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 FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

FINANCIAL HIGHLIGHTS

1. Revenue increased by approximately 30% to RMB7,239.7 million (2016: RMB5,576.7 million).

2. Gross profit increased by approximately 23% to RMB1,014.6 million (2016: RMB825.0 million).

3. Profit for the year increased by approximately 28% to RMB382.6 million (2016: RMB298.5 million).

4. Earnings per share were RMB0.92 (2016: RMB0.71).

5. The Board recommended the payment of a final dividend of HKD0.2 per ordinary share for the year ended 31 December 2017 (2016: Nil).

RESULTS

The board of directors (the "**Directors**" or the "**Board**") of Xingfa Aluminium Holdings Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**", "**our Group**", "**we**", "**us**" or "**Xingfa Aluminium**") prepared under International Financial Reporting Standards ("**IFRSs**") for the year ended 31 December 2017 (the "**Year**"), together with the comparative figures for the corresponding financial year ended 31 December 2016 and the relevant explanatory notes as set out below.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2017
(Expressed in Renminbi)

	Note	**2017** *RMB'000*	2016 *RMB'000*
Revenue	*2*	**7,239,658**	5,576,696
Cost of sales		**(6,225,069)**	(4,751,647)
Gross profit		**1,014,589**	825,049
Other income	*3*	**44,469**	40,122
Distribution costs		**(169,466)**	(123,835)
Administrative expenses		**(322,619)**	(279,706)
Profit from operations		**566,973**	461,630
Finance costs	*4(a)*	**(130,329)**	(117,950)
Share of profit of an associate		**7,801**	7,611
Profit before taxation	*4*	**444,445**	351,291
Income tax	*5*	**(61,815)**	(52,815)
Profit for the year attributable to equity shareholders of the Company		**382,630**	298,476
Basic and diluted earnings per share *(RMB yuan)*	*7*	**0.92**	0.71

Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in Note 6.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017
(Expressed in Renminbi)

	2017	2016
	RMB'000	*RMB'000*
Profit for the year	**382,630**	298,476
Other comprehensive income for the year that may be reclassified to profit or loss:		
Exchange differences on translation of financial statements of operations outside the People's Republic of China (the "**PRC**")	**(1,515)**	1,493
Total comprehensive income for the year attributable to equity shareholders of the Company	**381,115**	299,969

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017
(Expressed in Renminbi)

	Note	2017 RMB'000	2016 RMB'000
Non-current assets			
Property, plant and equipment	8	**1,862,769**	1,794,185
Lease prepayments		**373,699**	294,461
Interest in an associate		**16,451**	9,515
Deferred tax assets		**48,570**	42,562
		2,301,489	2,140,723
Current assets			
Inventories	9	**1,263,683**	963,458
Trade and other receivables	10	**2,132,420**	1,582,028
Pledged deposits		**167,419**	212,815
Cash and cash equivalents		**579,450**	443,431
		4,142,972	3,201,732
Current liabilities			
Trade and other payables	11	**1,817,723**	1,772,676
Loans and borrowings		**1,968,314**	1,384,150
Current taxation		**24,469**	27,514
		3,810,506	3,184,340
Net current assets		**332,466**	17,392
Total assets less current liabilities		**2,633,955**	2,158,115
Non-current liabilities			
Loans and borrowings		**514,385**	419,252
Deferred income		**45,420**	47,847
Deferred tax liability		**5,115**	3,096
		564,920	470,195
Net assets		**2,069,035**	1,687,920
Capital and reserves			
Share capital		**3,731**	3,731
Reserves		**2,065,304**	1,684,189
Total equity		**2,069,035**	1,687,920

Notes:

1 STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated results set out in this announcement do not constitute the Group's consolidated financial statements for the year ended 31 December 2017 but are extracted from those consolidated financial statements.

The consolidated financial statements for the year ended 31 December 2017 comprise the Company and its subsidiaries (together referred to as the "**Group**") and are expressed in Renminbi unless otherwise indicated.

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRSs**"), which collective term includes all applicable individual International Financial Reporting standards, International Accounting Standards ("**IASs**") and Interpretations issued by the International Accounting Standards Board (the "**IASB**") and the applicable disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 1(b) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Changes in accounting policies

The IASB has issued several amendments to IFRSs that are first effective for the current accounting period of the Group. None of these impact on the accounting policies of the Group. However, additional disclosure has been included to satisfy the new disclosure requirements introduced by the amendments to IAS 7, Statement of cash flows: Disclosure initiative, which require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

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

2 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 purpose 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 provision of processing services, manufacture and sale of aluminium panels, aluminium alloy, moulds, spare parts and property under development for sale.

