興發鋁業控股有限公司

XINGFA ALUMINIUM HOLDINGS LIMITED

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

Interim Report
2019

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CORPORATE INFORMATION

DIRECTORS AND BOARD COMMITTEES

Directors

Executive Directors

LIU Libin *(Chairman)*
LIAO Yuqing *(Chief Executive Officer)*
ZHANG Li *(Chief Financial Officer)*
LAW Yung Koon
WANG Zhihua
LUO Jianfeng

Non-executive Directors

ZUO Manlun
XIE Jingyun

Independent Non-executive Directors

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

Board Committees

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Company Secretary

WONG Tik

AUTHORIZED REPRESENTATIVES

LIU Libin
LIAO Yuqing
WONG Tik
(alternate to LIU Libin)
WANG Zhihua
(alternate to LIAO Yuqing)

REGISTERED OFFICE

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Kowloon
Hong Kong

PRINCIPAL BANKERS

Bank of China
Agriculture Bank of China
China Construction Bank
Corporation

LEGAL ADVISER

As to Hong Kong law:

LCH Lawyers LLP

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

SMP Partners (Cayman) Limited
Royal Bank House
3rd Floor, 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 54, Hopewell Centre
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INTRODUCTION

The board of directors ("**Directors**" or "**Board**") of Xingfa Aluminium Holdings Limited ("**Company**") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as "**Group**", "**our Group**", "**we**", "**us**", "**our**", "**Xingfa Aluminium**") prepared under International Financial Reporting Standards ("**IFRS**") for the six months ended 30 June 2019 ("**1H19**"), together with the comparative figures for the corresponding period in 2018 ("**1H18**") 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 2019 – unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June 2019 RMB'000	2018 RMB'000 (Note)
Revenue	3	**4,954,876**	4,043,760
Cost of sales	10	**(4,326,252)**	(3,532,318)
Gross profit		**628,624**	511,442
Other income		**30,685**	28,077
Distribution costs		**(111,891)**	(93,058)
Administrative expenses		**(204,567)**	(159,847)
Profit from operations		**342,851**	286,614
Finance costs	5(a)	**(74,044)**	(82,680)
Share of profit of an associate		**4,793**	2,176
Profit before taxation	5	**273,600**	206,110
Income tax	6	**(39,132)**	(27,998)
Profit for the period		**234,468**	178,112
Attributable to:			
Equity shareholders of the Company		**236,686**	178,112
Non-controlling interests		**(2,218)**	–
Profit for the period		**234,468**	178,112
Basic and diluted earnings per share *(RMB yuan)*	7	**0.57**	0.43

Note:

The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2.

The notes on pages 11 to 39 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in Note 17.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019 – unaudited
(Expressed in Renminbi)

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
		(Note)
Profit for the period	**234,468**	178,112
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	**(371)**	2,288
Total comprehensive income for the period	**234,097**	180,400
Attributable to:		
Equity shareholders of the Company	**236,315**	180,400
Non-controlling interests	**(2,218)**	–
Total comprehensive income for the period	**234,097**	180,400

Note:

The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2.

The notes on pages 11 to 39 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019 – unaudited
(Expressed in Renminbi)

	Note	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000 (Note)
Non-current assets			
Other property, plant and equipment	8	**2,045,519**	1,952,185
Right-of-use assets	2, 9	**369,293**	–
Lease prepayments		**–**	365,114
Interest in an associate		**27,316**	21,140
Deferred tax assets		**39,974**	38,423
		2,482,102	2,376,862
Current assets			
Inventories and other contract costs	10	**1,274,726**	1,144,044
Trade and other receivables	11	**2,831,162**	2,792,028
Pledged deposits	12	**386,078**	346,762
Cash and cash equivalents	13	**544,240**	448,787
		5,036,206	4,731,621
Current liabilities			
Trade and other payables	14	**2,558,564**	2,451,474
Contract liabilities	15	**221,577**	218,248
Loans and borrowings	16	**1,487,985**	1,467,523
Lease liabilities	2(d)	**1,311**	–
Current taxation		**35,086**	52,806
		4,304,523	4,190,051
Net current assets		**731,683**	541,570
Total assets less current liabilities		**3,213,785**	2,918,432

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 30 June 2019 – unaudited
(Expressed in Renminbi)

	Note	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000 (Note)
Non-current liabilities			
Loans and borrowings	16	**496,572**	378,204
Lease liabilities	2(d)	**7,452**	–
Deferred tax liabilities		**4,421**	5,387
Deferred income		**37,231**	30,983
		545,676	414,574
NET ASSETS		**2,668,109**	2,503,858
CAPITAL AND RESERVES			
Share capital		**3,731**	3,731
Reserves		**2,664,548**	2,500,379
Total equity attributable to equity shareholders of the Company		**2,668,279**	2,504,110
Non-controlling interests		**(170)**	(252)
TOTAL EQUITY		**2,668,109**	2,503,858

Note:

The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2.

Approved and authorised for issue by the board of directors on 20 August 2019.

Liu Libin	**Liao Yuqing**
Chairman	*Executive Director*

The notes on pages 11 to 39 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019 – unaudited
(Expressed in Renminbi)

		Attributable to equity shareholders of the Company									
	Note	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	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2018		3,731	179,568	6,200	209,822	245,853	(3,503)	1,427,364	2,069,035	–	2,069,035
Impact on initial application of IFRS 15		–	–	–	–	–	–	6,725	6,725	–	6,725
Adjusted balance at 1 January 2018		3,731	179,568	6,200	209,822	245,853	(3,503)	1,434,089	2,075,760	–	2,075,760
Changes in equity for the six months ended 30 June 2018:											
Profit for the period		–	–	–	–	–	–	178,112	178,112	–	178,112
Other comprehensive income		–	–	–	–	–	2,288	–	2,288	–	2,288
Total comprehensive income		–	–	–	–	–	2,288	178,112	180,400	–	180,400
Dividends approved and paid to equity shareholders of the Company	17(a)	–	–	–	–	–	–	(70,483)	(70,483)	–	(70,483)
Balance at 30 June 2018 and 1 July 2018		3,731	179,568	6,200	209,822	245,853	(1,215)	1,541,718	2,185,677	–	2,185,677
Changes in equity for the six months ended 31 December 2018:											
Profit for the period		–	–	–	–	–	–	317,118	317,118	(1,252)	315,866
Other comprehensive income		–	–	–	–	–	754	–	754	–	754
Total comprehensive income		–	–	–	–	–	754	317,118	317,872	(1,252)	316,620
Employees' share option scheme	17(b)	–	–	561	–	–	–	–	561	–	561
Appropriation to reserves		–	–	–	–	41,089	–	(41,089)	–	–	–
Capital injection of non-controlling interest in subsidiaries		–	–	–	–	–	–	–	–	1,000	1,000
Balance at 31 December 2018 and 1 January 2019 *(Note)*		3,731	179,568	6,761	209,822	286,942	(461)	1,817,747	2,504,110	(252)	2,503,858
Changes in equity for the six months ended 30 June 2019:											
Profit for the period		–	–	–	–	–	–	236,686	236,686	(2,218)	234,468
Other comprehensive income		–	–	–	–	–	(371)	–	(371)	–	(371)
Total comprehensive income		–	–	–	–	–	(371)	236,686	236,315	(2,218)	234,097
Employees' share option scheme	17(b)	–	–	1,319	–	–	–	–	1,319	–	1,319
Capital injection of non-controlling interest in subsidiaries		–	–	–	–	–	–	–	–	2,300	2,300
Dividends approved and paid to equity shareholders of the Company	17(a)	–	–	–	–	–	–	(73,465)	(73,465)	–	(73,465)
Balance at 30 June 2019		3,731	179,568	8,080	209,822	286,942	(832)	1,980,968	2,668,279	(170)	2,668,109

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2.

