw materials from		
– Leahin Coating	**258**	437
– Xingfa Curtain Wall	**369**	348
– LBYH	**24,225**	–
	24,852	785

(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 2014	At 31 December 2013
	RMB'000	*RMB'000*
Trade related		
Xingfa Curtain Wall	**39,399**	38,661
Jiangxi Jingxing	**4,788**	–
	44,187	38,661

(ii) Trade and other payables

	At 30 June 2014 *RMB'000*	At 31 December 2013 *RMB'000*
Trade related		
Leahin Coating	**332**	189
LBYH	**–**	1,987
	332	2,176

The amounts due from/(to) related parties are unsecured, interest free and have no fixed terms of repayment except the amounts due from Jiangxi Jingxing. The Group granted the credit period of 60 days to Jiangxi Jingxing.

INDEPENDENT REVIEW REPORT

KPMG

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 31 which comprises the consolidated statement of financial position of Xingfa Aluminium Holdings Limited as of 30 June 2014 and the related consolidated statement of profit or loss, statement of profit or loss and other comprehensive income and 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 2014 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

29 August 2014

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 30 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 2008. In 2012, Xingfa Aluminium was further awarded as the No. 1 of the Top-Twenty National Aluminium Profiles Enterprises by CNFA.

In 1H14, we are excited to see the fruitful returns from the capacity expansion plan executed in the past few years. With the aim to become an all-round and one-stop aluminum service provider in the PRC, our strategically-located plants allow Xingfa Aluminium to gain access to our clientele closely and tap our products to the market in more convenient and cost-effective ways. Therefore, it would increase our market share in the long-run.

Meanwhile, our associate – Jiangxi Province Jingxing Aluminium Panel Manufacturing Co., Ltd had commenced trial production successfully in 1H14 with an annual designed production capacity of 100,000 m^2. Given that the use of aluminium alloy construction panels in the PRC construction industry is still in its development stage, we believe that with the formation of this associate, our Group will engage in the construction aluminium panel business based in Jiangxi Province, PRC, as a pilot project to further open up the business opportunities for our Group's products in the PRC construction industry and to further broaden the product line of our Group.

Turnover

Turnover and sales volume were recorded approximately at RMB2,007.1 million and 108,300 tonnes respectively for 1H14 (1H13: RMB1,615.3 million and 83,300 tonnes respectively). The increase in turnover during the period under review was mainly contributed by the increase in sales orders for construction aluminium profiles. Such increase was driven by the execution of the capacity expansion plan in our new plants that perfectly met the increasing demand for aluminium profiles.

During the period under review, the sales volume for construction aluminium profiles increased by approximately 29% to approximately 87,100 tonnes (1H13: 67,300 tonnes). Meanwhile, the sales volume for industrial aluminium profiles increased by approximately 33% to approximately 21,200 tonnes in 1H14 (1H13: 16,000 tonnes).

Cost of sales

Cost of sales increased from approximately RMB1,415.2 million in 1H13 to approximately RMB1,718.8 million in 1H14 which was in line with the increase in turnover.

Gross profit and gross profit margin

Gross profit margin improved to 14.4% (1H13: 12.4%), whilst sales to production ratio stood at 93.2% in 1H14 (1H13: 94.1%).

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

	For the six months ended 30 June	
	2014	2013
Average gross profit margin	**14.4%**	12.4%
– Industrial aluminium profiles	**11.6%**	8.8%
– Construction aluminium profiles	**14.9%**	12.8%

With the completion of investments in plants throughout the PRC, each plant has its own production specialty which improved the whole production logistics starting from order acceptance to delivery in each plant. The improvement 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. At the same time, it helped to increase the production volume and thus improved the average gross profit margin.

Meanwhile, the average processing fee of industrial aluminium profiles and construction aluminium profiles increased by approximately 3% and 5% respectively comparing to that in 1H13. As such, the overall gross profit margin increased to 14.4% in 1H14.

Other revenue and other net loss

Our Group recorded other revenue of approximately RMB17.8 million for 1H14 (1H13: RMB27.0 million) and other net loss of approximately RMB0.1 million for 1H14 (1H13: RMB2.1 million).

