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)

2016

Interim Report

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

Alternative Director to LIU Libin

WONG Siu Ki *(Chief Investment Officer)*

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

Cricket Square
Hutchins Drive
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Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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Guangdong Province, China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 605, 6/F,
Wing On Plaza,
62 Mody Road,
Tsim Sha Tsui East,
Kowloon,
Hong Kong

PRINCIPAL BANKERS

Bank of China
Agriculture Bank of China
China Construction Bank
Corporation

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

Royal Bank of Canada
Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
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

www.xingfa.com

STOCK CODE

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INTRODUCTION

The board of directors (the "**Directors**" or the "**Board**") of Xingfa Aluminium Holdings Limited (the "**Company**" or "**Xingfa Aluminium**") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**", "**our Group**", "**we**" or "**us**") prepared under International Financial Reporting Standards ("**IFRS**") for the six months ended 30 June 2016 ("**1H16**"), together with the comparative figures for the corresponding period in 2015 ("**1H15**") and the relevant explanatory notes as set out below. The consolidated results are unaudited, but have been reviewed by the audit committee of the Company and the Company's independent auditors, KPMG.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2016 – unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June 2016 RMB'000	2015 RMB'000
Revenue	3	**2,288,985**	2,199,664
Cost of sales		**(1,922,170)**	(1,826,200)
Gross profit		**366,815**	373,464
Other revenue		**20,975**	22,605
Other net loss		**(1,962)**	(90)
Distribution costs		**(58,695)**	(48,907)
Administrative expenses		**(110,244)**	(126,750)
Profit from operations		**216,889**	220,322
Finance costs	5(a)	**(59,346)**	(77,495)
Share of profit/(loss) of an associate		**1,396**	(419)
Profit before taxation	5	**158,939**	142,408
Income tax	6	**(23,544)**	(28,151)
Profit for the period attributable to equity shareholders of the Company		**135,395**	114,257
Basic and diluted earnings per share *(RMB yuan)*	7	**0.32**	0.27

The notes on pages 11 to 25 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in Note 16.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2016 – unaudited
(Expressed in Renminbi)

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Profit for the period	**135,395**	114,257
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	**(161)**	(158)
Total comprehensive income for the period attributable to equity shareholders of the Company	**135,234**	114,099

The notes on pages 11 to 25 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016 – unaudited
(Expressed in Renminbi)

	Note	**At 30 June 2016 RMB'000**	At 31 December 2015 RMB'000
Non-current assets			
Property, plant and equipment	8	**1,885,474**	1,905,468
Lease prepayments		**297,977**	301,494
Interest in an associate		**1,935**	1,416
Deferred tax assets		**39,207**	41,465
		2,224,593	2,249,843
Current assets			
Inventories	9	**841,083**	678,262
Financial assets at fair value through profit or loss	10	**7,000**	–
Trade and other receivables	11	**1,308,431**	1,298,059
Pledged deposits	12	**282,530**	278,141
Cash and cash equivalents	13	**390,001**	416,012
		2,829,045	2,670,474
Current liabilities			
Trade and other payables	14	**1,702,986**	1,407,636
Loans and borrowings	15	**1,491,214**	1,699,467
Obligations under finance leases		**–**	6,712
Current taxation		**12,710**	25,197
		3,206,910	3,139,012
Net current liabilities		**(377,865)**	(468,538)
Total assets less current liabilities		**1,846,728**	1,781,305

	Note	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Non-current liabilities			
Loans and borrowings	*15*	**267,844**	301,000
Deferred tax liabilities		**5,619**	3,690
Deferred income		**50,080**	56,769
		323,543	361,459
Net assets		**1,523,185**	1,419,846
Capital and reserves			
Share capital		**3,731**	3,731
Reserves		**1,519,454**	1,416,115
Total equity		**1,523,185**	1,419,846

