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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 2018

FINANCIAL HIGHLIGHTS

1. Revenue increased by 32.4% to approximately RMB4,043.8 million (1H17: RMB3,053.4 million).
2. Sales volume rose by 30.1% to approximately 219,500 tonnes (1H17: 168,700 tonnes).
3. Profit for the period increased by 25.1% to approximately RMB178.1 million (1H17: RMB142.4 million).
4. Earnings per share were RMB0.43 (1H17: RMB0.34).
5. The Board did not recommend payment of an interim dividend for 1H18 (1H17: Nil).

RESULTS

The board (“**Board**”) of directors (“**Directors**”) 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**”, “**Xingfa**” or “**Xingfa Aluminium**”) prepared under International Financial Reporting Standards (“**IFRSs**”) for the six months ended 30 June 2018 (“**1H18**”), together with the comparative figures for the corresponding period in 2017 (“**1H17**”) 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 2018 – unaudited
(Expressed in Renminbi)

		Six months ended 30 June	
		2018	2017
	<i>Note</i>	RMB’000	RMB’000
			<i>(Note)</i>
Revenue	<i>3</i>	4,043,760	3,053,421
Cost of sales	<i>8</i>	(3,532,318)	(2,614,927)
Gross profit		511,442	438,494
Other income		28,077	21,615
Distribution costs		(93,058)	(91,891)
Administrative expenses		(158,028)	(154,033)
Other operating expenses		(1,819)	–
Profit from operations		286,614	214,185
Finance costs	<i>4(a)</i>	(82,680)	(60,124)
Share of profit of an associate		2,176	2,042
Profit before taxation	<i>4</i>	206,110	156,103
Income tax	<i>5</i>	(27,998)	(13,686)
Profit for the period attributable to equity shareholders of the Company		178,112	142,417
Basic and diluted earnings per share <i>(RMB yuan)</i>	<i>7</i>	0.43	0.34

Note:

The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 2.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018 – unaudited

(Expressed in Renminbi)

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
		(Note)
Profit for the period	178,112	142,417
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>2,288</u>	<u>(342)</u>
Total comprehensive income for the period attributable to equity shareholders of the Company	<u>180,400</u>	<u>142,075</u>

Note:

The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 2.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in Renminbi)

		At 30 June 2018 <i>RMB'000</i> (unaudited)	At 31 December 2017 <i>RMB'000</i> (audited) (Note)
	Note		
Non-current assets			
Property, plant and equipment		1,902,811	1,862,769
Lease prepayments		369,316	373,699
Interest in an associate		18,390	16,451
Deferred tax assets		49,455	48,570
		<u>2,339,972</u>	<u>2,301,489</u>
Current assets			
Inventories	8	1,526,339	1,263,683
Trade and other receivables	9	2,433,000	2,132,420
Pledged deposits		200,768	167,419
Cash and cash equivalents		617,994	579,450
		<u>4,778,101</u>	<u>4,142,972</u>
Current liabilities			
Trade and other payables	10	1,735,288	1,817,723
Contract liabilities	11	473,505	—
Loans and borrowings		2,307,387	1,968,314
Current taxation		20,668	24,469
		<u>4,536,848</u>	<u>3,810,506</u>
Net current assets		<u>241,253</u>	<u>332,466</u>
Total assets less current liabilities		<u>2,581,225</u>	<u>2,633,955</u>
Non-current liabilities			
Loans and borrowings		355,707	514,385
Deferred tax liabilities		6,538	5,115
Deferred income		33,303	45,420
		<u>395,548</u>	<u>564,920</u>
Net assets		<u>2,185,677</u>	<u>2,069,035</u>
Capital and reserves			
Share capital		3,731	3,731
Reserves		2,181,946	2,065,304
Total equity		<u>2,185,677</u>	<u>2,069,035</u>

Note:

The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 2.

Notes:

1 BASIS OF PREPARATION

This unaudited interim financial information was extracted from the interim financial report of Xingfa Aluminium Holdings Limited (the “**Company**”) and its subsidiaries (the “**Group**”) for the six months ended 30 June 2018.

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 authorised for issue on 27 August 2018.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 annual financial statements. Details of the 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 2017 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards (“**IFRSs**”).

