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 2018

FINANCIAL HIGHLIGHTS

1. Revenue increased by 37.1% to approximately RMB9,924.5 million (2017: RMB7,239.7 million).

2. Sales volume rose by 31.9% to approximately 517,982 tonnes (2017: 392,708 tonnes).

3. Gross profit increased by 33.1% to approximately RMB1,350.8 million (2017: RMB1,014.6 million).

4. Profit attributable to Shareholders for the Year increased by 29.4% to approximately RMB495.2 million (2017: RMB382.6 million).

5. Earnings per share were RMB1.18 (2017: RMB0.92).

6. The Board recommended the payment of a final dividend of HKD0.2 per ordinary share for the year ended 31 December 2018 (2017: HKD0.2).

RESULTS

The board ("**Board**") of directors ("**Directors**") of Xingfa Aluminium Holdings Limited ("**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as "**Group**", "**our Group**", "**we**", "**us**", "**Xingfa**" or "**Xingfa Aluminium**") prepared under International Financial Reporting Standards ("**IFRSs**") for the year ended 31 December 2018 ("**Year**"), together with the comparative figures for the corresponding financial year ended 31 December 2017 and the relevant explanatory notes as set out below.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018
(Expressed in Renminbi)

	Note	**2018** **RMB'000**	2017 RMB'000 (Note)
Revenue	*2*	**9,924,517**	7,239,658
Cost of sales		**(8,573,745)**	(6,225,069)
Gross profit		**1,350,772**	1,014,589
Other income	*3*	**54,939**	44,469
Distribution costs		**(278,949)**	(169,466)
Administrative expenses		**(360,422)**	(322,619)
Profit from operations		**766,340**	566,973
Finance costs		**(164,221)**	(130,329)
Share of profit of an associate		**5,797**	7,801
Profit before taxation	*4*	**607,916**	444,445
Income tax	*5*	**(113,938)**	(61,815)
Profit for the year		**493,978**	382,630
Attributable to:			
Equity shareholders of the Company		**495,230**	382,630
Non-controlling interests		**(1,252)**	–
Profit for the year		**493,978**	382,630
Basic and diluted earnings per share *(RMB yuan)*	*7*	**1.18**	0.92

Note:

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

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 2018
(Expressed in Renminbi)

	2018	2017
	RMB'000	*RMB'000*
		(Note)
Profit for the year	**493,978**	382,630
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**")	**3,042**	(1,515)
Total comprehensive income for the year	**497,020**	381,115
Attributable to:		
Equity shareholders of the company	**498,272**	381,115
Non-controlling interests	**(1,252)**	–
Total comprehensive income for the year	**497,020**	381,115

Note:

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018
(Expressed in Renminbi)

	Note	**2018**	2017
		RMB'000	*RMB'000*
			(Note)
Non-current assets			
Property, plant and equipment		**1,952,185**	1,862,769
Lease prepayments		**365,114**	373,699
Interest in an associate		**21,140**	16,451
Deferred tax assets		**38,423**	48,570
		2,376,862	2,301,489
Current assets			
Inventories and other contract costs	*8*	**1,144,044**	1,263,683
Trade and other receivables	*9*	**2,792,028**	2,132,420
Pledged deposits		**346,762**	167,419
Cash and cash equivalents		**448,787**	579,450
		4,731,621	4,142,972
Current liabilities			
Trade and other payables	*10*	**2,451,474**	1,817,723
Contract liabilities	*11*	**218,248**	–
Loans and borrowings		**1,467,523**	1,968,314
Current taxation		**52,806**	24,469
		4,190,051	3,810,506
Net current assets		**541,570**	332,466
Total assets less current liabilities		**2,918,432**	2,633,955
Non-current liabilities			
Loans and borrowings		**378,204**	514,385
Deferred income		**30,983**	45,420
Deferred tax liabilities		**5,387**	5,115
		414,574	564,920
Net assets		**2,503,858**	2,069,035
Capital and reserves			
Share capital		**3,731**	3,731
Reserves		**2,500,379**	2,065,304
Total equity attributable to equity shareholders of the Company		**2,504,110**	2,069,035
Non-controlling interest		**(252)**	–
Total equity		**2,503,858**	2,069,035

Note:

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

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2018
(Expressed in Renminbi)

	2018	2017
	RMB'000	*RMB'000*
Operating activities		
Cash generated from operations	**1,324,469**	21,202
Income tax paid	**(68,620)**	(68,849)
PRC land appreciation tax paid	**(1,865)**	–
Net cash generated from/(used in) operating activities	**1,253,984**	(47,647)
Investing activities		
Interest received	**7,813**	8,141
Proceeds received upon maturity of pledged deposits	**377,787**	397,790
Payment for pledged deposits	**(557,130)**	(352,394)
Payment for purchase of property, plant and equipment	**(345,308)**	(333,708)
Payment for lease prepayment	**(181)**	(86,561)
Proceeds from disposal of property, plant and equipment	**1,774**	1,494
Net cash used in investing activities	**(515,245)**	(365,238)
Financing activities		
Interest paid	**(163,605)**	(123,978)
Proceeds from loans and borrowings	**2,180,600**	2,564,711
Repayment of loans and borrowings	**(2,817,572)**	(1,885,414)
Capital injecting from the non-controlling interests of subsidiary	**1,000**	–
Dividends paid	**(70,483)**	–
Net cash (used in)/generated from financing activities	**(870,060)**	555,319
Net (decrease)/increase in cash and cash equivalents	**(131,321)**	142,434
Cash and cash equivalents at 1 January	**579,450**	443,431
Effect of foreign exchange rate changes	**658**	(6,415)
Cash and cash equivalents at 31 December	**448,787**	579,450

Notes:

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

(a) Statement of compliance

The consolidated results set out in this announcement do not constitute the consolidated statements of Xingfa Aluminium Holdings Limited ("**Company**") and its subsidiaries ("**Group**") for year ended 31 December 2018 but are extracted from those consolidated financial statements.

