



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

2022





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CORPORATE INFORMATION

DIRECTORS AND BOARD COMMITTEES

Directors

Executive Directors

WANG Li (*Chairman*)
(appointed on 14 April 2022)
LIU Libin (*Chairman*)
(resigned on 14 April 2022)
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
LIU Libin (resigned on 14 April 2022)
LIAO Yuqing
WANG Li (appointed on 14 April 2022)

Nomination Committee

WANG Li (*Chairman*)
(appointed on 14 April 2022)
LIU Libin (*Chairman*)
(resigned on 14 April 2022)
CHEN Mo
HO Kwan Yiu
LAM Ying Hung, Andy
ZUO Manlun

Company Secretary

PANG Wai Ching

AUTHORIZED REPRESENTATIVES

WANG Li (appointed on 14 April 2022)
LIU Libin (resigned on 14 April 2022)
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 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
Hong Kong

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 2022 (“**1H22**”), together with the comparative figures for the corresponding period in 2021 (“**1H21**”) 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 2022 – unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2022 RMB'000	2021 RMB'000
Revenue	3 & 4	7,854,963	6,645,617
Cost of sales	5 & 12	(7,073,677)	(5,888,958)
Gross profit		781,286	756,659
Other income		64,547	71,372
Distribution costs		(121,132)	(148,557)
Administrative expenses		(189,834)	(183,048)
Impairment losses on trade and other receivables		(125,457)	(19,608)
Profit from operations		409,410	476,818
Finance costs	5(a)	(66,303)	(37,080)
Share of loss of an associate	10	(2,872)	–
Gain on disposal of an associate	10	–	3,460
Profit before taxation	5	340,235	443,198
Income tax	6	(31,745)	(55,801)
Profit for the period		308,490	387,397
Attributable to:			
Equity shareholders of the Company		307,612	388,520
Non-controlling interests		878	(1,123)
Profit for the period		308,490	387,397
Earnings per share			
	7		
Basic (RMB yuan)		0.73	0.93
Diluted (RMB yuan)		0.73	0.93

The notes on pages 12 to 30 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in Note 20.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022 – unaudited
(Expressed in Renminbi)

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Profit for the period	308,490	387,397
Other comprehensive income for the period may be reclassified to profit or loss:		
Exchange differences on translation of financial statements of operations outside the Mainland China	1,327	(2,571)
Cash flow hedge: net movement in the hedging reserve	(28,581)	20,139
Other comprehensive income for the period	(27,254)	17,568
Total comprehensive income for the period	281,236	404,965
Attributable to:		
Equity shareholders of the Company	280,358	406,088
Non-controlling interests	878	(1,123)
Total comprehensive income for the period	281,236	404,965

The notes on pages 12 to 30 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022 – unaudited
(Expressed in Renminbi)

	Note	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Non-current assets			
Investment property	8	183,592	169,427
Property, plant and equipment	8	2,722,121	2,534,160
		2,905,713	2,703,587
Right-of-use assets	9	405,213	330,465
Intangible assets		3,160	3,410
Interest in an associate	10	6,103	8,975
Equity securities designated at fair value through other comprehensive income (FVOCI)		11,183	11,183
Deferred tax assets		85,451	68,434
		3,416,823	3,126,054
Current assets			
Derivative financial instruments	11	49,965	15,289
Inventories and other contract costs	12	1,748,695	1,481,803
Trade and other receivables	13	4,741,828	4,667,569
Prepayments	14	254,126	199,421
Pledged deposits	15	282,285	208,919
Cash and cash equivalents	16	1,933,220	1,643,133
		9,010,119	8,216,134
Current liabilities			
Trade and other payables	17	4,826,609	4,725,224
Contract liabilities	18	268,396	228,274
Loans and borrowings	19	1,719,422	492,617
Lease liabilities		1,521	2,005
Derivative financial instruments	11	–	5,908
Current taxation		44,319	89,057
		6,860,267	5,543,085
Net current assets		2,149,852	2,673,049
Total assets less current liabilities		5,566,675	5,799,103

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 30 June 2022 – unaudited
(Expressed in Renminbi)

	<i>Note</i>	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Non-current liabilities			
Loans and borrowings	19	1,026,570	1,258,742
Lease liabilities		4,914	5,447
Deferred income		26,831	25,566
Deferred tax liabilities		30,136	29,948
		1,088,451	1,319,703
NET ASSETS			
		4,478,224	4,479,400
CAPITAL AND RESERVES			
Share capital	20(b)	3,748	3,744
Reserves		4,473,540	4,475,598
Total equity attributable to equity shareholders of the Company		4,477,288	4,479,342
Non-controlling interests		936	58
TOTAL EQUITY		4,478,224	4,479,400

Approved and authorised for issue by the board of directors on 26 August 2022.

Wang Li
Chairman
(Signature and stamp)

Liao Yuqing
Executive Director
(Signature and stamp)

The notes on pages 12 to 30 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022 – unaudited

(Expressed in Renminbi)

