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)

2017 INTERIM REPORT

CONTENTS

CORPORATE INFORMATION

DIRECTORS AND BOARD COMMITTEES

Directors

Executive Directors

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

Non-executive Director

LU Chaoying

Independent Non-executive Directors

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

Alternate Director to LIU Libin

WONG Siu Ki *(Chief Investment Officer)*

Board Committees

Audit Committee

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

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

WONG Siu Ki

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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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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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

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4th Floor, Royal Bank House
24 Shedden Road, P.O. Box 1586
George Town
Grand Cayman KY1-1110
Cayman Islands

Branch Share Registrar and Transfer Office in Hong Kong

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

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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 2017 ("**1H17**"), together with the comparative figures for the corresponding period in 2016 ("**1H16**") and the relevant explanatory notes as set out below. The consolidated results are unaudited, but have been reviewed by the audit committee of the Board and the Company's independent auditors, KPMG.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2017 – unaudited
(Expressed in Renminbi)

		Six months ended 30 June	
		2017	2016
	Note	***RMB'000***	*RMB'000*
Revenue	*3*	**3,053,421**	2,288,985
Cost of sales		**(2,614,927)**	(1,922,170)
Gross profit		**438,494**	366,815
Other net income		**21,615**	19,013
Distribution costs		**(91,891)**	(58,695)
Administrative expenses		**(154,033)**	(110,244)
Profit from operations		**214,185**	216,889
Finance costs	*5(a)*	**(60,124)**	(59,346)
Share of profit of an associate		**2,042**	1,396
Profit before taxation	*5*	**156,103**	158,939
Income tax	*6*	**(13,686)**	(23,544)
Profit for the period attributable to equity shareholders of the Company		**142,417**	135,395
Basic and diluted earnings per share *(RMB yuan)*	*7*	**0.34**	0.32

The notes on pages 11 to 24 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in Note 15.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017 – unaudited
(Expressed in Renminbi)

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Profit for the period	**142,417**	135,395
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	**(342)**	(161)
Total comprehensive income for the period attributable to equity shareholders of the Company	**142,075**	135,234

The notes on pages 11 to 24 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017 – unaudited
(Expressed in Renminbi)

	Note	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Non-current assets			
Property, plant and equipment	8	**1,816,823**	1,794,185
Lease prepayments		**290,943**	294,461
Interest in an associate		**9,306**	9,515
Deferred tax assets		**54,276**	42,562
		2,171,348	2,140,723
Current assets			
Inventories	9	**1,308,239**	963,458
Trade and other receivables	10	**1,687,298**	1,582,028
Pledged deposits	11	**247,484**	212,815
Cash and cash equivalents	12	**672,425**	443,431
		3,915,446	3,201,732
Current liabilities			
Trade and other payables	13	**1,976,173**	1,772,676
Loans and borrowings	14	**1,763,013**	1,384,150
Current taxation		**23,846**	27,514
		3,763,032	3,184,340
Net current assets		**152,414**	17,392
Total assets less current liabilities		**2,323,762**	2,158,115

	Note	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Non-current liabilities			
Loans and borrowings	*14*	**452,005**	419,252
Deferred tax liabilities		**1,618**	3,096
Deferred income		**40,144**	47,847
		493,767	470,195
NET ASSETS		**1,829,995**	1,687,920
Capital and reserves			
Share capital		**3,731**	3,731
Reserves		**1,826,264**	1,684,189
Total equity		**1,829,995**	1,687,920

The notes on pages 11 to 24 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017 – 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*	Statutory reserves *RMB'000*	Exchange reserves *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*
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 15)*	–	–	–	–	–	–	(31,895)	(31,895)
Balance at 30 June 2016 and 1 July 2016	3,731	179,568	6,200	209,822	167,024	(3,642)	960,482	1,523,185
Changes in equity for the six months ended 31 December 2016:								
Profit for the period	–	–	–	–	–	–	163,081	163,081
Other comprehensive income	–	–	–	–	–	1,654	–	1,654
Total comprehensive income	–	–	–	–	–	1,654	163,081	164,735
Appropriation to reserves	–	–	–	–	38,676	–	(38,676)	–
Balance at 31 December 2016 and at 1 January 2017	3,731	179,568	6,200	209,822	205,700	(1,988)	1,084,887	1,687,920
Changes in equity for the six months ended 30 June 2017:								
Profit for the period	–	–	–	–	–	–	142,417	142,417
Other comprehensive income	–	–	–	–	–	(342)	–	(342)
Total comprehensive income	–	–	–	–	–	(342)	142,417	142,075
Balance at 30 June 2017	3,731	179,568	6,200	209,822	205,700	(2,330)	1,227,304	1,829,995