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. However, other than reporting inter-segment sales of aluminum profiles, assistance provided by one segment to another, including sharing of assets, is not measured.

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the year ended 31 December 2017 and 2016 is set out below:

	Industrial aluminium profiles		Construction aluminium profiles		All other segments		Total	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Reportable segment revenue								
Revenue from external customers	**1,659,615**	968,861	**5,461,392**	4,522,819	**118,651**	85,016	**7,239,658**	5,576,696
Reportable segment profit								
Gross profit	**204,434**	112,876	**757,394**	673,467	**52,761**	38,706	**1,014,589**	825,049

(b) Reconciliations of reportable segment profit

	2017	2016
	RMB'000	*RMB'000*
Reportable segment profit derived from the Group's external customers	**1,014,589**	825,049
Other income	**44,469**	40,122
Distribution costs	**(169,466)**	(123,835)
Administrative expenses	**(322,619)**	(279,706)
Finance costs	**(130,329)**	(117,950)
Share of profit of an associate	**7,801**	7,611
Consolidated profit before taxation	**444,445**	351,291

3 OTHER INCOME

	2017	2016
	RMB'000	*RMB'000*
Interest income	**8,141**	7,455
Government grants		
– Unconditional subsidies	**13,266**	13,500
– Conditional subsidies	**22,193**	17,314
Rental income	**11,170**	14,735
Net foreign exchange (loss)/gain	**(5,658)**	3,676
Loss on disposal of property, plant and equipment	**(4,643)**	(16,558)
	44,469	40,122

4 PROFIT BEFORE TAXATION

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

(a) Finance costs

	2017	2016
	RMB'000	*RMB'000*
Interest expenses on bank loans	**118,285**	102,765
Interest expenses on discounted bills	**12,044**	15,127
Finance charges on obligations under finance leases	**–**	58
Total borrowing costs	**130,329**	117,950

(b) Staff costs:

	2017	2016
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**540,617**	467,897
Contributions to defined contribution retirement plan	**44,436**	35,561
	585,053	503,458

Pursuant to the relevant labour rules and regulations in the PRC, the PRC subsidiaries participate in defined contribution retirement benefit schemes (the "**Schemes**") organised by the local authority whereby the PRC subsidiaries are required to make contributions to the Schemes based on certain percentages of the eligible employees' salaries. The local government authorities are responsible for the entire pension obligations payable to the retired employees.

Contributions to the Mandatory Provident Fund ("**MPF**") are required under the Hong Kong Mandatory Provident Fund Schemes Ordinance. The Group and its employees in Hong Kong make monthly mandatory contributions to the MPF scheme at 5% of the employees' relevant income as defined under the Mandatory Provident Fund Schemes Ordinance. The contributions from employees and employers are subject to a cap of monthly relevant income of HKD30,000 for the year ended 31 December 2017 (2016: HKD30,000).

The Group has no other material obligations for payments of retirement and other post-retirement benefits of employees other than the contributions described above.

(c) Other items:

	2017	2016
	RMB'000	*RMB'000*
Depreciation (Note 8)	**263,029**	280,468
Amortisation of lease prepayments	**7,323**	7,033
Research and development costs (ii)	**319,372**	243,215
Impairment losses on trade and other receivables	**5,230**	6,824
Auditors' remuneration		
– audit services	**1,255**	1,140
– other services	**740**	683
Cost of inventories (i)/(Note 9(b))	**6,225,069**	4,751,647
Operating lease charges	**2,193**	1,458

(i) Cost of inventories for the year ended 31 December 2017 included RMB596,994,000 (2016: RMB568,544,000) relating to depreciation, operating lease charges 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 year ended 31 December 2017 included RMB72,320,000 (2016: RMB69,905,000) relating to staff costs of employees which amount is also included in total staff costs as disclosed in Note 4(b).

5 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2017	2016
	RMB'000	*RMB'000*
Current tax		
Provision for PRC corporate income tax	**63,843**	53,388
Provision for Hong Kong Profits Tax	**1,961**	1,118
	65,804	54,506
Deferred tax		
Origination and reversal of temporary differences	**(3,989)**	(1,691)
	61,815	52,815

(i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the "**BVI**"), the Group is not subject to any income tax in the Cayman Islands and the BVI.