Note	Attributable to equity shareholders of the Company										
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Other reserve RMB'000	Statutory reserve RMB'000	Exchange reserve RMB'000	Hedge reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2021	3,732	179,965	10,778	209,822	362,440	1,891	(4,830)	2,933,374	3,697,192	741	3,697,933
Changes in equity for the six months ended 30 June 2021:											
Profit for the period	-	-	-	-	-	-	-	388,520	388,520	(1,123)	387,397
Exchange reserve	-	-	-	-	-	(2,571)	-	-	(2,571)	-	(2,571)
Other comprehensive income	-	-	-	-	-	-	20,139	-	20,139	-	20,139
Total comprehensive income	-	-	-	-	-	(2,571)	20,139	388,520	406,088	(1,123)	404,965
Shares issued due to exercise of Share Option Scheme	20(b)	10	7,392	(1,749)	-	-	-	-	5,653	-	5,653
Recognition of Employees' Share Option Scheme	20(b)	-	-	545	-	-	-	-	545	-	545
Dividend approved in respect of the previous year	20(a)	-	-	-	-	-	-	(123,631)	(123,631)	-	(123,631)
Balance at 30 June 2021 and 1 July 2021	3,742	187,377	9,574	209,822	362,440	(680)	15,309	3,198,263	3,995,847	(382)	3,995,465
Changes in equity for the six months ended 31 December 2021:											
Profit for the period	-	-	-	-	-	-	-	499,280	499,280	440	499,720
Exchange reserve	-	-	-	-	-	1,284	-	-	1,284	-	1,284
Other comprehensive income	-	-	-	-	-	-	(7,582)	-	(7,582)	-	(7,582)
Total comprehensive income	-	-	-	-	-	1,284	(7,582)	499,280	492,982	440	493,422
Shares issued due to exercise of Share Option Scheme	2	671	(242)	-	-	-	-	-	431	-	431
Recognition of Employees' Share Option Scheme	-	-	82	-	-	-	-	-	82	-	82
Appropriation to reserves	-	-	-	-	35,240	-	-	(35,240)	-	-	-
Balance at 31 December 2021	3,744	188,048	9,414	209,822	397,680	604	7,727	3,662,303	4,479,342	58	4,479,400
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 the six months ended 30 June 2022:											
Profit for the period	-	-	-	-	-	-	-	307,612	307,612	878	308,490
Exchange reserve	-	-	-	-	-	1,327	-	-	1,327	-	1,327
Other comprehensive income	-	-	-	-	-	-	(28,581)	-	(28,581)	-	(28,581)
Total comprehensive income	-	-	-	-	-	1,327	(28,581)	307,612	280,358	878	281,236
Shares issued due to exercise of Share Option Scheme	20(b)	4	3,423	(637)	-	-	-	-	2,790	-	2,790
Recognition of Employees' Share Option Scheme	20(b)	-	-	217	-	-	-	-	217	-	217
Dividend approved in respect of the previous year	20(a)	-	-	-	-	-	-	(285,419)	(285,419)	-	(285,419)
Balance at 30 June 2022	3,748	191,471	8,994	209,822	397,680	1,931	(20,854)	3,684,496	4,477,288	936	4,478,224

The notes on pages 12 to 30 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2022 – unaudited
(Expressed in Renminbi)

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Operating activities		
Cash generated from operations	327,402	574,767
Income tax paid	(88,089)	(70,899)
Land Appreciation Tax paid ("LAT")	(179)	(73)
Net cash generated from operating activities	239,134	503,795
Investing activities		
Interest received	37,849	34,645
Payment for the purchase of property, plant and equipment and land use rights	(586,652)	(330,670)
Payment for pledged deposits	(1,387,011)	(1,097,329)
Proceeds received upon maturity of pledged deposits	1,313,645	1,036,117
Payment for deposit of futures contracts	(115,000)	(15,000)
Proceeds from futures contracts investment	138,006	35,080
Proceeds from disposal of property, plant and equipment and land use rights	17,561	1,557
Payment for loans to an associate	(11,200)	–
Dividend received from an associate	–	27,655
Proceeds from disposal of an associate	–	10,000
Net cash used in investing activities	(592,802)	(297,945)
Financing activities		
Capital element of lease rentals paid	(1,017)	(770)
Interest element of lease rentals paid	(165)	(212)
Interest paid	(70,464)	(68,865)
Proceeds from loans and borrowings	1,403,620	2,116,429
Repayment of loans and borrowings	(408,987)	(1,439,294)
Proceeds from shares issued under share option scheme	2,790	5,653
Dividends paid to equity shareholders of the Company	(285,419)	(123,631)
Net cash generated from financing activities	640,358	489,310

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

*For the six months ended 30 June 2022 – unaudited
(Expressed in Renminbi)*

	<i>Note</i>	Six months ended 30 June	
		2022	2021
		RMB'000	RMB'000
Net increase in cash and cash equivalents		286,690	695,160
Cash and cash equivalents at 1 January	<i>16</i>	1,643,133	509,639
Effect of foreign exchange rates changes		3,397	(7,400)
Cash and cash equivalents at 30 June	<i>16</i>	1,933,220	1,197,399

The notes on pages 12 to 30 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 26 August 2022.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 annual financial statements.

Details of any changes in accounting policies are set out in note 2.

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

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 2021 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 HKICPA. KPMG’s independent review report to the Board of Directors is included on pages 31 and 32.

2 CHANGES IN ACCOUNTING POLICIES

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

- Amendments to IAS 16, *Property, plant and equipment: Proceeds before intended use*
- Amendments to IAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts — cost of fulfilling a contract*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of amended IFRSs are discussed below:

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi)

2 CHANGES IN ACCOUNTING POLICIES (Continued)

Amendments to IAS 16, Property, plant and equipment: Proceeds before intended use

The amendments prohibit an entity from deducting the proceeds from selling items produced before that asset is available for use from the cost of an item of property, plant and equipment. Instead, the sales proceeds and the related costs should be included in profit and loss. The amendments do not have a material impact on these financial statements as the Group does not sell items produced before an item of property, plant and equipment is available for use.

Amendments to IAS 37, Provisions, contingent liabilities and contingent assets: Onerous contracts – cost of fulfilling a contract

The amendments clarify that for the purposes of assessing whether a contract is onerous, the costs of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

Previously, the Group included only incremental costs when determining whether a contract was onerous. In accordance with the transitional provisions, the Group has applied the new accounting policy to contracts for which it has not yet fulfilled all its obligations at 1 January 2022, and has concluded that none of them is onerous.

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.
- 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.

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi)

3 REVENUE AND SEGMENT REPORTING (Continued)

(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	
	2022	2021
	RMB'000	RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated of product lines		
— Construction aluminium profiles	6,193,091	4,949,735
— Industrial aluminium profiles	1,461,412	1,469,472
— Other products and services	200,460	226,410
	7,854,963	6,645,617
Disaggregated by geographical location of customers		
— Mainland China, except for Hong Kong	7,765,415	6,534,116
— Hong Kong	37,740	49,517
— Asia Pacific, except for Mainland China and Hong Kong	45,482	56,645
— Other regions	6,326	5,339
	7,854,963	6,645,617

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 2022, the Group's customer base is diversified and does not include any individual customer (six months ended 30 June 2021: Nil) with whom transactions have exceeded 10% of the Group's revenue.