The notes on pages 11 to 24 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2017 – unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June 2017 RMB'000	2016 RMB'000
Operating activities			
Cash generated from operations		**100,634**	450,415
Income tax paid		**(30,546)**	(31,844)
Net cash generated from operating activities		**70,088**	418,571
Investing activities			
Payment for the purchase of property, plant and equipment		**(159,710)**	(94,326)
Payment for purchase of wealth management products		**–**	(7,000)
Payment for pledged deposits		**(188,402)**	(229,989)
Proceeds received upon maturity of pledged deposits		**153,733**	225,600
Other cash flow arising from investing activities		**3,359**	3,711
Net cash used in investing activities		**(191,020)**	(102,004)
Financing activities			
Interest paid		**(58,740)**	(62,674)
Proceeds from loans and borrowings		**1,041,700**	969,969
Repayment of loans and borrowings		**(630,084)**	(1,211,378)
Dividends paid to equity shareholders of the Company		**–**	(31,895)
Other cash flow arising from financing activities		**–**	(6,770)
Net cash generated from/(used in) financing activities		**352,876**	(342,748)
Net increase/(decrease) in cash and cash equivalents		**231,944**	(26,181)
Cash and cash equivalents at 1 January	12	**443,431**	416,012
Effect of foreign exchange rates changes		**(2,950)**	170
Cash and cash equivalents at 30 June	12	**672,425**	390,001

The notes on pages 11 to 24 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 2017.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2016 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2017 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 Xingfa Aluminium Holdings Limited (the "Company") and its subsidiaries (the "Group") since the 2016 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for 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 25 and 26.

The financial information relating to the financial year ended 31 December 2016 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 2016 are available from the Company's registered office. The Company's auditor has reported on those financial statements. The auditor's report was unqualified; and did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report.

2 Changes in accounting policies

The IASB has issued several amendments to IFRSs that are first effective for the current accounting period of the Group. None of these developments has had a material effect on how the group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report.

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

3 Segment reporting

The Group manages its businesses by product lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented 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) Information about profit or loss, 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 2017 and 2016 respectively is set out below.

	Industrial aluminium profiles		Construction aluminium profiles		Other segments		Total	
	Six months ended 30 June 2017	Six months ended 30 June 2016	**Six months ended 30 June 2017**	Six months ended 30 June 2016	**Six months ended 30 June 2017**	Six months ended 30 June 2016	**Six months ended 30 June 2017**	Six months ended 30 June 2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Reportable segment revenue								
Revenue from external customers	**706,410**	337,907	**2,283,126**	1,923,577	**63,885**	27,501	**3,053,421**	2,288,985
Reportable segment profit								
Gross profit	**82,666**	48,476	**320,797**	305,336	**35,031**	13,003	**438,494**	366,815

(b) Reconciliations of reportable segment profit or loss

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Reportable segment profit derived from the Group's external customers	**438,494**	366,815
Other net income	**21,615**	19,013
Distribution costs	**(91,891)**	(58,695)
Administrative expenses	**(154,033)**	(110,244)
Finance costs	**(60,124)**	(59,346)
Share of profit of an associate	**2,042**	1,396
Consolidated profit before taxation	**156,103**	158,939

4 Seasonality of operations

The Group's operation experienced 40% lower sales on average in the first quarter as compared to the other quarters with reference to historical sales records from year 2014 to 2016, due to the decreased demand for its products during the Chinese New Year holidays.

For the twelve months ended 30 June 2017, the Group reported revenue of RMB6,341,132,000 (twelve months ended 30 June 2016: RMB5,067,150,000), and gross profit of RMB896,728,000 (twelve months ended 30 June 2016: RMB823,112,000).