The notes on pages 11 to 25 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2016 – 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 2015	3,731	179,568	6,200	209,822	137,052	(3,751)	651,339	1,183,961
Changes in equity for the six months ended 30 June 2015								
Profit for the period	–	–	–	–	–	–	114,257	114,257
Other comprehensive income	–	–	–	–	–	(158)	–	(158)
Total comprehensive income	–	–	–	–	–	(158)	114,257	114,099
Dividends approved in respect of the previous years *(Note 16)*	–	–	–	–	–	–	(30,152)	(30,152)
Balance at 30 June 2015 and 1 July 2015	3,731	179,568	6,200	209,822	137,052	(3,909)	735,444	1,267,908
Changes in equity for the six months ended 31 December 2015								
Profit for the period	–	–	–	–	–	–	151,510	151,510
Other comprehensive income	–	–	–	–	–	428	–	428
Total comprehensive income	–	–	–	–	–	428	151,510	151,938
Appropriation to reserves	–	–	–	–	29,972	–	(29,972)	–
Balance at 31 December 2015	3,731	179,568	6,200	209,822	167,024	(3,481)	856,982	1,419,846
Balance at 1 January 2016	3,731	179,568	6,200	209,822	167,024	(3,481)	856,982	1,419,846
Changes in equity for the six months ended 30 June 2016								
Profit for the period	–	–	–	–	–	–	135,395	135,395
Other comprehensive income	–	–	–	–	–	(161)	–	(161)
Total comprehensive income	–	–	–	–	–	(161)	135,395	135,234
Dividends approved in respect of the previous years *(Note 16)*	–	–	–	–	–	–	(31,895)	(31,895)
Balance at 30 June 2016	3,731	179,568	6,200	209,822	167,024	(3,642)	960,482	1,523,185

The notes on pages 11 to 25 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2016 – unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June 2016 RMB'000	2015 RMB'000
Operating activities			
Cash generated from operations		**450,415**	132,099
Income tax paid		**(31,844)**	(24,097)
Net cash generated from operating activities		**418,571**	108,002
Investing activities			
Payment for the purchase of property, plant and equipment		**(94,326)**	(101,705)
Payment for purchase of wealth management products		**(7,000)**	–
Other cash flow arising from investing activities		**(678)**	(32,734)
Net cash used in investing activities		**(102,004)**	(134,439)
Financing activities			
Interest paid		**(62,674)**	(76,834)
Proceeds from loans and borrowings		**969,969**	1,388,626
Repayment of loans and borrowings		**(1,211,378)**	(1,274,532)
Dividends paid to equity shareholders of the Company		**(31,895)**	(30,152)
Other cash flow arising from financing activities		**(6,770)**	(13,527)
Net cash used in financing activities		**(342,748)**	(6,419)
Net decrease in cash and cash equivalents		**(26,181)**	(32,856)
Cash and cash equivalents at 1 January	13	**416,012**	305,856
Effect of foreign exchange rates changes		**170**	(19)
Cash and cash equivalents at 30 June	13	**390,001**	272,981

The notes on pages 11 to 25 form part of this interim financial report.

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi)

1 Basis of preparation

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules"), including compliance with International Accounting Standard ("IAS") 34, Interim Financial Reporting, issued by the International Accounting Standards Board ("IASB"). It was authorised for issue on 31 August 2016.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2015 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2016 annual financial statements. Details of any 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 2015 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 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 26 and 27.

The financial information relating to the financial year ended 31 December 2015 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2015 are available from the Company's registered office. The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report.

As at 30 June 2016, the Group's current liabilities exceeded its current assets by RMB377,865,000 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 have evaluated all the relevant facts available to them and are of the opinion that there are good track records or relationship with the banks which enhance the Group's ability to renew the current bank loans upon expiry or to use. Based on undrawn banking facilities of RMB1,083,848,000 as at 30 June 2016 and a detailed review of the working capital forecast of the Group for the twelve-month period ending 30 June 2017, the Directors are of the opinion that, the Group will have 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.