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi)

3 REVENUE AND SEGMENT REPORTING (Continued)

(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 2022 is set out below:

	Industrial aluminium profiles		Construction aluminium profiles		All other segments		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
	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	1,461,412	1,469,472	6,193,091	4,949,735	200,460	226,410	7,854,963	6,645,617
Reportable segment profit								
Gross profit	81,698	104,423	651,023	574,020	48,565	78,216	781,286	756,659

(c) Reconciliations of reportable segment profit or loss

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Reportable segment profit derived from the Group's external customers	781,286	756,659
Other income	64,547	71,372
Distribution costs	(121,132)	(148,557)
Administrative expenses	(189,834)	(183,048)
Impairment losses on trade and other receivables	(125,457)	(19,608)
Finance costs	(66,303)	(37,080)
Share of loss of an associate	(2,872)	-
Gain on disposal of an associate	-	3,460
Consolidated profit before taxation	340,235	443,198

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 2022, the Group reported revenue of RMB16,642,246,000 (twelve months ended 30 June 2021: RMB14,005,928,000), and gross profit of RMB1,836,471,000 (twelve months ended 30 June 2021: RMB1,809,821,000).

5 PROFIT BEFORE TAXATION

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

(a) Finance costs:

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Interest expenses on bank loans	39,626	27,841
Interest expenses on discounted bills	26,512	9,027
Interest on lease liabilities	165	212
	66,303	37,080

(b) Staff costs:

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Salaries, wages, bonuses and benefits	458,181	413,349
Equity-settled share-based payment expenses	217	545
Contribution to defined contribution retirement schemes	47,244	35,964
	505,642	449,858

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi)

5 PROFIT BEFORE TAXATION (Continued)

(c) Other items:

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Depreciation charge		
— Investment properties	2,364	1,875
— Property, plant and equipment	233,049	190,002
— Right-of-use assets	5,419	4,762
Amortisation cost of intangible assets	250	207
Net foreign exchange gain	(5,043)	(2,913)
Changes in fair value of futures contracts recognised as hedge ineffectiveness	6,569	(3,233)
Changes in fair value of forward exchange contracts	(1,832)	(267)
Interest income	(37,849)	(34,645)
Cost of inventories (i)/(Note 12)	7,073,677	5,888,958
Research and development costs (ii)	379,610	272,876

- (i) Cost of inventories for the six months ended 30 June 2022 included RMB542,546,000 (six months ended on 30 June 2021: RMB486,421,000) 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, and net loss of RMB17,616,000 (six months ended on 30 June 2021: gain of RMB13,496,000) reclassified from other comprehensive income on commodity futures contracts which were designated as cash flow hedging instruments.
- (ii) Research and development costs for the six months ended 30 June 2022 included RMB78,350,000 (six months ended 30 June 2021: RMB54,529,000) 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

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Current tax		
Provision for PRC corporate income tax	29,638	53,909
Provision for Hong Kong Profits Tax	–	536
Provision for PRC LAT	994	789
PRC dividend withholding tax	14,718	8,000
Over-provision for PRC income tax in respect of prior years	(1,820)	–
	43,530	63,234
Deferred tax		
Reversal and origination of temporary differences	(11,785)	(7,433)
	31,745	55,801

- (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 2022 (six months ended 30 June 2021: 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 2022 (six months ended 30 June 2021: 15%).
- (ii) At 30 June 2022, deferred tax liabilities of RMB29,861,000 (31 December 2021: RMB28,583,000) have been provided for in this regard based on the expected dividends to be distributed from Guangdong Xingfa in the foreseeable future.
- (iii) During the six months ended 30 June 2022, 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. As such, the income tax of the aforesaid subsidiaries of the Company for the six months ended 30 June 2022 was reduced by RMB39,695,000 (six months ended 30 June 2021: RMB22,124,000). Such additional tax deduction on research and development expenses equals to 100% (2021: 75%) of the amount of research and development expenses actually incurred.

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi)

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 RMB307,612,000 (six months ended 30 June 2021: RMB388,520,000) and the weighted average number of 419,853,000 ordinary shares (six months ended 30 June 2021: 418,471,000 shares) in issue during the interim period.

	Six months ended 30 June	
	2022	2021
	'000	'000
Issued ordinary shares at 1 January	419,496	418,068
Effect of share option exercised (<i>Note 20</i>)	357	403
Weighted average number of ordinary shares at 30 June	419,853	418,471

(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 RMB307,612,000 (six months ended 30 June 2021: RMB388,520,000) and the weighted average number of ordinary shares of 420,758,000 shares (six months ended 30 June 2021: 419,832,000 shares), calculated as follows:

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

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Profit attributable to ordinary equity shareholders (diluted)	307,612	388,520

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

	Six months ended 30 June	
	2022	2021
	'000	'000
Weighted average number of ordinary shares at 30 June	419,853	418,471
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	905	1,361
Weighted average number of ordinary shares (diluted) at 30 June	420,758	419,832

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 2022, the Group acquired items of plant and machinery with a cost of RMB448,811,000 (six months ended 30 June 2021: RMB268,996,000). Items of property, plant and equipment with a net book value of RMB7,571,000 were disposed of during the six months ended 30 June 2022 (six months ended 30 June 2021: RMB3,932,000), resulting in a loss on disposal of RMB1,391,000 (six months ended 30 June 2021: RMB2,375,000).
- (ii) During the six months ended 30 June 2022, the investment properties of RMB38,115,000 was transferred from property, plant and equipment and right-of-use assets for properties leasing out (six months ended 30 June 2021: RMB29,019,000). The investment properties of RMB21,586,000 was transferred to inventories (six months ended 30 June 2021: Nil).

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 RMB243,167,000 as at 30 June 2022 (31 December 2021: RMB205,400,000). The valuations of fair value were carried out by the Group's independent valuer, 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 plants and machinery under operating lease for own use. During the six months ended 30 June 2022, the Group acquired land use right with a cost of RMB97,472,000 (six months ended 30 June 2021: Nil).

10 INTEREST IN AN ASSOCIATE

Name of associate	Form of business structure	Place of incorporation and business	Particulars of issued and paid-up capital	Proportion of ownership interest		Principal activities
				Group's effective interest	Held by a subsidiary	
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 2022, the Group recognised the share of loss of RMB2,872,000 under equity-accounting method.
- (ii) During the six months ended 30 June 2021, the Group recognised a gain of RMB3,460,000 in respect of the disposal of its entire equity interest in the associate namely Jiangxi Province Jingxing Aluminium Panel Manufacturing Co., Ltd. ("Jiangxi Jingxing").