5 Profit before taxation

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

(a) Finance costs

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Interest expenses on bank loans	**52,472**	52,078
Interest expenses on discounted bills	**7,652**	7,210
Finance charges on obligations under finance lease	**–**	58
	60,124	59,346

(b) Other items

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Depreciation	**132,370**	113,889
Amortisation of lease prepayments	**3,517**	3,517
Impairment losses recognised/(reversed) for doubtful debts *(Note 10)*	**12,885**	(9,182)
Operating lease charges	**1,009**	456
Interest income	**2,786**	3,711
Research and development costs	**62,509**	116,541
Cost of inventories (i)	**2,614,927**	1,922,170

(i) During the six months ended 30 June 2017, cost of inventories includes RMB163,714,000 relating to depreciation, amortisation, operating lease charges and research and development costs (six months ended 30 June 2016: RMB178,441,000), which amount is also included in the respective total amounts disclosed separately above, and RMB171,086,000 relating to staff costs (six months ended 30 June 2016: RMB135,417,000).

6 Income tax

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Current tax – PRC corporate income tax	**25,900**	19,162
Current tax – Hong Kong Profits Tax	**978**	195
Deferred tax	**(13,192)**	4,187
	13,686	23,544

(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 2017 is calculated by applying the estimated annual effective tax rate of 16.5% (six months ended 30 June 2016: 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 2017 (six months ended 30 June 2016: 25%).

- Guangdong Xingfa Aluminium Co., Ltd ("Guangdong Xingfa"), Guangdong Xingfa Aluminium (Henan) Co., Ltd. ("Xingfa Henan") and Guangdong Xingfa Aluminium (Jiangxi) Co., Ltd. ("Xingfa Jiangxi") were certified as "Advanced and New Technology Enterprises" and entitled to the preferential income tax rate of 15% for the six months ended 30 June 2017 (six months ended 30 June 2016: 15%).

- Xingfa Aluminium (Chengdu) Co., Ltd. ("Xingfa Chengdu") was qualified as "the encouraged industries of the Western Development Strategy" and enjoyed a preferential tax rate of 15% since 2016 to 2020.

(d) During the six months ended 30 June 2017, Guangdong Xingfa, Xingfa Henan and Xingfa Jiangxi obtained approval from local tax authorities to claim super deduction on research and development expenses. As such, the income tax for the six months ended 30 June 2017 was reduced by RMB7,701,000 (six months ended 30 June 2016: RMB3,616,000). Such additional tax deduction on research and development expenses equals 50% of the amount actually incurred in previous year.

7 Earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB142,417,000 (six months ended 30 June 2016: RMB135,395,000) and 418,000,000 shares (six months ended 30 June 2016: 418,000,000 shares) in issue during the six months ended 30 June 2017.

There were no dilutive potential ordinary shares in issue for the six months ended 30 June 2017 and 2016, 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 2017, the Group acquired items of property, plant and machinery with total costs of RMB155,164,000 (six months ended 30 June 2016: RMB94,326,000).

9 Inventories

	At 30 June 2017 *RMB'000*	At 31 December 2016 *RMB'000*
Aluminium profiles manufacturing		
Raw materials	**432,313**	274,478
Work in progress	**121,082**	82,074
Finished goods	**451,771**	352,628
	1,005,166	709,180
Property under development for sale	**303,073**	254,278
	1,308,239	963,458

During the six months ended 30 June 2017, RMB2,614,927,000 (six months ended 30 June 2016: RMB1,922,170,000) has been recognised as cost of sales in profit or loss.

As at 30 June 2017, aluminium profiles of RMB100,000,000 were pledged for secured bank loan (31 December 2016: RMB100,000,000) *(Note 14)*.

10 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 2017 RMB'000	At 31 December 2016 RMB'000
Within 1 month	**868,265**	879,189
1 to 3 months	**476,021**	394,522
3 to 6 months	**181,199**	181,662
Over 6 months	**47,036**	33,427
Trade debtors and bills receivable, net of allowance for doubtful debts (i)	**1,572,521**	1,488,800
Other receivables, net of allowance for doubtful debts	**15,232**	12,037
Prepayments and deposits	**88,762**	80,817
Prepaid tax for pre-sales of property (ii)	**10,783**	374
	1,687,298	1,582,028

(i) 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 2017, the Group's trade debtors of RMB45,750,000 (31 December 2016: RMB32,885,000) 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 RMB45,750,000 (31 December 2016: RMB32,885,000) was recognized.