2 CHANGES IN ACCOUNTING POLICIES

(a) Overview

The IASB has issued a number of new IFRSs and 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 9, *Financial instruments*
- IFRS 15, *Revenue from contracts with customers*
- IFRIC 22, *Foreign currency transactions and advance consideration*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the amendments to IFRS 9, *Prepayment features with negative compensation* which have been adopted at the same time as IFRS 9.

The Group has been impacted by IFRS 9 in relation to classification of financial assets and measurement of credit losses, and impacted by IFRS 15 in relation to timing of revenue recognition, capitalisation of contract costs, significant financing benefit obtained from customers and presentation of contract assets and contract liabilities. Details of the changes in accounting policies are discussed in Note 2(b) for IFRS 9 and Note 2(c) for IFRS 15.

Under the transition methods chosen, the Group recognises cumulative effect of the initial application of IFRS 9 and IFRS 15 as an adjustment to the opening balance of equity at 1 January 2018. Comparative information is not restated. The following table gives a summary of the opening balance adjustments recognised for each line item in the consolidated statement of financial position that has been impacted by IFRS 9 and/or IFRS 15:

	At 31 December 2017 RMB'000	Impact on initial application of IFRS 9 (Note 2(b)) RMB'000	Impact on initial application of IFRS 15 (Note 2(c)) RMB'000	At 1 January 2018 RMB'000
Inventories	1,263,683	–	15,049	1,278,732
Total current assets	4,142,972	–	15,049	4,158,021
Contract liabilities	–	–	386,761	386,761
Trade and other payables	1,817,723	–	(380,678)	1,437,045
Total current liabilities	3,810,506	–	6,083	3,816,589
Net current assets	332,466	–	8,966	341,432
Total assets less current liabilities	2,633,955	–	8,966	2,642,921
Deferred tax liabilities	5,115	–	2,241	7,356
Total non-current liabilities	564,920	–	2,241	567,161
Net assets	2,069,035	–	6,725	2,075,760
Reserves	2,065,304	–	6,725	2,072,029
Total equity	2,069,035	–	6,725	2,075,760

Further details of these changes are set out in sub-sections (b) and (c) of this note.

(b) IFRS 9, Financial instruments, including the amendments to IFRS 9, Prepayment features with negative compensation

IFRS 9 replaces IAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied IFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under IAS 39.

There is no impact of transition to IFRS9 on retained earnings and reserves at 1 January 2018.

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

(i) *Classification of financial assets and financial liabilities*

IFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL). These supersede IAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under IFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI (non-recycling), are recognised in profit or loss as other income.

The measurement categories for all financial assets and financial liabilities remain the same.

The carrying amounts for all financial assets and financial liabilities (including financial guarantee contracts) at 1 January 2018 have not been impacted by the initial application of IFRS 9.

The Group did not designate or de-designate any financial asset or financial liability at FVPL at 1 January 2018.

(ii) *Credit losses*

IFRS 9 replaces the "incurred loss" model in IAS 39 with the expected credit losses (ECL) model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in IAS 39.

The Group applies the new ECL model to the following items:

- financial assets measured at amortised cost (including cash and cash equivalents and trade and other receivables); and
- lease receivables.

Financial assets measured at fair value are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets and trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;
- variable-rate financial assets: current effective interest rate; and
- lease receivables: discount rate used in the measurement of the lease receivable;

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables and lease receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument (including a loan commitment) has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 180 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income on credit-impaired financial assets

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset, lease receivable or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

The Group has concluded that there would be no material impact for the initial application of the new impairment requirements.

(iii) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

- Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 continues to be reported under IAS 39 and thus may not be comparable with the current period.
- The following assessments have been made on the basis of the facts and circumstances that existed at 1 January 2018 (the date of initial application of IFRS 9 by the Group):
 - the determination of the business model within which a financial asset is held; and
 - If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

(c) **IFRS 15, *Revenue from contracts with customers***

IFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. IFRS 15 replaces IAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and IAS 11, *Construction contracts*, which specified the accounting for construction contracts.

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2018. Therefore, comparative information has not been restated and continues to be reported under IAS 11 and IAS 18. As allowed by IFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018.

The following table summarises the impact of transition to IFRS 15 on retained earnings and the related tax impact at 1 January 2018:

	<i>RMB'000</i>
Retained earnings	
Capitalisation of sales commissions	8,966
Related tax	<u>(2,241)</u>
Net increase in retained earnings at 1 January 2018	<u><u>6,725</u></u>

Further details of the nature and effect of the changes on previous accounting policies are set out below:

(i) ***Timing of revenue recognition***

Previously, revenue arising from construction contracts and provision of services was recognised over time, whereas revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.