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi)

11 DERIVATIVE FINANCIAL INSTRUMENTS

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Derivative financial assets		
— held as cash flow hedging instruments (Note 21)	48,133	15,289
— Forward exchange contract (Note 21)	1,832	—
	49,965	15,289
	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Derivative financial liabilities		
— Forward exchange contract (Note 21)	—	5,908

12 INVENTORIES AND OTHER CONTRACT COSTS

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Aluminium profiles manufacturing		
— Raw materials	334,670	473,738
— Work in progress	195,773	146,574
— Finished goods	1,066,659	728,692
	1,597,102	1,349,004

Completed properties for sale		
— Land use right	46,857	27,843
— Deed tax	4,698	2,796
— Construction costs	100,038	102,160
	151,593	132,799
	1,748,695	1,481,803

Note:

During the six months ended 30 June 2022, inventories of RMB7,073,677,000 (six months ended 30 June 2021: RMB5,888,958,000) were recognised as an expense and included in "cost of sales". No inventory provision was recorded in this period (six months ended 30 June 2021: Nil).

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi)

13 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 or bills issuance date and net of allowance for doubtful debts, is as follows:

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Within 1 month	2,105,835	2,099,689
1 to 3 months	1,287,419	1,187,352
3 to 6 months	503,840	790,216
Over 6 months	691,885	448,898
Trade debtors and bills receivable, net of allowance for doubtful debts (i)/(ii)	4,588,979	4,526,155
Other debtors, net of loss allowance (iii)	152,849	141,414
Financial assets measured at amortised cost	4,741,828	4,667,569

- (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 2022, loss allowances of RMB348,158,000 was recognised on trade debtors (31 December 2021: RMB223,611,000).

The Group measures loss allowances for trade receivables at an amount equal to lifetime expected credit losses ("ECLs"). ECLs on trade receivables 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. In view of the unfavorable change of the domestic real estate industry, the Group increased the loss allowances for the six months ended 30 June 2022.

- (ii) All the bills receivable are due within one year and the aging are counted starting from the date of issuance.

Certain bills receivable with carrying value of RMB755,507,000 were pledged as securities for bills payable of the Group as at 30 June 2022 (31 December 2021: RMB968,015,000).

- (iii) As at 30 June 2022, loss allowances of RMB3,172,000 was recognised on other debtors (31 December 2021: RMB2,262,000).

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi)

14 PREPAYMENTS

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Prepayment for properties (i)	104,964	–
Other prepayments (ii)	149,162	199,421
	254,126	199,421

- (i) During the six months ended 30 June 2022, the Group entered into a series of agreements (“**the Agreements**”) with the property developers. According to the Agreements, the Group endorsed the trade receivables of RMB792,768,000 to settle the consideration of the properties acquired from such property developers.

As at 30 June 2022, the prepayment represented the endorsement of trade receivables of RMB104,964,000 without right of recourse that were transferred to prepayment for the consideration of completed properties. These completed properties have been possessed by the Group but it is subject to the completion on legal transfer of properties to the Group. The management intends to hold the properties for sale at market price in subsequent period.

The remaining endorsement of receivables of RMB687,804,000 with right of recourse represented the amount paid for consideration of the properties under development. The amounts were not derecognised as receivables, because the Group considered to retain substantially all of the risks and rewards of ownership of these receivables. These properties under development have not been possessed by the Group as at 30 June 2022.

- (ii) As at 30 June 2022, other prepayments mainly included prepayments for purchases of raw materials.

15 PLEDGED DEPOSITS

As at 30 June 2022, pledged deposits represented bank deposits pledged to banks as securities for bills payable.

16 CASH AND CASH EQUIVALENTS

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Cash at bank and in hand	1,933,220	1,643,133

- (i) As of the end of the reporting period, cash and cash equivalents situated in Mainland China amounted to RMB1,865,259,000 (31 December 2021: RMB1,606,067,000). Remittance of funds out of Mainland China is subject to relevant rules and regulations of foreign exchange control.

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi)

17 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 or bills issuance date, is as follows:

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Within 1 month	1,291,561	1,566,333
1 to 3 months	1,204,980	709,742
Over 3 months but within 6 months	714,514	609,776
Over 6 months	1,028,243	1,106,917
Trade creditors and bills payable	4,239,298	3,992,768
Trade payables	965,048	1,723,242
Bills payable	3,274,250	2,269,526
Accrued payroll and benefits	180,130	258,855
Other payables and accruals	383,576	447,329
Interest payable	5,394	9,720
Deferred income	18,211	16,552
Financial liabilities measured at amortised cost	4,826,609	4,725,224

18 CONTRACT LIABILITIES

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Aluminium profiles		
— Billings in advance of performance	268,178	228,274
Completed properties for sale		
— Forward sales deposits and instalments received	218	—
	268,396	228,274

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT*(Expressed in Renminbi)***19 LOANS AND BORROWINGS**

Loans and borrowings were repayable as follows:

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Within 1 year	1,719,422	492,617
After 1 year but within 2 years	334,920	742,610
After 2 years but within 5 years	582,768	407,250
After 5 years	108,882	108,882
	1,026,570	1,258,742
	2,745,992	1,751,359

All the loans and borrowings were secured or guaranteed. The secured loans and borrowings were secured by the following assets of the Group:

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Carrying value of assets:		
Property, plant and equipment	363,146	370,597
Right-of-use assets	267,371	270,182
	630,517	640,779

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi)

20 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 2022 (six months ended 30 June 2021: 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	
	2022	2021
	RMB'000	RMB'000
Final dividends in respect of the previous financial year, approved and paid during the interim period ended 30 June 2022 of HKD0.80 per share (six months ended 30 June 2021: HKD0.36 per share)	285,419	123,631

(b) Equity settled share-based transactions

On 15 October 2018, 4,180,000 share options were granted for nil consideration to employees of the Company under the Company's employee share option scheme. Each option gives the holder the right to subscribe for one ordinary share of the Company. The options vest after two years to four years from the date of grant and are then exercisable on or before 14 October 2023. The exercise price is HKD5.46, being the weighted average closing price of the Company's ordinary shares immediately before the grant.

During the six months ended 30 June 2022, share options were exercised to subscribe for a total of 547,000 (six months ended 30 June 2021: 1,240,134) ordinary shares in the Company at a consideration of approximately HKD3,411,000 (equivalent to approximately RMB2,790,000) (six months ended 30 June 2021: HKD6,771,000 (equivalent to approximately RMB5,653,000)), of which RMB4,000 and RMB2,786,000 were credited to share capital and the share premium account respectively (six months ended 30 June 2021: RMB10,000 and RMB5,643,000). In addition, RMB637,000 was transferred from the capital reserve to the share premium account in accordance with the Company's accounting policy (six months ended 30 June 2021: RMB1,749,000).