(ii) The balance includes prepaid land appreciation tax of RMB5,500,000, prepaid value-added tax of RMB4,700,000 and surcharges of RMB500,000, in relation to pre-sales of property.

(iii) Certain bills receivable with carrying value of RMB187,535,000 were pledged as securities for bank loans of the Group as at 30 June 2017 (31 December 2016: RMB209,216,000) *(Note 14)*.

11 Pledged deposits

Pledged deposits mainly represented bank deposits pledged to bank as securities for certain banking facilities *(Note 14)*, bills payable *(Note 13)*, and other deposits as required by the local laws and regulations.

12 Cash and cash equivalents

	At 30 June 2017	At 31 December 2016
	RMB'000	*RMB'000*
Cash at bank and in hand	**672,425**	443,431

13 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 2017	At 31 December 2016
	RMB'000	*RMB'000*
Within 1 month	**460,189**	496,569
1 to 3 months	**398,465**	653,090
3 to 6 months	**224,446**	145,557
Over 6 months	**282,784**	26,230
Trade creditors and bills payable (i)	**1,365,884**	1,321,446
Receipts in advance	**132,021**	112,791
Receipts in advance from pre-sales of property	**188,069**	11,490
Accrued payroll and benefits	**96,496**	135,220
Other payables	**163,937**	160,862
Interest payable	**7,126**	5,742
Deferred income	**22,640**	25,125
	1,976,173	1,772,676

(i) Bills payable were secured by pledged bank deposits of RMB239,700,000 as at 30 June 2017 (31 December 2016: RMB206,900,000).

14 Loans and borrowings

Loans and borrowings were repayable as follows:

	At 30 June 2017	At 31 December 2016
	RMB'000	*RMB'000*
Within one year	**1,763,013**	1,384,150
After 1 year but within 2 years	**447,005**	402,651
After 2 years but within 5 years	**5,000**	16,601
	452,005	419,252
Total	**2,215,018**	1,803,402

Loans and borrowings were secured as follows:

	At 30 June 2017	At 31 December 2016
	RMB'000	*RMB'000*
Secured bank loans	**2,155,018**	1,703,402
Unsecured bank loans	**60,000**	100,000
	2,215,018	1,803,402

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

	At 30 June 2017	At 31 December 2016
	RMB'000	*RMB'000*
Carrying value of assets:		
Property, plant and equipment	**478,486**	483,163
Lease prepayments	**290,943**	294,461
Bills receivable *(Note 10)*	**187,535**	209,216
Inventories *(Note 9)*	**100,000**	100,000
Pledged deposits *(Note 11)*	**2,500**	1,062
	1,059,464	1,087,902

At 30 June 2017, banking facilities of the Group totaling RMB4,299,698,000 (31 December 2016: RMB4,006,338,000) were utilised to the extent of RMB2,776,877,000 (31 December 2016: RMB2,310,959,000).

15 Dividends

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

The directors do not propose any payment of interim dividends for the six months ended 30 June 2017 (six months ended 30 June 2016: 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	
	2017	2016
	RMB'000	*RMB'000*
Final dividends in respect of the previous financial year, approved and paid during the interim period ended 30 June 2017 (six months ended 30 June 2016: HKD9 cents per share)	**–**	31,895

16 Commitments

(a) Capital commitments outstanding not provided for in the interim financial report

	At 30 June 2017 **RMB'000**	At 31 December 2016 *RMB'000*
Contracted for		
– Purchase of property, plant and equipment for the production base in Chengdu City	**7,784**	4,268
– Purchase of property, plant and equipment for the production base in Yichun City	**18,714**	8,501
– Purchase of property, plant and equipment for the production base in Sanshui, Foshan City	**34,040**	25,869
– Purchase of property, plant and equipment for the production base in Qinyang City	**37,333**	284
– Building an integrated commercial and residential property base in Nanzhuang, Foshan City	**235,776**	209,689
	333,647	248,611
Authorised but not contracted for		
– Building an integrated commercial and residential property base in Nanzhuang, Foshan City	**–**	86,033
Total	**333,647**	334,644

(b) Operating lease commitments

At 30 June 2017, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	At 30 June 2017	At 31 December 2016
	RMB'000	*RMB'000*
Within 1 year	**2,145**	2,256
After 1 year but within 5 years	**6,501**	6,872
Over 5 years	**6,715**	7,433
Total	**15,361**	16,561

17 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 2017, the Group sold goods of RMB81,533,000 (six months ended 30 June 2016: RMB69,518,000) to Guangdong Xingfa Curtain Wall, Door & Window Co., Ltd. ("Xingfa Curtain Wall"), which is effectively owned by certain executive directors.

