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XINGFA ALUMINIUM HOLDINGS LIMITED

興發鋁業控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 98)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

FINANCIAL HIGHLIGHTS

1. Revenue increased by 4.1% to approximately RMB2,289.0 million (1H15: RMB2,199.7 million).
2. Sales volume rose by 11.9% to approximately 136,900 tonnes (1H15: 122,300 tonnes).
3. Profit for the period increased by 18.5% to approximately RMB135.4 million (1H15: RMB114.3 million).
4. Earnings per share were RMB0.32 (1H15: RMB0.27).

RESULTS

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2016 – unaudited

(Expressed in Renminbi)

		Six months ended 30 June	
	Note	2016 RMB'000	2015 RMB'000
Revenue	3	2,288,985	2,199,664
Cost of sales		<u>(1,922,170)</u>	<u>(1,826,200)</u>
Gross profit		366,815	373,464
Other revenue		20,975	22,605
Other net loss		(1,962)	(90)
Distribution costs		(58,695)	(48,907)
Administrative expenses		<u>(110,244)</u>	<u>(126,750)</u>
Profit from operations		216,889	220,322
Finance costs	4(a)	(59,346)	(77,495)
Share of profit/(loss) of an associate		<u>1,396</u>	<u>(419)</u>
Profit before taxation	4	158,939	142,408
Income tax	5	<u>(23,544)</u>	<u>(28,151)</u>
Profit for the period attributable to equity shareholders of the Company		<u>135,395</u>	<u>114,257</u>
Basic and diluted earnings per share (RMB yuan)	7	<u>0.32</u>	<u>0.27</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2016 – unaudited

(Expressed in Renminbi)

	Six months ended 30 June	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the period	135,395	114,257
Other comprehensive income for the period		
Exchange differences on translation of		
financial statements of operations outside		
the People's Republic of China (the "PRC")		
which may be reclassified subsequently to profit or loss	<u>(161)</u>	<u>(158)</u>
Total comprehensive income for the period		
attributable to equity shareholders of the Company	<u>135,234</u>	<u>114,099</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016 – unaudited

(Expressed in Renminbi)

		At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
	Note		
Non-current assets			
Property, plant and equipment		1,885,474	1,905,468
Lease prepayments		297,977	301,494
Interest in an associate		1,935	1,416
Deferred tax assets		39,207	41,465
		<u>2,224,593</u>	<u>2,249,843</u>
Current assets			
Inventories	8	841,083	678,262
Financial assets at fair value through profit or loss	9	7,000	–
Trade and other receivables	10	1,308,431	1,298,059
Pledged deposits		282,530	278,141
Cash and cash equivalents		390,001	416,012
		<u>2,829,045</u>	<u>2,670,474</u>
Current liabilities			
Trade and other payables	11	1,702,986	1,407,636
Loans and borrowings		1,491,214	1,699,467
Obligations under finance leases		–	6,712
Current taxation		12,710	25,197
		<u>3,206,910</u>	<u>3,139,012</u>
Net current liabilities		<u>(377,865)</u>	<u>(468,538)</u>
Total assets less current liabilities		<u>1,846,728</u>	<u>1,781,305</u>
Non-current liabilities			
Loans and borrowings		267,844	301,000
Deferred tax liabilities		5,619	3,690
Deferred income		50,080	56,769
		<u>323,543</u>	<u>361,459</u>
Net assets		<u>1,523,185</u>	<u>1,419,846</u>
Capital and reserves			
Share capital		3,731	3,731
Reserves		1,519,454	1,416,115
Total equity		<u>1,523,185</u>	<u>1,419,846</u>

Notes:

1 BASIS OF PREPARATION

The unaudited interim financial information was extracted from the interim financial report of the Group for the six months ended 30 June 2016.

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

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2015 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2016 annual financial statements. Details of any changes in accounting policies are set out in Note 2.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2015 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”).

As at 30 June 2016, the Group’s current liabilities exceeded its current assets by RMB377,865,000 which indicated the existence of an uncertainty which may cast doubt on the Group’s ability to continue as a going concern. Notwithstanding the net current liabilities position, the Directors have evaluated all the relevant facts available to them and are of the opinion that there are good track records or relationship with the banks which enhance the Group’s ability to renew the current bank loans upon expiry or to use. Based on undrawn banking facilities of RMB1,083,848,000 as at 30 June 2016 and a detailed review of the working capital forecast of the Group for the twelve-month period ending 30 June 2017, the Directors are of the opinion that, the Group will have necessary liquid funds to finance its working capital and capital expenditure requirements. Accordingly, the interim financial report has been prepared on a going concern basis.

2 CHANGES IN ACCOUNTING POLICIES

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

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

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

Annual Improvements to IFRSs 2012-2014 Cycle

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

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

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

3 SEGMENT REPORTING

The Group manages its businesses by product lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following two reportable segments.