The notes on pages 11 to 39 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2019 – unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June **2019** **RMB'000**	2018 RMB'000 (Note)
Operating activities			
Cash generated from operations		**434,102**	246,787
Income tax paid		**(58,119)**	(33,502)
PRC Land Appreciation Tax paid		**(1,250)**	–
Net cash generated from operating activities		**374,733**	213,285
Investing activities			
Payment for the purchase of property, plant and equipment		**(237,819)**	(172,193)
Payment for pledged deposits		**(512,735)**	(207,794)
Proceeds received upon maturity of pledged deposits		**473,419**	174,445
Other cash flow arising from investing activities		**14,751**	3,456
Net cash used in investing activities		**(262,384)**	(202,086)
Financing activities			
Capital element of lease rentals paid		**(401)**	–
Interest element of lease rentals paid		**(221)**	–
Interest paid		**(84,046)**	(83,223)
Proceeds from loans and borrowings		**1,468,053**	1,520,173
Repayment of loans and borrowings		**(1,329,223)**	(1,339,778)
Capital injecting from the non-controlling interest of subsidiary		**2,300**	–
Dividends paid to equity shareholders of the Company		**(73,465)**	(70,483)
Net cash (used in)/generated from financing activities		**(17,003)**	26,689
Net increase in cash and cash equivalents		**95,346**	37,888
Cash and cash equivalents at 1 January	*13*	**448,787**	579,450
Effect of foreign exchange rates changes		**107**	656
Cash and cash equivalents at 30 June	*13*	**544,240**	617,994

Note:

The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2.

The notes on pages 11 to 39 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, including compliance with International Accounting Standard ("**IAS**") 34, Interim Financial Reporting, issued by the International Accounting Standards Board ("**IASB**"). It was authorized for issue on 20 August 2019.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 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 2018 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 pages 40 and 41.

The financial information relating to the financial year ended 31 December 2018 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.

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.

2 Changes in accounting policies

The IASB has issued a new IFRS and a number of amendments to IFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- IFRS 16, *Leases*
- Amendments to IAS 19, *Plan amendment, curtailment or settlement*
- Amendments to IAS 28, *Long-term interests in associates and joint ventures*
- Annual improvement to IFRSs 2015-2017 Cycle
- IFRIC23, *Uncertainty over income tax treatments*

Except for IFRS 16, *Leases*, none of the developments have 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.

IFRS 16, Leases

IFRS 16 replaces IAS 17, *Leases*, and the related interpretations, IFRIC 4, *Determining whether an arrangement contains a lease*, SIC 15, *Operating leases – incentives*, and SIC 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("**short-term leases**") and leases of low value assets. The lessor accounting requirements are brought forward from IAS 17 substantially unchanged.

The Group has initially applied IFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under IAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(a) Changes in the accounting policies

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. IFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in IFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under IAS 17 continue to be accounted for as leases under IFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(ii) Lessee accounting

IFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by IAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under IAS 17, other than those short-term leases and leases of low-value assets. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment as disclosed in Note 18(b).

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(b) *Critical accounting judgements and sources of estimation uncertainty in applying the above accounting policies*

Determining the lease term

As explained in the above accounting policies, the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

(c) *Transitional impact*

At the date of transition to IFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 4.9%.

To ease the transition to IFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of IFRS 16:

(i) the Group elected not to apply the requirements of IFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of IFRS 16, i.e. where the lease term ends on or before 31 December 2019;

(ii) when measuring the lease liabilities at the date of initial application of IFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and

(iii) when measuring the right-of-use assets at the date of initial application of IFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 December 2018 as an alternative to performing an impairment review.

The following table reconciles the operating lease commitments as disclosed in Note 18(b) as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	1 January 2019 *RMB'000*
Operating lease commitments at 31 December 2018 *(Note 18(b))*	12,395
Less: commitments relating to leases exempt from capitalisation:	
– short-term leases and other leases with remaining lease term ending on or before 31 December 2019	(1,296)
– leases of low-value assets	–
Add: lease payments for the additional periods where the Group considers it reasonably certain that it will exercise the extension options	–
	11,099
Less: total future interest expenses	(1,935)
Present value of remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019	9,164
Add: finance lease liabilities recognised as at 31 December 2018	–
Total lease liabilities recognised at 1 January 2019	9,164

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 December 2018.

The Group presents right-of-use assets and lease liabilities separately in the statement of financial position.

The following table summarises the impacts of the adoption of IFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 December 2018 *RMB'000*	**Capitalisation of operating lease contracts** *RMB'000*	**Carrying amount at 1 January 2019** *RMB'000*
Line items in the consolidated statement of financial position impacted by the adoption of IFRS 16:			
Right-of-use assets	–	374,278	374,278
Lease prepayments	365,114	(365,114)	–
Total non-current assets	2,376,862	9,164	2,386,026
Lease liabilities (current)	–	1,250	1,250
Current liabilities	4,190,051	1,250	4,191,301
Net current assets	541,570	(1,250)	540,320
Total assets less current liabilities	2,918,432	7,914	2,926,346
Lease liabilities (non-current)	–	7,914	7,914
Total non-current liabilities	414,574	7,914	422,488
Net assets	2,503,858	–	2,503,858

The analysis of the net book value of the Group's right-of-use assets by class of underlying asset at the end of the reporting period and at the date of transition to IFRS 16 is as follows:

	At 30 June 2019 *RMB'000*	**At 1 January 2019** *RMB'000*
Interest in leasehold land held for own use under operating leases, carried at the depreciated cost	360,727	365,114
Other properties leased for own use, carried at the depreciated cost	8,566	9,164
	369,293	374,278

(d) *Lease liabilities*

The remaining contractual maturities of the Group's lease liabilities at the end of the reporting period and at the date of transition to IFRS 16 are as follows:

	At 30 June 2019		**At 1 January 2019**	
	Present value of the minimum lease payments *RMB'000*	**Total minimum lease payments** *RMB'000*	**Present value of the minimum lease payments** *RMB'000*	**Total minimum lease payments** *RMB'000*
Within 1 year	1,311	1,347	1,250	1,285
After 1 year but within 2 years	1,268	1,367	1,268	1,367
After 2 years but within 5 years	3,658	4,353	3,600	4,285
After 5 years	2,526	3,410	3,046	4,162
	7,452	9,130	7,914	9,814
	8,763	10,477	9,164	11,099
Less: total future interest expenses		(1,714)		(1,935)
Present value of lease liabilities		8,763		9,164

(e) Impact on the financial result, segment results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if IAS 17 had been applied during the year.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under IAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under IAS 17. Although total cash flows are unaffected, the adoption of IFRS 16 therefore results in a significant change in presentation of cash flows within the cash flow statement.