(ii) The provision for Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the year ended 31 December 2017 (2016: 16.5%).

(iii) 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 2017 (2016: 25%) except for Guangdong Xingfa Aluminium Co., Ltd. ("**Guangdong Xingfa**"), Xingfa Aluminium (Chengdu) Co., Ltd. ("**Chengdu Xingfa**"), Guangdong Xingfa Aluminium (Henan) Co., Ltd. ("**Xingfa Henan**") and Guangdong Xingfa Aluminium (Jiangxi) Co., Ltd. ("**Xingfa Jiangxi**") which were certified as "Advanced and New Technology Enterprises" ("**ANTE**") and entitled to the preferential income tax rate of 15% for 2017 (2016: 15%).

(iv) Pursuant to the new tax 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 for 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. As Guangdong Xingfa is held by a Hong Kong incorporated subsidiary, a rate of 5% is applicable to the calculation of this withholding tax.

At 31 December 2017, deferred tax liabilities of RMB5,115,000 (2016: RMB3,096,000) have been provided for in this regard based on the expected dividends to be distributed from Guangdong Xingfa in the foreseeable future in respect of the profits generated since 1 January 2008.

(v) During the year of 2017, Guangdong Xingfa, Xingfa Henan and Xingfa Jiangxi obtained approval from local tax authorities to claim super deduction on research and development expenses. As such, the income tax for 2017 was reduced by RMB7,701,000 (2016: RMB3,296,000). Such additional tax deduction on research and development expenses equals 50% of the amount actually incurred.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2017	2016
	RMB'000	*RMB'000*
Profit before taxation	**444,445**	351,291
Notional tax on profit before taxation, calculated at the rates applicable to the jurisdiction concerned	**115,426**	91,827
Tax effect of non-deductible expenses	**652**	837
Tax effect of share of profit of an associate	**(1,170)**	(159)
Effect of tax concessions	**(47,411)**	(35,800)
Super deduction on research and development expenses in respect of 2016 (Note 5(a)(v))	**(7,701)**	(3,296)
Withholding tax effect on undistributed profits retained by PRC subsidiaries	**2,019**	(594)
Income tax expenses	**61,815**	52,815

6 DIVIDENDS

(a) Dividends payable to equity shareholders of the Company attributable to the year

	2017	2016
	RMB'000	*RMB'000*
Final dividends proposed after the end of reporting period	**69,882**	–

The Board recommended the payment of a final dividend of HKD0.2 per ordinary share for the year ended 31 December 2017 (2016: Nil).

The final dividends proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2017	2016
	RMB'000	*RMB'000*
No final dividends in respect of the previous financial year, approved and paid during the year (2016: HKD9 cents per ordinary share)	**–**	31,895

7 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB382,630,000 (2016: RMB298,476,000) and the weighted average number of 418,000,000 ordinary shares (2016: 418,000,000 ordinary shares).

There were no dilutive potential ordinary shares in issue for the years ended 31 December 2017 and 2016, and therefore, the diluted earnings per share are the same as the basic earnings per share.

8 PROPERTY, PLANT AND EQUIPMENT

	Buildings and plants *RMB'000*	Machinery *RMB'000*	Motor Vehicles *RMB'000*	Office equipment and others *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
Cost:						
At 1 January 2016	1,020,502	1,415,271	27,598	146,895	17,409	2,627,675
Additions	4,062	145,635	1,572	3,148	31,843	186,260
Transfer from construction in progress	15,310	19,924	67	–	(35,301)	–
Disposal	(599)	(34,647)	(978)	–	–	(36,224)
At 31 December 2016 and 1 January 2017	1,039,275	1,546,183	28,259	150,043	13,951	2,777,711
Additions	1,549	197,344	1,110	7,013	130,734	337,750
Transfer from construction in progress	9,473	25,260	–	1,054	(35,787)	–
Disposal	(1,212)	(11,582)	(4,412)	(108)	–	(17,314)
At 31 December 2017	1,049,085	1,757,205	24,957	158,002	108,898	3,098,147
Accumulated depreciation:						
At 1 January 2016	(105,231)	(490,300)	(19,566)	(107,110)	–	(722,207)
Charge for the year	(29,410)	(231,343)	(1,916)	(17,799)	–	(280,468)
Written back on disposals	194	18,061	894	–	–	19,149
At 31 December 2016 and 1 January 2017	(134,447)	(703,582)	(20,588)	(124,909)	–	(983,526)
Charge for the year	(31,718)	(222,853)	(1,969)	(6,489)	–	(263,029)
Written back on disposals	384	6,727	3,969	97	–	11,177
At 31 December 2017	(165,781)	(919,708)	(18,588)	(131,301)	–	(1,235,378)
Net book value:						
At 31 December 2017	883,304	837,497	6,369	26,701	108,898	1,862,769
At 31 December 2016	904,828	842,601	7,671	25,134	13,951	1,794,185