Under IFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. IFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

- A. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;
- B. When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;
- C. When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under IFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The adoption of IFRS 15 does not have a significant impact on when the Group recognises revenue from sales of aluminium products. However, the timing of revenue recognition for sales of properties is affected as follows:

The Group's property development activities are carried out in the PRC only. Taking into account the contract terms, the Group's business practice and the legal and regulatory environment of PRC, the property sales contracts do not meet the criteria for recognising revenue over time and therefore revenue from property sales continues to be recognised at a point in time. Previously the Group recognised revenue arising from the sale of properties upon the signing of the sale and purchase agreement, the receipt of the deposits and confirmation of arrangement of settlement of remaining sales proceeds or the achievement of status ready for hand-over to customers as stipulated in the sale and purchase agreement, whichever is the later, which was taken to be the point in time when the risks and rewards of ownership of the property were transferred to the customer. Under the transfer-of-control approach in IFRS 15, revenue from property sales is generally recognised when the property is accepted by the customer, or deemed as accepted according to the contract, whichever is earlier, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property.

This change in accounting policy had no material impact on opening balances as at 1 January 2018.

(ii) Significant financing component

IFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance of revenue recognition or significantly deferred.

Previously, the Group only applied such a policy when payments were significantly deferred, which was not common in the Group's arrangements with its customers. The Group did not apply such a policy when payments were received in advance.

It is common for the Group to receive payments significantly in advance of revenue recognition in the Group's sales of properties when the properties are marketed by the Group while the property is still under construction. In this situation, depending on market conditions, the Group may offer customers a discount compared to the listed sales price, provided that the customers agree to pay the balance of the consideration early while construction is still ongoing, rather than on legal assignment.

Where payment schemes include a significant financing component, the transaction price is adjusted to separately account for this component. In the case of payments in advance, such adjustment results in interest expense being accrued by the Group to reflect the effect of the financing benefit obtained by the Group from the customers during the period between the payment date and the revenue recognition date. This accrual increases the amount of the contract liability during the period of construction, and therefore increases the amount of revenue recognised when control of the completed property is transferred to the customer. The interest is expensed as accrued unless it is eligible to be capitalised under IAS 23, *Borrowing costs*.

As a result of this change in policy, the Group has made adjustments which increased inventories and contract liabilities by RMB6,083,353 at 1 January 2018. As all of the accrued interest was eligible to be capitalised into projects still under construction, this change in policy has had no effect on retained earnings as at 1 January 2018.

(iii) *Sales commissions payable related to property sales contracts*

The Group previously recognised sales commissions payable related to property sales contracts as distribution costs when they were incurred. Under IFRS 15, the Group is required to capitalise these sales commissions as costs of obtaining contracts when they are incremental and are expected to be recovered, unless the expected amortisation period is one year or less from the date of initial recognition of the asset, in which case the sales commissions can be expensed when incurred. Capitalised commissions are charged to profit or loss when the revenue from the related property sale is recognised and are included as distribution costs at that time.

As a result of this change in accounting policy, the Group has capitalised sales commissions payable related to property sales contracts amounting to RMB8,966,000, increased deferred tax liability by RMB2,241,000 and increased retained earnings by RMB6,725,000 at 1 January 2018.

(iv) *Presentation of contract assets and liabilities*

Under IFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

To reflect these changes in presentation, the Group has made the following adjustment at 1 January 2018, as a result of the adoption of IFRS 15:

“Advances received” amounting to RMB380,678,000, which was previously included in trade and other payables are now included under contract liabilities.

(d) IFRIC 22, *Foreign currency transactions and advance consideration*

This interpretation provides guidance on determining “the date of the transaction” for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The Interpretation clarifies that “the date of the transaction” is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of IFRIC 22 does not have any material impact on the financial position and the financial result of the Group.

