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 2019

FINANCIAL HIGHTLIGHTS

1. Revenue increased by 13.7% to approximately RMB11,280.8 million (2018: RMB9,924.5 million).

2. Sales volume rose by 18.2% to 612,223 tonnes (2018: 517,982 tonnes).

3. Gross profit increased by 10.3% to approximately RMB1,489.8 million (2018: RMB1,350.8 million).

4. Profit attributable to Shareholders for the Year increased by 22.4% to approximately RMB606.1 million (2018: RMB495.2 million).

5. Earnings per share were RMB1.45 (2018: RMB1.18).

6. The Board recommended the payment of a final dividend of HKD0.28 per ordinary share for the year ended 31 December 2019 (2018: HKD0.20).

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**", "**our**", "**us**", "**Xingfa**" or "**Xingfa Aluminium**") prepared under International Financial Reporting Standards ("**IFRSs**") for the year ended 31 December 2019 ("**Year**"), together with the comparative figures for the corresponding financial year ended 31 December 2018 and the relevant explanatory notes as set out below.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019
(Expressed in Renminbi)

	Note	**2019** *RMB'000*	2018 *(Note)* *RMB'000*
Revenue	*2*	**11,280,848**	9,924,517
Cost of sales		**(9,791,036)**	(8,573,745)
Gross profit		**1,489,812**	1,350,772
Other income	*3*	**105,959**	54,939
Distribution costs		**(293,075)**	(278,949)
Administrative expenses		**(430,313)**	(360,422)
Profit from operations		**872,383**	766,340
Finance costs	*4(a)*	**(151,480)**	(164,221)
Share of profit of an associate		**2,567**	5,797
Profit before taxation	*4*	**723,470**	607,916
Income tax	*5*	**(120,864)**	(113,938)
Profit for the year		**602,606**	493,978
Attributable to:			
Equity shareholders of the Company		**606,109**	495,230
Non-controlling interests		**(3,503)**	(1,252)
Profit for the year		**602,606**	493,978
Earnings per share	*7*		
Basic *(RMB yuan)*		**1.45**	1.18
Diluted *(RMB yuan)*		**1.45**	1.18

Note:

The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See Note 1(c).

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 2019
(Expressed in Renminbi)

	2019	2018
		(Note)
	RMB'000	*RMB'000*
Profit for the year	**602,606**	493,978
Other comprehensive income for the year 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**")	**(742)**	3,042
Cash flow hedge: net movement in the hedging reserve	**(2)**	–
Other comprehensive income for the year	**(744)**	3,042
Total comprehensive income for the year	**601,862**	497,020
Attributable to:		
Equity shareholders of the Company	**605,365**	498,272
Non-controlling interests	**(3,503)**	(1,252)
Total comprehensive income for the year	**601,862**	497,020

Note:

The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See Note 1(c).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019
(Expressed in Renminbi)

	Note	**2019**	2018
			(Note)
		RMB'000	*RMB'000*
Non-current assets			
Investment property		**71,694**	–
Property, plant and equipment		**2,188,673**	1,952,185
		2,260,367	1,952,185
Right-of-use assets		**358,620**	–
Lease prepayments		**–**	365,114
Interest in an associate		**5,791**	21,140
Deferred tax assets		**43,641**	38,423
		2,668,419	2,376,862
Current assets			
Inventories and other contract costs	*8*	**1,134,375**	1,144,044
Trade and other receivables	*9*	**3,103,556**	2,792,028
Pledged deposits		**327,037**	346,762
Cash and cash equivalents		**528,003**	448,787
		5,092,971	4,731,621
Current liabilities			
Trade and other payables	*10*	**2,738,786**	2,451,474
Contract liabilities	*11*	**164,027**	218,248
Loans and borrowings		**1,284,005**	1,467,523
Lease liabilities		**6,907**	–
Current taxation		**68,648**	52,806
		4,262,373	4,190,051
Net current assets		**830,598**	541,570
Total assets less current liabilities		**3,499,017**	2,918,432
Non-current liabilities			
Loans and borrowings		**414,407**	378,204
Lease liabilities		**13,921**	–
Deferred income		**20,200**	30,983
Deferred tax liability		**11,609**	5,387
		460,137	414,574
Net assets		**3,038,880**	2,503,858

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

At 31 December 2019
(Expressed in Renminbi)

	2019	2018
		(Note)
	RMB'000	*RMB'000*
Capital and reserves		
Share capital	**3,731**	3,731
Reserves	**3,034,604**	2,500,379
Total equity attributable to equity shareholders of the Company	**3,038,335**	2,504,110
Non-controlling interests	**545**	(252)
Total equity	**3,038,880**	2,503,858

Note:

The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See Note 1(c).