2 Changes in accounting policies

The IASB has issued a number of amendments to IFRSs that are first effective for the current accounting period of the Group. Of these, the following amendments are relevant to the Group:

- Annual Improvements to IFRSs 2012-2014 Cycle
- Amendments to IAS 1, Presentation of financial statements: Disclosure initiative

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

Annual Improvements to IFRSs 2012-2014 Cycle

This cycle of annual improvements contains amendments to four standards. Among them, IAS 34, Interim financial reporting, has been amended to clarify that if an entity discloses the information required by the standard outside the interim financial statements by a cross-reference to the information in another statement of the interim financial report, then users of the interim financial statements should have access to the information incorporated by the cross-reference on the same terms and at the same time. The amendments do not have an impact on the Group's interim financial report as the Group does not present the relevant required disclosures outside the interim financial statements.

Amendments to IAS 1, Presentation of financial statements: Disclosure initiative

The amendments to IAS 1 introduce narrow-scope changes to various presentation requirements. The amendments do not have a material impact on the presentation and disclosure of the Group's interim financial report.

3 Segment reporting

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

Other segments include the provision of processing services, manufacture and sale of aluminium panels, moulds and spare parts and property development.

(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 amortization 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 2016 and 2015 respectively is set out below:

	Industrial aluminium profiles		Construction aluminium profiles		Other segments		Total	
	Six months ended 30 June 2016	Six months ended 30 June 2015	**Six months ended 30 June 2016**	Six months ended 30 June 2015	**Six months ended 30 June 2016**	Six months ended 30 June 2015	**Six months ended 30 June 2016**	Six months ended 30 June 2015
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Reportable segment revenue								
Revenue from external customers	**337,907**	347,121	**1,923,577**	1,818,784	**27,501**	33,759	**2,288,985**	2,199,664
Reportable segment profit								
Gross profit	**48,476**	53,352	**305,336**	313,720	**13,003**	6,392	**366,815**	373,464

(b) Reconciliations of reportable segment profit or loss

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Reportable segment profit derived from the Group's external customers	**366,815**	373,464
Other revenue	**20,975**	22,605
Other net loss	**(1,962)**	(90)
Distribution costs	**(58,695)**	(48,907)
Administrative expenses	**(110,244)**	(126,750)
Finance costs	**(59,346)**	(77,495)
Share of profit/(loss) of an associate	**1,396**	(419)
Consolidated profit before taxation	**158,939**	142,408

4 Seasonality of operations

The Group's operation 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.

For the twelve months ended 30 June 2016, the Group reported revenue of RMB5,067,150,000 (twelve months ended 30 June 2015: RMB5,036,437,000), and gross profit of RMB823,112,000 (twelve months ended 30 June 2015: RMB842,762,000).

5 Profit before taxation

Profit before taxation is arrived at after charging/ (crediting):

(a) Finance costs

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Interest expenses on bank loans	**52,078**	70,134
Interest expenses on discounted bills	**7,210**	6,585
Finance charges on obligations under finance lease	**58**	840
Less: interest expenses capitalised into construction in progress	**–**	(64)
	59,346	77,495

(b) Other items:

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Depreciation	**113,889**	84,163
Amortisation of lease prepayments	**3,517**	3,516
Impairment losses (reversed)/ recognised for doubtful debts	**(9,182)**	807
Operating lease charges	**456**	381
Interest income	**3,711**	6,197
Research and development costs	**1,429**	2,138
Cost of inventories (i)	**1,922,170**	1,826,200

(i) During the six months ended 30 June 2016, cost of inventories include RMB103,159,000 relating to depreciation, amortisation, operating lease charges (six months ended 30 June 2015: RMB72,290,000), which amount is also included in the respective total amounts disclosed separately above, and RMB135,417,000 relating to staff costs (six months ended 30 June 2015: RMB115,510,000).

6 Income tax

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Current tax – PRC corporate income tax	**19,162**	24,320
Current tax – Hong Kong Profits Tax	**195**	–
Deferred tax	**4,187**	3,831
	23,544	28,151

(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 2016 is calculated by applying the estimated annual effective tax rate of 16.5% (six months ended 30 June 2015: 16.5%).