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 ("**IASB**"), accounting principles generally accepted in Hong Kong 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 ("**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(c) 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) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2018 comprise the Group and the Group's interest in an associate.

The consolidated financial statements are presented in Renminbi ("**RMB**"), rounded to the nearest thousand, which is the functional currency of the major subsidiaries carrying out the principal activities of the Group.

(c) Changes in accounting policies

The IASB has issued a number of new IFRSs and amendments to IFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

(i) IFRS 9, *Financial instruments*

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

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

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

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

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

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

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

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

a. *Classification of financial assets and financial liabilities*

IFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL). These supersede IAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under IFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

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

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

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

b. Credit losses

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

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

– financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables and loans to associates);

– lease receivables.

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

c. Transition

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

– Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 continues to be reported under IAS 39 and thus may not be comparable with the current period.

– The determination of the business model within which a financial asset is held has been made on the basis of the facts and circumstances that existed at 1 January 2018 (the date of initial application of IFRS 9 by the Group):

– If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

(ii) IFRS 15, Revenue from contracts with customers

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

IFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

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

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

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

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

a. Timing of revenue recognition

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

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

A. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

B. When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

C. When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

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

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

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

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

b. *Significant financing component*

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

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

It is not common for the Group to receive payments significantly in advance of revenue recognition in the Group's arrangements with its customers, with the exception of when residential properties are marketed by the Group while the property is still under construction. In this situation, depending on market conditions, the Group may offer customers a discount compared to the listed sales price, provided that the customers agree to pay the balance of the consideration early while construction is still ongoing, rather than on legal assignment.

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

As a result of this change in policy, the Group has made adjustments which increased inventories and contract liabilities by RMB6,083,000 at 1 January 2018. As all of the accrued interest was eligible to be capitalised into projects still under construction, this change in policy has had no effect on retained earnings as at 1 January 2018.

c. *Sales commissions payable related to property sales contracts*

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

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

d. *Presentation of contract assets and liabilities*

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

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

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

e. *Disclosure of the estimated impact on the amounts reported in respect of the year ended 31 December 2018 as a result of the adoption of IFRS 15 on 1 January 2018*

The following tables summarise the estimated impact of adoption of IFRS 15 on the Group's consolidated financial statements for the year ended 31 December 2018, by comparing the amounts reported under IFRS 15 in these consolidated financial statements with estimates of the hypothetical amounts that would have been recognised under IAS 18 and IAS 11 if those superseded standards had continued to apply to 2018 instead of IFRS 15. These tables show only those line items impacted by the adoption of IFRS 15:

	Amounts reported in accordance with IFRS 15 (A) *RMB'000*	**Hypothetical amounts under IASs18 and 11 (B)** *RMB'000*	**Difference: Estimated impact of adoption of IFRS 15 in 2018 (A)-(B)** *RMB'000*
Line items in the consolidated statement of profit or loss for year ended 31 December 2018 impacted by the adoption of IFRS 15:			
Revenue	9,924,517	9,911,606	12,911
Cost of sales	8,573,745	8,552,961	20,784
Gross profit	**1,350,772**	**1,358,645**	**(7,873)**
Distribution costs	(278,949)	(281,719)	2,770
Profit from operations	**766,340**	**771,443**	**(5,103)**
Profit before taxation	**607,916**	**613,019**	**(5,103)**
Income tax	(113,938)	(115,213)	1,275
Profit for the year	**493,978**	**497,806**	**(3,828)**
Profit attributable to equity shareholders of the Company	**495,230**	**499,058**	**(3,828)**
Earnings per share			
Basic and diluted	RMB1.18	RMB1.19	RMB(0.01)
Line items in the consolidated statement of profit or loss and other comprehensive income for year ended 31 December 2018 impacted by the adoption of IFRS 15:			
Total comprehensive income for the year	497,020	500,848	(3,828)
Total comprehensive income attributable to the equity shareholders of the Company	498,272	502,100	(3,828)

	Amounts reported in accordance with IFRS 15 (A) *RMB'000*	Hypothetical amounts under IASs18 and 11 (B) *RMB'000*	Difference: Estimated impact of adoption of IFRS 15 in 2018 (A)-(B) *RMB'000*
Line items in the consolidated statement of financial position as at 31 December 2018 impacted by the adoption of IFRS 15:			
Inventories and other contract costs	1,144,044	1,140,181	3,863
Total current assets	**4,731,621**	**4,727,758**	**3,863**
Trade and other payables	(2,451,474)	(2,669,722)	218,248
Contract liabilities	(218,248)	–	(218,248)
Total current liabilities	**(4,190,051)**	**(4,190,051)**	**–**
Net current assets	**541,570**	**537,707**	**3,863**
Total assets less current liabilities	**2,918,432**	**2,914,569**	**3,863**
Deferred tax liabilities	(5,387)	(4,421)	(966)
Total non-current liabilities	**(414,574)**	**(413,608)**	**(966)**
Net assets	**2,503,858**	**2,500,961**	**2,897**
Reserves	(2,500,379)	(2,497,482)	(2,897)
Total equity attributable to equity shareholders of the Company	**(2,504,110)**	**(2,501,213)**	**(2,897)**
Total equity	**(2,503,858)**	**(2,500,961)**	**(2,897)**
Line items in the reconciliation of profit before taxation to cash generated from operations for year ended 31 December 2018 impacted by the adoption of IFRS 15:			
Profit before taxation	607,916	613,019	(5,103)
Change in inventories and other contract costs	134,688	123,502	11,186
Change in trade and other payables	986,166	823,736	162,430
Change in contract liabilities	(168,513)	–	(168,513)

The significant differences arise as a result of the changes in accounting policies described above.

