興發鋁業控股有限公司

XINGFA ALUMINIUM HOLDINGS LIMITED

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

INTERIM REPORT 2023

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CORPORATE INFORMATION

DIRECTORS AND BOARD COMMITTEES

Directors

Executive Directors

WANG Li *(Chairman)*
LIAO Yuqing *(Chief Executive Officer)*
WANG Lei
LAW Yung Koon
WANG Zhihua
LUO Jianfeng

Non-executive Directors

ZUO Manlun
XIE Jingyun

Independent Non-executive Directors

CHEN Mo
HO Kwan Yiu
LAM Ying Hung, Andy
WEN Xianjun

Board Committees

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Company Secretary

PANG Wai Ho

AUTHORIZED REPRESENTATIVES

WANG Li
LIAO Yuqing
WANG Zhihua *(alternate to LIAO Yuqing)*

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1–1111
Cayman Islands

CORPORATE INFORMATION

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 5, Zone D, Central Science and Technology Industrial Park
Sanshui District
Foshan City
Guangdong Province
the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL BANKERS

Bank of China
Agriculture Bank of China
China Construction Bank Corporation

LEGAL ADVISER

As to Hong Kong law:

LCH Lawyers LLP

As to Cayman Islands law:

Conyers Dill & Pearman

AUDITORS

KPMG
Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance
8th Floor, Prince's Building
10 Chater Road
Central
Hong Kong

SHARE REGISTRARS

Principal Share Registrar and Transfer Office in the Cayman Islands

Suntera (Cayman) Limited
Suite 3204, Unit 2A
Block 3, Building D
P.O. Box 1586, Gardenia Court
Camana Bay
Grand Cayman, KY1–1100
Cayman Islands

Branch Share Registrar and Transfer Office in Hong Kong

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17/F, Hopewell Centre
183 Queen's Road East
Wanchai
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WEBSITE

www.xingfa.com

STOCK CODE

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INTRODUCTION

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**", "**our**", "**Xingfa Aluminium**") prepared under International Financial Reporting Standards ("**IFRS**") for the six months ended 30 June 2023 ("**1H23**"), together with the comparative figures for the corresponding period in 2022 ("**1H22**") 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 2023 – unaudited
(Expressed in Renminbi)

		Six months ended 30 June	
		2023	2022
	Note	**RMB'000**	RMB'000
Revenue	*3 & 4*	**7,826,701**	7,854,963
Cost of sales	*5 & 13*	**(6,959,847)**	(7,073,677)
Gross profit		**866,854**	781,286
Other income		**40,401**	64,547
Distribution costs		**(152,768)**	(121,132)
Administrative expenses		**(210,383)**	(189,834)
Impairment losses on trade and other receivables		**(208,166)**	(125,457)
Profit from operations		**335,938**	409,410
Finance costs	*5(a)*	**(65,327)**	(66,303)
Share of loss of an associate	*10*	**(1,919)**	(2,872)
Profit before taxation	*5*	**268,692**	340,235
Income tax	*6*	**(7,781)**	(31,745)
Profit for the period		**260,911**	308,490
Attributable to:			
Equity shareholders of the Company		**260,586**	307,612
Non-controlling interests		**325**	878
Profit for the period		**260,911**	308,490
Earnings per share	*7*		
Basic (RMB yuan)		**0.62**	0.73
Diluted (RMB yuan)		**0.62**	0.73

The notes on pages 12 to 32 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in Note 21.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023 – unaudited
(Expressed in Renminbi)

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Profit for the period	**260,911**	308,490
Other comprehensive income for the period may be reclassified to profit or loss:		
Exchange differences on translation of financial statements of operations outside the Chinese Mainland	**154**	1,327
Cash flow hedge: net movement in the hedging reserve	**–**	(28,581)
Other comprehensive income for the period	**154**	(27,254)
Total comprehensive income for the period	**261,065**	281,236
Attributable to:		
Equity shareholders of the Company	**260,740**	280,358
Non-controlling interests	**325**	878
Total comprehensive income for the period	**261,065**	281,236

The notes on pages 12 to 32 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023 – unaudited
(Expressed in Renminbi)

	Note	**At 30 June 2023 RMB'000**	At 31 December 2022 RMB'000
Non-current assets			
Property, plant and equipment	*8*	**3,092,088**	2,845,925
Investment property	*8*	**196,028**	199,052
		3,288,116	3,044,977
Right-of-use assets	*9*	**471,920**	401,813
Intangible assets		**2,523**	2,998
Interest in an associate	*10*	**2,040**	3,959
Equity securities designated at fair value through other comprehensive income (FVOCI)	*11*	**32,847**	32,847
Derivative financial instruments	*12*	**8,556**	8,556
Deferred tax assets		**178,850**	145,621
		3,984,852	3,640,771
Current assets			
Derivative financial instruments	*12*	**–**	3,402
Inventories and other contract costs	*13*	**1,791,967**	1,453,525
Trade and other receivables	*14*	**4,091,816**	4,751,383
Prepayments	*15*	**495,472**	172,381
Pledged deposits	*16*	**215,083**	224,736
Cash and cash equivalents	*17*	**2,793,247**	1,849,773
		9,387,585	8,455,200
Current liabilities			
Trade and other payables	*18*	**4,170,195**	4,420,769
Contract liabilities	*19*	**373,092**	378,517
Loans and borrowings	*20*	**1,355,653**	550,452
Lease liabilities		**2,565**	2,427
Current taxation		**49,850**	70,885
		5,951,355	5,423,050
Net current assets		**3,436,230**	3,032,150
Total assets less current liabilities		**7,421,082**	6,672,921

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 30 June 2023 – unaudited
(Expressed in Renminbi)

	Note	**At 30 June 2023 RMB'000**	At 31 December 2022 RMB'000
Non-current liabilities			
Loans and borrowings	*20*	**2,579,552**	1,948,554
Lease liabilities		**4,592**	5,624
Deferred income		**39,075**	41,579
Deferred tax liabilities		**22,381**	21,700
		2,645,600	2,017,457
NET ASSETS		**4,775,482**	4,655,464
CAPITAL AND RESERVES			
Share capital		**3,753**	3,753
Reserves		**4,767,811**	4,648,118
Total equity attributable to equity shareholders of the Company		**4,771,564**	4,651,871
Non-controlling interests		**3,918**	3,593
TOTAL EQUITY		**4,775,482**	4,655,464

Approved and authorised for issue by the board of directors on 28 August 2023.

Wang Li	**Liao Yuqing**
Chairman	*Executive Director*
(Signature and stamp)	*(Signature and stamp)*

The notes on pages 12 to 32 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023 – unaudited
(Expressed in Renminbi)

