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XINGFA ALUMINIUM HOLDINGS LIMITED

興發鋁業控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 98)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

FINANCIAL HIGHLIGHTS

1. Revenue decreased by 0.4% to approximately RMB7,826.7 million (1H22: RMB7,855.0 million).
2. Sales volume increased by 10.5% to approximately 351,101 tonnes (1H22: 317,780 tonnes).
3. Profit attributable to shareholders of the Company decreased by 15.3% to approximately RMB260.6 million (1H22: RMB307.6 million).
4. Earnings per share were RMB0.62 (1H22: RMB0.73).
5. The Board did not recommend any payment of an interim dividend for 1H23 (1H22: Nil).

RESULTS

The board (“**Board**”) of directors (“**Directors**”) of Xingfa Aluminium Holdings Limited (“**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as “**Group**”, “**our Group**”, “**we**”, “**us**”, “**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)

	Note	Six months ended 30 June	
		2023 RMB’000	2022 RMB’000
Revenue	3	7,826,701	7,854,963
Cost of sales	4 & 8	(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	4(a)	(65,327)	(66,303)
Share of loss of an associate		(1,919)	(2,872)
Profit before taxation	4	268,692	340,235
Income tax	5	(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

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
	<i>RMB'000</i>	<i>RMB'000</i>
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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023 — unaudited

(Expressed in Renminbi)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)*At 30 June 2023 — unaudited**(Expressed in Renminbi)*

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Non-current liabilities		
Loans and borrowings	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
	<u>2,645,600</u>	<u>2,017,457</u>
NET ASSETS	<u>4,775,482</u>	<u>4,655,464</u>
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	<u>4,771,564</u>	<u>4,651,871</u>
Non-controlling interests	<u>3,918</u>	<u>3,593</u>
TOTAL EQUITY	<u>4,775,482</u>	<u>4,655,464</u>

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)
	<hr/>	<hr/>
Net cash generated from operating activities	196,692	239,134
	<hr/>	<hr/>
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 future contracts	(2,000)	(115,000)
Payment for purchase of equity securities	(27,516)	—
Proceeds from future 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)
	<hr/>	<hr/>
Net cash used in investing activities	(478,998)	(592,802)
	<hr/>	<hr/>
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)
	<hr/>	<hr/>
Net cash generated from financing activities	1,222,242	640,358
	<hr/>	<hr/>
Net increase in cash and cash equivalents	939,936	286,690
	<hr/>	<hr/>
Cash and cash equivalents at 1 January	1,849,773	1,643,133
	<hr/>	<hr/>
Effect of foreign exchange rates changes	3,538	3,397
	<hr/>	<hr/>
Cash and cash equivalents at 30 June	2,793,247	1,933,220
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Notes:

1 BASIS OF PREPARATION

The unaudited interim financial information was extracted from the interim financial report of Xingfa Aluminium Holdings Limited (the “**Company**”) and its subsidiaries (the “**Group**”) for the six months ended 30 June 2023.

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting 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.

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 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**”).

2 CHANGES IN ACCOUNTING POLICIES

(a) New and amended IFRSs

The Group has applied the following amendments to IFRSs issued by IASB to the 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 the interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(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 the 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 the 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.

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
	<u>7,826,701</u>	<u>7,854,963</u>
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
	<u>7,826,701</u>	<u>7,854,963</u>

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	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	<u>1,245,711</u>	<u>1,461,412</u>	<u>6,396,885</u>	<u>6,193,091</u>	<u>184,105</u>	<u>200,460</u>	<u>7,826,701</u>	<u>7,854,963</u>
Reportable segment profit								
Gross profit	<u>78,882</u>	<u>81,698</u>	<u>741,803</u>	<u>651,023</u>	<u>46,169</u>	<u>48,565</u>	<u>866,854</u>	<u>781,286</u>

(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	<u>268,692</u>	<u>340,235</u>

4 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
	<u>72,117</u>	<u>72,052</u>
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)
	<u>65,327</u>	<u>66,303</u>

(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
	<u>532,985</u>	<u>505,642</u>

(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 8)	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 4(b) for each of these types of expenses.
- (ii) Research and development costs for the six months ended 30 June 2023 included RMB78,156,000 (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 4(b).

5 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)
	<u>40,329</u>	<u>43,530</u>
Deferred tax		
Origination and reversal of temporary differences	(22,548)	2,933
Effect on distribution of dividends	(10,000)	(14,718)
	<u>7,781</u>	<u>31,745</u>

- (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.

- (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 to 100% (2022: 100%) of the amount of research and development expenses actually incurred.

6 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
	<i>RMB'000</i>	<i>RMB'000</i>
Final dividends in respect of the previous financial year, approved and paid during the interim period ended 30 June 2023 of HKD0.37 per share (six months ended 30 June 2022: HKD0.80 per share)	141,047	285,419

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
	<i>'000</i>	<i>'000</i>
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

(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)	<u>260,586</u>	<u>307,612</u>

(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	<u>–</u>	<u>905</u>
Weighted average number of ordinary shares (diluted) at 30 June	<u>420,649</u>	<u>420,758</u>

8 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
	<u>1,521,139</u>	<u>1,186,664</u>
Completed properties for sale		
— Developed properties	151,589	151,589
— Acquired properties	119,239	115,272
	<u>270,828</u>	<u>266,861</u>
	<u><u>1,791,967</u></u>	<u><u>1,453,525</u></u>

Note:

- (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 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.

- (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).

9 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 <i>RMB'000</i>	At 31 December 2022 <i>RMB'000</i>
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

- (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).

10 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	<u>904,435</u>	<u>1,631,942</u>
Trade creditors and bills payable	<u>3,439,566</u>	<u>3,623,660</u>
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	<u>11,935</u>	<u>12,013</u>
Financial liabilities measured at amortised cost	4,138,378	4,375,022
Refund liabilities		
— arising from volume rebates	<u>31,817</u>	<u>45,747</u>
	<u>4,170,195</u>	<u>4,420,769</u>

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).

11 CONTRACT LIABILITIES

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

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 (the "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.

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 lives 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.

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. Its 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 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).

Prospect

In the second half of 2023, macro uncertainties and the 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.

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
	<i>RMB'000</i>	<i>RMB'000</i>
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 (<i>Note</i>)	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%.

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 (<i>Note</i>)	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 more than that of 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
	<u>40,401</u>	<u>64,547</u>

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 and 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 (<i>Note i</i>)	1.58	1.56
Quick ratio (<i>Note ii</i>)	1.28	1.29

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.

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 (<i>Note</i>)	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 (<i>Note</i>)	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.

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 (<i>Note</i>)	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 in 2023.

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 (<i>Note</i>)	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 suppliers 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).

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.

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).

(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).

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.

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.

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

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

PUBLICATION OF 2023 INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This announcement is published on the respective websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.xingfa.com), and the 2023 interim report of the Company containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

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

28 August 2023

As at the date of this announcement, the directors of the Company are as follows:

Executive Directors:

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

Non-executive Directors:

Mr. ZUO Manlun
Ms. XIE Jingyun

Independent non-executive Directors:

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