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2019
(Expressed in Renminbi)

	2019	2018
		(Note)
	RMB'000	*RMB'000*
Operating activities		
Cash generated from operations	**1,057,592**	1,324,469
Income tax paid	**(101,826)**	(68,620)
PRC land appreciation tax paid	**(2,192)**	(1,865)
Net cash generated from operating activities	**953,574**	1,253,984
Investing activities		
Interest received	**42,734**	7,813
Proceeds received upon maturity of pledged deposits	**1,041,802**	377,787
Payment for pledged deposits	**(1,022,077)**	(557,130)
Payment for purchase of property, plant and equipment	**(560,535)**	(345,308)
Payment for lease prepayment	**–**	(181)
Proceeds from disposal of property, plant and equipment	**4,466**	1,774
Net cash used in investing activities	**(493,610)**	(515,245)
Financing activities		
Capital element of lease rentals paid	**(3,430)**	–
Interest element of lease rentals paid	**(716)**	–
Interest paid	**(161,264)**	(163,605)
Proceeds from loans and borrowings	**2,437,078**	2,180,600
Repayment of loans and borrowings	**(2,583,697)**	(2,817,572)
Capital injecting from the non-controlling interests of subsidiary	**4,300**	1,000
Dividends paid to equity shareholders of the Company	**(73,465)**	(70,483)
Net cash used in financing activities	**(381,194)**	(870,060)
Net increase/(decrease) in cash and cash equivalents	**78,770**	(131,321)
Cash and cash equivalents at 1 January	**448,787**	579,450
Effect of foreign exchange rate changes	**446**	658
Cash and cash equivalents at 31 December	**528,003**	448,787

Note:

The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See Note 1(c).

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 the year ended 31 December 2019 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 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 2019 comprise the Company and its subsidiaries (together referred to as 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 new IFRS, IFRS 16, *Leases*, and a number of amendments to IFRSs that are first effective for the current accounting period of the Group.

Except for IFRS 16, *Leases*, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

IFRS 16, Leases

IFRS 16 replaces IAS 17, *Leases*, and the related interpretations, IFRIC 4, *Determining whether an arrangement contains a lease*, SIC 15, *Operating leases – incentives*, and SIC 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low value assets. The lessor accounting requirements are brought forward from IAS 17 substantially unchanged.

IFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied IFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under IAS 17.

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

a. *New definition of a lease*

The change in the definition of a lease mainly relates to the concept of control. IFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in IFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under IAS 17 continue to be accounted for as leases under IFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

b. *Lessee accounting and transitional impact*

IFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by IAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under IAS 17, other than those short-term leases and leases of low-value assets which are exempt. As far as the Group is concerned, these newly capitalised leases are primarily in relation to plant.

At the date of transition to IFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 4.9%.

To ease the transition to IFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of IFRS 16:

(i) the Group elected not to apply the requirements of IFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of IFRS 16, i.e. where the lease term ends on or before 31 December 2019;

(ii) when measuring the lease liabilities at the date of initial application of IFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and

(iii) when measuring the right-of-use assets at the date of initial application of IFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 December 2018 as an alternative to performing an impairment review.

The following table reconciles the operating lease commitments as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	1 January 2019 *RMB'000*
Operating lease commitments at 31 December 2018	12,395
Less: commitments relating to leases exempt from capitalisation:	
– short-term leases and other leases with remaining lease term ending on or before 31 December 2019	(1,296)
– leases of low-value assets	–
Add: lease payments for the additional periods where the Group considers it reasonably certain that it will exercise the extension options	–
	11,099
Less: total future interest expenses	(1,935)
Present value of remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019	9,164
Add: finance lease liabilities recognised as at 31 December 2018	–
Total lease liabilities recognised at 1 January 2019	9,164

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 December 2018.