		Attributable to equity shareholders of the Company											
	Note	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Other reserve RMB'000	Statutory reserves RMB'000	Exchange reserve RMB'000	Hedging reserve RMB'000	Fair value reserve (non-recycling) RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2022		3,744	188,048	9,414	209,822	397,680	604	7,727	–	3,662,303	4,479,342	58	4,479,400
Changes in equity for 2022:													
Profit for the period		–	–	–	–	–	–	–	–	307,612	307,612	878	308,490
Other comprehensive income		–	–	–	–	–	1,327	(28,581)	–	–	(27,254)	–	(27,254)
Total comprehensive income		–	–	–	–	–	1,327	(28,581)	–	307,612	280,358	878	281,236
Shares issued due to exercise of share option scheme		4	3,423	(637)	–	–	–	–	–	–	2,790	–	2,790
Recognition of employees' share option scheme		–	–	217	–	–	–	–	–	–	217	–	217
Dividend approved in respect of the previous year	*21(a)*	–	(47,008)	–	–	–	–	–	–	(238,411)	(285,419)	–	(285,419)
Balance at 30 June 2022 and 1 July 2022		3,748	144,463	8,994	209,822	397,680	1,931	(20,854)	–	3,731,504	4,477,288	936	4,478,224
Changes in equity for the six months ended 31 December 2022:													
Profit for the period		–	–	–	–	–	–	–	–	150,162	150,162	2,657	152,819
Other comprehensive income		–	–	–	–	–	128	(42,265)	2,298	–	(39,839)	–	(39,839)
Total comprehensive income		–	–	–	–	–	128	(42,265)	2,298	150,162	110,323	2,657	112,980
Shares issued due to exercise of share option scheme		5	3,776	(733)	–	–	–	–	–	–	3,048	–	3,048
Amounts transferred from hedging reserve to initial carrying amount of hedged items		–	–	–	–	–	–	63,119	–	–	63,119	–	63,119
Recognition of employees' share option scheme		–	–	(1,907)	–	–	–	–	–	–	(1,907)	–	(1,907)
Appropriation to reserves		–	–	–	–	8,790	–	–	–	(8,790)	–	–	–
Balance at 31 December 2022		3,753	148,239	6,354	209,822	406,470	2,059	–	2,298	3,872,876	4,651,871	3,593	4,655,464
Balance at 1 January 2023		**3,753**	**148,239**	**6,354**	**209,822**	**406,470**	**2,059**	**-**	**2,298**	**3,872,876**	**4,651,871**	**3,593**	**4,655,464**
Changes in equity for the six months ended 30 June 2023:													
Profit for the period		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**260,586**	**260,586**	**325**	**260,911**
Other comprehensive income		**-**	**-**	**-**	**-**	**-**	**154**	**-**	**-**	**-**	**154**	**-**	**154**
Total comprehensive income		**-**	**-**	**-**	**-**	**-**	**154**	**-**	**-**	**260,586**	**260,740**	**325**	**261,065**
Dividend approved in respect of the previous year	*21(a)*	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(141,047)**	**(141,047)**	**-**	**(141,047)**
Balance at 30 June 2023		**3,753**	**148,239**	**6,354**	**209,822**	**406,470**	**2,213**	**-**	**2,298**	**3,992,415**	**4,771,564**	**3,918**	**4,775,482**

The notes on pages 12 to 32 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2023 – unaudited
(Expressed in Renminbi)

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Operating activities		
Cash generated from operations	**258,057**	327,402
Income tax paid	**(61,365)**	(88,089)
Land Appreciation Tax paid ("LAT")	**–**	(179)
Net cash generated from operating activities	**196,692**	239,134
Investing activities		
Interest received	**29,859**	37,849
Payment for the purchase of property, plant and equipment and land use rights	**(492,344)**	(586,652)
Payment for pledged deposits	**(1,076,662)**	(1,387,011)
Proceeds received upon maturity of pledged deposits	**1,086,315**	1,313,645
Payment for deposit of futures contracts	**(2,000)**	(115,000)
Payment for purchase of equity securities	**(27,516)**	–
Proceeds from futures contracts investment	**–**	138,006
Proceeds from disposal of property, plant and equipment and land use rights	**3,350**	17,561
Payment for loans to an associate	**–**	(11,200)
Net cash used in investing activities	**(478,998)**	(592,802)
Financing activities		
Capital element of lease rentals paid	**(1,073)**	(1,017)
Interest element of lease rentals paid	**(179)**	(165)
Interest paid	**(71,658)**	(70,464)
Proceeds from loans and borrowings	**2,309,421**	1,403,620
Repayment of loans and borrowings	**(873,222)**	(408,987)
Proceeds from shares issued under share option scheme	**–**	2,790
Dividends paid to equity shareholders of the Company	**(141,047)**	(285,419)
Net cash generated from financing activities	**1,222,242**	640,358

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

For the six months ended 30 June 2023 – unaudited
(Expressed in Renminbi)

		Six months ended 30 June	
		2023	2022
	Note	**RMB'000**	RMB'000
Net increase in cash and cash equivalents		**939,936**	286,690
Cash and cash equivalents at 1 January	*17*	**1,849,773**	1,643,133
Effect of foreign exchange rates changes		**3,538**	3,397
Cash and cash equivalents at 30 June	*17*	**2,793,247**	1,933,220

The notes on pages 12 to 32 form part of this interim financial report.

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi)

1 Basis of preparation

This 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 Standards ("**IAS**") 34, Interim financial reporting, issued by the International Accounting Standards Board ("**IASB**"). It was authorised for issue on 28 August 2023.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 annual financial statements. Details of any changes in accounting policies are set out in Note 2(a).

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.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of Xingfa Aluminium Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**") since the 2022 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards ("**IFRSs**").

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants("**HKICPA**"). KPMG's independent review report to the Board of Directors is included on pages 33 to 34.

2 Changes in accounting policies

(a) New and amended IFRSs

The Group has applied the following amendments to IFRSs issued by IASB to this interim financial report for the current accounting period:

- IFRS 17, Insurance contracts
- Amendments to IAS 8, Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates
- Amendments to IAS 12, Income taxes: Deferred tax related to assets and liabilities arising from a single transaction
- Amendments to IAS 12, Income taxes: International tax reform — Pillar Two model rules

None of these amendments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi)

2 Changes in accounting policies *(Continued)*

(b) New HKICPA guidance on the accounting implications of the abolition of the MPF-LSP offsetting mechanism

In June 2022, the Government of the Hong Kong SAR (the "**Government**") gazetted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "**Amendment Ordinance**"), which will eventually abolish the statutory right of an employer to reduce its long service payment ("**LSP**") and severance payment payable to a Hong Kong employee by drawing on its mandatory contributions to the mandatory provident fund ("**MPF**") scheme (also known as the "**offsetting mechanism**"). The Government has subsequently announced that the Amendment Ordinance will come into effect from 1 May 2025 (the "**Transition Date**"). Separately, the Government is also expected to introduce a subsidy scheme to assist employers after the abolition.

Among other things, once the abolition of the offsetting mechanism takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory MPF contributions (irrespective of the contributions made before, on or after the Transition Date) to reduce the LSP in respect of an employee's service from the Transition Date. However, where an employee's employment commenced before the Transition Date, the employer can continue to use the above accrued benefits to reduce the LSP in respect of the employee's service up to that date; in addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee's monthly salary immediately before the Transition Date and the years of service up to that date.

In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" that provides guidance on the accounting considerations relating to the offsetting mechanism and the abolition of the mechanism. In particular, the guidance indicates that entities may account for the accrued benefits derived from its mandatory MPF contributions that are expected to be used to reduce the LSP payable to an employee as deemed contributions by that employee towards the LSP; however, upon the enactment of the Amendment Ordinance in June 2022, entities can no longer apply the practical expedient in paragraph 93(b) of HKAS 19 to recognise such deemed contributions as reduction of current service cost in the period the related service is rendered, and any impact from ceasing to apply the practical expedient is recognised as a catch-up adjustment in profit or loss with a corresponding adjustment to the LSP liability during the year ended 31 December 2022.

In this interim financial report and in prior periods, consistent with the HKICPA guidance the Group has been accounting for the accrued benefits derived from its mandatory MPF contributions that are expected to be used to reduce the LSP payable to an employee as deemed employee contributions towards the LSP. However, the Group has been applying the abovementioned practical expedient.

The Group has assessed the implications of this new guidance on the above accounting policies and has decided to change those accounting policies to conform with the guidance. The management has commenced the processes on implementing the change including additional data collection and impact assessment. However, the impact of the change is not reasonably estimable at the time this interim financial report is authorised for issue, as the Group has yet to fully complete its assessment of the impact of the HKICPA guidance. The Group expects to adopt this guidance with retrospective application in its annual financial statements for the year ending 31 December 2023.

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi)

3 Revenue and segment reporting

The principal activities of the Group are manufacturing and sale of aluminium products and sale of completed properties.

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.
- All other segments: include the revenue generated from processing service contracts related to aluminium products, sale of office premises and residential properties and sale of aluminium panels, aluminium alloy, moulds and spare parts.

(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	
	2023	2022
	RMB'000	RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated of product lines or service line		
— Sales of aluminium profiles	**7,642,596**	7,654,503
— Sales of aluminium panels, aluminium alloy, moulds and spare parts	**183,795**	195,074
— Sales of completed properties	**–**	5,235
— Revenue from processing service contracts	**310**	151
	7,826,701	7,854,963
Disaggregated by geographical location of customers		
— Chinese Mainland, except for Hong Kong	**7,712,591**	7,765,415
— Hong Kong	**42,178**	37,740
— Asia Pacific, except for Chinese Mainland and Hong Kong	**64,745**	45,482
— Other regions	**7,187**	6,326
	7,826,701	7,854,963

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi)

3 Revenue and segment reporting *(Continued)*

(a) Disaggregation of revenue *(Continued)*

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

During the six months ended 30 June 2023, the Group's customer base is diversified and does not include any individual customer (six months ended 30 June 2022: Nil) with whom transactions have exceeded 10% of the Group's revenue.