- Industrial aluminium profiles: this segment manufactures and sells plain aluminium profiles, mainly for industrial usage.
- Construction aluminium profiles: this segment manufactures and sells aluminium profiles with surface finishing, including anodic oxidation aluminium profiles, electrophoresis coating aluminium profiles, powder coating aluminium profiles and PVDF coating aluminium profiles. Construction aluminium profiles are widely used in architectural decoration.

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

(a) Segment results, assets and liabilities

In accordance with IFRS 8, segment information disclosed in the interim financial report has been prepared in a manner consistent with the information used by the Group's most senior executive management for the purposes of assessing segment performance and allocating resources between segments. In this regard, the Group's senior executive management monitors the results attributable to each reportable segment.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortization of assets attributable to those segments. However, assistance provided by one segment to another, including sharing of assets and technical know-how, is not measured.

The measure used for reporting segment profit is gross profit. The Group's senior executive management is provided with segment information concerning segment revenue and profit. Segment assets and liabilities are not reported to the Group's senior executive management regularly.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2016 and 2015 respectively is set out below:

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

(b) Reconciliations of reportable segment profit or loss

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

4 PROFIT BEFORE TAXATION

(a) Finance costs

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

(b) Other items:

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

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

5 INCOME TAX

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

- (a) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the “BVI”), the Group is not subject to any income tax in the Cayman Islands and the BVI, respectively.
- (b) The provision for Hong Kong Profits Tax for the six months ended 30 June 2016 is calculated by applying the estimated annual effective tax rate of 16.5% (six months ended 30 June 2015: 16.5%).
- (c) Pursuant to the income tax rules and regulations of the PRC, the PRC subsidiaries of the Group are liable to PRC corporate income tax as follows:
- Foshan Xingfa Real Estate Co., Ltd. and Foshan Xingfa Trading Co., Ltd. are liable to the PRC corporate income tax at a rate of 25% for the six months ended 30 June 2016 (six months ended 30 June 2015: 25%).

- Guangdong Xingfa Aluminium Co., Ltd (“Guangdong Xingfa”) and Xingfa Aluminium (Chengdu) Co., Ltd were certified as “Advanced and New Technology Enterprises” (“ANTE”) and entitled to the preferential income tax rate of 15% for the six months ended 30 June 2016 (six months ended 30 June 2015: 15%).
 - Guangdong Xingfa Aluminium (Henan) Co. Ltd (“Xingfa Henan”) was certified as ANTE and entitled to the preferential income tax rate of 15% for the six months ended 30 June 2016 (six months ended 30 June 2015: 25%).
 - Guangdong Xingfa Aluminium (Jiangxi) Co., Ltd was qualified as an ANTE and entitled to the preferential income tax rate of 15% for a valid period of three years from 2013 to 2015. Xingfa Jiangxi is in the process of applying for the renewal of ANTE certificate for another three years from 2016 to 2018. The directors believe that Xingfa Jiangxi will be able to renew the ANTE certificate and continue to be entitled to the preferential income tax rate for 2016 to 2018. Hence, the corporate income tax rate being used for Xingfa Jiangxi was 15% for the six months ended 30 June 2016 (six months ended 30 June 2015: 15%).
- (d) During the six months ended 30 June 2016, Guangdong Xingfa and Xingfa Henan obtained approval from local tax authorities to claim super deduction on research and development expenses. As a result, the income tax for the six months ended 30 June 2016 was reduced by RMB3,616,000 (six months period ended 30 June 2015: nil). Such additional tax deduction on research and development expenses equals 50% of the amount actually incurred.

6 DIVIDENDS

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

The directors do not propose the payment of interim dividends for the six months ended 30 June 2016 (six months ended 30 June 2015: nil).

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

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

7 EARNINGS PER SHARE

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

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

8 INVENTORIES

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

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

9 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

Investment in the WMP is recognised initially at fair value. At the end of each reporting period, the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

10 TRADE AND OTHER RECEIVABLES

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

	At 30 June 2016 <i>RMB'000</i>	At 31 December 2015 <i>RMB'000</i>
Within 1 month	641,583	638,927
1 to 3 months	420,932	354,993
3 to 6 months	107,089	178,111
Over 6 months	77,025	31,797
Trade debtors and bills receivable, net of allowance for doubtful debts	1,246,629	1,203,828
Other receivables, prepayments and deposits	61,802	94,231
	1,308,431	1,298,059

11 TRADE AND OTHER PAYABLES

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

	At 30 June 2016 <i>RMB'000</i>	At 31 December 2015 <i>RMB'000</i>
Within 1 month	512,852	389,080
1 to 3 months	636,326	397,157
3 to 6 months	186,874	198,503
Over 6 months	5,969	17,390
Trade creditors and bills payable	1,342,021	1,002,130
Other payables and accruals	334,617	380,212
Deferred income	26,348	25,294
	1,702,986	1,407,636