The following tables may give an indication of the estimated impact of adoption of IFRS 16 on the Group's financial result, segment results and cash flows for the six months ended 30 June 2019, by adjusting the amounts reported under IFRS 16 in these interim financial statements to compute estimates of the hypothetical amounts that would have been recognised under IAS 17 if this superseded standard had continued to apply to 2019 instead of IFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under IAS 17.

	2019				2018
	Amounts reported under IFRS 16 *(A)* *RMB'000*	**Add back: IFRS 16 depreciation and interest expense** *(B)* *RMB'000*	**Deduct: Estimated amounts related to operating leases as if under IAS 17** *(Note 1)* *(C)* *RMB'000*	**Hypothetical amounts for 2019 as if under IAS 17** *(D=A+B-C)* *RMB'000*	**Compared to amounts reported for 2018 under IAS 17** *RMB'000*
Financial result for the six months ended 30 June 2019 impacted by the adoption of IFRS 16:					
Profit from operations	342,851	598	(622)	342,827	286,614
Finance costs	(74,044)	221	–	(73,823)	(82,680)
Profit before taxation	273,600	819	(622)	273,797	206,110
Profit for the period	234,468	819	(622)	234,665	178,112
Reportable segment profit (gross profit) for the six months ended 30 June 2019 *(Note 3(b))* **impacted by the adoption of IFRS 16:**					
– Industrial aluminium profiles	106,983	598	(622)	106,959	136,123
– Construction aluminium profiles	483,885	–	–	483,885	346,860
– Property development	9,823	–	–	9,823	–
– Other	27,933	–	–	27,933	28,459
– Total	628,624	598	(622)	628,600	511,442

	2019			2018
	Amounts reported under IFRS 16	**Estimated amounts related to operating leases as if under IAS 17** *(Notes 1 & 2)*	**Hypothetical amounts for 2019 as if under IAS 17**	**Compared to amounts reported for 2018 under IAS 17**
	(A)	*(B)*	*(C=A+B)*	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Line items in the condensed consolidated cash flow statement for the six months ended 30 June 2019 impacted by the adoption of IFRS 16:				
Cash generated from operations	434,102	622	434,724	246,787
Net cash generated from operating activities	374,733	622	375,355	213,285
Capital element of lease rentals paid	(401)	401	–	–
Interest element of lease rentals paid	(221)	221	–	–
Net cash (used in)/generated from financing activities	(17,003)	622	(16,381)	26,689

Note 1: The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if IAS 17 had still applied in 2019. This estimate assumes that there were no differences between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under IAS 17, if IAS 17 had still applied in 2019. Any potential net tax effect is ignored.

Note 2: In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash generated from operating activities and net cash used in financing activities as if IAS 17 still applied.

3 Revenue and segment reporting

The Group manages its businesses by product lines. In a manner consistent with the way in which the 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 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 architecture decoration.

- Property development: this segment develops and sells office premises and residential properties.

- Other products and services included the provision of processing services, manufacturing and sale of aluminium alloy, moulds and spare parts. None of these products and services meets any of the quantitative thresholds for determining reportable segments according to IFRS 8.

(a) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service lines and geographical location of customers is as follows:

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated of product lines		
– Industrial aluminium profiles	**1,070,592**	1,072,838
– Construction aluminium profiles	**3,781,875**	2,905,557
– Sales of completed properties	**16,778**	–
– Other products and services	**85,631**	65,365
	4,954,876	4,043,760
Disaggregated by geographical location of customers		
– Mainland China, except for Hong Kong	**4,828,556**	3,876,169
– Hong Kong	**82,468**	119,241
– Asia Pacific, except for Mainland China and Hong Kong	**31,857**	28,502
– Africa	**11,437**	18,644
– Other regions	**558**	1,204
	4,954,876	4,043,760

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is disclosed in Note 3(b).

During the six months ended 30 June 2019, the Group's customer base is diversified and does not include any individual customer (six months ended 30 June 2018: Nil) with whom transactions have exceeded 10% of the Group's revenue.

(b) Information about profit or loss, assets and liabilities

Disaggregation of revenue from contracts with customers by timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below:

	Industrial aluminium profiles		Construction aluminium profiles		Property development		All other segments		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
		(Note)								*(Note)*
Revenue from external customers recognised by point in time	**1,070,592**	1,072,838	**3,781,875**	2,905,557	**16,778**	–	**85,631**	65,365	**4,954,876**	4,043,760
Reportable segment profit										
Gross profit	**106,983**	136,123	**483,885**	346,860	**9,823**	–	**27,933**	28,459	**628,624**	511,442

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2.

(c) Reconciliations of reportable segment profit or loss

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
		(Note)
Reportable segment profit derived from the Group's external customers	**628,624**	511,442
Other income	**30,685**	28,077
Distribution costs	**(111,891)**	(93,058)
Administrative expenses	**(204,567)**	(159,847)
Finance costs	**(74,044)**	(82,680)
Share of profit of an associate	**4,793**	2,176
Consolidated profit before taxation	**273,600**	206,110

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2.

4 Seasonality of operations

The Group's operation on average experiences 30% lower sales in the first quarter, compared to the 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 2019, the Group reported revenue of RMB10,835,633,000 (twelve months ended 30 June 2018: RMB8,229,997,000), and gross profit of RMB1,467,954,000 (twelve months ended 30 June 2018: RMB1,087,537,000).

5 Profit before taxation

Profit before taxation is arrived at after charging:

(a) Finance costs:

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
		(Note)
Interest expenses on bank loans	**66,765**	69,552
Interest expenses on discounted bills	**7,058**	13,128
Interest on lease liabilities	**221**	–
	74,044	82,680

(b) Staff costs:

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Salaries, wages, bonuses and benefits	**308,029**	268,298
Contribution to defined contribution retirement schemes	**29,741**	25,319
	337,770	293,617

(c) Other items:

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
		(Note)
Depreciation charge		
– Other property, plant and equipment	**156,945**	135,914
– Right-of-use assets	**4,985**	–
Amortisation of lease prepayments	**–**	4,383
Impairment losses on trade and other receivables *(Note 11)*	**15,929**	1,819
Operating lease charges	**734**	1,295
Interest income	**11,602**	3,369
Cost of inventories *(i)/(Note 10)*	**4,326,252**	3,532,318
Research and development costs *(ii)*	**147,488**	165,060

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2.

(i) During the six months ended 30 June 2019, cost of inventories included RMB141,550,000 relating to depreciation and operating lease charges (six months ended 30 June 2018: RMB136,405,000), which amount is also included in the respective total amounts disclosed separately above, and RMB193,870,000 relating to staff costs (six months ended 30 June 2018: RMB178,108,000) as disclosed in Note 5(b).

(ii) Research and development costs for the period ended 30 June 2019 included RMB36,954,000 (six months ended 30 June 2018: RMB26,460,000) relating to staff costs of employees which amount is also included in total staff costs as disclosed in Note 5(b).

6 Income tax

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Current tax – PRC corporate income tax	**33,319**	24,222
Current tax – Hong Kong Profits Tax	**257**	979
Provision for PRC Land Appreciation Tax ("**LAT**")	**4,073**	–
Deferred taxation	**1,483**	2,797
	39,132	27,998

(i) 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.

(ii) The provision for Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the six months ended 30 June 2019 (six months ended 30 June 2018: 16.5%).