(c) Pursuant to the income tax rules and regulations of the PRC, the PRC subsidiaries of the Group are liable to PRC corporate income tax as follows:

- Foshan Xingfa Real Estate Co., Ltd. and Foshan Xingfa Trading Co., Ltd. are liable to the PRC corporate income tax at a rate of 25% for the six months ended 30 June 2016 (six months ended 30 June 2015: 25%).

- Guangdong Xingfa Aluminium Co., Ltd ("Guangdong Xingfa") and Xingfa Aluminium (Chengdu) Co., Ltd were certified as "Advanced and New Technology Enterprises" ("ANTE") and entitled to the preferential income tax rate of 15% for the six months ended 30 June 2016 (six months ended 30 June 2015: 15%).

- Guangdong Xingfa Aluminium (Henan) Co. Ltd ("Xingfa Henan") was certified as ANTE and entitled to the preferential income tax rate of 15% for the six months ended 30 June 2016 (six months ended 30 June 2015: 25%).

- Guangdong Xingfa Aluminium (Jiangxi) Co., Ltd was qualified as an ANTE and entitled to the preferential income tax rate of 15% for a valid period of three years from 2013 to 2015. Xingfa Jiangxi is in the process of applying for the renewal of ANTE certificate for another three years from 2016 to 2018. The directors believe that Xingfa Jiangxi will be able to renew the ANTE certificate and continue to be entitled to the preferential income tax rate for 2016 to 2018. Hence, the corporate income tax rate being used for Xingfa Jiangxi was 15% for the six months ended 30 June 2016 (six months ended 30 June 2015: 15%).

(d) During the six months ended 30 June 2016, Guangdong Xingfa and Xingfa Henan obtained approval from local tax authorities to claim super deduction on research and development expenses. As a result, the income tax for the six months ended 30 June 2016 was reduced by RMB3,616,000 (six months period ended 30 June 2015: nil). Such additional tax deduction on research and development expenses equals 50% of the amount actually incurred.

7 Earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB135,395,000 (six months ended 30 June 2015: RMB114,257,000) and 418,000,000 shares (six months ended 30 June 2015: 418,000,000 shares) in issue during the six months ended 30 June 2016.

There were no dilutive potential ordinary shares in issue for the six months ended 30 June 2016 and 2015, and therefore, the diluted earnings per share are the same as the basic earnings per share.

8 Property, plant and equipment

During the six months ended 30 June 2016, the Group acquired items of property, plant and machinery with total costs of RMB94,326,000 (six months ended 30 June 2015: RMB101,767,000).

9 Inventories

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Aluminium profiles manufacturing		
Raw materials	**138,548**	143,275
Work in progress	**101,203**	73,261
Finished goods	**387,830**	290,021
	627,581	506,557
Property under development for sale		
Land use right	**47,388**	47,388
Deed tax	**4,760**	4,760
Construction cost	**161,354**	119,557
	213,502	171,705
	841,083	678,262

During the six months ended 30 June 2016, RMB1,922,170,000 (six months ended 30 June 2015: RMB1,826,200,000) has been recognised as cost of sales in profit or loss.

As at 30 June 2016, aluminium profiles of RMB40,000,000 were pledged for secured bank loan (31 December 2015: RMB40,000,000) (Note 15).

10 Financial assets at fair value through profit or loss

As at 30 June 2016, the Group held investment in a wealth management product ("WMP") issued by Agricultural Bank of China in the PRC with principal amount of RMB7,000,000 (31 December 2015: nil). The investment return is to be received along with the principal upon maturity or early termination. The investment return on this WMP was variable, but limited to a maximum return rate of 2.0%-3.3% depending on the actual investment period. As at 30 June 2016, the fair value of this WMP is not materially different from its carrying amount.

Investment in the WMP is 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.