The Group recognised share option expenses of RMB217,000 during the six months ended 30 June 2022 (six months ended 30 June 2021: RMB545,000).

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi)

21 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

	Fair value at 30 June 2022 RMB'000	Fair value measurements as at 30 June 2022 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurement				
Assets:				
Unlisted equity securities	11,183	–	–	11,183
Derivative financial instruments:				
— Commodity futures contracts	48,133	48,133	–	–
— Foreign exchange forward contract	1,832	1,832	–	–
	61,148	49,965	–	11,183

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi)

21 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 2021 RMB'000	Fair value measurements as at 31 December 2021 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurement				
Assets:				
Unlisted equity securities	11,183	–	–	11,183
Derivative financial instruments:				
— Commodity futures contracts	15,289	15,289	–	–
	26,472	15,289	–	11,183
Liability:				
Derivative financial instruments:				
— Foreign exchange forward contract	(5,908)	(5,908)	–	–

During the six months ended 30 June 2022, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2021: Nil). 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.

Information about Level 3 fair value measurements

Financial instruments	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of significant unobservable inputs to fair value
Financial assets at FVOCI	Level 3	Net asset value	Not applicable	Not applicable
— Unlisted equity securities				

As at reporting date, fair value is estimated using the net asset value model. As the unquoted equity security is not listed on any stock exchange, a quoted market price is not available; there were also no recent observable arm's length transactions in the shares.

Any gain or loss arising from the remeasurement of the Group's unlisted equity securities held for strategic purposes are recognised in the fair value reserve (non-recycling) in other comprehensive income. Upon disposal of the equity securities, the amount accumulated in other comprehensive income is transferred directly to retained earnings.

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi)

21 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

(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 2021 and 30 June 2022.

22 COMMITMENTS

Capital commitments outstanding at 30 June 2022 not provided for in the interim financial report

	At 30 June 2022	At 31 December 2021
	RMB'000	RMB'000
Contracted for		
— Purchase of property, plant and equipment for the production base in Chengdu City	124,684	125,582
— Purchase of property, plant and equipment for the production base in Yichun City	11,494	12,791
— Purchase of property, plant and equipment for the production base in Sanshui, Foshan City	187,185	166,599
— Purchase of property, plant and equipment for the production base in Qinyang City	10,809	21,830
— Purchase of property, plant and equipment for the production base in Huzhou City	393	—
Authorised but not contracted for		
— Acquisition of land use rights for the production base in Huzhou City	79,790	95,636
	414,355	422,438

As at 30 June 2022, the Group entered into a new lease of 3 years that is not yet commenced, the lease payments under which amounted to AUD1,094,800 (equivalent to RMB5,052,000) per annum (31 December 2021: AUD1,094,800 (equivalent to RMB5,060,000)).

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi)

23 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 2022, the Group sold goods of RMB56,422,000 (six months ended 30 June 2021: RMB58,661,000) to 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 2022, the Group provided properties leasing service of RMB2,111,000 (six months ended 30 June 2021: Nil) to Xingfa Environmental, which is an associate of the Group.

During the six months ended 30 June 2022, the Group sold goods and provided services of RMB48,558,000 (six months ended 30 June 2021: RMB22,264,000) to China Lesso Group Holdings Limited and its subsidiaries ("**China Lesso Group**"), 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 RMB38,076,000 (31 December 2021: RMB24,545,000), balance due from Xingfa Environmental of RMB13,504,000 (31 December 2021: Nil), balance due from China Lesso Group of RMB45,985,000 (31 December 2021: RMB28,709,000), balance due to Xingfa Curtain Wall of RMB868,000 (31 December 2021: RMB1,377,000), balance due to China Lesso Group of RMB12,025,000 (31 December 2021: RMB55,000).

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

24 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

After the end of the reporting period, an aggregate of 16,000 ordinary shares were issued upon exercise of share options granted under the share option scheme of the Company by employees of the Group at an exercise price of HK\$5.46 per share.

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 30 which comprises the consolidated statement of financial position of Xingfa Aluminium Holdings Limited as of 30 June 2022 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 2022 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

26 August 2022

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

In the first half of 2022, dragged down by a series of uncertain factors such as the domestic COVID-19 pandemic in the People's Republic of China ("PRC"), fluctuations in raw material prices and ongoing disruption of supply chains, the macro market environment remained sluggish. Meanwhile, the real estate industry experienced drastic adjustments, which resulted in a significant decline in the sales and development of commercial housing nationwide. According to the National Bureau of Statistics, the investment in real estate development and the floor area of new construction in the first half of the year recorded a year-on-year decrease by 5.4% and 34.4%, respectively. The adjustments of the real estate industry are expected to prolong for a period of time. Hit by a double whammy of instability in macroeconomic environment and the downturn in the real estate market, the market demand for the construction and manufacturing industry continued to decline, dragging down the demand for aluminium profiles. Amid the severe challenges faced by the industry, the Group actively maintained its relationship with high-quality customers from the real-estate industry, and flexibly adjusted its marketing strategy, in order to minimize the impact. These efforts had enabled the Group to achieve growth in sales and revenue.

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. In 2002, 2012 and 2017, the Group was awarded the "No. 1 of the National Construction Aluminium Profiles Enterprise" by the China Non-Ferrous Metals Fabrication Industrial Association for three consecutive sessions and was awarded the "Made-in-China Beauty — Industry Benchmark Award (中國製造之美行業標杆獎)" and the "Top 500 Enterprises in Guangdong Manufacturing Industry (ranking 60th)" in 2020 and 2021, respectively. As of 30 June 2022, the Group had obtained approximately 1,828 national patents and participated in the drafting of approximately 107 national and industry standards. Currently, Xingfa Aluminium is also one of the largest global suppliers of electrical conductive aluminium profiles for metro vehicles. In recent years, the Group focuses on gradually establishing our sales outlets in the prefecture-level cities in Southern China and Eastern China, and at the same time has invested its resources to increase its establishment of sales outlets mainly in key cities of relatively under-developed regions, and apparent positive results were seen from the regional sales data.