(iii) Pursuant to the income tax rules and regulations of the PRC, the PRC subsidiaries of the Group are liable to PRC corporate income tax at a rate of 25% for the six months ended 30 June 2019 (six months ended 30 June 2018: 25%) except for Guangdong Xingfa Aluminium Co., Ltd. ("**Guangdong Xingfa**"), Xingfa Aluminium (Chengdu) Co., Ltd. ("**Chengdu Xingfa**"), Guangdong Xingfa Aluminium (Henan) Co., Ltd. ("**Xingfa Henan**") and Guangdong Xingfa Aluminium (Jiangxi) Co., Ltd. ("**Xingfa Jiangxi**") which 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 2019 (six months ended 30 June 2018: 15%).

(iv) Pursuant to the new tax law in the PRC, from 1 January 2008, non-resident enterprises without an establishment or place of business in the PRC or which have an establishment or place of business in the PRC but whose relevant income is not effectively connected with the establishment or a place of business in the PRC, will be subject to withholding tax at the rate of 10% (unless reduced by tax treaty) on various types of passive income such as dividends derived from sources within the PRC. Pursuant to the Sino-Hong Kong Double Tax Arrangement and the related regulations, a qualified Hong Kong tax resident will be liable for a reduced withholding tax rate of 5% on dividends from a PRC enterprise if the Hong Kong tax resident is the "beneficial owner" and holds 25% or more of the equity interest of the PRC enterprise. As Guangdong Xingfa is held by a Hong Kong incorporated subsidiary, which is qualified as Hong Kong tax resident, a rate of 5% is applicable to the calculation of this withholding tax.

At 30 June 2019, deferred tax liabilities of RMB4,421,000 (that of 2018: RMB4,421,000) have been provided for in this regard based on the expected dividends to be distributed from Guangdong Xingfa in the foreseeable future in respect of the profits generated since 1 January 2008.

(v) During the period of six months ended 30 June 2019, 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 2019 was reduced by RMB11,843,000 (six months ended 30 June 2018: RMB8,755,000). Such additional tax deduction on research and development expenses equals 50% of the amount actually incurred.

(vi) LAT is levied on properties developed in the PRC by the Group for sale, at progressive rates ranging from 30% to 60% on the appreciation of land value, which under the applicable regulations is calculated based on the proceeds of sales of properties less deductible expenditures including lease charges of land use rights, borrowing costs and relevant property development expenditures.

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 RMB236,686,000 (six months ended 30 June 2018: RMB178,112,000) and 418,000,000 shares (six months ended 30 June 2018: 418,000,000 shares) in issue during the interim period.

There were no dilutive potential ordinary shares in issue for the six months ended 30 June 2019 and 2018, and therefore, the diluted earnings per share are the same as the basic earnings per share.

8 Other property, plant and equipment

During the six months ended 30 June 2019, the Group acquired items of plant and machinery with a cost of RMB255,265,000 (six months ended 30 June 2018: RMB176,223,000). Items of plant and machinery with a net book value of RMB4,986,000 were disposed of during the six months ended 30 June 2019 (six months ended 30 June 2018: RMB267,000), resulting in a loss on disposal of RMB1,837,000 (six months ended 30 June 2018: RMB179,000).

9 Right-of-use assets

As discussed in Note 2, the Group has initially applied IFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under IAS 17. Further details on the net book value of the Group's right-of-use assets by class of underlying asset are set out in Note 2.

There is no addition of right-of-use assets during the six months ended 30 June 2019.

10 Inventories and other contract costs

	At 30 June 2019 *RMB'000*	At 31 December 2018 *RMB'000*
Inventories		
Aluminium products		
– Raw materials	**289,788**	260,446
– Work in progress	**142,031**	471,823
– Finished goods	**575,947**	134,086
	1,007,766	866,355
Properties under construction		
– Lease prepayments	**26,259**	27,847
– Deed tax	**2,803**	3,273
– Construction costs	**237,898**	242,706
	266,960	273,826
Other contract costs	**–**	3,863
	1,274,726	1,144,044

Note:

During the six months ended 30 June 2019, inventories of RMB4,326,252,000 (2018: RMB3,532,318,000) were recognised as an expense during the period and included in 'cost of sales'. No inventory provision was recorded in this period (2018:Nil).

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 2019 *RMB'000*	At 31 December 2018 *RMB'000*
Within 1 month	**1,095,800**	1,177,207
1 to 3 months	**781,004**	782,075
3 to 6 months	**420,384**	524,965
Over 6 months	**328,365**	136,337
Trade debtors and bills receivable, net of allowance for doubtful debts *(i)(ii)*	**2,625,553**	2,620,584
Other debtors, net of loss allowance *(iii)*	**66,775**	23,314
Financial assets measured at amortised cost	**2,692,328**	2,643,898
Deposits and prepayments	**138,834**	148,130
	2,831,162	2,792,028

(i) Trade debtors and bills receivable are due within 60 days to 180 days from the date of billing. Debtors with balances that are more than 6 months past due are requested to settle all outstanding balances before any further credit is granted.

(ii) Trade debtors with carrying value of RMB44,309,000 were pledged as securities for bank loans of the Group as at 30 June 2019 (31 December 2018: RMB57,659,000).

Certain bills receivable with carrying value of RMB9,987,000 were pledged as securities for bank loans of the Group as at 30 June 2019 (31 December 2018: RMB192,333,000)*(Note 16)*.

(iii) As at 30 June 2019, loss allowances of RMB62,252,000 was recognised on trade debtors and other debtors (31 December 2018: RMB46,323,000) *(Note 5(c))*.

12 Pledged deposits

Pledged deposits mainly represented bank deposits pledged to bank as securities for certain banking facilities, bills payable and letter of guarantee.

13 Cash and cash equivalents

	At 30 June 2019 *RMB'000*	At 31 December 2018 *RMB'000*
Cash at bank and in hand	**544,240**	448,787

14 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 2019 *RMB'000*	At 31 December 2018 *RMB'000*
Within 1 month	**766,862**	771,715
1 to 3 months	**351,622**	470,252
3 to 6 months	**522,250**	517,031
Over 6 months	**503,220**	153,029
Trade creditors and bills payable	**2,143,954**	1,912,027
Trade payables	**680,192**	664,605
Bills payable	**1,463,762**	1,247,422
Accrued payroll and benefits	**116,456**	186,842
Other payables and accruals	**279,644**	316,794
Interest payable	**2,486**	12,709
Deferred income	**16,024**	23,102
	2,558,564	2,451,474

15 Contract liabilities

	At 30 June 2019 *RMB'000*	At 31 December 2018 *RMB'000*
Aluminium profiles		
– Billings in advance of performance	**192,417**	194,439
Property development		
– Forward sales deposits and instalments received	**29,160**	23,809
	221,577	218,248

16 Loans and borrowings

Loans and borrowings were repayable as follows:

	At 30 June 2019 *RMB'000*	At 31 December 2018 *RMB'000*
Within one year	**1,487,985**	1,467,523
After 1 year but within 2 years	**420,000**	286,659
After 2 years but within 5 years	**76,572**	91,545
	496,572	378,204
	1,984,557	1,845,727

All loans and borrowings as at 30 June 2019 and 31 December 2018 were secured. The secured bank loans were secured by the following assets of the Group as at the end of the reporting period:

	At 30 June 2019	At 31 December 2018
	RMB'000	*RMB'000*
Carrying value of assets:		
Property, plant and equipment	**555,391**	241,684
Right-of-use assets	**309,644**	–
Lease prepayments	**–**	247,580
Bills receivable *(Note 11)*	**9,987**	192,333
Trade debtors *(Note 11)*	**44,309**	57,659
Pledged deposits *(Note 12)*	**4,956**	8,571
	924,287	747,827

17 Capital, reserves and dividends

(a) Dividends

(i) 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 2019 (six months ended 30 June 2018: nil).