(iii) IFRIC 22, Foreign currency transactions and advance consideration

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

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

2. REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are manufacturing and sale of aluminium profiles and property development.

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	2018	2017
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated of product lines or service line		
– Sale of aluminium profiles	**9,436,257**	7,121,007
– Sale of aluminium panels, aluminium alloy, moulds and spare parts	**169,698**	106,717
– Sales of completed properties	**301,164**	–
– Revenue from service contracts	**17,398**	11,934
	9,924,517	7,239,658

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographic markets is disclosed in Notes 2(b)(i) and 2(b)(iii) respectively.

The Group's customer base is diversified and does not include any individual customer (2017: Nil) with whom transactions have exceeded 10% of the Group's revenue.

(ii) ***Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date***

As at 31 December 2018, total amounts of the transaction price under the Group's existing contracts were fully recognised as revenue.

(b) Segment reporting

The Group manages its businesses by product lines. In a manner consistent with the way in which the information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following reportable segments:

- Industrial aluminium profiles: this segment manufactures and sells plain aluminium profiles, mainly for industrial usage.

- Construction aluminium profiles: this segment manufactures and sells aluminium profiles with surface finishing, including anodic oxidation aluminium profiles, electrophoresis coating aluminium profiles, powder coating aluminium profiles and PVDF coating aluminium profiles. Construction aluminium profiles are widely used in architecture decoration.

- Property development: this segment develops and sells office premises and residential properties.

- All other segments: include the revenue generated from service contracts and sale of aluminium panels, aluminium alloy, moulds and spare parts.

(i) ***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 aluminium 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 years ended 31 December 2018 and 2017 is set out below:

	Industrial aluminium profiles		Construction aluminium profiles		Property development		All other segments		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Reportable segment revenue										
Revenue from external customers	**2,215,995**	1,659,615	**7,220,262**	5,461,392	**301,164**	–	**187,096**	118,651	**9,924,517**	7,239,658
Reportable segment profit										
Gross profit	**273,997**	204,434	**858,277**	757,394	**120,921**	–	**97,577**	52,761	**1,350,772**	1,014,589

(ii) Reconciliations of reportable segment profit

	2018	2017
	RMB'000	*RMB'000*
Reportable segment profit derived from the Group's external customers	**1,350,772**	1,014,589
Other income	**54,939**	44,469
Distribution costs	**(278,949)**	(169,466)
Administrative expenses	**(360,422)**	(322,619)
Finance costs	**(164,221)**	(130,329)
Share of profit of an associate	**5,797**	7,801
Consolidated profit before taxation	**607,916**	444,445

(iii) Geographic information

Analysis of the Group's revenue and results as well as analysis of the Group's carrying amount of segment assets and additions to property, plant and equipment by geographical market has not been presented as over 97% (2017: 95%) of the revenue are generated from the PRC market.

3 OTHER INCOME

	2018	2017
	RMB'000	*RMB'000*
Interest income	**7,813**	8,141
Government grants *(i)*		
– Unconditional subsidies	**16,034**	13,266
– Conditional subsidies	**21,125**	22,193
Rental income	**10,869**	11,170
Net foreign exchange loss	**(528)**	(5,658)
Loss on disposal of property, plant and equipment	**(374)**	(4,643)
	54,939	44,469

(i) Government grants in the form of cash subsidies were received from various PRC government authorities.

– ***Unconditional subsidies***

The entitlements of certain government grants amounting to RMB16,034,000 (2017: RMB13,266,000) were unconditional. The funds were to subsidise the operating expenses of the PRC subsidiaries of the Group during the current year.

– ***Conditional subsidies***

The remaining government grants were conditional government grants and initially recorded as deferred income. The amount of conditional government grants charged to the consolidated statement of profit or loss for the year ended 31 December 2018 was RMB21,125,000 (2017: RMB22,193,000).

(ii) Total future minimum lease payments receivable by the Group

Total future minimum lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Group in future periods as follows:

	2018	2017
	RMB'000	*RMB'000*
Within 1 year	**8,761**	9,308
After 1 year but within 5 years	**24,795**	15,247
After 5 years	**8,290**	11,370
	41,846	35,925

4 PROFIT BEFORE TAXATION

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

(a) Finance costs:

	2018	2017
	RMB'000	*RMB'000*
Interest expenses on bank loans	**142,580**	118,285
Interest expenses on discounted bills	**21,641**	12,044
Total borrowing costs	**164,221**	130,329

(b) Staff costs:

	2018	2017
	RMB'000	*RMB'000*
Contributions to defined contribution retirement plan	**59,051**	44,436
Equity-settled share-based payment expenses	**561**	–
Salaries, wages and other benefits	**653,518**	540,617
	713,130	585,053

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 (Chapter 485 of the Laws of Hong Kong). 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 Hong Kong Dollars ("**HKD**") 30,000 for the year ended 31 December 2018 (2017: 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:

	2018 *RMB'000*	2017 *RMB'000*
Depreciation	**281,663**	263,029
Amortisation of lease prepayments	**8,766**	7,323
Research and development costs (ii)	**425,295**	319,372
Impairment losses on trade receivables	**17,261**	5,203
Impairment losses on other receivables	**1,544**	27
Auditors' remuneration		
– audit services	**1,355**	1,255
– other services	**760**	740
Cost of inventories (i)	**8,577,702**	6,225,069
Operating lease charges	**2,972**	2,193

(i) Cost of inventories for the year ended 31 December 2018 included RMB698,725,000 (2017: RMB596,994,000) 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 2018 included RMB91,836,000 (2017: RMB72,320,000) 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:

	2018 *RMB'000*	2017 *RMB'000*
Current tax		
Provision for PRC corporate income tax ("**CIT**") and Hong Kong Profits Tax	**83,194**	65,804
Provision for PRC land appreciation tax ("**LAT**")	**18,066**	–
	101,260	65,804
Deferred tax		
Origination and reversal of temporary differences	**12,678**	(3,989)
	113,938	61,815

(i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("**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 2018 (2017: 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 2018 (2017: 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 2018 (2017: 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 2018, deferred tax liabilities of RMB4,421,000 (2017: RMB5,115,000) 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 2018, 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 2018 was reduced by RMB8,755,000 (2017: RMB7,701,000). Such additional tax deduction on research and development expenses equals 50% of the amount actually incurred.

(vi) LAT is levied on properties developed in the PRC by the Group for sale, at progressive rates ranging from 30% to 60% on the appreciation of land value, which under the applicable regulations is calculated based on the proceeds of sales of properties less deductible expenditures including lease charges of land use rights, borrowing costs and relevant property development expenditures.

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

	2018 *RMB'000*	2017 *RMB'000*
Profit before taxation	**607,916**	444,445
Less: LAT	**18,066**	–
Profit before CIT and Hong Kong Profits Tax	**589,850**	444,445
Notional tax on profit before taxation, calculated at the rates applicable to the jurisdiction concerned	**152,731**	115,426
Tax effect of non-deductible expenses	**783**	652
Tax effect of share of profit of an associate	**(870)**	(1,170)
Effect of tax concessions	**(51,823)**	(47,411)
Super deduction on research and development expenses in respect of 2017 *(Note 5(a)(v))*	**(8,755)**	(7,701)
Effect of withholding on undistributed profits retained by PRC subsidiaries	**3,806**	2,019
CIT and Hong Kong Profits Tax	**95,872**	61,815
LAT	**18,066**	–
Income tax expense	**113,938**	61,815

6 DIVIDENDS

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

	2018 *RMB'000*	2017 *RMB'000*
Final dividends proposed after the end of reporting period of HKD0.2 per share (2017: HKD0.2)	**71,419**	69,882

The final dividend 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

	2018 *RMB'000*	2017 *RMB'000*
Final dividends in respect of the previous financial year were approved and paid during the year, of HKD0.2 per share (2017: Nil)	**70,483**	–

7 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB495,230,000 (2017: RMB382,630,000) and the weighted average number of 418,000,000 ordinary shares (2017: 418,000,000 ordinary shares) in issue during the year.

There were no dilutive potential ordinary shares in issue for the years ended 31 December 2018 and 2017, and therefore, the diluted earnings per share are the same as the basic earnings per share.

8 INVENTORIES AND OTHER CONTRACT COSTS

	Notes	**31 December 2018** *RMB'000*	1 January 2018 *(i)* *RMB'000*	31 December 2017*(i)* *RMB'000*
Inventories				
Aluminium profiles manufacturing				
– Raw materials		**260,446**	330,011	330,011
– Work in progress		**471,823**	112,681	112,681
– Finished goods		**134,086**	503,526	503,526
		866,355	946,218	946,218
Property development				
– Lease prepayment		**27,847**	47,388	47,388
– Deed tax		**3,273**	4,760	4,760
– Construction cost	*(ii)*	**242,706**	271,400	265,317
		273,826	323,548	317,465
Other contract costs	*(iii)*	**3,863**	8,966	–
		1,144,044	1,278,732	1,263,683

Notes:

(i) The Group has initially applied IFRS 15 using the cumulative effect method and adjusted the opening balances at 1 January 2018. Comparative information has not been restated.

(ii) Upon the adoption of IFRS 15, opening adjustments were made as at 1 January 2018 to accrue interest on certain advance payments received from customers. This interest was eligible for capitalisation into the carrying value of the group's properties under development for sale, which has resulted in an increase in that balance as at that date (see Note 1(c)(ii)).

(iii) Upon the adoption of IFRS 15, opening adjustments were made as at 1 January 2018 to capitalise certain sales commissions which were expensed in prior periods. This has resulted in an increase in contract costs as at that date (see Note 1(c)(ii)).

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

	2018	2017
	RMB'000	*RMB'000*
Carrying amount of inventories sold	**8,577,702**	6,225,069

The amount of properties under development expected to be recovered after more than one year is Nil (2017: RMB93,787,000). All of the other inventories are expected to be recovered within one year.

(b) Contract costs

Contract costs capitalised as at 31 December 2018 relate to the incremental sales commissions paid to property agents whose selling activities resulted in customers entering into sale and purchase agreements for the Group's properties which are still under construction at the reporting date. Contract costs are recognised as part of "distribution costs" in the consolidated statement of profit or loss in the period in which revenue from the related property sales is recognised. The amount of capitalised costs recognised in profit or loss during the year was RMB12,911,000. There was no impairment in relation to the opening balance of capitalised costs or the costs capitalised during the year.