11 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 2016 *RMB'000*	At 31 December 2015 *RMB'000*
Within 1 month	**641,583**	638,927
1 to 3 months	**420,932**	354,993
3 to 6 months	**107,089**	178,111
Over 6 months	**77,025**	31,797
Trade debtors and bills receivable, net of allowance for doubtful debts	**1,246,629**	1,203,828
Other receivables, prepayments and deposits	**61,802**	94,231
	1,308,431	1,298,059

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

The allowance for doubtful debts during the period, including both specific and collective loss components. As at 30 June 2016, the Group's trade debtors of RMB15,303,000 (31 December 2015: RMB25,327,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that none of the receivables is expected to be recovered. Consequently, specific allowance for doubtful debts of RMB15,303,000 (31 December 2015: RMB25,327,000) was recognised.

Certain bills receivable with carrying value of RMB190,969,000 were pledged as securities for bank loans of the Group as at 30 June 2016 (31 December 2015: RMB260,292,000) (Note 15).

12 Pledged deposits

As at 30 June 2016, pledged deposits represented bank deposits pledged to banks as securities for bills payable of RMB276,634,000 (31 December 2015: RMB179,893,000) (Note 14). As at 31 December 2015, the balance also included bank deposits pledged to banks as securities for certain banking facilities of RMB84,263,000 (Note 15).

13 Cash and cash equivalents

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Cash at bank and in hand	**390,001**	416,012

14 Trade and other payables

As of the end of the reporting period, the aging 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 2016 RMB'000	At 31 December 2015 RMB'000
Within 1 month	**512,852**	389,080
1 to 3 months	**636,326**	397,157
3 to 6 months	**186,874**	198,503
Over 6 months	**5,969**	17,390
Trade creditors and bills payable	**1,342,021**	1,002,130
Other payables and accruals	**334,617**	380,212
Deferred income	**26,348**	25,294
	1,702,986	1,407,636

Bills payable were secured by pledged bank deposits of RMB276,634,000 as at 30 June 2016 (31 December 2015: RMB179,893,000) (Note 12).

15 Loans and borrowings

Loans and borrowings were repayable as follows:

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Within one year	**1,491,214**	1,699,467
After 1 year but within 2 years	**167,739**	175,000
After 2 years but within 5 years	**100,105**	126,000
	267,844	301,000
	1,759,058	2,000,467

Loans and borrowings were secured as follows:

	At 30 June 2016 *RMB'000*	At 31 December 2015 *RMB'000*
Secured bank loans	**1,699,058**	1,961,774
Unsecured bank loans	**60,000**	38,693
	1,759,058	2,000,467

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

	At 30 June 2016 *RMB'000*	At 31 December 2015 *RMB'000*
Carrying value of assets:		
Property, plant and equipment	**286,178**	535,009
Lease prepayments	**225,980**	228,660
Bills receivable *(Note 11)*	**190,969**	260,292
Inventories *(Note 9)*	**40,000**	40,000
Pledged deposits *(Note 12)*	**–**	84,263
	743,127	1,148,224

At 30 June 2016, banking facilities of the Group totalling RMB3,376,969,000 (31 December 2015: RMB3,564,542,000) were utilised to the extent of RMB2,293,121,000 (31 December 2015: RMB2,221,955,000).

16 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 2016 (six months ended 30 June 2015: nil).

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

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Final dividends in respect of the previous financial year, approved and paid during the interim period ended 30 June 2016 of HKD0.09 per share (six months ended 30 June 2015: HKD 0.09 per share)	**31,895**	30,152

17 Commitments

(a) Capital commitments

Capital commitments outstanding at 30 June 2016 not provided for in the interim financial report were as follows:

	At 30 June 2016 *RMB'000*	At 31 December 2015 *RMB'000*
Contracted for		
– Purchase of property, plant and equipment for the production base in Chengdu City	**832**	458
– Purchase of property, plant and equipment for the production base in Yichun City	**2,094**	2,042
– Purchase of property, plant and equipment for the production base in Sanshui, Foshan City	**15,763**	18,758
– Purchase of property, plant and equipment for the production base in Qinyang City	**6,979**	8,572
– Building an integrated commercial and residential property base in Nanzhuang, Foshan City	**247,729**	284,754
	273,397	314,584
Authorised but not contracted for		
– Building an integrated commercial and residential property base in Nanzhuang, Foshan City	**88,769**	88,769
Total	**362,166**	403,353

(b) Operating lease commitments

At 30 June 2016, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	At 30 June 2016	At 31 December 2015
	RMB'000	*RMB'000*
Within 1 year	**2,007**	985
After 1 year but within 5 years	**7,153**	–
Over 5 years	**8,151**	–
Total	**17,311**	985

18 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:

(a) Transactions

During the period ended 30 June 2016, the Group sold goods of RMB69,518,000 (six months ended 30 June 2015: RMB79,483,000) to Guangdong Xingfa Curtain Wall, Door & Window Co., Ltd. ("Xingfa Curtain Wall"), which is effectively owned by the executive directors.

During the period ended 30 June 2016, the Group sold goods of RMB31,691,000 (six months ended 30 June 2015: RMB16,497,000) to Jiangxi Jingxing Aluminium Panel Manufacturing Co., Ltd ("Jiangxi Jingxing"), which is an associate of the Group.

During the period ended 30 June 2016, the Group did not make any purchase of raw materials from Guangxi Laibin Yinhai Aluminium Co., Ltd. ("LBYH") (six months ended 30 June 2015: RMB23,394,000), which is a joint venture of a substantial shareholder of the Group, Guangdong Province, Guangxin Holdings Group Ltd.

(b) Balances with related parties

As at the end of the reporting period, the Group had the balance due from Xingfa Curtain Wall of RMB38,689,000 (31 December 2015: RMB33,075,000) and balance due from Jiangxi Jingxing of RMB62,421,000 (31 December 2015: RMB25,597,000).

As at the end of the reporting period, the Group had the balance due to Foshan Leahin Coating Co., Ltd., which is the effectively owned by the executive directors, of RMB137,000 (31 December 2015: RMB137,000) and balance due to LBYH of nil (31 December 2015: RMB3,807,000).

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

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 25 which comprises the consolidated statement of financial position of Xingfa Aluminium Holdings Limited as of 30 June 2016 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 cash flow statement 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*, issued 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 enquiries, 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 2016 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 2016

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 2015, Xingfa Aluminium was awarded with Guangdong Province Science and Technology Award – First Prize by Guangdong Provincial People's Government for our industrialization and possession of key technology of magnesium alloy used for vehicles and electronic equipment.

In 1H16, though the market economy is still fragile in China, we are very excited to see the fruitful returns through increase in sales volume and reduction of administrative expenses. Having taken proactive measures in our balance sheet management, we have successfully recovered aged receivables.

Revenue

Revenue and sales volume were recorded approximately at RMB2,289.0 million and 136,900 tonnes respectively for 1H16 (1H15: RMB2,199.7 million and 122,300 tonnes respectively). The increase in revenue during the period was mainly due to the increase in sales volume. Such increase was driven by the successful execution of our marketing strategies and expansion of our sales channels.

During 1H16, the sales volume of construction aluminium profiles increased by approximately 13.4% to approximately 114,000 tonnes (1H15: 100,500 tonnes). Meanwhile, the sales volume of industrial aluminium profiles also increased by approximately 5.0% to approximately 22,900 tonnes in 1H16 (1H15: 21,800 tonnes).

Cost of sales

Cost of sales increased from approximately RMB1,826.2 million in 1H15 to approximately RMB1,922.2 million in 1H16 which was in line with the increase in revenue.

Gross profit and gross profit margin

Gross profit margin slightly decreased to 16.0% (1H15: 17.0%), whilst sales to production ratio decreased to 94.7% in 1H16 (1H15: 100%).