(i) All properties owned by the Group are located in the PRC.

(ii) Up to the date of this announcement, the Group is in the process of applying for the title certificates of certain properties with carrying value of approximately RMB249,095,000 as at 31 December 2017 (2016: RMB248,150,000). The directors of the Company are of the opinion that the use of and the conduct of operating activities at the properties referred to above are not affected by the fact that the Group has not yet obtained the relevant property title certificates.

(iii) Certain plants with net book value of RMB637,547,000 (2016: RMB483,163,000) were pledged as securities for bank loans of the Group as at 31 December 2017.

9 INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	2017	2016
	RMB'000	*RMB'000*
Aluminium profiles manufacturing		
Raw materials	**330,011**	274,478
Work in progress	**112,681**	82,074
Finished goods	**503,526**	352,628
	946,218	709,180
Property under development for sale		
Lease prepayment	**47,388**	47,388
Deed tax	**4,760**	4,760
Construction cost	**265,317**	202,130
	317,465	254,278
	1,263,683	963,458

The balance of property under development for sale is expected to be recovered within or over one year based on respective construction progress.

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2017	2016
	RMB'000	*RMB'000*
Carrying amount of inventories sold	**6,225,069**	4,751,647

No inventories were pledged as securities for bank loans of the Group as at 31 December 2017 (31 December 2016: RMB100,000,000).

10 TRADE AND OTHER RECEIVABLES

	2017	2016
	RMB'000	*RMB'000*
Trade debtors	**1,314,967**	846,599
Bills receivable	**722,982**	675,086
Less: allowance for doubtful debts	**(38,088)**	(32,885)
	1,999,861	1,488,800
Other receivables	**18,311**	13,882
Less: allowance for doubtful debts	**(1,872)**	(1,845)
	16,439	12,037
Prepayments and deposits	**116,120**	81,191
	2,132,420	1,582,028

Certain bills receivable with carrying value of RMB185,759,000 were pledged as securities for bank loans of the Group as at 31 December 2017 (31 December 2016: RMB209,216,000).

The Group's trade and other receivables as at 31 December 2017 included amounts due from related parties of RMB109,581,000 (31 December 2016: RMB78,695,000). The remaining current trade and other receivables are expected to be recovered or recognised as expense within one year.

Aging analysis

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

	2017	2016
	RMB'000	*RMB'000*
Within 1 month	**1,186,764**	879,189
1 to 3 months	**509,604**	394,522
3 to 6 months	**232,380**	181,662
Over 6 months	**71,113**	33,427
	1,999,861	1,488,800

Trade debtors and bills receivable are due within 30 days to 120 days from the date of billing.

11 TRADE AND OTHER PAYABLES

	2017	2016
	RMB'000	*RMB'000*
Trade payables	**497,769**	683,596
Bills payable (i)	**535,071**	637,850
Receipts in advance	**380,678**	124,281
Accrued payroll and benefits	**159,961**	135,220
Other payables and accruals	**208,777**	160,862
Interest payable	**12,093**	5,742
Deferred income	**23,374**	25,125
	1,817,723	1,772,676

All of the trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

Aging analysis

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

	2017	2016
	RMB'000	*RMB'000*
Within 1 month	**364,935**	496,569
1 to 3 months	**358,174**	653,090
3 to 6 months	**218,489**	145,557
Over 6 months	**91,242**	26,230
	1,032,840	1,321,446

(i) Bills payable were secured by pledged bank deposits of RMB157,760,000 as at 31 December 2017 (31 December 2016: RMB206,900,000).