In the comparative period, such sales commissions were recognised as "distribution costs" when incurred and therefore an opening balance adjustment was made on 1 January 2018 in this regard (see Note 1(c)(ii)).

The Group applies the practical expedient in paragraph 94 of IFRS 15 and recognises the incremental costs of obtaining contracts relating to the sale of completed properties and services as an expense when incurred if the amortisation period of the assets that the Group otherwise would have recognised is within the same reporting period as the date of entering into the contract.

No capitalised contract costs that is expected to be recovered after more than one year.

9 TRADE AND OTHER RECEIVABLES

	Notes	**31 December 2018** *RMB'000*	31 December 2017 *RMB'000*
Trade debtors and bills receivable, net of loss allowance	*(i)/(ii)*	**2,620,584**	1,999,861
Other debtors, net of loss allowance	*(iii)*	**23,314**	16,439
Financial assets measured at amortised cost		**2,643,898**	2,016,300
Deposits and prepayments		**148,130**	116,120
		2,792,028	2,132,420

(i) Certain trade debtors with carrying value of RMB57,659,000 were pledged as securities for bank loans of the Group as at 31 December 2018 (31 December 2017: Nil).

(ii) Certain bills receivable with carrying value of RMB192,333,000 were pledged as securities for bank loans of the Group as at 31 December 2018 (31 December 2017: RMB185,759,000).

(iii) As at 31 December 2018, loss allowance on other debtors is RMB3,415,000 (31 December 2017: RMB1,871,000).

(iv) The Group's trade and other receivables as at 31 December 2018 included amounts due from related parties of RMB134,690,000 (31 December 2017: RMB109,581,000). The remaining current trade and other receivables are expected to be recovered or recognised as expense within one year.

Ageing analysis

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

	2018 *RMB'000*	2017 *RMB'000*
Within 1 month	**1,177,207**	1,186,764
1 to 3 months	**782,075**	509,604
3 to 6 months	**524,965**	232,380
Over 6 months	**136,337**	71,113
	2,620,584	1,999,861

Trade debtors and bills receivable are due within 30 days to 180 days from the date of billing.

10 TRADE AND OTHER PAYABLES

	31 December 2018 *RMB'000*	1 January 2018 *(i)* *RMB'000*	31 December 2017 *(i)* *RMB'000*
Trade payables	**664,605**	497,769	497,769
Bills payable	**1,247,422**	535,071	535,071
Receipts in advance *(i)*	**–**	–	380,678
Accrued payroll and benefits	**186,842**	159,961	159,961
Other payables and accruals	**316,794**	208,777	208,777
Interest payable	**12,709**	12,093	12,093
Deferred income	**23,102**	23,374	23,374
	2,451,474	1,437,045	1,817,723

(i) As a result of the adoption of IFRS 15, advances received and forward sales deposits and instalments received are included in contract liabilities and disclosed in Note 11 (see Note 1(c)(ii)).

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

Ageing analysis

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

	2018 *RMB'000*	2017 *RMB'000*
Within 1 month	**771,715**	364,935
1 to 3 months	**470,252**	358,174
3 to 6 months	**517,031**	218,489
Over 6 months	**153,029**	91,242
	1,912,027	1,032,840

11 CONTRACT LIABILITIES

	Notes	31 December 2018 RMB'000	1 January 2018 *(i)* RMB'000	31 December 2017*(i)* RMB'000
Aluminium profiles				
– Billings in advance of performance	*(ii)*	**194,439**	142,613	–
Property development				
– Forward sales deposits and instalments received	*(ii)/(iii)*	**23,809**	244,148	–
		218,248	386,761	–

Notes:

(i) The Group has initially applied IFRS 15 using the cumulative effect method and adjusted the opening balance at 1 January 2018.

(ii) Upon the adoption of IFRS 15, these amounts were reclassified from "Trade and other payables" (Note 10) to contract liabilities (see Note 1(c)(ii)).

(iii) Upon the adoption of IFRS 15, an opening adjustment as at 1 January 2018 was made to accrue interest on the advance payments received from customers (see Note 1(c)(ii)).

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

– **Property development**

The Group offer customers a discount compared to the listed sales price, provided that the customers agree to pay the balance of the consideration early while construction is still ongoing, rather than on legal assignment. Such advance payment schemes result in contract liabilities being recognised throughout the remaining property construction period for the full amount of the contract price. In addition, the contract liability will be increased by the amount of interest expense being accrued by the Group to reflect the effect of any financing benefit obtained from the customers during the period between the payment date and the completion date of legal assignment. As this accrual increases the amount of the contract liability during the period of construction, it therefore increases the amount of revenue recognised when control of the completed property is transferred to the customer.

Movements in contract liabilities

	2018
	RMB'000
Balance at 1 January	**386,761**
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the period	**(385,301)**
Increase in contract liabilities as a result of billing in advance of manufacturing activities	**194,316**
Increase in contract liabilities as a result of receiving forward sales instalments during the year in respect of properties not delivered as at 31 December 2018	**22,472**
Balance at 31 December	**218,248**

The amount of billings in advance of performance and forward sales instalments received expected to be recognised as income after more than one year is Nil (2017: RMB237,615,000, which were included under "**trade and other payables**").