The Group presents right-of-use assets in "Right-of-use assets" and presents lease liabilities separately in the statement of financial position.

So far as the impact of the adoption of IFRS 16 on lease prepayments previously classified as operating lease is concerned, the Group is not required to make any adjustment at the date of initial application of IFRS 16, other than changing the captions for the balance. Accordingly, instead of "Lease prepayments", these amounts are included within "Right-of-use assets – land use rights". There is no impact on the opening balance of equity.

The following table summarises the impacts of the adoption of IFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 December 2018	**Capitalisation of operating lease contracts**	**Carrying amount at 1 January 2019**
	RMB'000	*RMB'000*	*RMB'000*
Line items in the consolidated statement of financial position impacted by the adoption of IFRS 16:			
Right-of-use assets			
– Land use rights	–	365,114	365,114
– Other right-of-use assets	–	9,164	9,164
Lease prepayments	365,114	(365,114)	–
Total non-current assets	2,376,862	9,164	2,386,026
Lease liabilities (current)	–	1,250	1,250
Current liabilities	4,190,051	1,250	4,191,301
Net current assets	541,570	(1,250)	540,320
Total assets less current liabilities	2,918,432	7,914	2,926,346
Lease liabilities (non-current)	–	7,914	7,914
Total non-current liabilities	414,574	7,914	422,488
Net assets	2,503,858	–	2,503,858

c. Impact on the financial result, segment results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if IAS 17 had been applied during the year.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under IAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under IAS 17. Although total cash flows are unaffected, the adoption of IFRS 16 therefore results in a significant change in presentation of cash flows within the cash flow statement.

The following tables give an indication of the estimated impact of the adoption of IFRS 16 on the Group's financial result, segment results and cash flows for the year ended 31 December 2019, by adjusting the amounts reported under IFRS 16 in these consolidated financial statements to compute estimates of the hypothetical amounts that would have been recognised under IAS 17 if this superseded standard had continued to apply in 2019 instead of IFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under IAS 17.

	2019				2018
	Amounts reported under IFRS 16 (A)	**Add back: IFRS 16 depreciation and interest expense (B)**	**Deduct: Estimated amounts related to operating leases as if under IAS 17** *(Note 1)* **(C)**	**Hypothetical amounts for 2019 as if under IAS 17 (D=A+B-C)**	Compared to amounts reported for 2018 under IAS 17
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	*RMB'000*
Financial result for year ended 31 December 2019 impacted by the adoption of IFRS 16:					
Profit from operations	**872,383**	**3,756**	**4,146**	**871,993**	766,340
Finance costs	**(151,480)**	**716**	**–**	**(150,764)**	(164,221)
Profit before taxation	**723,470**	**4,472**	**4,146**	**723,796**	607,916
Profit for the year	**602,606**	**4,472**	**4,146**	**602,932**	493,978
Reportable segment profit (gross profit) for year ended 31 December 2019 (Note 2(b)) impacted by the adoption of IFRS 16:					
– Industrial aluminium profiles	**213,787**	**3,756**	**4,146**	**213,397**	273,997
– Construction aluminium profiles	**1,105,520**	**–**	**–**	**1,105,520**	858,277
– Property development	**43,501**	**–**	**–**	**43,501**	120,921
– Other	**127,004**	**–**	**–**	**127,004**	97,577
– Total	**1,489,812**	**3,756**	**4,146**	**1,489,422**	1,350,772

	2019			2018
	Amounts reported under IFRS 16 (A)	**Estimated amounts related to operating leases as if under IAS 17** *(Notes 1 & 2)* **(B)**	**Hypothetical amounts for 2019 as if under IAS 17 (C=A+B)**	Compared to amounts reported for 2018 under IAS 17
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*
Line items in the consolidated cash flow statement for year ended 31 December 2019 impacted by the adoption of IFRS 16:				
Cash generated from operations	**1,057,592**	**4,146**	**1,061,738**	1,324,469
Net cash generated from operating activities	**953,574**	**4,146**	**957,720**	1,253,984
Capital element of lease rentals paid	**(3,430)**	**3,430**	**–**	–
Interest element of lease rentals paid	**(716)**	**716**	**–**	–
Net cash used in financing activities	**(381,194)**	**4,146**	**(377,048)**	(870,060)

Note 1: The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if IAS 17 had still applied in 2019. This estimate assumes that there were no differences between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under IAS 17, if IAS 17 had still applied in 2019. Any potential net tax effect is ignored.