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY AND BUSINESS OVERVIEW

Xingfa Aluminium is one of the leading aluminium profiles manufacturers in the PRC and principally engaged in the manufacture and sale of aluminium profiles which are applied as construction and industrial materials. Currently, we are one of the largest providers of electricity conductive aluminium profile for metro vehicles in the PRC. Leveraging on our advanced research and development capability and commitment to quality, our Group has established extensive and stable sales networks in the PRC and overseas for the past 30 years.

Xingfa Aluminium was awarded as the No. 1 of the Top-Ten National Aluminium Profiles Enterprises by the China Non-Ferrous Metals Fabrication Industrial Association ("**CNFA**") in 2003 and 2008. In 2012 and 2017, Xingfa Aluminium was further awarded as the No. 1 of the Top-Twenty National Construction Aluminium Profiles Enterprises by CNFA. It proved that Xingfa Aluminium had won the recognition by the market and customers. Meanwhile, we was accredited as the National intellectual property demonstration enterprises by State Intellectual Property Office of the PRC in 2017. This is a national recognition to Xingfa Aluminum's commitment in innovation and development. In the future, we will continue to strive to enhance our capability of independent innovation, application of technology, protection and management of intellectual property and speed up the conversion of intellectual property to actual mass production.

Further, Xingfa Aluminium had adopted a lean production management by eliminating waste and improving production efficiency. It enables us to create the maximum benefit with the least resources to our Group. In 2017, our annual designed production capacity was then increased by 33% to 520,000 tonnes (2016: 390,000 tonnes).

FINANCIAL REVIEW

Revenue

Revenue and sales volume recorded approximately RMB7,239.7 million and 392,708 tonnes for the Year respectively (2016: RMB5,576.7 million and 324,645 tonnes). The increase in revenue during the Year was mainly due to the increase in sales volume and the increase in average market price of aluminium ingots. The growth in sales volume was driven by the successful execution of our marketing strategies and expansion of our sales channels.

Our sales volume increased by approximately 21% year-on-year to 392,708 tonnes in the Year. In particular, sales volume for industrial aluminium profiles increased by approximately 61% year-on-year to 102,315 tonnes in the Year (2016: 63,640 tonnes). Our sales volume for construction aluminium profiles also increased by approximately 11% year-on-year to 290,393 tonnes (2016: 261,005 tonnes).

Cost of sales

Our cost of sales increased by approximately 31% year-on-year to RMB6,225.1 million in the Year (2016: RMB4,751.6 million) which was aligned with the increase in revenue.

Gross profit and gross profit margin

Gross profit margin decreased slightly to 14.0% during the Year (2016: 14.8%) and sales volume to production volume ratio decreased slightly to 96% (2016: 99%).

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

	2017	2016
Overall	**14.0%**	14.8%
Industrial aluminium profiles	**12.3%**	11.7%
Construction aluminium profiles	**13.9%**	14.9%

The slight decrease of gross profit margin of construction aluminium profiles was mainly because the Group lowered the processing fee in order to maintain the existing customers and attract new customers in the Year.

Other income

Our Group recorded other income of approximately RMB44.5 million for the Year (2016: RMB40.1 million).

Government grants represent various forms of incentives and subsidies received from the local government authorities in the PRC. During the Year, the Group recognized government grants of approximately RMB35.5 million (2016: RMB30.8 million) as other income. Besides, due to the depreciation of foreign currencies against Renminbi during the Year, our Group recorded the net foreign exchange loss of approximately RMB5.7 million (2016: gains of RMB3.7 million) in relation to the receivables denominated in foreign currencies.

In contrary, due to the increase in the average bank balance of the Group during the Year, interest income increased to approximately RMB8.1 million (2016: RMB7.5 million). In addition, the Group recorded loss on disposal of fixed assets of approximately RMB4.6 million (2016: RMB16.6 million) for the Year.

Distribution costs

Distribution costs increased by approximately 37% to approximately RMB169.5 million for the Year (2016: RMB123.8 million). Such increase was mainly because the increase in commission fee and advertising fee in relation to the pre-sales of the property under development of approximately RMB20.1 million (2016: RMB3.4 million). Further, due to surge of sales volume, transportation costs increased which was in the line with the revenue growth in this Year.