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.
- Other products and services included the provision of processing services, manufacture 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	
	2018	2017
	RMB'000	RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated of product lines		
– Industrial aluminium profiles	1,072,838	706,410
– Construction aluminium profiles	2,905,557	2,283,126
– Other products and services	65,365	63,885
	4,043,760	3,053,421
Disaggregated by geographical location of customers		
– Mainland China, except for Hong Kong	3,876,169	2,882,789
– Hong Kong	119,241	148,179
– Asia Pacific, except for Mainland China and Hong Kong	28,502	19,386
– Africa	18,644	2,683
– Other regions	1,204	384
	4,043,760	3,053,421

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

(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:

For the six months ended 30 June	Industrial aluminium profiles		Construction aluminium profiles		Other segments		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Disaggregated by timing of revenue recognition								
Point in time	1,072,838	706,410	2,905,557	2,283,126	65,365	63,885	4,043,760	3,053,421
Reportable segment revenue								
Revenue from external customers	1,072,838	706,410	2,905,557	2,283,126	65,365	63,885	4,043,760	3,053,421
Reportable segment profit								
Gross profit	136,123	82,666	346,860	320,797	28,459	35,031	511,442	438,494

(c) **Reconciliation of reportable segment profit or loss**

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Reportable segment profit derived from the Group's external customers	511,442	438,494
Other income	28,077	21,615
Distribution costs	(93,058)	(91,891)
Administrative expenses	(158,028)	(154,033)
Other operating expenses	(1,819)	–
Finance costs	(82,680)	(60,124)
Share of profit of an associate	2,176	2,042
Consolidated profit before taxation	206,110	156,103

4 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) **Finance costs**

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Interests expenses on bank loans	69,552	52,472
Interests expenses on discounted bills	13,128	7,652
	82,680	60,124

(b) **Staff costs**

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Salaries, wages, bonuses and benefits	268,298	251,194
Contribution to defined contribution retirement schemes	25,319	21,417
	293,617	272,611

(c) Other items

	Six months ended 30 June	
	2018 <i>RMB'000</i>	2017 <i>RMB'000</i> (Note)
Depreciation	135,914	132,370
Amortisation of lease prepayments	4,383	3,517
Impairment losses recognised for doubtful debts (Note i)	1,819	12,885
Operating lease charges	1,295	1,009
Interest income	3,369	2,786
Cost of inventories (Note ii)/(Note 8)	3,532,318	2,614,927
Research and development costs (Note iii)	165,060	62,509

Notes: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 2.

- (i) During the six months ended 30 June 2018, provision for doubtful debts of RMB1,819,000 (six months ended 30 June 2017: RMB12,885,000) was recognised in “Other operating expenses” (six months ended 30 June 2017: recorded in administrative expenses).
- (ii) During the six months ended 30 June 2018, cost of inventories included RMB136,405,000 relating to depreciation and operating lease charges (six months ended 30 June 2017: RMB119,798,000), which amount is also included in the respective total amounts disclosed separately above, and RMB178,108,000 relating to staff costs (six months ended 30 June 2017: RMB171,086,000) as disclosed in Note 4(b).
- (iii) Research and development costs for the period ended 30 June 2018 included RMB26,460,000 (six months ended 30 June 2017: RMB20,733,000) relating to staff costs of employees which amount is also included in total staff costs as disclosed in Note 4(b).

5 INCOME TAX

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Current tax – PRC corporate income tax	24,222	25,900
Current tax – Hong Kong Profits Tax	979	978
Deferred tax	2,797	(13,192)
	<u>27,998</u>	<u>13,686</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 2018 is calculated by applying the estimated annual effective tax rate of 16.5% (six months ended 30 June 2017: 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., Foshan Xingfa Trading Co., Ltd. and Xingfa Precision Manufacturing Co., Ltd., are liable to the PRC corporate income tax at a rate of 25% for the six months ended 30 June 2018 (six months ended 30 June 2017: 25%).
 - Guangdong Xingfa Aluminium (Jiangxi) Co., Ltd. (“**Xingfa Jiangxi**”) were certified as “Advanced and New Technology Enterprises” (“ANTE”) for the period from 2016 to 2019 and entitled to the preferential income tax rate of 15% for the six months ended 30 June 2018 (six months ended 30 June 2017: 15%).
 - Guangdong Xingfa Aluminium Co., Ltd (“**Guangdong Xingfa**”) and Guangdong Xingfa Aluminium (Henan) Co., Ltd. (“**Xingfa Henan**”) were qualified as an ANTE and entitled to the preferential income tax rate of 15% for a valid period of three years from 2015 to 2017. Guangdong Xingfa and Xingfa Henan were in the process of applying for the renewal of ANTE certificate for another three years from 2018 to 2020. The directors believed that these subsidiaries will be able to renew the ANTE certificate and continue to be entitled to the preferential income tax rate for 2018 to 2020. Hence, the corporate income tax rate being used for Guangdong Xingfa and Xingfa Henan was 15% for the six months ended 30 June 2018 (six months ended 30 June 2017: 15%).
 - Xingfa Aluminium (Chengdu) Co., Ltd. (“**Xingfa Chengdu**”) was qualified as “the encouraged industries of the Western Development Strategy” and enjoyed a preferential tax rate of 15% since 2016 to 2020.