Note 2: In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash generated from operating activities and net cash used in financing activities as if IAS 17 still applied.

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:

	2019	2018
	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	**10,944,177**	9,436,257
– Sale of aluminium panels, aluminium alloy, moulds and spare parts	**235,633**	169,698
– Sales of completed properties	**81,599**	301,164
– Revenue from service contracts	**19,439**	17,398
	11,280,848	9,924,517

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 (2018: 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 2019, 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 2019 and 2018 is set out below:

	Industrial aluminium profiles		Construction aluminium profiles		Property development		All other segments		Total	
	2019	2018 *(Note)*	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018 *(Note)*
	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	**2,210,691**	2,215,995	**8,733,486**	7,220,262	**81,599**	301,164	**255,072**	187,096	**11,280,848**	9,924,517
Reportable segment profit										
Gross profit	**213,787**	273,997	**1,105,520**	858,277	**43,501**	120,921	**127,004**	97,577	**1,489,812**	1,350,772

Note:

The Group has initially applied IFRS 16 using the modified retrospective approach. Under this approach, the comparative information is not restated. See Note 1(c).

(ii) Reconciliations of reportable segment profit

	2019	2018 *(Note)*
	RMB'000	*RMB'000*
Reportable segment profit derived from the Group's external customers	**1,489,812**	1,350,772
Other income	**105,959**	54,939
Distribution costs	**(293,075)**	(278,949)
Administrative expenses	**(430,313)**	(360,422)
Finance costs	**(151,480)**	(164,221)
Share of profit of an associate	**2,567**	5,797
Consolidated profit before taxation	**723,470**	607,916

Note:

The Group has initially applied IFRS 16 using the modified retrospective approach. Under this approach, the comparative information is not restated. See Note 1(c).

(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% (2018: 97%) of the revenue are generated from the PRC market.

3 OTHER INCOME

	2019	2018
	RMB'000	*RMB'000*
Interest income	**42,734**	7,813
Government grants *(i)*		
– Unconditional subsidies	**25,788**	16,034
– Conditional subsidies	**25,354**	21,125
Rental income	**13,429**	10,869
Net foreign exchange gain/(loss)	**2,150**	(528)
Net loss on cash flow hedging instrument from equity	**(696)**	–
Loss on disposal of property, plant and equipment	**(2,800)**	(374)
	105,959	54,939

(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 RMB25,788,000 (2018: RMB16,034,000) 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 2019 was RMB25,354,000 (2018: RMB21,125,000).

4 PROFIT BEFORE TAXATION

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

(a) Finance costs:

	2019	2018
		(Note)
	RMB'000	*RMB'000*
Interest expenses on bank loans	**131,743**	142,580
Interest expenses on discounted bills	**18,939**	21,641
Interest on lease liabilities	**716**	–
Total interest expense on financial liabilities not at fair value through profit or loss	**151,398**	164,221
Cash flow hedges instruments reclassified from equity	**82**	–
	151,480	164,221

Note:

The Group has initially applied IFRS 16 using the modified retrospective approach. Under this approach, the comparative information is not restated. See Note 1(c).

(b) Staff costs:

	2019	2018
	RMB'000	*RMB'000*
Contributions to defined contribution retirement plans	**69,776**	59,051
Equity-settled share-based payment expenses	**2,325**	561
Salaries, wages and other benefits	**765,532**	653,518
	837,633	713,130

Pursuant to the relevant labour rules and regulations in the PRC, the PRC subsidiaries participate in defined contribution retirement benefit schemes ("**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 Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong). The Group and its employees in Hong Kong are required to 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 monthly mandatory 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 2019 (2018: 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:

	2019	2018
	RMB'000	*RMB'000*
Depreciation charge		
– Investment properties	**945**	–
– Other property, plant and equipment	**323,018**	281,663
– Right-of-use assets*	**12,334**	–
Amortisation of lease prepayments*	**–**	8,766
Research and development costs *(ii)*	**490,223**	425,295
Impairment losses on trade receivables	**48,296**	17,261
Impairment (gain)/losses on other receivables	**(1,121)**	1,544
Auditors' remuneration		
– audit services	**1,355**	1,355
– other services	**760**	760
Cost of inventories *(i)*	**9,791,036**	8,573,745
Total minimum lease payments for leases previously classified as operating leases under IAS 17**(i)*	**–**	2,972

* The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under IAS 17. After initial recognition of right-of-use assets at 1 January 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See Note 1(c).