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

Disaggregation of revenue from contracts with customers by timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended on 30 June 2023 is set out below:

For the six months ended 30 June	Industrial aluminium profiles		Construction aluminium profiles		All other segments		Total	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Revenue from external customers recognised by point in time	**1,245,711**	1,461,412	**6,396,885**	6,193,091	**184,105**	200,460	**7,826,701**	7,854,963
Reportable segment profit								
Gross profit	**78,882**	81,698	**741,803**	651,023	**46,169**	48,565	**866,854**	781,286

(c) Reconciliations of reportable segment profit or loss

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Reportable segment profit derived from the Group's external customers	**866,854**	781,286
Other income	**40,401**	64,547
Distribution costs	**(152,768)**	(121,132)
Administrative expenses	**(210,383)**	(189,834)
Impairment losses on trade and other receivables	**(208,166)**	(125,457)
Finance costs	**(65,327)**	(66,303)
Share of loss of an associate	**(1,919)**	(2,872)
Consolidated profit before taxation	**268,692**	340,235

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi)

4 Seasonality of operations

The Group's operation on average generally experiences lower sales in the first quarter, compared to the other quarters in the year, due to the decreased demand for its products during the Chinese New Year holidays.

For the twelve months ended 30 June 2023, the Group reported revenue of RMB16,904,802,000 (twelve months ended 30 June 2022: RMB16,642,246,000), and gross profit of RMB1,860,271,000 (twelve months ended 30 June 2022: RMB1,836,471,000).

5 Profit before taxation

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

(a) Finance costs:

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Interest expenses on bank loans	**44,511**	45,375
Interest expenses on discounted bills	**27,427**	26,512
Interest on lease liabilities	**179**	165
Total interest expense on financial liabilities not at fair value through profit or loss	**72,117**	72,052
Less: interest expense capitalised into construction in progress	**(6,790)**	(5,749)
	65,327	66,303

(b) Staff costs:

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Salaries, wages, bonuses and benefits	**481,695**	458,181
Equity-settled share-based payment expenses	**–**	217
Contribution to defined contribution retirement schemes	**51,290**	47,244
	532,985	505,642

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi)

5 Profit before taxation *(Continued)*

(c) Other items:

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Depreciation charge		
— Investment properties	**3,024**	2,364
— Property, plant and equipment	**196,098**	233,049
— Right-of-use assets	**6,376**	5,419
Amortisation cost of intangible assets	**475**	250
Net foreign exchange gain	**(4,285)**	(5,043)
Changes in fair value of futures contracts recognised as hedge ineffectiveness	**–**	6,569
Changes in fair value of forward exchange contracts	**3,402**	(1,832)
Interest income	**(29,859)**	(37,849)
Cost of inventories (i)/*(Note 13)*	**6,959,847**	7,073,677
Research and development costs (ii)	**371,676**	379,610

(i) Cost of inventories for the six months ended 30 June 2023 included RMB512,650,000 (six months ended on 30 June 2022: RMB542,546,000) relating to depreciation and staff costs, which amount is also included in the respective total amounts disclosed separately above or in Note 5(b) for each of these types of expenses.

(ii) Research and development costs for the six months ended 30 June 2023 included RMB 78,156,000 (six months ended 30 June 2022: RMB78,350,000) relating to staff costs of employees which amount is also included in total staff costs as disclosed in Note 5(b).

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi)

6 Income tax

(a) Taxation in the consolidated statement of profit or loss represents:

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Current tax		
Provision for PRC corporate income tax	**30,329**	29,638
Provision for PRC LAT	**–**	994
PRC dividend withholding tax	**10,000**	14,718
Over-provision for PRC income tax in respect of prior years	**–**	(1,820)
	40,329	43,530
Deferred tax		
Origination and reversal of temporary differences	**(22,548)**	2,933
Effect on distribution of dividends	**(10,000)**	(14,718)
	7,781	31,745

(i) Pursuant to the income tax rules and regulations of the PRC, the PRC subsidiaries of the Group are liable to PRC corporate income tax at a rate of 25% for the six months ended 30 June 2023 (six months ended 30 June 2022: 25%) except for Guangdong Xingfa Aluminium Co., Ltd. ("**Guangdong Xingfa**"), Xingfa Aluminium (Chengdu) Co., Ltd. ("**Xingfa Chengdu**"), Guangdong Xingfa Aluminium (Henan) Co., Ltd. ("**Xingfa Henan**"), Guangdong Xingfa Aluminium (Jiangxi) Co., Ltd. ("**Xingfa Jiangxi**") and Guangdong Xingfa Precision Manufacturing Co., Ltd. ("**Xingfa Precision**"), which were certified as "High and New Technology Enterprises" ("**HNTE**") and entitled to the preferential income tax rate of 15% for the six months ended 30 June 2023 (six months ended 30 June 2022: 15%).

(ii) Pursuant to the relevant law in the PRC, from 1 January 2008, non-resident enterprises without an establishment or place of business in the PRC or which have an establishment or place of business in the PRC but whose relevant income is not effectively connected with the establishment or a place of business in the PRC, will be subject to withholding tax at the rate of 10% (unless reduced by tax treaty) on various types of passive income such as dividends derived from sources within the PRC. Pursuant to the Sino-Hong Kong Double Tax Arrangement and the related regulations, a qualified Hong Kong tax resident will be liable to a reduced withholding tax rate of 5% on dividends from a PRC enterprise if the Hong Kong tax resident is the "beneficial owner" and holds 25% or more of the equity interest of the PRC enterprise. The Group's Hong Kong subsidiary has obtained the Certificate of Resident Status of the Hong Kong Special Administrative Region and therefore have adopted the withholding tax rate at 5% for PRC withholding tax.

At 30 June 2023, deferred tax liabilities of RMB21,975,000 (31 December 2022: RMB20,782,000) have been provided for in this regard based on the expected dividends to be distributed from Guangdong Xingfa in the foreseeable future.

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi)

6 Income tax *(Continued)*

(a) Taxation in the consolidated statement of profit or loss represents: *(Continued)*

(iii) During the six months ended 30 June 2023, Guangdong Xingfa, Xingfa Chengdu, Xingfa Henan, Xingfa Jiangxi and Xingfa Precision obtained approval from local tax authorities for super deduction on research and development expenses incurred in 2022. As such, the income tax of the aforesaid subsidiaries of the Company for the six months ended 30 June 2023 was reduced by RMB46,284,000 (six months ended 30 June 2022: RMB39,695,000). Such additional tax deduction on research and development expenses equals 100% (2022: 100%) of the amount of research and development expenses actually incurred.

7 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB260,586,000 (six months ended 30 June 2022: RMB307,612,000) and the weighted average number of 420,649,134 ordinary shares (six months ended 30 June 2022: 419,853,000 ordinary shares) in issue during the interim period.

	Six months ended 30 June	
	2023	2022
	'000	'000
Issued ordinary shares at 1 January	**420,649**	419,496
Effect of share option exercised	**–**	357
Weighted average number of ordinary shares at 30 June	**420,649**	419,853

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi)

7 Earnings per share *(Continued)*

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB260,586,000 (six months ended 30 June 2022: RMB307,612,000) and the weighted average number of ordinary shares of 420,649,134 shares (six months ended 30 June 2022: 420,758,000 shares), calculated as follows.

(i) Profit attributable to ordinary equity shareholders of the Company (diluted)

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Profit attributable to ordinary equity shareholders (diluted)	**260,586**	307,612

(ii) Weighted average number of ordinary shares (diluted)

	Six months ended 30 June	
	2023	2022
	'000	'000
Weighted average number of ordinary shares at 30 June	**420,649**	419,853
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	**–**	905
Weighted average number of ordinary shares (diluted) at 30 June	**420,649**	420,758

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi)

8 Investment properties and other property, plant and equipment

(i) During the six months ended 30 June 2023, the Group acquired items of plant and machinery with a cost of RMB456,402,000 (six months ended 30 June 2022: RMB448,811,000). Items of property, plant and equipment with a net book value of RMB14,141,000 were disposed of during the six months ended 30 June 2023 (six months ended 30 June 2022: RMB7,571,000), resulting in a loss on disposal of RMB10,791,000 (six months ended 30 June 2022: RMB1,391,000).