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

	Six months ended 30 June 2019	2018
	RMB'000	*RMB'000*
Final dividends in respect of the previous financial year, approved and paid during the interim period ended 30 June 2019 of HKD0.2 per share (six months ended 30 June 2018: HKD0.2 per share)	**73,465**	70,483

(b) Equity settled share-based transactions

On 15 October 2018, 4,180,000 share options were granted for nil consideration to employees of the Company under the Company's employee share option scheme (no share options were granted during the six months ended 30 June 2018). Each option gives the holder the right to subscribe for one ordinary share of the Company. The options vest after two years to four years from the date of grant and are then exercisable on or before 14 October 2023. The exercise price is HKD5.46, being the weighted average closing price of the Company's ordinary shares immediately before the grant.

No options were exercised during the six months ended 30 June 2019 (2018: nil).

(c) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes interest-bearing loans and borrowings and lease liabilities) plus unaccrued proposed dividends, less cash and cash equivalents and less pledged deposits. Adjusted capital comprises all components of equity less unaccrued proposed dividends.

The Group has initially applied IFRS 16 using the modified retrospective approach. Under this approach, the Group recognizes right-of-use assets and corresponding lease liabilities for almost all leases previously accounted for as operating leases as from 1 January 2019. This caused a slight increase in the Group's total debt and hence the Group's adjusted net debt-to-capital ratio remained at 46% on 1 January 2019 when compared to its position as at 31 December 2018.

The Group's adjusted net debt-to-capital ratio at the end of the current and previous reporting periods and at the date of transition to IFRS 16 was as follows:

	Note	**30 June 2019** **RMB'000**	1 January 2019 *RMB'000* *(Note)*	31 December 2018 *RMB'000* *(Note)*
Current liabilities:				
Loans and borrowings		**1,487,985**	1,467,523	1,467,523
Lease liabilities		**1,311**	1,250	–
		1,489,296	1,468,773	1,467,523
Non-current liabilities:				
Loans and borrowings		**496,572**	378,204	378,204
Lease liabilities		**7,452**	7,914	–
Total debt		**1,993,320**	1,854,891	1,845,727
Add: Proposed dividends	*17(a)*	**–**	71,419	71,419
Less: Cash and cash equivalents	*13*	**(544,240)**	(448,787)	(448,787)
Pledged deposits		**(386,078)**	(346,762)	(346,762)
Adjusted net debt		**1,063,002**	1,130,761	1,121,597
Total equity		**2,668,109**	2,503,858	2,503,858
Less: Proposed dividends	*17(a)*	**–**	(71,419)	(71,419)
Adjusted capital		**2,668,109**	2,432,439	2,432,439
Adjusted net debt-to-capital ratio		**40%**	46%	46%

Note: The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under IAS 17. Under this approach, the comparative information is not restated. See Note 2.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements, except that banking facilities granted to certain subsidiaries are subject to the fulfilment of covenants relating to the subsidiaries' financial ratios, as are commonly found in lending arrangements with financial institutions. The Group will actively and regularly monitor its compliance to such covenants. As at 30 June 2019, none of the covenants relating to drawn down facilities had been breached.

18 Commitments

(a) Capital commitments outstanding at 30 June 2019 not provided for in the interim financial report

	At 30 June 2019 *RMB'000*	At 31 December 2018 *RMB'000*
Contracted for		
– Purchase of property, plant and equipment for the production base in Chengdu City	**7,324**	16,763
– Purchase of property, plant and equipment for the production base in Yichun City	**36,980**	25,802
– Purchase of property, plant and equipment for the production base in Sanshui, Foshan City	**37,107**	49,630
– Purchase of property, plant and equipment for the production base in Qinyang City	**37,865**	20,592
	119,276	112,787
Authorised but not contracted for		
– Building an integrated commercial and residential property base in Nanzhuang, Foshan City	**–**	1,235
Total	**119,276**	114,022

(b) At 31 December 2018, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2018
	RMB'000
Within 1 year	2,090
After 1 year but within 5 years	5,935
Over 5 years	4,370
	12,395

The Group is the lessee in respect of a number of properties held under leases which were previously classified as operating leases under IAS 17. The Group has initially applied IFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases *(see Note 2)*. From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the statement of financial position in accordance with the policies set out in Note 2.

19 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 six months ended 30 June 2019, the Group sold goods of RMB60,301,000 (six months ended 30 June 2018: RMB71,299,000) to Guangdong Xingfa Curtain Wall, Door & Window Co., Ltd. ("**Xingfa Curtain Wall**"), which is effectively owned by certain existing and past executive directors of the Company.

During the six months ended 30 June 2019, the Group sold goods and service of RMB62,321,000 (six months ended 30 June 2018: RMB18,646,000) 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 RMB3,085,000 (31 December 2018: RMB36,948,000) and balance due from Jiangxi Jingxing of RMB64,987,000 (31 December 2018: RMB97,742,000).

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

20 Comparative figures

The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective method. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in Note 2.

21 Possible impact of amendments, new standards and interpretations issued but not yet effective for the six months ended 30 June 2019

Up to the date of issue of these financial statements, the IASB has issued a number of amendments and a new standard which are not yet effective for the six months ended 30 June 2019 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IFRS 3, *Definition of a business*	1 January 2020
Amendments to IAS 1 and IAS 8, *Definition of material*	1 January 2020
IFRS 17, *Insurance contracts*	1 January 2021
Amendments to IAS 10 and IAS 28, *Sale or contribution of assets between an investor and its associate or joint venture*	To be determined

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

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 39 which comprises the consolidated statement of financial position of Xingfa Aluminium Holdings Limited as of 30 June 2019 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 2019 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

20 August 2019

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Review

In the first half of 2019, China's economy continued its stable and healthy growing momentum. The sustained economic development attracts more people to settle in cities and facilitates urbanization construction. The official data revealed that China's urban resident population in 2018 was 831 million, representing an increase of 2.2% year-on-year, and urban population accounted for 59.58% of the total population, increased by 1.06 percentage points year-on-year. At the end of last year, the Chinese government put forward the promotion of settling 100 million non-registered residents in cities and supported the high-quality development of new urbanization. Thanks to the policy promotion, local governments had invested more resources in urbanization construction, including public buildings construction, transportation networks expansion and commercial streets renovation, in which they had stimulated the demand for aluminium profiles products of the Group.