(i) Cost of inventories for the year ended 31 December 2019 included RMB800,668,000 (2018: RMB698,725,000) relating to depreciation, lease expenses 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 2019 included RMB111,854,000 (2018: RMB91,836,000) 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:

	2019	2018
	RMB'000	*RMB'000*
Current tax		
Provision for PRC corporate income tax ("**CIT**")	**111,018**	82,723
Provision for and Hong Kong Profits Tax	**–**	471
Provision for PRC land appreciation tax ("**LAT**")	**4,842**	18,066
	115,860	101,260
Deferred tax		
Origination and reversal of temporary differences	**5,004**	12,678
	120,864	113,938

(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 2019 (2018: 16.5%), except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime.

For this subsidiary, the first HK$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2018.

The provision for Hong Kong Profits Tax for 2019 is taken into account a reduction granted by the Hong Kong SAR Government of 75% of the tax payable for the year of assessment 2018-19 subject to a maximum reduction of HK$20,000 for each business (2018: a maximum reduction of HK$30,000 was granted for the year of assessment 2017-18 and was taken into account in calculating the provision for 2018).

(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 2019 (2018: 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 2019 (2018: 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 2019, deferred tax liabilities of RMB11,609,000 (2018: RMB4,421,000) 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 2019, 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 2019 was reduced by RMB11,843,000 (2018: RMB8,755,000). Such additional tax deduction on research and development expenses equals 75% (2018: 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:

	2019	2018
	RMB'000	*RMB'000*
Profit before taxation	**723,470**	607,916
Less: LAT	**4,842**	18,066
Profit before CIT and Hong Kong Profits Tax	**718,628**	589,850
Notional tax on profit before taxation, calculated at the rates applicable to the jurisdiction concerned	**184,666**	152,731
Tax effect of non-deductible expenses	**860**	783
Tax effect of share of profit of an associate	**(385)**	(870)
Effect of tax concessions	**(68,464)**	(51,823)
Super deduction on research and development expenses in respect of 2018 *(Note 5(a)(v))*	**(11,843)**	(8,755)
Effect of withholding on undistributed profits retained by PRC subsidiaries	**11,188**	3,806
CIT and Hong Kong Profits Tax	**116,022**	95,872
LAT	**4,842**	18,066
Income tax expense	**120,864**	113,938

6 DIVIDENDS

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

	2019	2018
	RMB'000	*RMB'000*
Final dividends proposed after the end of reporting period of HKD0.28 per ordinary share (2018: HKD0.20)	**105,324**	71,419

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

	2019	2018
	RMB'000	*RMB'000*
Final dividends in respect of the previous financial year approved and paid during the year, of HKD0.20 per ordinary share (2018: HKD0.20)	**73,465**	70,483

7 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB606,109,000 (2018: RMB495,230,000) and the weighted average number of 418,000,000 ordinary shares (2018: 418,000,000 ordinary shares) in issue during the year.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB606,109,000 (2018: RMB495,230,000) and the weighted average number of ordinary shares of 418,176,000 shares (2018: 418,000,000), calculated as follows:

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

	2019	2018
	RMB'000	*RMB'000*
Profit attributable to ordinary equity shareholders (diluted)	**606,109**	495,230

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

	2019	2018
	'000	*'000*
Weighted average number of ordinary shares at 31 December	**418,000**	418,000
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	**176**	–
Weighted average number of ordinary shares (diluted) at 31 December	**418,176**	418,000

For the year ended 31 December 2018, the effect of the Company's Share Option Scheme was anti-dilutive.