(ii) Investment properties of the Group were stated in the consolidated statement of financial position at cost less accumulated depreciation and impairment losses. Fair value of these investment properties was RMB323,000,000 as at 30 June 2023 (31 December 2022: RMB323,000,000). The valuations of fair value were carried out by the Group's independent surveyor, who have staff with recent experiences in the location and category of property being valued.

9 Right-of-use assets

The right-of-use assets of the Group are land use rights and right to use plants and machinery under operating lease for own use. During the six months ended 30 June 2023, the Group acquired land use rights and other leases with a cost of RMB76,483,000 (six months ended 30 June 2022: RMB97,472,000).

10 Interest in an associate

				Proportion of ownership interest		
Name of associate	**Form of business structure**	**Place of incorporation and business**	**Particulars of issued and paid-up capital**	**Group's effective interest**	**Held by a subsidiary**	**Principal activities**
Guangdong Xingfa Environmental Technology Co., Ltd. 廣東興發環境科技有限公司 *(i)* ("**Xingfa Environmental**")	Limited liability company	People's Republic of China	Registered capital of RMB30,000,000	40%	40%	Manufacturing and sales of environment protection products

(i) Xingfa Environmental is an unlisted corporate entity whose quoted market price is not available. During the six months ended 30 June 2023, the Group recognised the share of loss of RMB1,919,000 (six months ended 30 June 2022: RMB2,872,000) under equity-accounting method.

11 Equity securities designated at FVOCI

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Investments in unlisted equity securities *(Note 22(a))*	**32,847**	32,847

The unlisted equity securities are the investments held for strategic purposes. No dividends were received on the investments during the period (31 December 2022: nil).

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi)

12 Derivative financial instruments

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Derivative financial assets		
Non-current assets		
— Other derivative *(Note 22(a))*	**8,556**	8,556
Current assets		
— Forward exchange contract *(Note 22(a))*	**–**	3,402
	8,556	11,958

13 Inventories and other contract costs

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Aluminium profiles manufacturing		
— Raw materials	**335,758**	253,644
— Work in progress	**237,734**	150,152
— Finished goods	**947,647**	782,868
	1,521,139	1,186,664
Completed properties for sale		
— Developed properties	**151,589**	151,589
— Acquired properties	**119,239**	115,272
	270,828	266,861
	1,791,967	1,453,525

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi)

13 Inventories and other contract costs *(Continued)*

Notes:

(i) As at 30 June 2023, completed properties for sale represented the completed properties of RMB151,589,000 (31 December 2022: RMB151,589,000) developed by the Group and the completed properties of RMB119,239,000 (31 December 2022: RMB115,272,000) purchased from property developers.

The Group has entered into the sale and purchase agreements with property developers to purchase certain properties at a consideration of RMB22,134,000 in six months ended 30 June 2023 and RMB176,376,000 in the year ended 31 December 2022, respectively. The Group settled the consideration by endorsing its trade receivables to the property developers without right of recourse.

As at 30 June 2023, the Group has completed the purchase of properties of RMB119,239,000 (31 December 2022: RMB115,272,000) with ownership certificates obtained and recorded the properties in inventory. Besides, the Group has received the properties of RMB79,271,000 (31 December 2022: RMB61,104,000) without obtaining the related ownership certificates and recorded the properties in Prepayments (Note 15).

(ii) During the six months ended 30 June 2023, inventories of RMB6,959,847,000 (six months ended 30 June 2022: RMB7,073,677,000) were recognised as an expense and included in "cost of sales". No inventory provision was recorded in this period (six months ended 30 June 2022: Nil).

14 Trade and other receivables

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

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Within 1 month	**1,937,854**	1,991,878
1 to 3 months	**1,128,347**	1,511,068
3 to 6 months	**516,453**	760,986
Over 6 months	**348,512**	328,000
Trade debtors and bills receivable, net of allowance for doubtful debts (i)(ii)	**3,931,166**	4,591,932
Other debtors, net of loss allowance (iii)	**160,650**	159,451
Financial assets measured at amortised cost	**4,091,816**	4,751,383

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi)

14 Trade and other receivables *(Continued)*

(i) Trade debtors are due within 30 days to 120 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.

As at 30 June 2023, loss allowances of RMB986,050,000 was recognised on trade debtors (31 December 2022: RMB776,561,000).

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs.

For the credit-impaired trade receivables, the loss allowances are assessed individually based on the estimated future cash flows derived from the collateralised assets. As at 30 June 2023, the gross carrying amount of credit-impaired trade receivables was RMB817,520,000 (31 December 2022: RMB837,292,000), against which a loss allowance of RMB742,103,000 was recognised (31 December 2022: RMB552,795,000).

For the remaining trade receivables, ECLs 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, including but not limited to the economic condition on the domestic real estate industry at the reporting date. As at 30 June 2023, the gross carrying amount of the trade receivables for which the loss allowances was assessed collectively using the provision matrix was RMB2,772,435,000 (31 December 2022: RMB2,680,252,000), against which a loss allowance of RMB243,947,000 was recognised (31 December 2022: RMB223,766,000).

(ii) Certain bills receivable with carrying value of RMB648,026,000 were pledged as securities for bills payable of the Group as at 30 June 2023 (31 December 2022: RMB771,331,000).

(iii) As at 30 June 2023, loss allowances of RMB87,000 was recognised on other debtors (31 December 2022: RMB1,410,000).

15 Prepayments

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Prepayments for raw materials and others	**416,201**	111,277
Prepayment for property (i)	**79,271**	61,104
	495,472	172,381

(i) The prepayment represented completed properties purchased from the property developers that have been delivered to the Group. The properties will be transferred to inventories of the Group subsequently upon the issuance of ownership certificate to the Group.

16 Pledged deposits

As at 30 June 2023, pledged deposits represented bank deposits pledged to banks as securities for bills payable.

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi)

17 Cash and cash equivalents

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Cash at bank and in hand	**2,793,247**	1,849,773

(i) As of the end of the reporting period, cash and cash equivalents situated in Chinese Mainland amounted to RMB2,649,692,000 (31 December 2022: RMB1,808,209,000). Remittance of funds out of Chinese Mainland is subject to relevant rules and regulations of foreign exchange control.

18 Trade and other payables

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

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Within 1 month	**1,184,353**	288,590
1 to 3 months	**835,022**	893,668
Over 3 months but within 6 months	**515,756**	809,460
Over 6 months	**904,435**	1,631,942
Trade creditors and bills payable	**3,439,566**	3,623,660
Trade payables	**827,663**	985,458
Bills payable	**2,611,903**	2,638,202
Accrued payroll and benefits	**235,395**	243,796
Other payables and accruals	**315,310**	365,717
Payable for the purchase of property, plant and equipment	**121,275**	87,703
Payable for the purchase of unlisted equity securities and derivative	**–**	27,516
Interest payable	**14,897**	14,617
Deferred income	**11,935**	12,013
Financial liabilities measured at amortised cost	**4,138,378**	4,375,022
Refund liabilities		
— arising from volume rebates	**31,817**	45,747
	4,170,195	4,420,769

As at 30 June 2023, bills payable of RMB250,281,000 was secured by bills receivables of the Group (31 December 2022: RMB267,660,000), bills payable of RMB2,153,000,000 was secured by pledged deposits of the Group (31 December 2022: RMB2,085,000,000).