Administrative expenses

Administrative expenses were approximately RMB322.6 million for the Year, which was approximately 15% higher than that in 2016 (2016: RMB279.7 million). Such increase was mainly attributable to the increase in staff costs and related expenses of RMB19.5 million due to the increasing headcount and average salary. Our administrative expenses as a percentage of revenue decreased to approximately 4.5% (2016: 5.0%).

Finance costs

Finance costs increased by approximately 10% to approximately RMB130.3 million for the Year (2016: RMB118.0 million) mainly due to the increase in average loans and borrowings during the Year.

Profit for the Year and the net profit margin

During the Year, our Group recorded profit for the Year of approximately RMB382.6 million (2016: RMB298.5 million) and the net profit margin decreased slightly to 5.3% (2016: 5.4%).

ANALYSIS OF FINANCIAL POSITION

Current and quick ratios

The following table sets out the summary of our Group's current and quick ratios as at 31 December 2017 and 2016:

	2017	2016
Current ratio *(Note)*	**1.09**	1.01
Quick ratio *(Note)*	**0.76**	0.70

Note:

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

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

During the Year, sales orders and sales volume increased due to the successful implementation of marketing strategies and expansion of sales channels, leading to increase in both trade receivables and inventories. As such, both current ratio and quick ratio increased in the Year.

Gearing ratio

The following table sets out the summary of our Group's gearing ratio as at 31 December 2017 and 2016:

	2017	2016
Gearing ratio *(Note)*	**38.5%**	33.8%

Note:

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

Gearing ratio increased since the Group has assumed more loans and borrowings to finance the working capital and capital expenditure needs.

Inventory turnover days

The following table sets out the summary of our Group's inventory turnover days during the years ended 31 December 2017 and 2016:

	2017	2016
Inventory turnover days *(Note)*	**65**	63

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 years multiplied by 365 days.

Inventories balance as at the respective years ended 31 December 2017 and 2016 represents aluminium profiles segment including our raw materials, work in progress and the unsold finished goods and property under development for sale.

The inventory turnover days increased due to the increased balance of property under development for sale.

Debtors' turnover days

The following table sets out the summary of our Group's debtors turnover days during the years ended 31 December 2017 and 2016:

	2017	2016
Debtors' turnover days *(Note)*	**88**	88

Note:

Debtors' turnover days is calculated based on the average of the beginning and ending balance of trade and bills receivables for the periods divided by turnover during the years multiplied by 365 days.

The debtors' turnover days remained steady in the Year.

Creditors' turnover days

The following table sets out the summary of our Group's creditors turnover days during the years ended 31 December 2017 and 2016:

	2017	2016
Creditors' turnover days *(Note)*	**69**	89

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 years multiplied by 365 days.

The decrease in creditors' turnover days was mainly because the Group obtained more loans and borrowings for settlement of balances due to suppliers.

Cash flow

The table below summarises our Group's cash flow during the years ended 31 December 2017 and 2016:

	2017	2016
	RMB'million	*RMB'million*
Net cash (used in)/generated from operating activities	**(47.6)**	488.7
Net cash used in investing activities	**(365.2)**	(115.2)
Net cash generated from/(used in) financing activities	**555.3**	(352.4)

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

Capital expenditures

Capital expenditure was used for acquisition of property, plant and equipment and lease prepayment. During the Year, our Group's capital expenditures were approximately RMB420.3 million (2016: RMB188.0 million). The significant capital expenditures during the Year were mainly for the acquisition of equipment and lease prepayment for our production plants.

Loans and borrowings

As at 31 December 2017, our Group's loans and borrowings amounted to approximately RMB2,482.7 million (31 December 2016: RMB1,803.4 million).

Banking facilities and guarantee

As at 31 December 2017, the banking facilities of our Group amounted to approximately RMB4,760.8 million (31 December 2016: RMB4,006.3 million), of which approximately RMB2,875.7 million were utilised (31 December 2016: RMB2,311.0 million).

No banking facilities were guaranteed by related parties.

Property under development

As at 31 December 2017, the Group's property under development for sale amounted to approximately RMB317.5 million (31 December 2016: RMB254.3 million). Such property, namely Project Xingfa Plaza, is 100% owned by the Group and 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 property is scheduled to be delivered in 2018 and 2019. The land use rights of the property have been granted for a term of 40 years expiring on 19 May 2050 for commercial service, office, culture and entertainment uses. The property comprises a parcel of land with a site area of approximately 16,961.36 sq.m.. Upon completion, the development will have a planned gross floor area of approximately 123,716.39 sq.m..