8 INVENTORIES AND OTHER CONTRACT COSTS

	2019	2018
	RMB'000	*RMB'000*
Inventories		
Aluminium profiles manufacturing		
– Raw materials	**312,721**	260,446
– Work in progress	**110,018**	471,823
– Finished goods	**461,193**	134,086
	883,932	866,355
Property development		
– Land use rights	**28,538**	27,847
– Deed tax	**2,866**	3,273
– Construction costs	**219,039**	242,706
	250,443	273,826
Other contract costs	**–**	3,863
	1,134,375	1,144,044

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

	2019	2018
	RMB'000	*RMB'000*
Carrying amount of inventories sold	**9,791,036**	8,573,745

No property under development is expected to be recovered after more than one year (2018: Nil). All of the other inventories are expected to be recovered within one year.

(b) Contract costs

Contract costs capitalised as at 31 December 2019 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. No capitalised cost was recognised in profit or loss during the Year (2018: RMB12,911,000). There was no impairment in relation to the opening balance of capitalised costs or the costs capitalised during the year.

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	**2019** *RMB'000*	2018 *RMB'000*
Trade debtors and bills receivable, net of loss allowance	*(i)/(ii)*	**2,824,832**	2,620,584
Other debtors, net of loss allowance	*(iii)*	**79,887**	23,314
Financial assets measured at amortised cost		**2,904,719**	2,643,898
Dividend receivable	*(iv)*	**19,855**	–
Deposits and prepayments		**178,982**	148,130
		3,103,556	2,792,028

(i) No trade debtor was pledged as securities for bank loans of the Group as at 31 December 2019 (31 December 2018: RMB57,659,000).

(ii) No bills receivable was pledged as securities for bank loans of the Group as at 31 December 2019 (31 December 2018: RMB192,333,000).

(iii) As at 31 December 2019, loss allowance on other debtors is RMB2,294,000 (31 December 2018: RMB3,415,000).

(iv) As at 31 December 2019, dividend receivable of RMB19,855,000 (31 December 2018: Nil) is due from the associate of the Group, Jiangxi Province Jingxing Aluminum Panel Manufacturing Co., Ltd.

(v) The Group's trade and other receivables as at 31 December 2019 included amounts due from related parties of RMB43,792,000 (31 December 2018: RMB134,690,000). 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 aging 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:

	2019 *RMB'000*	2018 *RMB'000*
Within 1 month	**1,574,144**	1,177,207
1 to 3 months	**704,279**	782,075
3 to 6 months	**393,040**	524,965
Over 6 months	**153,369**	136,337
	2,824,832	2,620,584

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

10 TRADE AND OTHER PAYABLES

	2019	2018
	RMB'000	*RMB'000*
Trade payables	**814,775**	664,605
Bills payable	**1,284,032**	1,247,422
Accrued payroll and benefits	**219,521**	186,842
Other payables and accruals	**392,202**	316,794
Interest payable	**2,209**	12,709
Deferred income	**25,349**	23,102
Financial liabilities measured at amortised cost *(a)*	**2,738,088**	2,451,474
Derivative financial instrument:		
– held as cash flow hedging instruments *(b)*	**698**	–
	2,738,786	2,451,474

(a) Financial liabilities measured at amortised cost

All of the trade and other payables, apart from those mentioned in Note 11, are expected to be settled or recognised as income within one year or are repayable on demand.

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:

	2019	2018
	RMB'000	*RMB'000*
Within 1 month	**715,231**	771,715
1 to 3 months	**384,420**	470,252
3 to 6 months	**583,421**	517,031
Over 6 months	**415,735**	153,029
	2,098,807	1,912,027

(b) Derivative financial instrument

At 31 December 2019, a cross-currency interest rate swap contract has been entered into with HSBC Bank (China) Company Limited hedge against the interest rate risk and foreign currency risk in respect of short-term loan of US$7,500,000. The cross-currency interest rate swap contract will mature on 31 August 2020.

The following table provides a reconciliation of the hedging reserve in respect of interest rate risk and foreign currency risk and shows the effectiveness of the hedging relationships:

	2019
	RMB'000
Balance at 1 January	–
Effective portion of the cash flow hedge recognised in other comprehensive income	(780)
Amounts reclassified to profit or loss *(Note (i))*	778
Balance at 31 December *(Note (ii))*	(2)
Change in fair value of the forward exchange contracts during the year	(780)
Effective portion of the cash flow hedge recognised in other comprehensive income	(780)

Notes:

(i) Amounts reclassified to profit or loss are recognised in the "Other income" and "Finance costs" line item in the consolidated statement of profit or loss *(see Note 3 and 4(a))*.