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi)

19 Contract liabilities

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Aluminium profiles contracts		
— Billings in advance of performance	**373,092**	378,517
	373,092	378,517

20 Loans and borrowings

Loans and borrowings were repayable as follows:

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Within 1 year	**1,355,653**	550,452
After 1 year but within 2 years	**397,400**	421,770
After 2 years but within 5 years	**1,981,300**	1,477,022
After 5 years	**200,852**	49,762
	2,579,552	1,948,554
	3,935,205	2,499,006

At 30 June 2023, the loans and borrowings were secured and guaranteed as follows:

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Secured and guaranteed bank loans and borrowings	**3,477,205**	2,290,006
Unsecured bank loans and borrowings	**458,000**	209,000
	3,935,205	2,499,006

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi)

20 Loans and borrowings *(Continued)*

The secured loans and borrowings were secured by the following assets with net book value of the Group:

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Property, plant and equipment	**372,417**	370,330
Right-of-use assets	**385,884**	217,247
	758,301	587,577

21 Capital, reserves and dividends

(a) Dividends

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

The directors do not propose any payment of interim dividends for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

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

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Final dividends in respect of the previous financial year, approved and paid during the interim period ended 30 June 2023 of HKD0.37 per share (six months ended 30 June 2022: HKD0.80 per share)	**141,047**	285,419

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi)

22 Fair value measurement of financial instruments

(a) Financial assets and liabilities measured at fair value

(i) Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

The Group has a team headed by the finance manager performing valuations for the financial instruments which are categorised into Level 3 of the fair value hierarchy. The team reports directly to the chief financial officer.

	Fair value at 30 June 2023	Fair value measurements as at 30 June 2023 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurement				
Assets:				
Equity securities designated at FVOCI				
— Unlisted equity securities	**32,847**	–	–	**32,847**
Derivative financial instruments:				
— Other derivative	**8,556**	–	–	**8,556**
	41,403	–	–	**41,403**

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi)

22 Fair value measurement of financial instruments *(Continued)*

(a) Financial assets and liabilities measured at fair value *(Continued)*

(i) ***Fair value hierarchy*** *(Continued)*

	Fair value at 31 December 2022	Fair value measurements as at 31 December 2022 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurement				
Assets:				
Equity securities designated at FVOCI				
— Unlisted equity securities	32,847	–	–	32,847
Derivative financial instruments:				
— Foreign exchange forward contract	3,402	–	3,402	–
— Other derivative	8,556	–	–	8,556
	44,805	–	3,402	41,403

During the six months ended 30 June 2023 and the year ended 31 December 2022, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Valuation techniques and inputs used in Level 2 fair value measurements.

The fair value of foreign exchange forward contracts included in Level 2 are determined based on quotes from market makers or alternative market participants supported by observable inputs including spot and forward exchange rates.

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi)

22 Fair value measurement of financial instruments *(Continued)*

(a) Financial assets and liabilities measured at fair value *(Continued)*

(i) ***Fair value hierarchy*** *(Continued)*

Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable input	Range	Weighted average
Equity securities designated at FVOCI				
— Unlisted equity security 1 *(i)*	Market comparable companies price/ book ratios	Discount for lack of marketability	12.80%– 20.10%	15.80%
— Unlisted equity security 2	Discounted cash flow	Discount rate	Not applicable	Not applicable
Derivative financial instruments:				
— Other derivative	Black-Scholes model	Expected volatility	40.01%– 48.46%	45.08%

(i) The fair value of unlisted equity security 1 is determined using the price/book ratios of comparable listed companies adjusted for lack of marketability discount. The fair value measurement is negatively correlated to the discount for lack of marketability.

(b) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 December 2022 and 30 June 2023.

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi)

23 Commitments

Capital commitments outstanding at 30 June 2023 not provided for in the interim financial report were as follows:

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Contracted for		
— Purchase of property, plant and equipment for the production base in Chengdu City	**12,421**	48,438
— Purchase of property, plant and equipment for the production base in Yichun City	**13,873**	17,015
— Purchase of property, plant and equipment for the production base in Sanshui, Foshan City	**149,257**	167,833
— Purchase of property, plant and equipment for the production base in Qinyang City	**18,631**	15,259
— Purchase of property, plant and equipment for the production base in Huzhou City	**257,086**	260,643
— Purchase of property, plant and equipment for the production base in Australia	**31,161**	19,600
	482,429	528,788

As at 30 June 2023, the Group entered into a new lease of 3 years that is not yet commenced, the lease payments under which amounted to AUD1,127,644 (equivalent to RMB5,274,892) per annum (31 December 2022: AUD1,127,644 (equivalent to RMB5,315,488)).

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi)

24 Material related party transactions

In addition to the transactions and balances disclosed elsewhere in this interim financial report, the Group entered into the following material related party transactions:

(a) Transactions

During the six months ended 30 June 2023, the Group sold goods of RMB24,216,000 (six months ended 30 June 2022: RMB56,422,000) to and purchased services of RMB1,790,000 (six months ended 30 June 2022: RMB1,400,000) from Guangdong Xingfa Curtain Wall, Door & Window Co., Ltd. ("**Xingfa Curtain Wall**"), which is invested by one of the Group's executive directors.

During the six months ended 30 June 2023, the Group provided properties leasing service of RMB2,111,000 (six months ended 30 June 2022: RMB2,111,000) to and purchased services of RMB1,810,000 (six months ended 30 June 2022: RMB334,000) from Xingfa Environmental, which is an associate of the Group.

During the six months ended 30 June 2023, the Group sold goods of RMB127,487,000 (six months ended 30 June 2022: RMB45,670,000) and provided properties leasing service of RMB3,734,000 (six months ended 30 June 2022: RMB2,888,000) to China Lesso Group Holdings Limited and its subsidiaries ("**China Lesso Group**"). China Lesso Group Holdings Limited is a substantial shareholder of the Company, which has significant influence over the Company.

(b) Balances with related parties

As at the end of the reporting period, the Group had the balance due from Xingfa Curtain Wall of RMB16,395,000 (31 December 2022: RMB20,724,000), balance due from China Lesso Group of RMB89,250,000 (31 December 2022: RMB23,659,000), rental balance due from Xingfa Environmental of RMB2,310,000 (31 December 2022: Nil), balance due to Xingfa Curtain Wall of RMB1,010,000 (31 December 2022: RMB2,310,000), balance due to China Lesso Group of RMB55,000 (31 December 2022: RMB55,000).

The balances with related parties are trade-related, unsecured, interest-free and have no fixed terms of repayment.

In addition, the Group had a 1-year loan of RMB16,000,000 (31 December 2022: RMB16,000,000) provided to Xingfa Environmental with interest rate at 4.35% per annum.

INDEPENDENT REVIEW REPORT

REVIEW REPORT TO THE BOARD OF DIRECTORS OF XINGFA ALUMINIUM HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 5 to 32 which comprises the consolidated statement of financial position of Xingfa Aluminium Holdings Limited as of 30 June 2023 and the related consolidated statement of profit or loss, statement of profit or loss and other comprehensive income and statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim financial reporting*, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

INDEPENDENT REVIEW REPORT

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2023 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim financial reporting*.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

28 August 2023

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

Under the influence of a series of uncertain factors, China's economic recovery was relatively slow in the first half of 2023. Although the data of the National Bureau of Statistics ("**NBS**") shows that China's economy had a growth rate of 5.5% in the first half of 2023, it is difficult to achieve the full-year economic growth target of 5% due to the low base effects in the second quarter of last year and the sluggish exports and investments in recent months. As far as the real estate market is concerned, although the Chinese government made great efforts to promote the policy of "ensuring timely deliveries of residential properties and safeguarding people's livelihoods" to provide support for the industry, people's consumption desire turned weak and real estate developers were forced to adjust their deployment, resulting in a fall after a rise in the sales of commercial housing and the completed floor area during the period. According to data from the NBS, the sales of commercial housing nationwide in the first half of 2023 was RMB6,309.2 billion, representing a year-on-year increase of merely 1.1%, and the sales area of commercial housing nationwide was 595.15 million square metres, representing a year-on-year decrease of 5.3%. As a major manufacturer and supplier of construction aluminium profiles in the PRC, the Group flexibly adjusted its business policy and strengthened cooperation with real estate developers with healthy cash flows to minimise external impacts and maintain growth during the instability period of the industry.

BUSINESS REVIEW

Xingfa Aluminium is one of the leading aluminium profile manufacturers in the PRC and is principally engaged in the manufacture and sale of aluminium profiles which are being used as construction and industrial materials. The Group won the Industry Benchmark Award of MEI Awards in 2020 and was honoured as Top Five of Investment Value of China Real Estate Suppliers in 2023. As at 30 June 2023, the Group had obtained approximately 2,167 national patents and participated in the drafting of approximately 132 national and industry standards. In recent years, the Group has gradually developed overseas business on the basis of mature domestic business. It actively prepared for overseas production and participated in the construction and application of aluminium profiles around the world, with an aim to further promote Xingfa, a brand that the Chinese are proud of, to different parts of the world.