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY AND BUSINESS OVERVIEW

Xingfa Aluminium is one of the leading aluminium profiles manufacturers in the PRC and is principally engaged in the manufacture and sale of aluminium profiles which are being used as construction and industrial materials. Since 2002, the Group has been awarded as the "No. 1 of the National Construction Aluminium Profiles Enterprises" by China Non-Ferrous Metals Fabrication Industrial Association for three consecutive sessions. Currently, we are also one of the largest suppliers of electricity conductive aluminium profiles 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 35 years. In 2018, the Group recorded significant increase in sales orders due to the successful adjustment in marketing strategies implementation and expansion of sales channels. In addition, thanks to the increase in annual production capacity, export volume and the acceleration of product category expansion by the Group, both our sales and profit hit record high.

In 2018, the China's economy was undergoing the critical period of transformation, upgrading and structural adjustment. The foreign trade faced more complicated and changing situations due to the Sino-US trade conflicts, emerging trade protectionism and other factors. The domestic real estate industry had cooled down as a result of the stringent regulations for two consecutive years. The overall competition in the construction aluminium profiles market intensified while the residential property market witnessed increasing risks, which placed higher requirements on suppliers. As a supplier of construction aluminium profiles with strong comprehensive strengths, the Group considers the changes in the construction market as challenges as well as opportunities.

The Group has been adjusting its domestic marketing strategies and expanding sales channels in recent years. In 2018, we expanded and consolidated the strategic centralized procurement measure with distributors in soliciting national large-scale real estate developers and regional well-known real estate developers, and vigorously explored the construction aluminium panels market, adjusted sales strategies and service models. As a result, the centralized procurement orders in the real estate sector increased significantly and the sales volume of most distributors reached new high. On the other hand, the development of domestic regional sales is getting more and more balanced. Xingfa Aluminium maintained its steady growth in Zhejiang, Guangdong, Jiangsu provinces and Shanghai as well as in other advantageous regions. The total sales volume in Chongqing, Hubei, Hunan, Jiangxi and Anhui in the Yangtze River Economic Belt as well as in Sichuan, Shaanxi and other western regions increased significantly as compared with the corresponding period of last year. All these had contributed to a more balanced and coordinated development of the Group in terms of sales in the domestic regions.

In terms of product development, “Xingfa System”, “Xingfa Doors and Windows” and “Paxdon System”(帕克斯頓系統) and other doors and windows systems for engineering decoration and home decoration purposes are ready for introduction into the market. The service capability of the products, including multi-dimensional integration of product R&D and innovation, ancillary materials, production, processing, inspection and installation instructions have laid a solid foundation for the expansion and development of the industrial chain of the Group in 2019.

In 2018, the industrial aluminium profiles market was flourishing in many aspects. Under the guidance of national policies, the scope of applications continued to expand steadily. The Group has been focusing on the development of aluminium alloy panels business in recent years. Its sales volume in 2018 went up by 162% from that of the previous year.

In 2018, due to the gradual establishment in overseas market, the Group has established overseas sales to Vietnam, Australia, Singapore, Indonesia, Thailand, Cambodia, Myanmar, Sri Lanka, Mauritius, South Africa and Cameroon. The development of the Vietnam market, in particular, has become a model of the Group in terms of successful exploration in overseas markets.

PROSPECTS

We expect market competition will intensify in 2019. However, thanks to the political stability and sustained economic growth in China, the construction industry, not limited to the residential market, will maintain its growth in the future. The continuous advancement of urbanization, in particular, will support the long-term development of the construction aluminium profiles market. The industrial aluminium profiles market is developing robustly with tremendous market potential and numerous opportunities.

The Group’s lean management reform has gradually achieved results, which plays a constructive role in the sustainability and stability in product quality, cost control and process standardization of the Group. The Group will continue to advance its reform in 2019. In addition, the foundation construction of the Group’s precision manufacturing project in Sanshui Industrial Zone was commenced in January 2019 and plant construction will be in full swing this year and is expected to be officially put into operation in 2020. The plant will produce high-end industrial aluminium profiles for lightweight transportation, high-end electronic communication equipment, radiator materials, medical apparatus and instruments and military engineering applications. The Group will further its high-quality development while the plant will assure the provision of construction aluminium profiles according to market demand.

Xingfa Aluminium has set out its strategic plans to propel in 2019, which cover IT strategic planning, data center establishment, capacity expansion, professional marketing services system establishment, product and process standardization and supplier evaluation system. It will also implement diversified strategies that are related to aluminium profiles industrial chain. Meanwhile, the Group will expand and extend projects when appropriate according to market demand and its development.

Leveraging on the Group's competitive strengths, we remain optimistic about the future business prospects of the Group.

FINANCIAL REVIEW

Revenue

The revenue and sales volume of the Group for the Year were increased by 37.1% and 31.9% year-on-year to approximately RMB9,924.5 million and 517,982 tonnes respectively (2017: RMB7,239.7 million and 392,708 tonnes respectively). The growth was attributable to the significant increase in sales orders during the Year.

The sales volume of construction aluminium profiles for the Year increased by 31.3% to 381,233 tonnes (2017: 290,393 tonnes). Meanwhile, the sales volume of industrial profiles for the Year also increased by 31.4% to 134,406 tonnes (2017: 102,315 tonnes).

The following table sets forth the details of our revenue by reportable segments for the years ended 31 December 2018 and 2017:

	2018	2017
	RMB'000	*RMB'000*
Manufacturing and sale of aluminium profiles		
– Construction aluminium profiles	**7,220,262**	5,461,392
– Industrial aluminium profiles	**2,215,995**	1,659,615
	9,436,257	7,121,007
Sale of properties	**301,164**	–
Others *(Note)*	**187,096**	118,651
Total	**9,924,517**	7,239,658

Note: Our Group's other revenue represented revenue generated from service contracts and sale of aluminium panels, aluminium alloy, moulds and spare parts.