During the period ended 30 June 2017, the Group sold goods of RMB42,928,000 (six months ended 30 June 2016: RMB31,691,000) to Jiangxi Province Jingxing Aluminium Panel Manufacturing Co., Ltd ("Jiangxi Jingxing"), which is an associate of the Group.

(b) Balances with related parties

As at the end of the reporting period, the Group had the balance due from Xingfa Curtain Wall of RMB30,844,000 (31 December 2016: RMB30,562,000) and balance due from Jiangxi Jingxing of RMB56,807,000 (31 December 2016: RMB48,133,000).

As at the end of the reporting period, the Group had the balance due to Foshan Leahin Coating Co., Ltd., which is effectively owned by certain executive directors, of RMB31,000 (31 December 2016: RMB31,000) and balance due to Guangxi Laibin Yinhai Aluminium Co., Ltd. of RMB375,000 (31 December 2016: RMB207,000).

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 24 which comprises the consolidated statement of financial position of Xingfa Aluminium Holdings Limited as of 30 June 2017 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 the 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 2017 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 2017

MANAGEMENT DISCUSSION AND ANALYSIS

Industry and business overview

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. In 1H17, though the market economy is still fragile in China, we are very excited to see the fruitful returns through increase in sales volume.

Financial review

Revenue

Revenue and sales volume were recorded approximately at RMB3,053.4 million and 168,700 tonnes respectively for 1H17 (1H16: RMB2,289.0 million and 136,900 tonnes respectively). The increase in revenue during the period was mainly due to the increase in sales volume and the increase in average market price of aluminium ingots. The growth in sales volume was driven by the successful execution of our marketing strategies and expansion of our sales channels.

During 1H17, the sales volume of construction aluminium profiles increased by approximately 9% to approximately 124,400 tonnes (1H16: 114,000 tonnes). Meanwhile, the sales volume of industrial aluminium profiles also increased by approximately 93% to approximately 44,300 tonnes in 1H17 (1H16: 22,900 tonnes).

Cost of sales

Cost of sales increased from approximately RMB1,922.2 million in 1H16 to approximately RMB2,614.9 million in 1H17 which was in line with the increase in revenue.

Gross profit and gross profit margin

Gross profit margin slightly decreased to 14.4% (1H16: 16.0%), whilst sales to production ratio increased to 96.6% in 1H17 (1H16: 94.7%).

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

	Six months ended 30 June	
	2017	2016
Overall	**14.4%**	16.0%
Industrial aluminium profiles	**11.7%**	14.3%
Construction aluminium profiles	**14.1%**	15.9%

The drop in gross profit margin in 1H17 as compared to 1H16 was mainly due to the combined effect of: 1) the gradual decrease in the processing fee in order to maintain the price competitiveness of our products; and 2) the increase in depreciation of moulds used for production of RMB23.0 million recorded in 1H17 as compared to that in 1H16 due to the changes in estimates on the expected useful life of the moulds in July 2016.

Other net income

Our Group recorded other net income of approximately RMB21.6 million for 1H17 (1H16: RMB19.0 million).

Government grants represent various forms of incentives and subsidies received from the local government authorities in the PRC. During 1H17, the Group recognized government grants of approximately RMB17.8 million (1H16: RMB10.2 million) as other income. Besides, due to the appreciation of Renminbi against foreign currencies during 1H17, our Group recorded a net foreign exchange losses of approximately RMB3.6 million (1H16: RMB1.9 million), in relation to the receivables denominated in foreign currencies.