MANAGEMENT DISCUSSION AND ANALYSIS

Review of operations

Xingfa Aluminium is one of the leading aluminium profiles manufacturers in the PRC and principally engaged in the manufacture and sale of aluminium profiles which are applied as construction and industrial materials. Currently, we are the largest provider of electricity conductive aluminium profile for metro vehicles in the PRC. Leveraging on our advanced R&D capability and commitment to quality, our Group has established extensive and stable sales networks in the PRC and overseas for the past 30 years. Xingfa Aluminium was awarded as the No. 1 of the Top-Ten National Aluminium Profiles Enterprises by the China Non-Ferrous Metals Fabrication Industrial Association (“CNFA”) in 2003 and 2008. In 2012, Xingfa Aluminium was further awarded as the No. 1 of the Top-Twenty National Aluminium Profiles Enterprises by CNFA. In 2015, Xingfa Aluminium was awarded with Guangdong Province Science and Technology Award – First Prize by Guangdong Provincial People’s Government for our industrialization and possession of key technology of magnesium alloy used for vehicles and electronic equipment.

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

Revenue

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

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

Cost of sales

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

Gross profit and gross profit margin

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

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

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

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

Other revenue and other net loss

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

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

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

Distribution costs

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

Administrative expenses

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

Finance costs

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

Profit for the period and the net profit margin

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

ANALYSIS OF FINANCIAL POSITION

Current and quick ratios

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

	At 30 June 2016	At 31 December 2015
Current Ratio (<i>Note</i>)	0.88	0.85
Quick Ratio (<i>Note</i>)	0.62	0.63

Note:

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

Quick ratio is calculated based on the difference between the total current assets and the inventories divided by the total current liabilities at the end of the period/year.

Both ratios remained steady as at 30 June 2016 as compared to that at 31 December 2015.

Gearing ratio

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

	At 30 June 2016	At 31 December 2015
Gearing ratio (<i>Note</i>)	34.8%	40.8%

Note:

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

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

Inventory Turnover Days

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

	Six months ended 30 June 2016	2015
Inventory Turnover Days (<i>Note</i>)	72	56

Note:

Inventory turnover days is calculated based on the average of the beginning and ending inventory balance before provision for the periods divided by the total cost of sales during the periods multiplied by 181 days.

Inventories balance as at the respective periods ended 30 June 2016 and 2015 represents aluminium profiles segment including our raw materials, work in progress and the unsold finished goods and property under development for sale.

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

Debtors' Turnover Days

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

	Six months ended 30 June	
	2016	2015
Debtors' Turnover Days (<i>Note</i>)	97	107

Note:

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

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

Creditors' Turnover Days

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

	Six months ended 30 June	
	2016	2015
Creditors' Turnover Days (<i>Note</i>)	110	125

Note:

Creditors' turnover days is calculated based on the average of the beginning and ending balance of trade and bills payables for the periods divided by the total cost of sales during the periods multiplied by 181 days.

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

Cash flow

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

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

We generally finance our operations through a combination of shareholders' equity, internally generated cash flows, bank borrowings and our cash and cash equivalents. Our Directors believe that on a long-term basis, our liquidity will be funded from operations and, if necessary, additional equity financing or bank borrowings.

Capital expenditures

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

Loans and borrowings

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

Banking facilities

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

Human resources

As at 30 June 2016, our Group employed a total of approximately 6,012 full time employees in the PRC which included management staff, technicians, salespersons and workers. In 1H16, our Group's total expenses on the remuneration of employees were approximately RMB219.2 million, represented 9.6% of the revenue of our Group. Our Group's emolument policies are formulated on the performance of individual employees, which will be reviewed regularly every year. Apart from the provident fund scheme (according to the provisions of the Mandatory Provident Fund Schemes Ordinance for Hong Kong employees) or state-managed retirement pension scheme (for PRC employees) and medical insurance, discretionary bonuses and employee share options are also awarded to employees according to the assessment results of individual performance.

PROSPECTS

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

INTERIM DIVIDEND

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

CORPORATE GOVERNANCE

In the opinion of the Directors, save as mentioned below, the Company had complied with all the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules for 1H16.

According to the code provision A.1.1 of the Corporate Governance Code, the Board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. During 1H16 the Board has held one full board meeting. The Company has deviated from this code provision as the Board has discussed the company matters through exchange of emails and informal meetings among the Directors and obtaining board consent through circulating written resolutions.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

The Company has also adopted procedures on terms no less exacting than the Model Code in respect of the securities transactions of the employees who are likely to be in possession of unpublished inside information.

REVIEW BY THE AUDIT COMMITTEE

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

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

The audit committee of our Company has met with the management and external auditors of our Company and has reviewed the consolidated results of our Group for 1H16.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities for 1H16.

PUBLICATION OF 2016 INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This announcement is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.xingfa.com), and the 2016 interim report of the Company containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

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

Foshan, 31 August 2016

As at the date of this announcement, the Board comprises the following members:

Executive Directors:

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

Non-executive Director:

Mr. CHEN Shengguang

Independent non-executive Directors:

Mr. CHEN Mo
Mr. HO Kwan Yiu
Mr. LAM Ying Hung Andy
Mr. LIANG Shibin

Alternate Director to Mr. LIU Libin:

Mr. WONG Siu Ki (*Chief Investment Officer*)