MANAGEMENT DISCUSSION AND ANALYSIS

The first half of 2023 is a period filled with both joy and concern for Xingfa Aluminium. Against the backdrop of slow recovery of the real estate market, the Group vied for orders of larger scale and achieved on-time delivery by virtue of its product technology and quality advantages, partnerships with state-owned enterprises and high-quality property developers, and good reputation, giving a boost to growth in revenue and sales volume amid a decline in aluminium prices. However, as a major manufacturer and supplier of construction aluminium profiles, the Group was inevitably affected by the complicated and volatile industry environment. After careful consideration, the Group decided to make an impairment provision of approximately RMB208.2 million in respect of certain trade and other receivables, resulting in a decrease in the profit attributable to equity shareholders of the Company to RMB260.6 million, representing a year-on-year decrease of 15.3%.

In terms of business development, the Group continued to consolidate its market share of construction aluminium profiles, striving to enhance its profitability. In light of uncertainties in the industry, the Group proactively chose to cooperate with central-government-controlled enterprises, state-owned enterprises and real estate developers with healthy cash flows to reduce the risk of bad debts. In addition, the Group actively explored opportunities beyond commercial housing, including participating in the construction of large-scale landmark projects and undertaking more public projects led by governments at all levels, such as gymnasiums, schools, hospitals, roads and bridges. During the period under review, the Group accelerated its expansion into the retail market with the launch of a number of door and window products for home, so as to integrate Xingfa's high-quality products into people's lifes and enhance Xingfa's influence at the retail level.

In addition to the mature construction aluminium profile business, the Group continued to strengthen the development of industrial aluminium profile business. During the period under review, the Group actively explored opportunities in market segments such as mechanical devices, solar photovoltaics and new energy vehicles, and secured orders for aluminium oxide profiles for photovoltaic applications, marking Xingfa Aluminium's breakthrough made in the field of industrial aluminium profiles after obtaining orders for battery trays on new energy vehicles earlier. The Group leveraged the cutting-edge research and development strength of Xingfa Research Institute to discover new applications and new materials for industrial aluminium profiles, making persistent efforts to create brand-new growth engines for Xingfa Aluminium.

Despite the challenging business environment in the short term, the Group is confident that it can continuously win orders to drive the overall development by virtue of its close cooperation with customers. In this regard, active efforts were made to improve the production capacity and enhance production benefits. Specifically, the plan to build a new plant in Huzhou City, Zhejiang Province proceeded smoothly, and the plant is expected to come into trial production at the end of 2023. Upon completion, the new plant will become the core production and research base of the Group, which will provide customers with high-quality and diversified aluminium profiles with the integration of digital and automated production.

MANAGEMENT DISCUSSION AND ANALYSIS

In terms of overseas business, the Group actively elevated its presence to tap into regional markets, such as Southeast Asia, South America and Australia. During the period under review, the Group obtained remarkable performance in Asia-Pacific (excluding Chinese Mainland and Hong Kong) market, with sales increased by more than 40% year-on-year. Other markets such as the United States and Europe also made strong financial contributions. The Group has successively built and expanded overseas sales teams to enhance the penetration rate of Xingfa in overseas markets through network construction and product promotion, in a bid to grasp market opportunities more effectively. Moreover, the Group actively stepped up its presence overseas to increase production capacity. For instance, with equipment installation, commissioning and trial production expected to be completed within 2023, the joint project in Australia will be officially put into production in the first half of next year. The self-funded project in Vietnam was progressing in an orderly manner. The Group believes that building sales teams and production facilities overseas will help strengthen the ties with overseas customers, increase the overall operation and production efficiency, enhance the global popularity of Xingfa Aluminium and consolidate its leading position in markets.

Revenue

Driven by the slight increase in sales volume combined with the decrease in average prices of aluminium products, the Group's revenue remained stable during 1H23. For the six months ended 30 June 2023, the revenue of the Group decreased by 0.4% to RMB7,826.7 million (1H22: RMB7,855.0 million), and the sales volume was 351,101 tonnes (1H22: 317,780 tonnes). The sales of construction aluminium profiles and industrial aluminium profiles accounted for 81.7% (1H22: 78.8%) and 15.9% (1H22: 18.6%) of the revenue, respectively.

Construction Aluminium Profiles

Construction aluminium profiles are surface treated aluminium profiles which are mainly used for the construction and installation of doors and windows, curtain walls, ceilings and blinds and other decorative products. In the first half of 2023, the revenue of construction aluminium profiles increased by 3.3% year-on-year to approximately RMB6,396.9 million (1H22: RMB6,193.1 million), and sales volume grew by 16.4% year-on-year to approximately 284,850 tonnes (1H22: 244,670 tonnes).

Industrial Aluminium Profiles

Industrial aluminium profiles are mainly plain aluminium profiles, which can be used as container frames and other products such as new conductive profiles of urban railway locomotives and ship components. In addition, they can also be made into different forms and shapes, such as heat sinks of central processing units (CPUs) and displays and frames of consumer electronic products. The revenue of industrial aluminium profiles decreased by 14.8% year-on-year to approximately RMB1,245.7 million (1H22: RMB1,461.4 million) in the first half of 2023, and sales volume decreased by 4.3% year-on-year to approximately 62,650 tonnes (1H22: 65,466 tonnes).

MANAGEMENT DISCUSSION AND ANALYSIS

Prospect

In the second half of 2023, macro uncertainties and pressure faced by the real estate sector are expected to bring uncertainty to the aluminium profile industry. However, the Group believes that opportunities come along with crises and that Xingfa Aluminium, with united efforts of all staff, will overcome the difficulties and achieve satisfactory performance. With regard to construction aluminium profiles, the Group will strengthen cooperation with market participants with healthy cash flows and also actively explore opportunities in public works and increase its presence in the retail market which is full of opportunities. In the meantime, the Group will continue to develop its industrial aluminium profile business and tap into the huge market for hundreds of applications of industrial aluminium profiles, so as to explore new business breakthroughs. With Xingfa's excellent product quality and efficient business operations and planning, the Group is ready to seize the opportunities arising from industry integration and expand its market share in the fields of both construction and industrial aluminium profiles.

The Group has actively expanded its domestic and overseas sales and production networks and enhanced operational flexibility, aiming to better meet the development needs. Domestically, the construction of its production base in Zhejiang is in full swing, and the trial production is expected to commence at the end of this year, which will establish a solid foundation for improving production benefits and expanding product portfolios. With regard to overseas, the construction of its plants in Australia is also underway in an orderly manner, with installation and trial production to start at the end of this year. By then, domestic and overseas production bases are expected to produce strong synergies to satisfy the needs of customers everywhere.

In the long run, the Group remains optimistic about the medium and long-term development of the aluminium profile industry. The aluminium profile industry, as a huge market, is full of development opportunities, even though the industry is facing increasing pressure in the short run. As a major participant in China's aluminium profile industry, Xingfa Aluminium is confident to increase its market share and lay a solid foundation for sustainable development in the medium and long run.

FINANCIAL REVIEW

Revenue

The revenue of the Group for 1H23 were decreased slightly by 0.4% year-on-year to approximately RMB7,826.7 million while the sales volume increased by 10.5% to approximately 351,101 tonnes (1H22: RMB7,855.0 million and 317,780 tonnes respectively). The revenue remained relatively stable due to the combined effects of increase in sales volume and decrease in average prices of aluminium products.

MANAGEMENT DISCUSSION AND ANALYSIS

The sales volume of construction aluminium profiles for 1H23 increased by 16.4% to 284,850 tonnes (1H22: 244,670 tonnes). Meanwhile, the sales volume of industrial profiles for 1H23 decreased by 4.3% to 62,650 tonnes (1H22: 65,466 tonnes).