The decrease of other revenue in 1H14 was mainly due to the decrease of government grants of approximately RMB14.6 million but this was partly offset by the increase of rental income of approximately RMB5.6 million.

Distribution costs

Distribution costs increased by approximately 24.6% to approximately RMB36.0 million for 1H14 (1H13: RMB28.9 million), whilst our distribution costs as a percentage of turnover remained steady at approximately 1.8% (1H13: 1.8%).

Administrative expenses

Administrative expenses was recorded at approximately RMB90.4 million for 1H14, which was approximately 18.6% higher than that in 1H13 (1H13: RMB76.2 million) and our administrative expenses as a percentage of turnover remained steady at 4.5% (1H13: 4.7%).

Finance costs

Finance costs increased by approximately 25.5% to approximately RMB75.8 million for 1H14 (1H13: RMB60.4 million). It was mainly due to the increase of short-term loans and increase in the amount of discounted or endorsed bills in 1H14. Meanwhile, less interest expenses were being capitalized because most of the capital expenditures of the Group were completed in 1H14.

Profit for the period and the net profit margin

Our Group recorded a profit of approximately RMB82.3 million for 1H14 (1H13: RMB47.0 million) and the net profit margin improved to approximately 4.1% (1H13: 2.9%). Such improvement was mainly attributable to (i) the increase in sales volume and (ii) the improved gross profit margin as a result of better internal cost control.

ANALYSIS OF FINANCIAL POSITION

Current and quick ratios

The following table sets out our Group's current and quick ratios as at 30 June 2014 and 31 December 2013:

	At 30 June 2014	At 31 December 2013
Current Ratio *(Note)*	**0.74**	0.75
Quick Ratio *(Note)*	**0.56**	0.59

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 ratios remained steady in 1H14 as compared to that at 31 December 2013.

Gearing ratio

The following table sets out our Group's gearing ratio as at 30 June 2014 and 31 December 2013:

	At 30 June 2014	At 31 December 2013
Gearing ratio *(Note)*	**51.0%**	55.1%

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 dropped since the Group has assumed more bank acceptance bills to finance the working capital needs.

Inventory Turnover Days

The following table sets out our Group's inventory turnover days during the six months ended 30 June 2014 and 2013:

	For the six months ended 30 June	
	2014	2013
Inventory Turnover Days *(Note)*	**54**	55

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 ended 30 June 2014 and 2013 represents our raw materials, work in progress and the unsold finished goods.

Inventory turnover days remained steady during the period under review as compared to the same period of last year.

Debtors' Turnover Days

The following table sets out our Group's debtors' turnover days during the six months ended 30 June 2014 and 2013:

	For the six months ended 30 June	
	2014	2013
Debtors' Turnover Days *(Note)*	**101**	109

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 during the period under review as compared to the same period of last year.

Creditors' Turnover Days

The following table sets out our Group's creditors' turnover days during the six months ended 30 June 2014 and 2013:

	For the six months ended 30 June	
	2014	2013
Creditors' Turnover Days *(Note)*	**76**	82

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.

Debtors' turnover days remained steady during the period under review as compared to the same period of last year.

Cash flow

The table below summarises our Group's cash flow during the six months ended 30 June 2014 and 2013:

	For the six months ended 30 June	
	2014	2013
	RMB'million	*RMB'million*
Net cash generated from/(used in) operating activities	**504.6**	(116.4)
Net cash used in investing activities	**(381.3)**	(86.3)
Net cash (used in)/generated from financing activities	**(49.0)**	132.0

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 the acquisition of property, plant and equipment and lease prepayment. During 1H14, our Group's capital expenditures were approximately RMB154.8 million. The significant capital expenditures during the period were mainly for the acquisition of plant and equipment for our new plants throughout the PRC.

Loans and borrowings

As at 30 June 2014, our Group's loans and borrowings amounted to approximately RMB2,338.5 million (31 December 2013: RMB2,282.7 million).

Banking facilities

As at 30 June 2014, the banking facilities of our Group amounted to approximately RMB3,833.4 million (31 December 2013: RMB3,455.3 million), of which approximately RMB2,454.2 million were utilised (31 December 2013: RMB2,401.4 million).

Contingent liabilities

Our Group had no material contingent liabilities as at 30 June 2014.