During the period under review, China's real estate market development remained stable. In recent years, the Chinese government has adhered to its core control vision of "houses are for living in but not for speculation" and strengthened its efforts in curbing speculative activities. However, the rising living standards and urban population have increased housing demand. In the first half of 2019, there were signs showing the easing of control measures in many regions, however the overall property prices remained stable with minor fluctuations. It was worth mentioning that China's real estate market was accelerating its inclinations to clustering on leading enterprises as the sales of top 20 real estate enterprises have accounted for over half of the overall sales. Among them, Vanke, Country Garden, Sunac, China Overseas, China Resources, Greentown, Seazen, China Fortune, Shimao Property, Jinke and Agile are customers of the Group in which we have close and long-term partner relationships. We also have cooperation in projects with other major real estate enterprises. The integration of the real estate market has helped us to consolidate our sales of construction aluminium profiles.

China's aluminium profiles market has maintained a relatively fragmented situation, the integration of old production capacity is conducive to the consolidation of the Group's business. In recent years, the Chinese government has put stringent control over the discharge of pollutants, implemented the most stringent environmental control standards in history on factories, and some industry peers have suspended their operations because of failing to meet the standards. At the same time, downstream customers such as real estate developers incline to award orders to aluminium profiles suppliers with relatively larger scale and reliable quality, whereby they have accelerated the reshuffling of the aluminium profiles industry. As one of China's leading aluminium profiles manufacturers, we will continue to benefit under the new round of industry integration.

Business Review

Xingfa Aluminium is one of the leading aluminium profiles manufacturers in the PRC and is principally engaged in the manufacture and sale of aluminium profiles which are being used as construction and industrial materials. Since 2002, the Group has been awarded as the "No. 1 of the National Construction Aluminium Profiles Enterprises" by China Non-Ferrous Metals Fabrication Industrial Association for three consecutive sessions. Currently, we are also one of the largest suppliers of electricity conductive aluminium profiles for metro vehicles in the world. Leveraging on our advanced research and development capability and commitment to quality, our Group has established extensive and stable sales networks in the PRC and overseas for the past 35 years. Since 2017, the Group has focused on establishing our sales outlets in the prefecture-level cities in Southern China and Eastern China, and at the same time invested its resources to establish sales outlets in key cities of relatively underdeveloped regions and positive results were achieved as seen from their regional sales data.

In the first half of 2019, the Group continued to facilitate the development of the two principal businesses of the manufacture and sale of construction aluminium profiles and industrial aluminium profiles. Over the years, our revenue is mainly derived from the sale of construction aluminium profiles products. For construction aluminium profiles, we are the leader in terms of industry technology and have occupied an adequate market share, bringing to the Group stable and substantial returns. The Group also noticed that the industrial aluminium profiles market has gradually developed in recent years, however, owing to its segmented market nature, the technical requirements of each kind of product are relatively higher. The Group is determined to leverage the advantages of construction aluminium profiles to expand the industrial aluminium profiles business to achieve the dual-engine development of these two segments. Of which, the industrial aluminium profiles manufacturing base located in Guangdong has laid its foundation in the beginning of this year and is at the stage of comprehensive factory construction. It is scheduled to be formally put into operation next year. At the same time, the Group continued to conduct management transformation to improve production efficiency, enhance decision-making efficiency, quality management and improve informatization circulation, with a view to strengthen the Group's competitiveness in the long run and take the opportunity lead in various respects. The Group had also formulated its future development strategy to lay a good foundation for factory management in different locations in future.

During the period under review, "Xingfa System", "Xingfa Doors and Windows" and "Paxdon System（帕克斯頓系統）" and other doors and windows systems for engineering decoration and home decoration purposes have already been introduced to the market and started to contribute to the profitability to the Group.

At the same time, the Group continued to strengthen its overseas sales, and after successfully penetrated into the markets in Vietnam and Australia, the Group also achieved initial results in developing the markets in South Africa, West Africa, Singapore, Indonesia, Myanmar, Mauritius, Sri Lanka, Thailand and South America.

Revenue

For the six months ended 30 June 2019, the revenue and sales volume of the Group increased by 22.5% and 26.5% to approximately RMB4,954.9 million and 277,654 tonnes respectively (1H18: RMB4,043.8 million and 219,500 tonnes respectively). Of which, the sales of construction aluminium profiles and industrial aluminium profiles accounted for 76.3% and 21.6% of the revenue respectively. The gross profit of the Group for the period increased by 22.9% year-on-year to RMB628.6 million. The gross profit margin was 12.7%. During the period under review, the profit attributable to shareholders of the Company was RMB236.7 million, representing an increase of 32.9% year-on-year.

Construction aluminium profiles

The construction aluminium profiles are aluminium profiles with surface finishing, which are mainly used for construction and installation of doors and windows, curtain walls, ceilings and blinds and other decorative products.

In the first half of 2019, the revenue of construction aluminium profiles increased by RMB876.3 to approximately RMB3,781.9 (1H18: RMB2,905.6 million), and sales volume increased by 35.1% to approximately 208,072 tonnes (1H18: approximately 154,000 tonnes).

Industrial aluminium profiles

The industrial aluminium profiles are mainly plain aluminium profiles, which can be used as container box and new conductive profiles of urban railway locomotives etc. Moreover, the industrial aluminium profiles can also be produced in other different forms and shapes, such as central processing unit (CPU) and display thermal sinks and electronic consumer product frames.

The revenue of industrial aluminium profiles for the first half of 2019 was approximately RMB1,070.6 million (1H18: RMB1,072.8 million), and sales volumes was 67,302 tonnes (1H18: approximately 65,500 tonnes).

Prospect

1H19 was full of challenges and opportunities for the Group. Xingfa Aluminium continued to promote its management transformation in the first half year, with a view to improve its production, strengthen cost control, and enhance the Group's long-term competitiveness. This transformation will be implemented at various production sites in the second half year, and changes in operational efficiency are expected to emerge next year.

In the future, the Group will continue to take construction aluminium profiles and industrial aluminium profiles as its dual-engine development direction. The industrial aluminium profiles have been flourished in the PRC with tremendous market potential and many opportunities, but we also notice that the industrial aluminium profiles technology still has a lot of room for improvement. The Group will invest more in its research and development on industrial aluminium profiles, set up the Xingfa Research Institute (興發研究院), and work with universities in the PRC to study the lightweight, highly malleable and environmental friendly aluminium profiles products. At the same time, the industrial aluminium profiles manufacturing base in Guangdong has laid its foundation in the beginning of this year and is scheduled to put into operation next year. The base will manufacture industrial aluminium profiles for lightweight traffic, high-end electronic communications equipment, thermal sink devices, etc., and its annual output is expected to reach 100,000 tonnes. Owing to the higher technical barrier of industrial aluminium profiles products, the profit margin is higher. The advantage of our leading position in technology will facilitate the Group to obtain better contracts from our customers and increase our gross profit margin in the long run.

The Group is forged ahead to expand our overseas markets and is considering setting up production bases overseas. In recent years, the global demand for aluminium profiles continues to increase, and the Group has continued to expand our overseas sales as well as export to Vietnam, Australia, Indonesia, Myanmar, South Africa, West Africa, Singapore, Thailand and Mauritius. The Group will explore the feasibility of setting up new production base with a view to mainly serve overseas customers. At the same time, we will closely monitor merger and acquisition opportunities within the industry and identify suitable targets to expand the Group's production capacity and enhance our competitiveness.