The following table sets forth the details of our revenue by segments for 1H23 and 1H22:

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Sale of aluminium profiles		
— Construction aluminium profiles	**6,396,885**	6,193,091
— Industrial aluminium profiles	**1,245,711**	1,461,412
	7,642,596	7,654,503
Others *(Note)*	**184,105**	200,460
Total	**7,826,701**	7,854,963

Note: Our Group's revenue generated from other segments represents revenue generated from processing service contracts related to aluminium products; sale of aluminium panels, aluminium alloy, moulds and spare parts; and sale of office premises and residential properties.

Gross profit and gross profit margin

The gross profit of the Group for 1H23 increased by 11.0% year-on-year to approximately RMB866.9 million (1H22: RMB781.3 million).

The overall gross profit margin for 1H23 of the Group increased to 11.1%, while the sales to production ratio decreased to 96.9%.

MANAGEMENT DISCUSSION AND ANALYSIS

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

	Six months ended 30 June	
	2023	2022
Overall	**11.1%**	9.9%
Construction aluminium profiles	**11.6%**	10.5%
Industrial aluminium profiles	**6.3%**	5.6%
All other segments *(Note)*	**25.1%**	24.2%

Note: Our Group's all other segments include processing service contracts related to aluminium products, sale of office premises and residential properties and sale of aluminium panels, aluminium alloy, moulds and spare parts.

The gross profit margin of construction aluminium profiles, industrial aluminium profiles and all other segments increased to 11.6%, 6.3% and 25.1% respectively. The increase in gross profit margin was mainly due to the decrease in the costs of raw materials is more than the decrease in the prices of aluminium products.

Other income

The following table sets out the details of other income of the Group for 1H23 and 1H22:

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Interest income	**29,859**	37,849
Government grants	**12,176**	8,775
— Unconditional subsidies	**2,582**	4,287
— Conditional subsidies	**9,594**	4,488
Rental income	**8,272**	7,628
Net foreign exchange gain	**4,287**	5,043
Changes in fair value of commodity future contracts recognised as hedge ineffectiveness	**–**	(6,569)
Changes in fair value of forward exchange contracts	**(3,402)**	1,832
(Loss)/gain on disposal of property, plant and equipment and other assets	**(10,791)**	9,989
	40,401	64,547

The other income of the Group for 1H23 decreased by 37.4% year-on-year to approximately RMB40.4 million (1H22: RMB64.5 million). Such decrease was mainly attributable to the increase in loss on disposal of property, plant and equipment and other assets as well as the decrease in interest income during 1H23.

Distribution costs

The distribution costs of the Group for 1H23 increased by 26.2% to approximately RMB152.8 million (1H22: RMB121.1 million), which was 2.0% of the revenue (1H22: 1.5%). During 1H23, the distribution costs increased as compared to that of 1H22 and such increase is in line with the increase in the growth of sales volume.

Administrative expenses

The administrative expenses of the Group for 1H23 increased by 10.9% to RMB210.4 million (1H22: RMB189.8 million), which was 2.7% of the revenue (1H22: 2.4%).

Profit attributable to shareholders of the Company and net profit margin

The profit attributable to shareholders of the Company for 1H23 decreased by 15.3% to approximately RMB260.6 million (1H22: RMB307.6 million), whilst the net profit margin decreased to 3.3% (1H22: 3.9%).

The Board believes that such decrease in profit was primarily attributable to the increase in impairment losses on trade and other receivables and the increase in loss on disposal of property, plant and equipment and other assets during 1H23.

ANALYSIS OF FINANCIAL POSITION

Current and quick ratios

The following table sets out our Group's current and quick ratios as at 30 June 2023 and 31 December 2022:

	At 30 June 2023	At 31 December 2022
Current ratio *(Note i)*	**1.58**	1.56
Quick ratio *(Note ii)*	**1.28**	1.29

Notes:

(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.

MANAGEMENT DISCUSSION AND ANALYSIS

Current ratio as at 30 June 2023 increased as compared to that as at 31 December 2022. Such increase was in line with higher level of cash and cash equivalents as a result of more utilisation of loans and borrowings. Quick ratio as at 30 June 2023 remained stable as compared to that as at 31 December 2022.

Gearing ratio

The following table sets out our Group's gearing ratio as at 30 June 2023 and 31 December 2022:

	At 30 June 2023	At 31 December 2022
Gearing ratio *(Note)*	**29.4%**	20.7%

Note:

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

The gearing ratio as at 30 June 2023 increased as compared to that as at 31 December 2022, mainly because the Group had utilised more banking facilities for the increased demand in working capital during the period under review.

Inventory turnover days

The following table sets out our Group's inventory turnover days during 1H23 and 1H22:

	Six months ended 30 June	
	2023	2022
Inventory turnover days *(Note)*	**42**	41

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 2023 and 2022 represents aluminium profiles segment including our raw materials, work in progress and the unsold finished goods and completed properties for sale.

The Group's inventory turnover days for 1H23 remained stable as compared to that of 1H22.

MANAGEMENT DISCUSSION AND ANALYSIS

Debtors' turnover days

The following table sets out our Group's debtors' turnover days during 1H23 and 1H22:

	Six months ended 30 June	
	2023	2022
Debtors' turnover days *(Note)*	**99**	105

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 debtor's turnover days decreased in 1H23 as compared to that of 1H22 because the repayment schedules of the debtors have been improved during 1H23.

Creditors' turnover days

The following table sets out our Group's creditors' turnover days during 1H23 and 1H22:

	Six months ended 30 June	
	2023	2022
Creditors' turnover days *(Note)*	**92**	105

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 decreased in 1H23 significantly as compared to that of 1H22 as prepayments to supplies increased during 1H23 and the average balance of trade and bills payables decreased accordingly.

Loans and borrowings

As at 30 June 2023, the Group's loans and borrowings amounted to approximately RMB3,935.2 million (31 December 2022: RMB2,499.0 million), among which amounted to approximately RMB1,555.7 million were at fixed interest rates (31 December 2022: RMB550.5 million).

MANAGEMENT DISCUSSION AND ANALYSIS

Save for typically lower borrowing requirements in the first quarter of the year due to holidays during the Chinese Lunar New Year, there was no seasonality in the Group's bank borrowing requirements.

Banking facilities and guarantee

As at 30 June 2023, the banking facilities of the Group amounted to approximately RMB13,406.2 million (31 December 2022: RMB12,004.0 million), of which approximately RMB5,994.7 million were utilized (31 December 2022: RMB5,039.0 million).

No banking facilities were guaranteed by related parties of the Group.

Capital structure

As at 30 June 2023, the Company had 420,649,134 ordinary shares of HK$0.01 each in issue. No shares of the Company has been issued or repurchased during 1H23.

Treasury Policies

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

Certain sales and purchases of inventories of the Group are denominated in United States ("**US**") dollars and Hong Kong ("**HK**") dollars. Furthermore, certain trade receivables, trade payables, loans and borrowings and bank balances are denominated in US dollars and HK dollars, therefore exposing the Group to the currency risk of US dollars and HK dollars. During 1H23, the Group used forward exchange contracts to manage its exposure to fluctuations in the exchange rate of US dollars.

CASH FLOW HIGHLIGHTS

The following table sets out our Group's cash flow highlights during 1H23 and 1H22:

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Net cash generated from operating activities	**196,692**	239,134
Payment for the purchase of property, plant and equipment and land use rights	**(492,344)**	(586,652)
Payment for deposit of futures contracts	**(2,000)**	(115,000)
Proceeds from futures contracts investment	**–**	138,006
Net decrease/(increase) in pledged deposits	**9,653**	(73,366)
Interest paid	**(71,658)**	(70,464)
Net increase in bank borrowings	**1,436,199**	994,633
Dividends paid	**(141,047)**	(285,419)

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

As at 30 June 2023, the Group had cash and cash equivalents of approximately RMB2,793.2 million (31 December 2022: RMB1,849.8 million), among which 0.53% was held in US dollars, 4.89% was held in HK dollars and the remaining balance was held in RMB.

SALE OF COMPLETED PROPERTIES

(i) Xingfa Plaza

"Xingfa Plaza (興發大廈)", a property project wholly-owned by the Group, is located at the northern side of Jihua Road and the western side of Changang Road, Chancheng District, Foshan City, Guangdong Province, the PRC. The land use rights of the property was granted for a term of 40 years expiring on 19 May 2050 for commercial service, office, culture and entertainment uses. The property comprises a parcel of land with a site area of approximately 16,961.36 sq.m. and the gross floor area is approximately 123,527.29 sq.m.. As at 30 June 2023, around 42% of the saleable floor area have been delivered to the customers.