(ii) The entire balance in the hedging reserve relates to continuing hedges.

11 CONTRACT LIABILITIES

	2019 *RMB'000*	2018 *RMB'000*
Aluminium profiles		
– Billings in advance of performance	**163,923**	194,439
Property development		
– Forward sales deposits and instalments received	**104**	23,809
	164,027	218,248

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

	2019 *RMB'000*	2018 *RMB'000*
Balance at 1 January	**218,248**	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	**(218,248)**	(385,301)
Increase in contract liabilities as a result of billing in advance of manufacturing activities	**163,923**	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 the year end	**104**	22,472
Balance at 31 December	**164,027**	218,248

No billings in advance of performance and forward sales instalments is received expected to be recognised as income after more than one year (2018: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY AND BUSINESS OVERVIEW

Industry Review

In 2019, the PRC economy continued its growth momentum despite encountering multiple adverse factors such as the Sino-US trade frictions and global economic slowdown. According to the National Bureau of Statistics of the People's Republic of China ("**PRC**" or "**China**"), gross domestic product of the PRC increased by 6.1% year-on-year in 2019. The peoples' living standards continued to improve with the support of on-going economic growth, which had stimulated the urbanization development in China. Following the Chinese government put forward the facilitation of settling 100 million non-registered residents in cities and supported the high-quality development of new urbanization, as at the end of 2019, the State Council of China further proposed full abolition on urban settlement restrictions of urban areas with less than 3 million permanent residents, involving about 60 cities. Driven by governmental policy, urban constructions, such as expansion of commercial streets, construction of public facilities and transportation infrastructure establishment were accelerated in various regions, and had propelled the demand for the aluminium profile products of the Group.

During the year under review, China's real estate market developed at a steady pace, and "houses are for living and not for speculation" became the vision of the PRC government in controlling the real estate market. It was mentioned at the Central Economic Work Conference held at the end of 2019 that such vision should be adhered to and the regulating mechanisms in respect of land prices and property prices as well as the expectations should be implemented. Local governments had adopted more measures to ensure the stable development of real estate market, and solve the housing problems of new immigrants and young generations. With many rounds of adjustments and control, hundreds of small and medium-sized real estate enterprises were closed down due to capital chain problems. On the contrary, the real estate market accelerated its inclinations towards clustering on leading real estate enterprises due to the higher risk tolerance capabilities of larger enterprises. Among the top 20 real estate enterprises in China, Vanke, Country Garden, Sunac, China Overseas, China Resources, Greentown, Seazen, China Fortune, Shimao Property, Jinke and Agile are customers of the Group, in which we have close and long-term partnership relationships. We also co-operated with other major real estate enterprises in certain projects. Therefore, the continuous integration of the real estate market helped to consolidate sales of construction aluminium profiles of the Group.

Currently, the aluminium profile market in China is relatively fragmented, and industry integration is conducive to facilitate the business consolidation of the Group. With years of development of the aluminium profile industry, and the growing demand for high-end products sectors including green construction, lightweight automobile development and railway transportation, industry peers with relatively backward technological standards will be eliminated, and orders will gradually be transferred to leading enterprises with more technological and research and development advantages, thereby accelerating industry integration. At the same time, downstream customers such as real estate developers tend to co-operate and enter into construction aluminium profiles contracts with aluminium profiles suppliers which have higher production capacity and stable product quality, thereby accelerating the inclinations towards clustering on leading real estate enterprises. As China's leading aluminium profile manufacturer, we continue to benefit under the new round of industry integration.

Business Review

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 the "No. 1 of the National Construction Aluminium Profiles Enterprise" by China Non-Ferrous Metals Fabrication Industrial Association for three consecutive sessions. As of the end of 2019, the Group had obtained more than 1,300 national patents and participated in the drafting of over 90 national and industry standards. Currently, we are also one of the world's largest suppliers of electricity conductive aluminium profiles for metro vehicles. Leveraging our advanced research and development capability and commitment to quality, the Group has established extensive and stable sales networks in the PRC and overseas for the past 36 years. In recent three years, the Group has focused on establishing our sales outlets in the prefecture-level cities in Southern China and Eastern China, and at the same time has invested its resources to establish sales outlets in key cities of relatively underdeveloped regions, and apparent positive results were seen from their regional sales data.