Gross profit and gross profit margin

The gross profit of the Group for the Year increased by 33.1% year-on-year to approximately RMB1,350.8 million (2017: RMB1,014.6 million).

The overall gross profit margin for the Year of the Group maintained similar at 13.6% (2017: 14.0%), while the sales to production ratio increased slightly to 98% (2017: 96%).

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

	2018	2017
Overall	**13.6%**	14.0%
Industrial aluminium profiles	**12.4%**	12.3%
Construction aluminium profiles	**11.9%**	13.9%

The gross profit ratio of industrial aluminium profile remained steady for the Year as compared to that of 2017.

The gross profit ratio of construction aluminium profiles for the Year decreased slightly as compared to that of 2017. This was mainly because the Group lowered the processing fee in order to maintain the existing customers and attract new customers.

Distribution costs

The distribution costs of the Group for the Year increased by 64.6% to approximately RMB278.9 million (2017: RMB169.5 million), which was 2.8% of the revenue (2017: 2.3%). The increase was due to the expansion of sales channels during the Year, resulting in a corresponding increase in the agency fee.

Administrative expenses

The administrative expenses of the Group for the Year increased by 11.7% to approximately RMB360.4 million (2017: RMB322.6 million), which was 3.6% of the revenue (2017: 4.5%). The increase of administrative expenses was mainly due to the increase in loss allowance on trade receivables, as resulting from larger overdue amounts relating to certain strategic customers based on market situation during the Year.

Finance costs

Finance costs increased by approximately 26% to approximately RMB164.2 million for the Year (2017: RMB130.3 million) mainly due to the increase in average loans and borrowings during the Year.

Profit for the Year and net profit margin

The profit attributable to shareholders of the Company ("**Shareholders**") for the Year increased substantially by 29.4% year-on-year to approximately RMB495.2 million (2017: RMB382.6 million). The increase was primarily attributable to the significant increase in sales orders due to the successful implementation of marketing strategies and expansion of sales channels of the Group and the completion of sales of certain units of Xingfa Plaza (as defined below) during the Year.

ANALYSIS OF FINANCIAL POSITION

Current and quick ratios

The following table sets out our Group's current and quick ratios as at 31 December 2018 and 2017:

	2018	2017
Current ratio *(Note i)*	**1.13**	1.09
Quick ratio *(Note ii)*	**0.86**	0.76

Notes:

(i) Current ratio is calculated based on the total current assets divided by the total current liabilities at the end of the 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 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 trade receivables. As such, both current ratio and quick ratio increased for the Year as compared to those of 2017.

Gearing ratio

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

	2018	2017
Gearing ratio *(Note)*	**26.0%**	38.5%

Note:

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

The gearing ratio decreased for the Year as compared to that of 2017 which was mainly due to the decrease in bank loan balances as at 31 December 2018.

Inventory turnover days

The following table sets out our Group's inventory turnover days during the years ended 31 December 2018 and 2017:

	2018	2017
Inventory turnover days *(Note)*	**51**	65

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.

The inventory turnover days for the Year decreased as compared to that of 2017 which was mainly due to the decrease in inventory level of property development as the sale of certain units of Xingfa Plaza (as defined below) completed during the Year.

Debtors' turnover days

The following table sets out our Group's debtors' turnover days during the years ended 31 December 2018 and 2017:

	2018	2017
Debtors' turnover days *(Note)*	**85**	88

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 years multiplied by 365 days.

The debtors' turnover days remained steady for the Year as compared to that of 2017.

Creditors' turnover days

The following table sets out our Group's creditors' turnover days during the years ended 31 December 2018 and 2017:

	2018	2017
Creditors' turnover days *(Note)*	**63**	69

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 creditors' turnover days for the Year decreased as compared to that of 2017. This was mainly because the Group used prepayment terms more during the Year for acquisition of aluminium ingots and aluminium bars in order to lock-up the price of aluminium ingots with the suppliers.

Loans and borrowings

As at 31 December 2018, the Group's loan and borrowings amounted to approximately RMB1,845.7 million (31 December 2017: RMB2,482.7 million).

Banking facilities and guarantee

As at 31 December 2018, the banking facilities of the Group amounted to approximately RMB6,151.8 million (31 December 2017: RMB4,760.8 million), of which approximately RMB2,472.9 million were utilised (31 December 2017: RMB2,875.7 million).

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

Capital expenditure

Capital expenditure was used for acquisition of property, plant and equipment and lease prepayment. During the Year, our Group's capital expenditure was approximately RMB345.5 million (2017: RMB420.3 million). The significant capital expenditure during the Year was mainly for the acquisition of equipment and lease prepayment for our production plants.

Capital structure

As at 31 December 2018, the Company had 418,000,000 ordinary shares of HKD0.01 each in issue. No shares of the Company has been issued or repurchased during the Year.

CASH FLOW HIGHLIGHTS

The following table sets out our Group's cash flow highlights during the years ended 31 December 2018 and 2017:

	2018	2017
	RMB'000	*RMB'000*
Net cash generated from/(used in) operating activities	**1,253,984**	(47,647)
Acquisitions of property, plant and equipment	**(345,308)**	(333,708)
Payment for lease prepayment	**(181)**	(86,561)
Interest paid	**(163,605)**	(123,978)
Net (decrease)/increase in bank borrowings	**(636,972)**	679,297
Dividends paid	**(70,483)**	–

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

PROPERTY DEVELOPMENT

During the Year, 687 units of "Xingfa Plaza"(興發大廈) (wholly-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) had been sold and delivered. The revenue recognised from such sale for the Year amounted to approximately RMB301.2 million (31 December 2017: Nil), with gross profit margin at 40.2%.