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

	Six months ended 30 June	
	2016	2015
Industrial aluminium profiles	**14.3%**	15.4%
Construction aluminium profiles	**15.9%**	17.2%

The slight decrease of gross profit margin by 1 percentage point was mainly due to the increase in average market price of aluminium ingot by 15% during 1H16 comparing to that of 2015. The market price of aluminium ingot continually increased during 1H16. There was a time-lag of about 5 to 7 days between the receipt of sales orders and purchase of aluminium ingot for production, which brought negative effect on the gross profit margin.

Other revenue and other net loss

Our Group recorded other revenue of approximately RMB21.0 million for 1H16 (1H15: RMB22.6 million) and other net loss of approximately RMB2.0 million for 1H16 (1H15: RMB0.1 million).

Other revenue included but not limited to government grants and bank interest income. Other revenue dropped slightly in 1H16 due to the decrease in bank saving interest income.

In contrary, other net loss included foreign exchange gain/loss. Due to the weakening of Renminbi against foreign currencies during 1H16, the net foreign exchange losses in relation to the bank borrowings denominated in foreign currencies increased to approximately RMB1.9 million (1H15: exchange gain of RMB1.3 million).

Distribution costs

Distribution costs increased by approximately 20.0% to approximately RMB58.7 million for 1H16 (1H15: RMB48.9 million), whilst our distribution costs as a percentage of revenue increased to approximately 2.6% (1H15: 2.2%). Such increase was attributable to the increase in transportation fee and promotion expenses regarding to expansion of our distribution network.

Administrative expenses

Administrative expenses was recorded at approximately RMB110.2 million in 1H16, which was approximately 13.0% lower than that in 1H15 (1H15: RMB126.8 million). In 1H16, by strengthening our balance sheet management, we have successfully recovered aged receivables. As such, provision for bad debt of trade receivables reversed by approximately RMB9.2 million during 1H16. Our administrative expenses as a percentage of revenue also decreased to 4.8% (1H15: 5.8%).

Finance costs

Finance costs decreased by approximately 23.4% to approximately RMB59.3 million in 1H16 (1H15: RMB77.5 million), mainly due to (i) less bank borrowing in 1H16 as compared to that in 1H15 which was benefited from the improvement in operating cash flows; and (ii) the decrease in average borrowing interest rate during 1H16.

Profit for the period and the net profit margin

Our Group recorded a profit of approximately RMB135.4 million in 1H16, representing a growth of approximately 18.5% as compared to that in 1H15 (1H15: RMB114.3 million) and the net profit margin improved to approximately 5.9% (1H15: 5.2%). Such improvement was mainly attributable to (i) the decrease in administrative expenses due to the reversal of provision for bad debt of trade receivables; and (ii) the decrease in finance costs as a result of the drop in average bank borrowing and average borrowing interest rate.

ANALYSIS OF FINANCIAL POSITION

Current and quick ratios

The following table sets out our Group's current and quick ratios as at 30 June 2016 and 31 December 2015:

	At 30 June 2016	At 31 December 2015
Current Ratio *(Note)*	**0.88**	0.85
Quick Ratio *(Note)*	**0.62**	0.63

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 as at 30 June 2016 as compared to that at 31 December 2015.

Gearing ratio

The following table sets out our Group's gearing ratio as at 30 June 2016 and 31 December 2015:

	At 30 June 2016	At 31 December 2015
Gearing ratio *(Note)*	**34.8%**	40.8%

Note:

Gearing ratio is calculated based on the loans and borrowings and obligations under finance leases divided by total assets and multiplied by 100%.

Benefited from the improvement in operating cash flows, our Group borrowed less from banks in 1H16 as compared to that in 1H15. As such, gearing ratio dropped in 1H16.

Inventory Turnover Days

The following table sets out our Group's inventory turnover days during 1H16 and 1H15:

	Six months ended 30 June	
	2016	2015
Inventory Turnover Days *(Note)*	**72**	56

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 2016 and 2015 represents aluminium profiles segment including our raw materials, work in progress and the unsold finished goods and property under development for sale.