During 1H23, no unit of Xingfa Plaza had been sold and delivered and thus no revenue was recognised for 1H23 (1H22: RMB5.2 million).

MANAGEMENT DISCUSSION AND ANALYSIS

(ii) Other properties

During 1H23, the Group entered into sale and purchase agreements with certain property developers, pursuant to which the Group agreed to purchase certain properties at a consideration of RMB22.1 million (31 December 2022: RMB176.4 million). As at 30 June 2023, the Group has completed the purchase of properties of RMB119.2 million (31 December 2022: RMB115.3 million) and has obtained the relevant ownership certificates in respect of such properties. Such properties were recorded as inventories of the Group as at 30 June 2023. In addition, the Group has received properties of RMB79.3 million (31 December 2022: RMB61.1 million) without obtaining the related ownership certificates and such properties were recorded as prepayments of the Group as at 30 June 2023.

SUBSEQUENT EVENT

There was no significant subsequent event affecting the Group that had occurred since the end of 1H23.

HUMAN RESOURCES

As at 30 June 2023, our Group employed a total of approximately 9,561 full time employees in the PRC and Hong Kong which included management staff, technicians, salespersons and workers. In 1H23, our Group's total expenses on the remuneration of employees were approximately RMB533.0 million (1H22: approximately RMB505.6 million), representing approximately 6.8% (1H22: 6.4%) of the revenue of our Group. Our Group's emolument policies are formulated on the performance of individual employees and directors, which will be reviewed regularly every year. Apart from the provident fund scheme (according to the provisions of the Mandatory Provident Fund Schemes Ordinance (Cap. 485 of the laws of Hong Kong) 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 would also be 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 did not propose the payment of interim dividend for 1H23 (1H22: Nil).

SHARE OPTION SCHEME

The Company conditionally adopted a share option scheme ("**Share Option Scheme**") on 29 December 2017. The Share Option Scheme became effective for 10 years commencing from 5 January 2018.

With effect from 1 January 2023, any grant of share options shall comply with the new requirements under Chapter 17 of the Listing Rules which took effect on 1 January 2023.

No share option was granted, exercised, cancelled, lapsed or expired under the Share Option Scheme during 1H23. No share option was outstanding as at 1 January 2023 and 30 June 2023. As at 1 January 2023 and 30 June 2023, the total number of share options available for grant is 39,150,866, which represent 9.31% of the issued shares of the Company as at the date of this report. No service provider sublimit has been authorised under the Share Option Scheme.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

At no time during 1H23 were rights to acquire benefits by means of the acquisitions of Shares in or debentures of the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is available to the Company and within the knowledge of its Directors, the Company has maintained sufficient public float as required under the Listing Rules on the Stock Exchange during the six months ended 30 June 2023.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association, or the applicable laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during 1H23.

MATERIAL ACQUISITION AND DISPOSAL

For the six months ended 30 June 2023, there was no material acquisition or disposal of subsidiaries, associates and joint ventures by the Group.

SIGNIFICANT INVESTMENT

As at 30 June 2023, the Group did not hold any significant investment with a value of 5% or more of the Group's total assets.

CHARGES ON GROUP ASSETS

As at 30 June 2023, bills receivable of the Group with a carrying value of RMB648.0 million (31 December 2022: RMB771.3 million) and pledged deposits of the Group amounting to RMB215.1 million (31 December 2022: RMB224.7 million) were pledged as securities for bills payable of the Group.

As at 30 June 2023, property, plant and equipment of the Group with net book value of RMB372.4 million (31 December 2022: RMB370.3 million) and right-of-use-assets of the Group in the carrying value of RMB385.9 million (31 December 2022: RMB217.2 million) were charged as security for bank loans and borrowings of the Group amounting to RMB1,361 million.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 June 2023.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2023, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) ("**SFO**")) as recorded in the register required to be kept by the Company under section 352 of the SFO, or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules ("**Model Code**"), to be notified to the Company and the Stock Exchange, were as follows:

Long position

Name of directors	Capacity	Ordinary shares of the Company	Total	Percentage of interest in the Company
LIAO Yuqing	Founder of a discretionary trust who can influence how the trustee exercises his discretion	48,200,100	48,200,100	11.46%
LAW Yung Koon	Beneficial owner	19,432,000	19,432,000	4.62%
	Interest of spouse	1,719,000	1,719,000	0.41%
WANG Zhihua	Beneficial owner	128,000	128,000	0.03%

Save as disclosed above, as at 30 June 2023, none of the Directors or the chief executive of the Company had registered an interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS WHO ARE REQUIRED TO DISCLOSE THEIR INTERESTS PURSUANT TO PART XV OF THE SFO

As at 30 June 2023, the following persons, other than a Director or the chief executive of the Company, had interests or short positions in the shares and underlying shares of the Company which are required to be recorded in the register required to be kept by the Company under section 336 of the SFO:

Long Position

Name of entities	Capacity	Total number of ordinary shares of the Company	Percentage of interest in the Company
GuangXin (Hong Kong) Investment Limited	Beneficial owner	132,382,000	31.47%
Guangdong Guangxin Holdings Group Ltd*	Interest of controlled corporation	132,382,000	31.47%
State-owned Assets Supervision and Administration Commission of The People's Government of Guangdong Province*	Interest of controlled corporation	132,382,000 *(Note 1)*	31.47%
Lesso Group Holdings Limited	Beneficial owner	109,842,900	26.11%
China Lesso Group Holdings Limited	Interest of controlled corporation	109,842,900	26.11%
New Fortune Star Limited	Interest of controlled corporation	109,842,900	26.11%
Xi Xi Development Limited	Interest of controlled corporation	109,842,900	26.11%
UBS Trustees (B.V.I.) Limited	Interest of controlled corporation	109,842,900 *(Note 2)*	26.11%

OTHER INFORMATION

Name of entities	Capacity	Total number of ordinary shares of the Company	Percentage of interest in the Company
WONG Luen Hei	Founder of a discretionary trust who can influence how the trustee exercises his discretion	109,842,900 *(Note 2)*	26.11%
Sure Keen Limited	Beneficial owner	48,200,100	11.46%
Glorious Joy Limited	Interest of controlled corporation	48,200,100	11.46%
TMF (Cayman) Limited	Trustee	48,200,100 *(Note 3)*	11.46%

Notes:

1. These Shares were held by GuangXin (Hong Kong) Investment Limited, which was directly wholly-owned by Guangdong Guangxin Holdings Group Ltd.* and ultimately owned by the State-owned Assets Supervision and Administration Commission of The People's Government of Guangdong Province*.

2. These Shares were held by Lesso Group Holdings Limited, which was directly wholly-owned by China Lesso Group Holdings Limited. China Lesso Group Holdings Limited was owned as to 68.54% by New Fortune Star Limited, which was wholly-owned by Xi Xi Development Limited and ultimately owned by UBS Trustees (B.V.I.) Limited, as trustee of a discretionary trust, the settlor of which was Mr. Wong Luen Hei.

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

* *For identification purpose only*

Save as disclosed above and in the paragraph headed "Directors' Interests in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations" above, as at 30 June 2023, no other person had interests or short positions in the shares and underlying shares of the Company which were required to be recorded in the register required to be kept by the Company under section 336 of the SFO.

CORPORATE GOVERNANCE

In the opinion of the Directors, the Company had complied with all the code provisions of the Corporate Governance Code ("**Corporate Governance Code**") as set out in Part 2 of Appendix 14 to the Listing Rules for 1H23.

OTHER INFORMATION

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

Our Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as 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 as set out in the Model Code for 1H23.

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

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 ("**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 ("**Mr. LAM**") and one non-executive Director namely, Ms. XIE Jingyun. Mr. LAM, who has professional qualification and experience in financial matters, serves as the chairman of the Audit Committee.

The Audit Committee has met with the management and external auditors of the Company and has reviewed the consolidated results of our Group for 1H23.

By Order of the Board
Xingfa Aluminium Holdings Limited
WANG Li
Chairman

28 August 2023