6 DIVIDENDS

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

The directors do not propose any payment of interim dividends for the six months ended 30 June 2018 (six months ended 30 June 2017: 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	
	2018	2017
	RMB'000	RMB'000
Final dividends in respect of the previous financial year, approved and paid during the interim period ended 30 June 2018 of HKD0.2 per share (six months ended 30 June 2017: Nil)	70,483	–

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 RMB178,112,000 (six months ended 30 June 2017: RMB142,417,000) and 418,000,000 shares (six months ended 30 June 2017: 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 2018 and 2017, and therefore, the diluted earnings per share are the same as the basic earnings per share.

8 INVENTORIES AND OTHER CONTRACT COSTS

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000 (Note)
Aluminium products (Note i)	1,085,431	946,218
Properties under construction	431,785	317,465
Contract costs (Note ii)	9,123	–
	<u>1,526,339</u>	<u>1,263,683</u>

Notes: The Group has initially applied IFRS 15 at 1 January 2018. Under the transition methods chosen, comparative information is not restated (see Note 2(c)).

- (i) During the six months ended 30 June 2018, inventories of RMB3,532,318,000 (six months ended 30 June 2017: RMB2,614,927,000) were recognised as an expense during the period and included in “cost of sales”. No inventory provision was recorded in this period (six months ended 30 June 2017: Nil).
- (ii) As a result of the adoption of IFRS 15, sales commissions paid to property agents whose selling activities resulted in customers entering into sale and purchase agreement for the Group’s properties which are still under construction are included in contract costs.

9 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 2018 <i>RMB'000</i>	At 31 December 2017 <i>RMB'000</i>
Within 1 month	1,255,108	1,186,764
1 to 3 months	695,005	509,604
3 to 6 months	201,776	232,380
Over 6 months	<u>127,929</u>	<u>71,113</u>
Trade debtors and bills receivable, net of allowance for doubtful debts (i)	2,279,818	1,999,861
Other receivables, net of allowance for doubtful debts	14,380	16,439
Deposits and prepayments	121,282	101,788
Prepaid tax for pre-sales of property (ii)	<u>17,520</u>	<u>14,332</u>
	<u>2,433,000</u>	<u>2,132,420</u>

- (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) The balance includes prepaid Land Appreciation Tax (“LAT”) of RMB8,463,000 (31 December 2017:RMB6,938,000), prepaid Value-Added Tax (“VAT”) of RMB8,061,000 (31 December 2017:RMB6,577,000) and surcharges of RMB996,000 (31 December 2017:RMB817,000), in relation to pre-sales of property.
- (iii) Certain bills receivable with carrying value of RMB382,355,000 were pledged as securities for bank loans of the Group as at 30 June 2018 (31 December 2017: RMB185,759,000).

10 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 2018 RMB'000	At 31 December 2017 RMB'000
Within 1 month	836,944	364,935
1 to 3 months	332,719	358,174
3 to 6 months	110,233	218,489
Over 6 months	160,508	91,242
Total creditors and bills payable	1,440,404	1,032,840
Receipts in advance (i)	–	380,678
Accrued payroll and benefits	95,632	159,961
Other payables	161,341	208,777
Interest payable	11,550	12,093
Deferred income	26,361	23,374
	1,735,288	1,817,723

- (i) As a result of the adoption of IFRS 15, advances received is included in contract liabilities (see Note 2(c) and Note 11).

11 CONTRACT LIABILITIES

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000 (Note)
Receipts in advance		
– from aluminium customers	175,251	–
– from pre-sales of real estate	290,393	–
Significant financing component arising from pre-sales of real estate	7,861	–
	473,505	–

Note: The Group has initially applied IFRS 15 at 1 January 2018. Under the transition methods chosen, comparative information is not restated (see Note 2(c)).