The increased balance of property under development for sale led to the increase in inventories and inventory turnover days in 1H16. Excluding this impact, inventories turnover days for aluminium profiles segment remained steady during 1H16.

Debtors' Turnover Days

The following table sets out our Group's debtors' turnover days during 1H16 and 1H15:

	Six months ended 30 June	
	2016	2015
Debtors' Turnover Days *(Note)*	**97**	107

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 revenue during the periods multiplied by 181 days.

In 1H16, we have successfully recovered aged receivables. As a result, debtors' turnover days in 1H16 was improved.

Creditors' Turnover Days

The following table sets out our Group's creditors' turnover days during 1H16 and 1H15:

	Six months ended 30 June	
	2016	2015
Creditors' Turnover Days *(Note)*	**110**	125

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.

Less unsettled bills payable recorded at the end of the period which led to smaller average balance of trade and bills payable during the period. Therefore, creditors' turnover days decreased.

Cash flow

The table below summarises our Group's cash flow during 1H16 and 1H15:

	Six months ended 30 June	
	2016	2015
	RMB'million	*RMB'million*
Net cash generated from operating activities	**418.6**	108.0
Net cash used in investing activities	**(102.0)**	(134.4)
Net cash used in financing activities	**(342.7)**	(6.4)

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 1H16, our Group's capital expenditures were approximately RMB94.3 million (1H15: RMB101.8 million), which were mainly used for the acquisition of equipment for our plants throughout the PRC to increase their production capacities.

Loans and borrowings

As at 30 June 2016, our Group's loans and borrowings amounted to approximately RMB1,759.1 million (31 December 2015: RMB2,000.5 million).

Banking facilities

As at 30 June 2016, the banking facilities of our Group amounted to approximately RMB3,377.0 million (31 December 2015: RMB3,564.5 million), of which approximately RMB2,293.1 million were utilised (31 December 2015: RMB2,222.0 million).

Human resources

As at 30 June 2016, our Group employed a total of approximately 6,012 full time employees in the PRC which included management staff, technicians, salespersons and workers. In 1H16, our Group's total expenses on the remuneration of employees were approximately RMB219.2 million, represented 9.6% of the revenue 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.

Prospects

Strengthening balance sheet management, optimizing product mix and enhancing operating efficiency will be our main focuses in the second half of 2016.

OTHER INFORMATION

Interim Dividend

The Directors do not propose the payment of interim dividend for 1H16 (1H15: Nil).

Share Option Scheme

The Company conditionally 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 contributions to the Group.

The principal terms of the Scheme are summarised as follows:

The maximum number of ordinary shares of the Company ("**Shares**" and each a "**Share**") 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 2016, 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 1H16 were rights to acquire benefits by means of the acquisitions of Shares in or debentures of the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in 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 2016.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's articles of association, or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, 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 has purchased, redeemed or sold any of the Company's listed securities during 1H16.

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

As at 30 June 2016, 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 2016
Company	LUO Su	Beneficial owner	57,109,200 ordinary Shares	13.66%
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%
Company	Wong Siu Ki	Beneficial owner	50,000 ordinary Shares	0.01%

Save as disclosed above, as at 30 June 2016, 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 2016, 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 were 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 2016
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 2016, no other person had interests or short positions in the shares and underlying shares of the Company which were 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 1H16.

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 1H16 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 for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 of the Listing Rules as the code of conduct regarding Directors' securities transactions. After having made specific enquiry with all Directors, our Company has received confirmations from all Directors that they have complied with the required standards set out in the Model Code for 1H16.

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.

Review by the Audit Committee

The Listing Rules require every listed issuer to establish an audit committee comprising at least three members who must be non-executive directors only, and the majority thereof must be independent non-executive directors, at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. The Company has an audit committee which is accountable to the Board and the primary duties of the audit committee include the review and supervision of our Group's financial reporting process and internal control measures.

The audit committee is composed of three independent non-executive Directors 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 1H16.

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

Foshan, 31 August 2016