In contrary, due to the decrease in the average balance of pledged deposits during 1H17, interest income decreased to approximately RMB2.8 million (1H16: RMB3.7 million). In addition, the rental income decreased to RMB4.7 million (1H16: RMB7.1 million) as a result of termination of leased properties since June 2017.

Distribution costs

Distribution costs increased by approximately 57% to approximately RMB91.9 million for 1H17 (1H16: RMB58.7 million), whilst our distribution costs as a percentage of revenue increased to approximately 3.0% (1H16: 2.6%). Such increase was mainly attributable to the increase in commission fee of approximately RMB21.6 million in relation to the pre-sales of the property under development. Further, due to surge of sales volume, transportation costs increased which was in line with the revenue growth in 1H17.

Administrative expenses

Administrative expenses were recorded at approximately RMB154.0 million in 1H17, which was approximately 40% higher than that in 1H16 (1H16: RMB110.2 million). Such increase was contributed by the increase in provision for doubtful debts in 1H17 of RMB12.9 million (1H16: reversal of provision for doubtful debts of RMB9.2 million) as a result of the increase in aged receivables. Our administrative expenses as a percentage of revenue also increased slightly to 5.0% in 1H17 (1H16: 4.8%).

Finance costs

Finance costs remained steady and were recorded at approximately RMB60.1 million in 1H17 (1H16: RMB59.3 million). Despite the average amount of borrowings increased by 7% in 1H17, as benefited from the drop in average borrowing cost of 8%, finance costs remained steady in 1H17.

Income tax

Income tax was reduced by approximately 42% and was recorded at approximately RMB13.7 million in 1H17 (1H16: RMB23.5 million). Such decrease was mainly attributable to the combined effect of: 1) saving of income tax arising from the increase in super deduction on R&D expenses of approximately RMB7.7 million (1H16: RMB3.6 million); and 2) the decrease in withholding tax expenses of approximately RMB3.4 million on dividends receivables from the PRC subsidiaries.

Profit for the period and net profit margin

Our Group recorded profit for the period of approximately RMB142.4 million in 1H17, representing a growth of approximately 5% as compared to that in 1H16 (1H16: RMB135.4 million), whilst the net profit margin decreased to approximately 4.7% in 1H17 (1H16: 5.9%).

The growth in net profit was mainly attributable to the increase in sales volume and gross profit in 1H17. In addition, the decrease in income tax arising from the super deduction on R&D expenses and deferred tax credit in relation to the decrease in withholding tax expenses on dividends receivables from the PRC subsidiaries also contributed to the profit growth. However, the slight drop in gross profit margin due to the increase in depreciation of moulds used for production of approximately RMB23.0 million; the increase in distribution expenses arising from the commission in relation to pre-sales of property under development of approximately RMB21.6 million; and the increase in administrative expenses arising from the increase in provision for doubtful debts of approximately RMB12.9 million had partly offset against the above growth in net profit in 1H17.

ANALYSIS OF FINANCIAL POSITION

Current and quick ratios

The following table sets out our Group's current and quick ratios as at 30 June 2017 and 31 December 2016:

	At 30 June 2017	At 31 December 2016
Current ratio *(Note)*	**1.04**	1.01
Quick ratio *(Note)*	**0.69**	0.70

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 2017 as compared to that as at 31 December 2016.

Gearing ratio

The following table sets out our Group's gearing ratio as at 30 June 2017 and 31 December 2016:

	At 30 June 2017	At 31 December 2016
Gearing ratio *(Note)*	**36.4%**	33.8%

Note:

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

As a result of the increase in loans and borrowings, gearing ratio as at 30 June 2017 increased as compared to that as at 31 December 2016.

Inventory turnover days

The following table sets out our Group's inventory turnover days during 1H17 and 1H16:

	Six months ended 30 June	
	2017	2016
Inventory turnover days *(Note)*	**79**	72

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 2017 and 2016 represents aluminium profiles segment including our raw materials, work in progress and the unsold finished goods and property under development for sale.

The increase in inventory turnover days was mainly due to: 1) increased balance of property under development for sale; and 2) the Group piled up more raw materials at the end of 1H17 for the secured sales orders received in the 2nd quarter of 2017.