MANAGEMENT DISCUSSION AND ANALYSIS

The first half of 2022 was a critical period featuring the co-existence of opportunities and challenges for Xingfa Aluminium. The domestic pandemic outbreak in several cities in the PRC and the strict lockdown measures had posed major challenges to sales, production and transportation. On the one hand, due to the combined influence of strained cash flow and the suspension of construction projects under the pandemic, customers from the real estate industry became more conservative when purchasing aluminum profiles and reduced the scale of orders; on the other hand, lockdown measures in many cities restricted the mobility of personnel and supply chains were disrupted, resulting in a significant increase in transportation costs. However, all staff of Xingfa Aluminium took a positive approach, and succeeded in minimising the impact. During the first half of 2022, the Group adopted a more flexible approach to manage operations, continued to strengthen communication with customers, selected customers from the real estate industry with healthy cash flow and provided more flexible options on credit term. The Group also adjusted the inventory level of raw materials in a timely manner to reduce operational risks, while maintaining business volume. At the same time, under the difficult business environment, the Group continued to improve its logistics and distribution capabilities to ensure on-time delivery of orders. With the unremitting efforts and preparations in advance, the Group embraced the challenge, and achieved a year-on-year increase in sales and sales volume by 18.2% and 0.8% respectively.

Although uncertainties in business environment persist in the short and medium term, the Group successfully maintained its capacity utilisation at a high level through its solid customer relationships and efficient marketing strategies. In response to development needs, the Group proactively upgraded its production technology and expanded its production capacity. Among them, the Group's flagship plant in Foshan, Guangdong, the precision manufacturing base, has been put into operation since 2021, focusing on the production of high-end industrial aluminum profiles in the fields of electronic communication equipment, radiator equipment, medical equipment and military applications. As the Group's investment in industrial aluminum profiles is gradually entering the stage of harvest, the sales team has successively received more new orders, helping the Group to gradually realise the dual-engine model for construction profiles and industrial profiles. In addition, the Group has completed the land survey for its planned manufacturing base in Zhejiang in the first half of the year. A new manufacturing base is expected to commence construction in the second half of the year, with a target to fully put into operation in 2023. At that time, the Group's total production capacity will achieve a breakthrough, which will establish a solid foundation for diversified development.

MANAGEMENT DISCUSSION AND ANALYSIS

In terms of overseas markets, the Group continued to actively develop emerging markets including Southeast Asia, South America and Africa. During 1H22, the sales generated by overseas markets reached RMB89.5 million, accounting for approximately 1.1 % of the total sales. While developing our business, the Group continued to explore opportunities to set up its production plants overseas. During the period, the Group completed the study in Vietnam, representing an important step for the Group to establish its first outlet in Southeast Asia. At the same time, the production plant invested by the Group earlier in Australia would be put into production. The Group believes that the establishment of overseas production facilities will help strengthen the connection with overseas customers, enhance the operational efficiency of overseas business, thereby enhancing brand awareness and diversifying operational risks, which is crucial for the long-term development of the Xingfa Aluminium.

In terms of research and development, the Group continued to actively develop and launch aluminum profile products that respond to the needs for energy conservation, environmental protection and light weight. Its own products “Xingfa System (興發系統)”, “Xingfa Doors and Windows (興發門窗)” and “Paxdon System (帕克斯頓系統)” which were launched earlier continued to receive positive market response. The Group believes research and development is the key to enhancing product strength and strengthening competitive advantages, and therefore it has been committed in research and development. As of 30 June 2022, the Group applied for a total of 2,058 patents and licensed 1,159 valid patents, including 51 invention patents.

Revenue

Driven by the increase in sales volume and raw material prices, the Group’s revenue maintained a growth momentum during 1H22. For the six months ended 30 June 2022, the revenue of the Group increased by 18.2% to RMB7,855.0 million (1H21: RMB6,645.6 million), and the sales volume was 317,780 tonnes (1H21: 315,357 tonnes). The sales of construction aluminium profiles and industrial aluminium profiles accounted for 78.8% and 18.6 % of the revenue, respectively.

Construction aluminium profiles

The construction aluminium profiles are aluminium profiles with surface finishing, 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 2022, the revenue of construction aluminium profiles increased by 25.1% to approximately RMB6,193.1 million (1H21: RMB4,949.7 million), and sales volume increased by 4.4% to approximately 244,670 tonnes (1H21: 234,348 tonnes).

MANAGEMENT DISCUSSION AND ANALYSIS

Industrial aluminium profiles

The 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. Moreover, the industrial aluminium profiles can be produced into different forms and shapes, such as central processing unit (CPU) and display thermal sinks and electronic consumer product frames.

The revenue of industrial aluminium profiles in the first half of 2022 slightly decreased by 0.6% to approximately RMB1,461.4 million (1H21: RMB1,469.5 million), and sales volume decreased by 16.2% to approximately 65,466 tonnes (1H21: 78,164 tonnes).

Prospect

Looking forward to the second half of the year, amid the complex and volatile global economic situation, issues such as the domestic pandemic, disrupted supply chains and increasing transportation costs will continue to impose pressure on the macro economy and even Xingfa Aluminium. However, as the aluminum processing industry is the cornerstone of economic development, the Group remains prudently optimistic about the development in the medium and long term.

With a series of favorable policies recently introduced by the Chinese government to support infrastructure financing, the Group expects that the environment of the construction industry will gradually improve, but there shall still be certain risks. On the premise of strengthening risk management and control, the Group will cooperate with leading real estate developers with stable financial position to maintain its own financial stability while increasing business scale.

Apart from commercial housing, the Group will actively participate in the construction of public infrastructure. As the urbanisation is nearly complete in the PRC, local governments are striving to improve the quality and coverage rate of public infrastructures, creating more demand for construction aluminum profiles. As a participant in urbanisation, the Group will actively involve in public construction projects such as construction of hospitals, schools and municipal buildings to develop different revenue streams.

In terms of industrial aluminum profiles, the Group will continue to explore development opportunities, enrich the application of its products, and expand the customer base of industrial aluminum profiles, so as to increase its sales. The Group plans to enter the new energy vehicle industry, and seize the opportunity of lightweight vehicles. It will be committed to the research and development of aluminum profiles with higher quality and lighter weight, to meet the needs of major automobile manufacturers, and establish a new growth engine for the Group, thus injecting new impetus to corporate development.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The revenue and sales volume of the Group for 1H22 were increased by 18.2% and 0.8% year-on-year to approximately RMB7,855.0 million and 317,780 tonnes respectively (1H21: RMB6,645.6 million and 315,357 tonnes respectively). The increase were mainly attributable to increase in prices of aluminium raw materials and in line with the slight growth in sales orders.