As a result of the adoption of IFRS 15, advances received and significant financing component arising from pre-sales of real estate are both included in contract liabilities (see Note 2(c)).

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY AND BUSINESS OVERVIEW

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 that are used as construction and industrial materials. Currently, we are one of the largest providers of electricity conductive aluminium profile for metro vehicles in the PRC. By 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 30 years. In 1H18, the Group's revenue and profit increased by 32.4% and 25.1% to approximately RMB4,043.8 million and RMB178.1 million respectively as compared to the corresponding period of last year.

During the period under review, although the demand in the project construction market remained robust, its growth had slowed down, while the application sector and growth of industrial aluminium profiles were gradually improving. As affected by such multi-level factors like changes in national macroeconomy, environmental policies and real estate purchasing patterns, real estate developers were increasingly concentrated, whereby the requirements for suppliers in terms of comprehensive strengths, capital and supply assurance are escalating which benefit the fittest to survive. As a supplier of construction aluminium profiles with strong comprehensive strengths, the changes in the construction market not only provide challenges and but also opportunities from the Group's perspective.

In view of our ongoing rapid development in recent years, it drove the improvement in team building and service capabilities of our distributors and had facilitated their rapid development. At the same time, by adhering to the market demand and development-oriented approach and driven by Xingfa brand, product technology, production location layout, sales network and scalable advantages, Xingfa has gradually leveraged on its advantages in production location layout due to its generic regional Eastern China, Southern China and Bohai development to driving the synergistic development of Central China, Northern China and the western regions. For its products, Xingfa kept up with the market development and accelerated the pace in exploring new sectors on the basis of consolidating its advantageous categories. During 1H18, we achieved a fast growth in sales in the aluminium panels sector, while the Group is expanding its lightweight transportation and systemic door and window segment.

Our aluminium profiles still focused on domestic sales, which accounted for approximately 96% of total revenue during the period under review. For overseas market, under the influence of external trading environment in recent years, the Group adjusted its market focus to the markets in Australia, Southeast Asia and Africa in addition to maintaining its original customer base, among which, sales to Vietnam and Australia mainly focused on in-depth processing products.

Currently, the Group's lean management reform has already been implemented in the headquarter functional departments, Sanshui Industrial Zone, as well as the production bases in Chengdu and Jiangxi, and will be fully implemented in the second half of this year, so as to save cost and increase efficiency and create maximum benefit for our shareholders.

PROSPECTS

The management expects the industry environment in the second half of 2018 will be comparable to that of 1H18 and the demand for project construction aluminium profiles will continue to flourish in the future, but a slowdown in growth is expected. However, the application sector and growth of industrial aluminium profiles will gradually improve which has broad market prospects. In order to maintain the competitive strengths of Xingfa, the Group will continue to strengthen its sales channels, and enhance the cooperation and service with quality real estate enterprises and sourcing units. On the other hand, the Group will continue to layout the emerging market segment, and increase its investments in product innovation, service innovation and management innovation. By leveraging on our competitive strengths, we still remain optimistic about the prospects of future business development.

Moreover, the Group is planning to construct a new manufacturing base in Sanshui Industrial Zone to expand its business in manufacturing aluminum profiles for industrial use and for in-depth processing projects. It is planned to commence construction by the end of this year and start production in the first half of 2020. This new manufacturing base is expected to bring new business opportunities to the Group in developing, manufacturing and selling high technology aluminium products, such as high precision electronic products, lightweight traffic aluminium materials, in-depth processing products and aluminium alloys panels.

By aiming to develop Xingfa Aluminium as an all-rounded and one-stop aluminium profile service provider, we will continue to look for business opportunities for downstream merger and acquisition in China under a prudent investment approach.

FINANCIAL REVIEW

Revenue

The revenue and sales volume of the Group increased to approximately RMB4,043.8 million and 219,500 tonnes respectively for 1H18 (1H17: RMB3,053.4 million and 168,700 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 revenue of construction aluminium profiles for 1H18 increased by 27.3% to approximately RMB2,905.6 million (1H17: RMB2,283.1 million) and the sales volume of which increased by 23.8% to approximately 154,000 tonnes (1H17: approximately 124,400 tonnes). Meanwhile, the revenue of industrial aluminium profiles for 1H18 increased by 51.9% to approximately RMB1,072.8 million (1H17: RMB706.4 million) and the sales volume of which increased by 47.8% to approximately 65,500 tonnes (1H17: approximately 44,300 tonnes).