In the long run, the Group believes the market competition in aluminium profiles will intensify, but the sustained and stable development of the China economy will bring continuous huge demand, including the continuous facilitation of urbanization and the settlement of at least 100 million of rural population in urban regions, in which they will also generate huge infrastructure investments and provide continuous support for the sale of aluminium profiles products of the Group. The Group will make efforts to seize these opportunities in seeking fruitful returns for shareholders of the Company.

Financial Review

Revenue

The revenue and sales volume of the Group for 1H19 increased by 22.5% and 26.5% year-on-year to approximately RMB4,954.9 million and 277,654 tonnes respectively (1H18: RMB4,043.8 million and 219,500 tonnes respectively). The growth was attributable to the significant increase in sales orders due to the successful implementation of marketing strategies and expansion of sales channels.

The sales volume of construction aluminium profiles for 1H19 increased by 35.1% to 208,072 tonnes (1H18: 154,000 tonnes). Meanwhile, the sales volume of industrial aluminium profiles for 1H19 also increased by 2.7% to 67,302 tonnes (1H18: 65,500 tonnes).

The following table sets forth the details of our revenue by category for 1H19 and 1H18:

	Six months ended 30 June 2019 RMB'000	2018 RMB'000
Manufacturing and sale of aluminium profiles		
– Construction aluminium profiles	**3,781,875**	2,905,557
– Industrial aluminium profiles	**1,070,592**	1,072,838
	4,852,467	3,978,395
Sale of properties	**16,778**	–
Others *(Note)*	**85,631**	65,365
Total	**4,954,876**	4,043,760

Note: Our Group's other revenue represents revenue generated from service contracts and sale of aluminium panels, aluminium alloy, moulds and spare parts.

Gross profit and gross profit margin

The gross profit of the Group for 1H19 increased by 22.9% year-on-year to approximately RMB628.6 million (1H18: RMB511.4 million).

The overall gross profit margin for 1H19 of the Group remained stable at 12.7% (1H18: 12.6%), while the sales to production ratio increased to 98.6% (1H18: 94.8%).

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

	Six months ended 30 June	
	2019	2018
Overall	**12.7%**	12.6%
Construction aluminium profiles	**12.8%**	11.9%
Industrial aluminium profiles	**10.0%**	12.7%

The gross profit margin of construction aluminium profiles for 1H19 remained steady as compared to that of 1H18.

The gross profit margin of industrial aluminium profiles for 1H19 decreased as the Group adjusted its sales strategy and lowered the selling price of some products under the intensified market competition. In addition, as the production capacity was fully loaded during 1H19, the Group outsourced some of the sales orders to external sub-contractors, which increased the overall production costs.

Other income

The other income of the Group for 1H19 increased by 9.3% year-on-year to approximately RMB30.7 million (1H2018: RMB28.1 million), which was mainly attributable to the increase in the interest income.

Distribution costs

The distribution costs of the Group for 1H19 increased by 20.2% to approximately RMB111.9 million (1H18: RMB93.1 million), which was 2.3% of the revenue (1H18: 2.3%). The transportation costs increased significantly as the sales increased in 1H19.

Administrative expenses

The number of management team staff increased in 1H19 as the Group's business grew, so the staff costs increased correspondingly. In addition, the provisions for trade and other receivables increased as a result of the business expansion of the Group and the market conditions in 1H19. As a result, the administrative expenses of the Group for 1H19 increased by 28.0% to approximately RMB204.6 million (1H18: RMB159.8 million), which was 4.1% of the revenue (1H18: 3.9%).

Profit attributable to shareholders of the Company and net profit margin

The profit attributable to shareholders of the Company for 1H19 increased by 32.9% to approximately RMB236.7 million (1H18: RMB178.1 million), whilst the net profit margin increased to 4.8% (1H18: 4.4%).

The Board believes that such increase in profit was primarily attributable to the significant increase in sales orders due to the successful implementation of marketing strategies and expansion of sales channels.

ANALYSIS OF FINANCIAL POSITION

Current and quick ratios

The following table sets out our Group's current and quick ratios as at 30 June 2019 and 31 December 2018:

	At 30 June 2019	At 31 December 2018
Current ratio *(Note i)*	**1.17**	1.13
Quick ratio *(Note ii)*	**0.87**	0.86

Note:

(i) Current ratio is calculated based on the total current assets divided by the total current liabilities at the end of the period/year.

(ii) 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 2019 as compared to that as at 31 December 2018.

Gearing ratio

The following table sets out our Group's gearing ratio as at 30 June 2019 and 31 December 2018:

	At 30 June 2019	At 31 December 2018
Gearing ratio *(Note)*	**26.4%**	26.0%

Note:

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

The gearing ratio remained steady as at 30 June 2019 as compared to that as at 31 December 2018.

Inventory turnover days

The following table sets out our Group's inventory turnover days during 1H19 and 1H18:

	Six months ended 30 June	
	2019	2018
Inventory turnover days *(Note)*	**51**	71

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 2019 and 2018 represents aluminium profiles segment including our raw materials, work in progress and the unsold finished goods and property under development for sale.

The inventory turnover days for 1H19 decreased as compared to that of 1H18 which was mainly due to (i) the decrease in inventory level of property development as the sale of certain units of Xingfa Plaza completed during 1H19; and (ii) the delivery period was shortened as the continuing adoption of lean production strategy.

Debtors' turnover days

The following table sets out our Group's debtors' turnover days during 1H19 and 1H18:

	Six months ended 30 June 2019	2018
Debtors' turnover days *(Note)*	**96**	96

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.

Debtors' turnover days remained steady for 1H19 as compared to that of 1H18.

Creditors' turnover days

The following table sets out our Group's creditors' turnover days during 1H19 and 1H18:

	Six months ended 30 June 2019	2018
Creditors' turnover days *(Note)*	**85**	63

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.

The Group settled the trade payables by bank notes (bills payables) which with longer credit period in 1H19, as a result, the creditors' turnover days increased as compared to that of 1H18.

Loans and borrowings

As at 30 June 2019, the Group's loans and borrowings amounted to approximately RMB1,984.6 million (31 December 2018: RMB1,845.7 million), among which amounted to approximately RMB1,199.1 million were at fixed interest rates.

Further details of the Group's loans and borrowings at the balance sheet date, including the maturity profile, are set out in note 16 in notes to the unaudited interim financial report in this report.

Banking facilities and guarantee

As at 30 June 2019, the banking facilities of the Group amounted to approximately RMB6,912.8 million (31 December 2018: RMB6,151.8 million), of which approximately RMB2,893.0 million were utilized (31 December 2018: RMB2,472.9 million).

No banking facilities were guaranteed by related parties.

Capital structure

As at 30 June 2019, the Company had 418,000,000 ordinary shares of HK$0.01 each in issue. No shares of the Company has been issued or repurchased during 1H19.

Treasury policies

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserve of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in both short term and long term.

Certain sales and purchases of inventories of the Group are denominated in US dollars and HK dollars. Furthermore, certain trade receivables, trade payables, bank balances are denominated in US dollars and HK dollars, therefore exposing the Group to the currency risk of US dollars and HK dollars. The Group had no material exposure to foreign exchange fluctuation and no hedging has been arranged during the six months ended 30 June 2019.

Cash flow highlights

The following table sets out our Group's cash flow highlights during 1H19 and 1H18:

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Net cash generated from operating activities	**374,733**	213,285
Acquisitions of property, plant and equipment	**(237,819)**	(172,193)
Interest paid	**(84,046)**	(83,223)
Net increase in bank borrowings	**138,830**	180,395
Dividends paid	**(73,465)**	(70,483)

We generally finance our operations through 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.