The sales volume of construction aluminium profiles for 1H22 increased by 4.4% to 244,670 tonnes (1H21: 234,348 tonnes). Meanwhile, the sales volume of industrial profiles for 1H22 decreased by 16.2% to 65,466 tonnes (1H21: 78,164 tonnes).

The following table sets forth the details of our revenue by category for 1H22 and 1H21:

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Manufacturing and sale of aluminium profiles		
— Construction aluminium profiles	6,193,091	4,949,735
— Industrial aluminium profiles	1,461,412	1,469,472
	7,654,503	6,419,207
Others <i>(Note)</i>	200,460	226,410
Total	7,854,963	6,645,617

Note: Our Group's other revenue 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross profit and gross profit margin

The gross profit of the Group for 1H22 increased by 3.3% year-on-year to approximately RMB781.3 million (1H21: RMB756.7 million).

The overall gross profit margin for 1H22 of the Group decreased to 9.9%, while the sales to production ratio decreased slightly at 96.4%.

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

	Six months ended 30 June	
	2022	2021
Overall	9.9%	11.4%
Construction aluminium profiles	10.5%	11.6%
Industrial aluminium profiles	5.6%	7.1%
All other segments (<i>Note</i>)	24.2%	34.5%

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 decreased to 10.5%, 5.6% and 24.2% respectively. The decrease in gross profit margin was mainly due to the rising costs of production.

Other income

The other income of the Group for 1H22 decreased by 9.6% year-on-year to approximately RMB64.5 million (1H21: RMB71.4 million), which was mainly attributable to decrease in government subsidy.

Distribution costs

The distribution costs of the Group for 1H22 decreased by 18.5% to approximately RMB121.1 million (1H21: RMB148.6 million), which was 1.5% of the revenue (1H21: 2.2%). During 1H22, the distribution costs decreased as compared to that of 1H21 as a result of continuous effort of tighter cost control.

MANAGEMENT DISCUSSION AND ANALYSIS

Administrative expenses

The administrative expenses of the Group for 1H22 increased by 3.7% to RMB189.8 million (1H21: RMB183.0 million), which was 2.4% of the revenue (1H21: 2.8%).

Profit attributable to shareholders of the Company and net profit margin

The profit attributable to shareholders of the Company for 1H22 decreased by 20.8% to approximately RMB307.6 million (1H21: RMB388.5 million), whilst the net profit margin decreased to 3.9% (1H21: 5.8%).

The Board believes that such decrease in profit was primarily attributable to the increase in impairment losses on trade and other receivables during 1H22.

ANALYSIS OF FINANCIAL POSITION

Current and quick ratios

The following table sets out our Group's current and quick ratios as at 30 June 2022 and 31 December 2021:

	At 30 June 2022	At 31 December 2021
Current ratio (<i>Note i</i>)	1.31	1.48
Quick ratio (<i>Note ii</i>)	1.06	1.21

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 decreased as at 30 June 2022 as compared to that as at 31 December 2021. Such decrease was in line with higher level of loans and borrowings as of 30 June 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

Gearing ratio

The following table sets out our Group's gearing ratio as at 30 June 2022 and 31 December 2021:

	At 30 June 2022	At 31 December 2021
Gearing ratio (<i>Note</i>)	22.1%	15.4%

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 2022 increased as compared to that as at 31 December 2021, 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 1H22 and 1H21:

	Six months ended 30 June	
	2022	2021
Inventory turnover days (<i>Note</i>)	41	37

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 2022 and 2021 represents aluminium profiles segment including our raw materials, work in progress and the unsold finished goods and property under development for sale.

The Group's inventory turnover days for 1H22 increased slightly as compared to that of 1H21. This was mainly due to a slower turnover in goods during 1H22.

MANAGEMENT DISCUSSION AND ANALYSIS

Debtors' turnover days

The following table sets out our Group's debtors' turnover days during 1H22 and 1H21:

	Six months ended 30 June	
	2022	2021
Debtors' turnover days (<i>Note</i>)	105	100

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 increased in 1H22 as compared to that of 1H21 because the repayment schedules of the debtors have been slightly lengthened.

Creditors' turnover days

The following table sets out our Group's creditors' turnover days during 1H22 and 1H21:

	Six months ended 30 June	
	2022	2021
Creditors' turnover days (<i>Note</i>)	105	60

Note:

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

The creditors' turnover days increased in 1H22 as compared to that of 1H21 as some suppliers offered longer payment term due to the uncertain business environment arising from COVID-19 pandemic.

Loans and borrowings

As at 30 June 2022, the Group's loans and borrowings amounted to approximately RMB2,746.0 million (31 December 2021: RMB1,751.4 million), among which amounted to approximately RMB927.3 million were at fixed interest rates (31 December 2021: RMB632.6 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 2022, the banking facilities of the Group amounted to approximately RMB9,387.6 million (31 December 2021: RMB9,023.0 million), of which approximately RMB6,379.5 million were utilized (31 December 2021: RMB5,185.0 million).

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

Capital structure

As at 30 June 2022, the Company had 420,043,334 ordinary shares of HK\$0.01 each in issue. During the 1H22, a total of 547,000 ordinary shares of the Company were issued upon the exercise of share options granted under the share option scheme of the Company at an exercise price of HK\$5.46 per share by a Director and certain employees of the Group. No shares of the Company has been repurchased during 1H22.

Financial instruments for hedging purposes

As at 30 June 2022, the Group used aluminium products futures contracts in the Shanghai Futures Exchange to manage the commodity price risk exposure in respect of the highly probable forecast purchase of aluminium products. The Group designates those futures contracts as hedging instruments in cash flow hedges and does not separate the forward and spot element of the futures contracts but instead designates the futures contract in its entirety in a hedging relationship.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

Certain sales and purchases of inventories of the Group are denominated in US dollars and 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 1H22, the Group had foreign exchange forward contract in place to manage its exposure on foreign exchange fluctuations in respect of US dollars.

CASH FLOW HIGHLIGHTS

The following table sets out our Group's cash flow highlights during 1H22 and 1H21:

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Net cash generated from operating activities	239,134	503,795
Payment for the purchase of property, plant and equipment and land use rights	(586,652)	(330,670)
Payment for deposit of futures contracts	(115,000)	(15,000)
Proceeds from futures contracts investment	138,006	35,080
Net increase in pledged deposits	(73,366)	(61,212)
Interest paid	(70,464)	(68,865)
Net increase in bank borrowings	994,633	677,135
Dividends paid	(285,419)	(123,631)

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 2022, the Group had cash and cash equivalents of approximately RMB1,933.2 million (31 December 2021: RMB1,643.1 million), among which 1.9% was held in US dollars, 3.2% was held in HK dollars and the remaining balance was held in RMB.