Debtors' turnover days

The following table sets out our Group's debtors' turnover days during 1H17 and 1H16:

	Six months ended 30 June	
	2017	2016
Debtors' turnover days *(Note)*	**91**	97

Note:

Debtors' turnover days is calculated based on the average of the beginning and ending balance of trade and bills receivables (net of allowance for doubtful debts) for the periods divided by revenue during the periods multiplied by 181 days.

Benefiting from better receivables management of the Group, debtors' turnover days decreased in 1H17.

Creditors' turnover days

The following table sets out our Group's creditors' turnover days during 1H17 and 1H16:

	Six months ended 30 June	
	2017	2016
Creditors' turnover days *(Note)*	**93**	110

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.

Creditors' turnover days improved to 93 days as a result of better cash flow management adopted by the Group.

Cash flow

The table below summarises our Group's cash flow during 1H17 and 1H16:

	Six months ended 30 June	
	2017	2016
	RMB'million	*RMB'million*
Net cash generated from operating activities	**70.1**	418.6
Net cash used in investing activities	**(191.0)**	(102.0)
Net cash generated from/(used in) financing activities	**352.9**	(342.7)

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 1H17, our Group's capital expenditures were increased to approximately RMB159.7 million (1H16: RMB94.3 million), which mainly included acquisition of moulds for production of approximately RMB78.9 million (1H16: RMB65.0 million) and acquisition of other machineries and equipment of approximately RMB80.8 million (1H16: RMB29.3 million) so as to improve the production efficiency and enhance the production capacity.

Loans and borrowings

As at 30 June 2017, our Group's loans and borrowings amounted to approximately RMB2,215.0 million (31 December 2016: RMB1,803.4 million).

Banking facilities

As at 30 June 2017, the banking facilities of our Group amounted to approximately RMB4,299.7 million (31 December 2016: RMB4,006.3 million), of which approximately RMB2,776.9 million were utilised (31 December 2016: RMB2,311.0 million).

Property under development

As at 30 June 2017, the Group's property under development for sale amounted to approximately RMB303,073,000 (31 December 2016: RMB254,278,000). Such property, namely Project Xingfa Plaza, is 100% owned by the Group and is located at the northern side of Jihua Road and the western side of Changang Road, Chancheng District, Foshan City, Guangdong Province, the PRC. The development of the property is in the final stage of construction and is scheduled to be delivered in the second half of 2018. The land use rights of the property have been granted for a term of 40 years expiring on 19 May 2050 for commercial service, office, culture and entertainment uses. The property comprises a parcel of land with a site area of approximately 16,961.36 sq.m.. Upon completion, the development will have a planned gross floor area of approximately 123,716.39 sq.m.

Human resources

As at 30 June 2017, our Group employed a total of approximately 6,344 full time employees in the PRC which included management staff, technicians, salespersons and workers. In 1H17, our Group's total expenses on the remuneration of employees were approximately RMB272.6 million, represented approximately 8.9% 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, housing fund, medical insurance, unemployment insurance and other relevant insurance (according to the PRC rules and regulations for PRC employees), 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 2017.

OTHER INFORMATION

Interim Dividend

The Directors do not propose the payment of interim dividend for 1H17 (1H16: 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 (the "**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 2017, the total number of Shares available for issue under the Scheme was 41,800,000 Shares, which represented 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 (the "**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 (the "**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 1H17 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 2017.

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 1H17.

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

As at 30 June 2017, 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 to 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 2017
Company	LUO Su	Beneficial owner	58,029,200 ordinary Shares	13.88%
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 2017, 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 2017, 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 2017, 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 (the "**Corporate Governance Code**") as set out in Appendix 14 to the Listing Rules for 1H17.

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 1H17, 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 to 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 1H17.

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 of the Company.

Change in Corporate Positions

With effect from 26 May 2017, (i) Mr. CHEN Shengguang has resigned as a non-executive Director and a member of the audit committee of the Board; and (ii) Mr. LU Chaoying has been appointed as a non-executive Director and a member of the audit committee of the Board.

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 of the Board 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 ("**Mr. LAM**") and one non-executive Director namely, Mr. LU Chaoying. Mr. LAM, who has professional qualification and experience in financial matters, serves as the chairman of the audit committee.

The audit committee of the Board has met with the management and external auditors of our Company and has reviewed the consolidated results of our Group for 1H17.

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

Foshan, 31 August 2017