HUMAN RESOURCES

As at 31 December 2018, our Group employed a total of approximately 7,200 full time employees in the PRC and Hong Kong which included management staff, technicians, salespersons and workers. In 2018, our Group's total expenses on the remuneration of employees were approximately RMB713.1 million, represented approximately 7.2% 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), housing fund, medical insurance, unemployment insurance and other relevant insurance (accordingly to the PRC rules and regulations for PRC employees), discretionary bonuses and employee share options are also awarded to employees according to the assessment of individual performance. In-house and external training programmes are provided as and when required.

FINAL DIVIDEND

The Directors recommended the payment of a final dividend of HKD0.2 per ordinary share for the Year (2017: HKD0.2) held by Shareholders whose name appear on the register of members of the Company on Friday, 14 June 2019.

The final dividend will be paid in Hong Kong Dollars and it will be paid on or around 28 June 2019 to Shareholders whose names appear on the register of members of the Company on Friday, 14 June 2019.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the right to attend the forthcoming annual general meeting to be held on Thursday, 30 May 2019, the register of members of the Company will be closed from Monday, 27 May 2019 to Thursday, 30 May 2019 (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 Friday, 24 May 2019.

For the purpose of determining the entitlement to the final dividend, the register of members of the Company will be closed from Wednesday, 12 June 2019 to Friday, 14 June 2019 (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, 11 June 2019.

CORPORATE GOVERNANCE

In the opinion of the Directors, the Company had complied with all the code provisions of the Corporate Governance Code (the "**Corporate Governance Code**") as set out in Appendix 14 to the Rules ("**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") for the Year, except that pursuant to Code Provision A.2.7 of the then prevailing Corporate Governance Code requires the Chairman of the Board to hold meetings at least annually with the non-executive Directors (including independent non-executive Directors) without the executive Directors present. As Mr. LIU Libin, the Chairman of the Board, is also an executive Director, the Company has deviated from the then prevailing Code Provision A.2.7 as it is not applicable. However, Code Provision A.2.7 of the Corporate Governance Code has been amended with effect from 1 January 2019 and now requires the Chairman of the Board to hold meetings at least annually with the independent non-executive Directors without the presence of other Directors. The Company will comply with the code provisions of the Corporate Governance Code in coming years.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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.

CHANGE IN CORPORATE POSITIONS

The Company has the following changes in corporate positions during the Year:

(1) With effect from 16 April 2018:

 (i) Mr. LUO Su resigned as an executive Director; honorary chairman of the Company; chairman of the nomination committee of the Board ("**Nomination Committee**") and a member of the remuneration committee of the Board ("**Remuneration Committee**") and accepted the Company's invitation to act as Honourable Adviser of the Group;

 (ii) Mr. LUO Riming resigned as an executive Director and the chief executive Officer of the Company ("**Chief Executive Officer**");

 (iii) Mr. LUO Jianfeng was appointed as an executive Director;

(iv) Mr. ZUO Manlun was appointed as a non-executive Director and a member of the Nomination Committee;

(v) Mr. LIU Libin was appointed as chairman of the Nomination Committee; and

(vi) Mr. LIAO Yuqing was appointed as the Chief Executive Officer and a member of the Remuneration Committee.

(2) With effect from 10 May 2018:

(i) Mr. DAI Feng resigned as an executive Director and the chief financial officer of the Company ("**Chief Financial Officer**"); and

(ii) Ms. ZHANG Li was appointed as an executive Director and the Chief Financial Officer.

(3) With effect from 6 December 2018:

(i) Mr. LU Chaoying resigned as a non-executive Director and a member of the audit committee of the Board ("**Audit Committee**"); and

(ii) Ms. XIE Jingyun was appointed as a non-executive Director and a member of the Audit Committee.

REVIEW BY THE AUDIT COMMITTEE

The Listing Rules require every listed issuer to establish an audit committee comprising at least three members who must be non-executive directors only, and the majority thereof must be independent non-executive directors, at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. The Company has an audit committee which is accountable to the Board and the primary duties of the audit committee include the review and supervision of our Group's financial reporting process and internal control measures.

The audit committee of the Board is composed of three independent non-executive Directors 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 of the Board has met with the management and external auditors of our Company and has reviewed the consolidated results of our Group for the Year.

SCOPE OF WORK OF KPMG

The financial figures in respect of the Group's consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated cash flow statement and the related notes thereto for the year ended 31 December 2018 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, redeemed or sold any of the Company's listed securities during the Year.

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

This announcement is published on the respective websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.xingfa.com), and the 2018 annual report of the Company containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 26 March 2019

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

Executive Directors:	Mr. LIU Libin *(Chairman)* Mr. LIAO Yuqing *(Chief Executive Officer)* Ms. ZHANG Li *(Chief Financial Officer)* Mr. LAW Yung Koon Mr. WANG Zhihua Mr. LUO Jianfeng
Non-executive Directors:	Mr. ZUO Manlun Ms. XIE Jingyun
Independent non-executive Directors:	Mr. CHEN Mo Mr. HO Kwan Yiu Mr. LAM Ying Hung, Andy Mr. LIANG Shibin