MANAGEMENT DISCUSSION AND ANALYSIS

PROPERTY DEVELOPMENT

“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 have been granted for a term of 40 years expiring on 19 May 2050 for commercial service, office, culture and entertainment uses. The property comprises a parcel of land with a site area of approximately 16,961.36 sq.m. and the gross floor area is approximately 123,527.29 sq.m.. As at 30 June 2022, around 42% of the saleable floor area have been delivered to the customers.

During 1H22, 8 units of Xingfa Plaza had been sold and delivered, The revenue recognized from such sale for 1H22 amounted to approximately RMB5.2 million (1H21: RMB3.0 million).

SUBSEQUENT EVENT

There was no significant subsequent event affecting the Group that had occurred since the end of 1H22.

HUMAN RESOURCES

As at 30 June 2022, our Group employed a total of approximately 9,652 full time employees in the PRC and Hong Kong which included management staff, technicians, salespersons and workers. In 1H22, our Group’s total expenses on the remuneration of employees were approximately RMB505.6 million (1H21: approximately RMB449.9 million), representing approximately 6.4% (1H21: 6.8%) of the revenue of our Group. Our Group’s emolument policies are formulated on the performance of individual employees, which will be reviewed regularly every year. Apart from the provident fund scheme (according to the provisions of the Mandatory Provident Fund Schemes Ordinance (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 are also awarded to employees according to the assessment of individual performance. In-house and external training programmes are provided as and when required.

OTHER INFORMATION

INTERIM DIVIDEND

The Directors did not propose the payment of interim dividend for 1H22 (1H21: Nil).

SHARE OPTIONS 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. Details of outstanding share options and the movements of the share options during the six months ended 30 June 2022 are as follows:

Category of grantees	Date of grant	Outstanding as at 1 January 2022	Exercised during 1H22	Cancelled during 1H22	Lapsed/ expired during 1H22	Outstanding as at 30 June 2022	Weighted average closing share price immediately before the dates on which the options were exercised (per share)
Directors							
LIU Libin	15.10.2018	76,333	–	–	76,333	–	N/A
WANG Zhihua	15.10.2018	128,000	64,000	–	–	64,000	HK\$7.27
Sub-total							
Employees of the Group	15.10.2018	2,307,800	483,000	–	–	1,824,800	HK\$8.76
Total							
		2,512,133	547,000	–	76,333	1,888,800	

Save as disclosed above, no share option was granted, cancelled, lapsed or expired under the Share Option Scheme during 1H22.

Note:

In relation of each grantee of the share options granted on 15 October 2018, 1,376,334 and 1,272,800 share options were vested on 15 October 2020 and 15 October 2021 respectively, the remaining 1,283,000 share options will vest on 15 October 2022 and the share options vested are then exercisable on or before 14 October 2023. The exercise price per share is HK\$5.46.

OTHER INFORMATION

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

At no time during 1H22 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 2022.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during 1H22.

MATERIAL ACQUISITION AND DISPOSAL

For the six months ended 30 June 2022, there was no material acquisition or disposal of subsidiaries, associates and joint ventures by the Group.

SIGNIFICANT INVESTMENT

As at 30 June 2022, the Group did not hold any significant investment with a value of 5% or more of the Group's total assets.

OTHER INFORMATION

CHARGES ON GROUP ASSETS

As at 30 June 2022, property, plant and equipment of the Group in the carrying value of RMB363,146,000 (31 December 2021: RMB370,597,000) and right-of-use-assets of the Group in the carrying value of RMB267,371,000 (31 December 2021: RMB270,182,000) were charged as security for bank loans and borrowings amounting to RMB850,400,000.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 June 2022.

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

As at 30 June 2022, 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	Underlying shares of the Company	Total	Percentage of interest in the Company
LIAO Yuqing	Founder of a discretionary trust who can influence how the trustee exercises his discretion	48,200,100	–	48,200,100	11.48%
LAW Yung Koon	Beneficial owner Interest of spouse	19,432,000 1,719,000	– –	19,432,000 1,719,000	4.63% 0.41%
WANG Zhihua	Beneficial owner	128,000	64,000	192,000	0.05%

OTHER INFORMATION

Save as disclosed above, as at 30 June 2022, 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.

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

As at 30 June 2022, the following persons, other than a Director or the chief executive of the Company, had interests or short positions in the shares and underlying shares of the Company which are required to be recorded in the register required to be kept by the Company under section 336 of the SFO:

Long Position

Name of entities	Capacity	Total number of ordinary shares of the Company	Percentage of interest in the Company
Guangxin Aluminium (HK) Limited	Beneficial owner	132,382,000	31.52%
Guangdong Guangxin Holdings Group Ltd*	Interest of controlled corporation	132,382,000	31.52%
State-owned Assets Supervision and Administration Commission of The People's Government of Guangdong Province*	Interest of controlled corporation	132,382,000	31.52%
Lesso Group Holdings Limited	Beneficial owner	109,842,900	26.15%
China Lesso Group Holdings Limited	Interest of controlled corporation	109,842,900	26.15%
New Fortune Star Limited	Interest of controlled corporation	109,842,900	26.15%

OTHER INFORMATION

Name of entities	Capacity	Total number of ordinary shares of the Company	Percentage of interest in the Company
Xi Xi Development Limited	Interest of controlled corporation	109,842,900	26.15%
UBS Trustees (B.V.I.) Limited	Interest of controlled corporation	109,842,900	26.15%
WONG Luen Hei	Founder of a discretionary trust who can influence how the trustee exercises his discretion	109,842,900	26.15%
Sure Keen Limited	Beneficial owner	48,200,100	11.48%
Glorious Joy Limited	Interest of controlled corporation	48,200,100	11.48%
TMF (Cayman) Limited	Trustee	48,200,100 (Note)	11.48%

* For identification purpose only

Note:

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

Save as disclosed above and in the paragraph headed "Directors' Interests in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations" above, as at 30 June 2022, 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 1H22.

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 1H22.

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 1H22.

On behalf of the Board of
Xingfa Aluminium Holdings Limited
WANG Li
Chairman

26 August 2022