Gross profit and gross profit margin

The gross profit of the Group for 1H18 increased by 16.6% year-on-year to approximately RMB511.4 million (1H17: RMB438.5 million).

The overall gross profit margin for 1H18 of the Group decreased to 12.6% (1H17: 14.4%), while the sales to production ratio decreased slightly to 94.8% (1H17: 96.6%).

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

	Six months ended 30 June	
	2018	2017
Overall	12.6%	14.4%
Industrial aluminium profiles	12.7%	11.7%
Construction aluminium profiles	11.9%	14.1%

The gross profit ratio of industrial aluminium profile remained steady for 1H18 as compared to that of 1H17.

The gross profit ratio of construction aluminium profiles for 1H18 decreased as compared to that of 1H17. This was mainly because the Group lowered the processing fee in order to maintain the existing customers and attract new customers.

Other income

The other income of the Group for 1H18 increased by 29.9% year-on-year to approximately RMB28.1 million (1H2017: RMB21.6 million), which was mainly attributable to the increase in the government grants. Government grants represent various forms of incentives and subsidies received from the local government authorities in the PRC. During the Period, the Group recognized government grants of approximately RMB21.1 million (1H17: RMB17.8 million) as other income.

Distribution costs

The distribution costs of the Group for 1H18 increased slightly by 1.3% to approximately RMB93.1 million (1H17: RMB91.9 million), which was 2.3% of the revenue (1H17: 3.0%). During the period, more sale orders were fulfilled by self-pick up, thus our delivery costs as a percentage of revenue decreased accordingly.

Administrative expenses

The administrative expenses of the Group for 1H18 increased by 2.6% to approximately RMB158.0 million (1H17: RMB154.0 million), which was 3.9% of the revenue (1H17: 5.0%).

Profit for the period and net profit margin

Our Group recorded profit for the period of approximately RMB178.1 million in 1H18, representing a growth of 25.1% as compared to that of 1H17 (1H17: RMB142.4 million), whilst the net profit margin decreased slightly to 4.4% in 1H18 (1H17: 4.7%).

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 2018 and 31 December 2017:

	At 30 June 2018	At 31 December 2017
Current ratio (i)	1.05	1.09
Quick ratio (ii)	0.72	0.76

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 2018 as compared to that as at 31 December 2017.

Gearing ratio

The following table sets out our Group's gearing ratio as at 30 June 2018 and 31 December 2017:

	At 30 June 2018	At 31 December 2017
Gearing ratio (<i>Note</i>)	37.4%	38.5%

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 2018 as compared to that as at 31 December 2017.

Inventory turnover days

The following table sets out our Group's inventory turnover days during 1H18 and 1H17:

	Six months ended 30 June 2018	2017
Inventory turnover days (<i>Note</i>)	71	79

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.

The inventory turnover days for 1H18 decreased as compared to that of 1H17 which was mainly due to the continuing adoption of lean production strategy and more effective combination of products, whereby the delivery period was then shortened.

Debtors' turnover days

The following table sets out our Group's debtors' turnover days during 1H18 and 1H17:

	Six months ended 30 June	
	2018	2017
Debtors' turnover days (<i>Note</i>)	96	91

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.

The debtors' turnover days for 1H18 increased as compared to that of 1H17 which was mainly due to better credit terms were offered by the Group to certain large distributors.

Creditors' turnover days

The following table sets out our Group's creditors' turnover days during 1H18 and 1H17:

	Six months ended 30 June	
	2018	2017
Creditors' turnover days (<i>Note</i>)	63	93

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 creditors' turnover days for 1H18 decreased as compared to that of 1H17. This was mainly because the Group used prepayment terms more during 1H18 for acquisition of aluminium ingots and aluminium bars in order to lock-up the price of aluminium ingots with the suppliers.

Loans and borrowings

As at 30 June 2018, the Group's loan and borrowings amounted to approximately RMB2,663.1 million (31 December 2017: RMB2,482.7 million).