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 2014, our Group employed a total of approximately 5,314 full time employees in the PRC which included management staff, technicians, salespersons and workers. In 1H14, our Group's total expenses on the remuneration of employees were approximately RMB148.9 million, represented 7.4% 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 PRC employees) and medical insurance, discretionary bonuses and employee share options are also awarded to employees according to the assessment results of individual performance.

Newly established associate

As disclosed in the announcement of the Company dated 8 April 2014, Guangdong Xingfa has established a non-wholly owned entity with 80% stake, namely 江西省景興鋁模板製造有限公司 (in English for identification only, Jiangxi Province Jingxing Aluminium Panel Manufacturing Co., Ltd.) ("Jiangxi Jingxing"). 20% of the equity interest of Jiangxi Jingxing was owned by 廣州景興建築科技有限公司 (in English for identification only, Guangzhou Jingxing Construction Technology Ltd.). According to the contractual arrangement that determines the direction of the relevant activities of Jiangxi Jingxing, the Group does not have rights sufficient to give it power over Jiangxi Jingxing. Thus the Group deems Jiangxi Jingxing as an associate for accounting purpose notwithstanding the fact that the Group holds 80% stake in Jiangxi Jingxing. This associate is principally engaged in the business of production and sales of aluminium panels and systems, storing, refurbishing and sales of old aluminium panels and systems and its pre-assembly business, repairing of panel systems, and the production, alteration and repairing of construction panel systems and related products.

PROSPECTS

Strengthening balance sheet management, optimizing product mix and enhancing operating efficiency will be our main focuses in the second half of 2014. Besides, the establishment of the associate allows the Group to open up the business opportunities of construction aluminium panel business.

OTHER INFORMATION

Interim Dividend

The Directors do not propose the payment of interim dividend for the six months ended 30 June 2014 (1H13: Nil).

Share Option Scheme

The Company adopted a share option scheme (the "**Scheme**") on 29 February 2008. The Scheme became effective on 31 March 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 of Hong Kong Limited (the "**Stock Exchange**") unless approval of the shareholders of the Company (the "**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, exercised, cancelled or lapsed since the adoption of the Scheme. As at 30 June 2014, 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 first commenced 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 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 31 March 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 2014.

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 2014.

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

As at 30 June 2014, 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 Appendix 10 of 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 2014
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 2014, none of the Directors or the chief executive of the Company 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 2014, the following persons, other than a Director or the chief 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 2014
Guangxin Aluminium (HK) Limited	Beneficial owner	125,360,000 ordinary Shares	29.99%
廣東省廣新控股集團有限公司	Interest of controlled corporation	125,360,000 ordinary Shares	29.99%
廣東省人民政府國有資產監督管理委員會	Interest of controlled corporation	125,360,000 ordinary Shares	29.99%

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 2014, 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, save as mentioned below, the Company had complied with all the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules for 1H14.

According to the code provision A.1.1 of the Corporate Governance Code, the Board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. During the six months ended 30 June 2014, the Board has held one full board meeting. The Company has deviated from this code provision as the Board has discussed the company matters through exchange of emails and informal meetings among the Directors and obtaining board consent through circulating written resolutions.

Code Provision of A.2.7 of the Corporate Governance Code requires the Chairman of the Board to hold meetings at least annually with the non-executive Directors (including independent non-executive Directors without the executive Directors present. As Mr. LIU Libin, the Chairman of the Board, is also an executive Director, the Company has deviated from this code provision as it is not applicable. Currently, the Chairman may communicate with the non-executive Directors on a one-to-one or group basis periodically to understand their concerns, to discuss pertinent issues and to ensure that there is access to adequate and complete information.

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 2014.

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 inside 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 our Group's financial reporting process and internal control measures.

The audit committee is composed of three independent non-executive Directors of the Company namely, Mr. CHEN Mo, Mr. HO Kwan Yiu and Mr. LAM Ying Hung Andy and one non-executive Director namely, Mr. CHEN Shengguang. Mr. LAM, who has professional qualification and experience in financial matters, serves as the chairman of the audit committee.

The audit committee of our Company has met with the management and external auditors of our Company and has reviewed the consolidated results of our Group for the six months ended 30 June 2014.

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

Foshan, 29 August 2014