Human resources

As at 31 December 2017, our Group employed a total of approximately 6,429 full time employees in the PRC which included management staff, technicians, salespersons and workers. In 2017, our Group's total expenses on the remuneration of employees were approximately RMB585.1 million, represented approximately 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 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.

Newly established subsidiary

During the Year, the Group had set up a subsidiary called Guangdong Xingfa Precision Manufacturing Co., Ltd. to set up a new manufacturing base on the land suited at 中國廣東省佛山市三水工業園區D區12號 (unofficial English translation as No. 12, District D, Sanshui Industrial Zone, Foshan City, Guangdong Province, the PRC) with a site area of approximately 159,866.7 sq.m. and to consolidate the resources for the manufacturing of aluminium profiles which are applied as industrial materials and for in-depth processing projects. The Directors expect this new manufacturing base could strengthen the capacity and productivity of the Group in developing, manufacturing and the sale of high technology aluminium products, such as high precision electronic products, lightweight traffic aluminium materials, in-depth processing product and aluminium alloy panels.

PROSPECTS

In line with our prudent approach and in view of the fragile China economic environment, strengthening balance sheet management, optimizing product mix and enhancing operating efficiency are still our main focuses in 2018.

Further, after the completion of construction of new production base in Sanshui Industrial Zone, we are able to penetrate into another new market for the manufacturing of aluminium profiles which are applied as industrial materials and for in-depth processing projects.

Meanwhile, aiming to develop Xingfa Aluminium as an all-rounded and one-stop aluminium service provider, we are actively looking for business opportunities for downstream merger and acquisitions in China.

FINAL DIVIDEND

The Directors recommend the payment of a final dividend of HKD0.2 per ordinary share for the Year (2016: Nil) held by shareholders of the Company whose name appear on the register of members of the Company on Friday, 15 June 2018.

The final dividend will be paid in Hong Kong Dollars and it will be paid on or around 29 June 2018 to shareholders whose names appear on the register of members of the Company on Friday, 15 June 2018.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the right to attend the forthcoming annual general meeting to be held on Friday, 1 June 2018, the register of members of the Company will be closed from Tuesday, 29 May 2018 to Friday, 1 June 2018 (both days inclusive). During such period, no transfer of the shares in the Company will be registered. In order to qualify for the attendance in the annual general meeting, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Monday, 28 May 2018.

For the purpose of determining the entitlement to the final dividend, the register of members of the Company will be closed from Wednesday, 13 June 2018 to Friday, 15 June 2018 (both days inclusive). During such period, no transfer of the shares in the Company will be registered. In order to qualify for the final dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at the above address not later than 4:30 p.m. on Tuesday, 12 June 2018.

CORPORATE GOVERNANCE

In the opinion of the Directors, save as mentioned below, the Company had met all the code provisions set out in the Corporate Governance Code contained in Appendix 14 to Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") for the year ended 31 December 2017.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as the code of conduct regarding Directors' securities transactions. After having made specific enquiry with all Directors, the Company has received confirmations from all Directors that they have complied with the required standards set out in the Model Code for the year ended 31 December 2017.

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 price-sensitive information.

REVIEW BY THE AUDIT COMMITTEE

The Listing Rules require every listed issuer to establish an audit committee comprising at least three members who must be non-executive directors only, and the majority 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 the Group's financial reporting process and internal control measures.

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

The audit committee of the Company has met with the management and external auditors of the Company and has reviewed the consolidated results of the Group for the year ended 31 December 2017.

SCOPE OF WORK OF KPMG

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2017 as set out in the preliminary announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's audited consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2017.

PUBLICATION OF 2017 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.xingfa.com), and the 2017 annual 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 Company and the Stock Exchange in due course.

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

Foshan China, 29 March 2018

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

Executive Directors:	Mr. LIU Libin *(Chairman)* Mr. LUO Su *(Honorary Chairman)* Mr. LUO Riming *(Chief Executive Officer)* Mr. LIAO Yuqing Mr. DAI Feng *(Chief Financial Officer)* Mr. LAW Yung Koon Mr. WANG Zhihua
Non-executive Director:	Mr. LU Chaoying
Independent non-executive Directors:	Mr. CHEN Mo Mr. HO Kwan Yiu Mr. LAM Ying Hung Andy Mr. LIANG Shibin