Banking facilities

As at 30 June 2018, the banking facilities of the Group amounted to approximately RMB4,862.0 million (31 December 2017: RMB4,760.8 million), of which approximately RMB3,241.3 million were utilized (31 December 2017: RMB2,875.7 million).

Capital structure

As at 30 June 2018, 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 1H18.

CASH FLOW HIGHLIGHTS

The following table sets out our Group's cash flow highlights during 1H18 and 1H17:

	Six months ended 30 June	
	2018	2017
	<i>RMB' million</i>	<i>RMB' million</i>
Net cash generated from operating activities	213.3	70.1
Acquisitions of property, plant and equipment	(172.2)	(159.7)
Interest paid	(83.2)	(58.7)
Net increase in bank borrowings	180.4	411.6
Dividends paid	(70.5)	–

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.

PROPERTY UNDER DEVELOPMENT

As at 30 June 2018, the Group's properties under construction amounted to approximately RMB431.8 million (31 December 2017: 317.5 million). Such property, namely Project Xingfa Plaza, is 100% owned by the Group and is located at the northern side of Jihua Road and western side of Changang Road, Chancheng District, Foshan City, Guangdong Province, the PRC. The property is scheduled to be delivered in the second half of 2018 and 2019. The land use rights of the property have been granted for a term of 40 years expiring on 19 May 2050 for commercial service, office, culture and entertainment uses. The property comprises a parcel of land with a site area of approximately 16,961.36 sq. m.. Upon completion, the development will have a planned gross floor area of approximately 123,716.39 sq.m..

HUMAN RESOURCES

As at 30 June 2018, our Group employed a total of approximately 6,740 full time employees in the PRC and Hong Kong which included management staff, technicians, salespersons and workers. In 1H18, our Group's total expenses on the remuneration of employees were approximately RMB293.6 million, represented approximately 7.3% 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.

INTERIM DIVIDEND

The Directors do not propose the payment of interim dividend for 1H18 (1H17: 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 (the “**Corporate Governance Code**”) as set out in Appendix 14 to the Listing Rules for 1H18.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

Our Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules as the code of conduct regarding Directors' securities transactions. After having made specific enquiry with all Directors, our Company has received confirmations from all Directors that they have complied with the required standards set out in the Model Code for 1H18.

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.

CHANGE IN CORPORATE POSITIONS

The Company has the following changes in corporate positions with effect from 16 April 2018:

- (i) Mr. LUO Su has resigned as an executive Director; honorary chairman of the Company; chairman of the nomination committee of the Board (“**Nomination Committee**”) and a member of the remuneration committee of the Board (“**Remuneration Committee**”);
- (ii) Mr. LUO Riming has resigned as an executive Director and the chief executive officer of the Company (“**Chief Executive Officer**”);
- (iii) Mr. LUO Jianfeng has been appointed as an executive Director;
- (iv) Mr. ZUO Manlun has been appointed as a non-executive Director and a member of the Nomination Committee;
- (v) Mr. LIU Libin has been appointed as chairman of the Nomination Committee; and
- (vi) Mr. LIAO Yuqing has been appointed as the Chief Executive Officer and a member of the Remuneration Committee.

The Company has the following changes in corporate positions with effect from 10 May 2018:

- (i) Mr. DAI Feng has resigned as an executive Director and the chief financial officer of the Company (“**Chief Financial Officer**”); and
- (ii) Ms. ZHANG Li has been appointed as an executive Director and the Chief Financial Officer.

On 7 March 2018, Mr. WONG Siu Ki, the company secretary of the Company passed away. Following the pass away of Mr. WONG, the Company did not meet the requirement under Rule 3.28 of the Listing Rule. On 29 March 2018, the Company appointed Ms. WONG Tik as the company secretary 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, Mr. LU Chaoying. Mr. LAM, who has professional qualification and experience in financial matters, serves as the chairman of the audit committee.

The audit committee of the Board has met with the management and external auditors of our Company and has reviewed the consolidated results of our Group for 1H18.

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 during 1H18.

PUBLICATION OF 2018 INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This announcement is published on the respective websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.xingfa.com), and the 2018 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.

By Order of the Board
Xingfa Aluminium Holdings Limited
LIU Libin
Chairman

Hong Kong, 27 August 2018

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

Executive Directors:

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

Non-executive Directors:

Mr. LU Chaoying
Mr. ZUO Manlun

Independent non-executive Directors:

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