As at 30 June 2019, the Group had cash and cash equivalents of RMB544.2 million (31 December 2018: RMB448.8 million), among which 4.1% was held in US dollars, 5.7% was held in HK dollars and the remaining balance was held in RMB.

Property development

Xingfa Plaza, wholly-owned property by the Group, is located at the northern side of Jihua Road and western side of Changang Road, Chancheng District, Foshan City, Guangdong Province, the PRC. 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. and the gross floor area of approximately 123,527.29 sq.m.. As at 30 June 2019, 32% of the saleable floor area have been delivered to the customers.

During 1H19, 18 units of "Xingfa Plaza" had been sold and delivered. The revenue recognised from such sale for 1H19 amounted to approximately RMB16.8 million (1H18: Nil), with gross profit margin at 35.3%.

Human resources

As at 30 June 2019, our Group employed a total of approximately 8,130 full time employees in the PRC and Hong Kong which included management staff, technicians, salespersons and workers. In 1H19, our Group's total expenses on the remuneration of employees were approximately RMB337.8 million (1H18: approximately RMB293.6 million) represented approximately 6.8% 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 the PRC employees), 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 of individual performance. In-house and external training programmes are provided as and when required.

OTHER INFORMATION

Interim Dividend

The Directors do not propose the payment of interim dividend for 1H19 (1H18: Nil).

Share Options

The Company conditionally adopted a share option scheme ("**Share Option Scheme**") on 29 December 2017. The Share Option Scheme became effective for 10 years commencing from 5 January 2018. Details of outstanding share options and the movements of the share options during the six months ended 30 June 2019 are as follows:

Category of grantees	Date of grant	Outstanding as at 1 January 2019	Exercised during 1H19	Cancelled during 1H19	Lapsed/ expired during 1H19	Outstanding as at 30 June 2019
Directors						
LIU Libin	15.10.2018	229,000	–	–	–	229,000
ZHANG Li	15.10.2018	192,000	–	–	–	192,000
WANG Zhihua	15.10.2018	192,000	–	–	–	192,000
Sub-total		613,000	–	–	–	613,000
Employees of the Group	15.10.2018	3,567,000	–	–	–	3,567,000
Total		4,180,000	–	–	–	4,180,000

No share option was granted, exercised, cancelled or lapsed under the Share Option Scheme during 1H19.

Note:

In relation of each grantee of the share options granted on 15 October 2018, 1,393,334 share options will vest on 15 October 2020, 1,393,333 options will vest on 15 October 2021 and 1,393,333 options will vest on 15 October 2022 and the share options vested are then exercisable on or before 14 October 2023. The exercise price per share is HK$5.46.

Significant Event Occurred during 1H19

As disclosed in the announcement jointly issued by the Company and Guangxin Aluminium (HK) Limited ("**Offeror**") on 13 February 2019, Huatai Financial Holdings (Hong Kong) Limited, for and on behalf of the Offeror, made conditional mandatory cash offers ("**Offers**") to acquire all of the Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) and to cancel all the outstanding share options of the Company in accordance with Rule 26.1 and Rule 13 of the Codes on Takeovers and Mergers of Hong Kong. The composite offer and response document ("**Composite Document**") in relation to the Offers was despatched jointly by the Company and the Offeror on 2 April 2019. As set out in the Composite Document, the share offer price for acquiring each offer share was HK$5.60 (in cash) and the price for cancelling each share option was HK$0.14 (in cash). On 23 April 2019, the Offeror and the Company jointly announced that the Offers had lapsed and no extension or revision of the Offers would be made. Please refer to the Composite Document and the announcements of the Company dated 13 February 2019 and 23 April 2019 for further details of the Offers.

Save as disclosed above, there was no other significant event affecting the Company that had occurred during or since the end of 1H19.

Directors' Rights to Acquire Shares or Debt Securities

At no time during 1H19 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 Rules ("**Listing Rules**") Governing the Listing Securities on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") during the six months ended 30 June 2019.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's articles of association, or the applicable 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, sold or redeemed any of the Company's listed securities during 1H19.

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

As at 30 June 2019, the interests and short positions of the Directors and chief executives 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

Name of directors	Capacity	Ordinary shares of the Company	Underlying shares of the Company	Total	Percentage of interest in the Company
LIAO Yuqing	Founder of a discretionary trust who can influence how the trustee exercises his discretion	48,200,100	–	48,200,100	11.53%
LAW Yung Koon	Beneficial owner	19,050,000	–	19,050,000	4.56%
	Interest of spouse	1,719,000	–	1,719,000	0.41%
LIU Libin	Beneficial owner	–	229,000	229,000	0.05%
ZHANG Li	Beneficial owner	–	192,000	192,000	0.05%
WANG Zhihua	Beneficial owner	–	192,000	192,000	0.05%

Save as disclosed above, as at 30 June 2019, 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 2019, the following persons, other than a Director or the chief executive of the Company, had interests or short positions in the shares and underlying shares of the Company which are required to be recorded in the register required to be kept by the Company under section 336 of the SFO:

Long Position

Name of entities	Capacity	Total number of ordinary shares of the Company	Percentage of interest in the Company
Guangxin Aluminium (HK) Limited	Beneficial owner	129,412,000	30.96%
Guangdong Guangxin Holdings Group Ltd*	Interest of controlled corporation	129,412,000	30.96%
State-owned Assets Supervision and Administration Commission of The People's Government of Guangdong Province*	Interest of controlled corporation	129,412,000	30.96%
Lesso Group Holdings Limited	Beneficial owner	109,842,900	26.28%
China Lesso Group Holdings Limited	Interest of controlled corporation	109,842,900	26.28%
New Fortune Star Limited	Interest of controlled corporation	109,842,900	26.28%
Xi Xi Development Limited	Interest of controlled corporation	109,842,900	26.28%
UBS Trustee (B.V.I.) Limited	Interest of controlled corporation	109,842,900	26.28%
WONG Luen Hei	Founder of a discretionary trust who can influence how the trustee exercises his discretion	109,842,900	26.28%
Sure Keen Limited	Beneficial owner	48,200,100	11.53%
Glorious Joy Limited	Interest of controlled corporation	48,200,100	11.53%
TMF (Cayman) Ltd.	Trustee	48,200,100 *(Note)*	11.53%

* *For identification purpose only*

Note:

These Shares are held by Sure Keen Limited, which is directly wholly-owned by Glorious Joy Limited and ultimately owned by TMF (Cayman) Limited, as trustee of a discretionary trust, the settlor of which is Mr. LIAO Yuqing, an executive Director.

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 2019, 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 ("**Corporate Governance Code**") as set out in Appendix 14 to the Listing Rules for 1H19.

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 1H19, 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.

Model Code for Securities Transactions by Directors

Our Company has adopted the Model Code as the code of conduct regarding Directors' securities transactions. After having made specific enquiry with all Directors, our Company has received confirmations from all Directors that they have complied with the required standards set out n the Model Code for 1H19.

The Company has also adopted procedures on terms no less exacting than those set out in 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.

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, Ms. XIE Jingyun. 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 1H19.

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

Hong Kong, 20 August 2019