In 2019, the Group continued to facilitate the development of the two principal businesses of construction aluminium profiles and industrial aluminium profiles. Over the years, our revenue mainly derived from the sales of construction aluminium profiles products. In recent years, new buildings stressed on green construction through pursuing energy conservation and environmental protection in every detail, so as to meet the national environmental protection requirements and trends, especially the system door and window profiles with heat insulation function, which are being widely used in new buildings. The "Xingfa System", "Xingfa Doors and Windows" and "Paxdon System"(帕克斯頓系統) developed by the Group meet the high standards for energy conservation and environmental protection. At the same time, in response to national and social attention to environmental protection, as well as the market demand for products relating to lightweight transportation, the Group continued to promote the production and sales of aluminium profile products in lightweight transportation. The Group also noticed that the industrial aluminium profiles market has gradually become matured in recent years, however, owing to its fragmented market nature, the technical requirements of each kind of product are relatively higher. The Group is determined to leverage the advantages of its construction aluminium profiles to expand the industrial aluminium profiles market to achieve the dual-engine development of these two segments. The construction of precision manufacturing base located in Guangdong Sanshui Industrial Zone is stepping up, which is planned to produce high-end industrial aluminium profiles for use in sectors such as high-end electronic communication equipment, radiator materials, medical apparatus and instruments and military engineering applications, making notable stride in the implementation of the dual-engine development by the Group.

In terms of overseas sales, the Group expanded the markets in Egypt, Chile and Japan last year. With the growing global demand for aluminium profiles, significant results were achieved in other overseas markets which the Group has expanded into earlier, including Vietnam, Australia, Indonesia, Cambodia, Myanmar, South Africa, West Africa, Singapore and Thailand, of which the annual sales volume via domestic distributor in Vietnam increased by more than 37% year-on-year.

Innovation and scientific research were the drivers for Xingfa in expanding its new markets. The Group strives to participate in various industry exchanges and seminars, and has established long-term and stable co-operative relationships with local universities, research institutes and enterprises in the peer industry to jointly solve the common technical problems in the industry or carry out new technology research, and actively improve the quality and functions of aluminium profiles of the Group. Moreover, as an industry pioneer, we actively participate and take the lead in the drafting and formulation of international, national and industry standards for the aluminium alloy profile industry, and promotes the implementation of a series of standards. During the year, Xingfa participated in industry exchange conferences and forums including the Aluminium Processing Industry Green Manufacturing Technology Exchange Conference in Guangdong-Hong Kong-Macao-Greater Bay Area and the Fifth National Non-ferrous Metal Structural Material Preparation, Processing and Application Technology Exchange Conference. The Group participated in the drafting of industry standards including GB/T 27685-2019 "Portable Aluminium Alloy Ladder" and GB/T 8005.1-2019 "Aluminium and Aluminum Alloy Terminology Part 1: Products and Processing Technology". Furthermore, as a principal drafting party, the Group also participated in the drafting of ISO 28340: 2013 "Aluminium Laminated Coatings Technical Requirements for Laminated Coatings and Electrophoretic Organic Coatings on Aluminium Surface and Anodic Oxide Coatings（鋁表面複合膜鋁表面電泳有機膜與陽極氧化膜的複合膜技術要求）", the first international standard for aluminium profile industry in the PRC. Such participation has greatly improved our influence and right to speak on international stage as an PRC aluminium profile enterprise. The Group was also awarded the titles of "National Standards Development and Innovation Demonstration Base" and "International Standards Development and Innovation Demonstration Base".

During the Year, the Group continued to promote self-transformation, aiming to transform its production processes and internal management to become a leading modern aluminium profile manufacturer in the PRC. In mid-2019, the Group entered into a consultancy contract with Siemens AG in respect of the provision of technical support on IT top-level planning and advancement of digital plants. In terms of internal management, the Group continued its management reform. The Group will continue to conduct reforms in various aspects such as production and marketing integration, reforms in human resources and business department to improve internal management standards.

In response to the national green manufacturing development plan, the Group integrated the requirements of ISO 14000 environmental management system certification and ISO 50001 energy management system certification, and formulated the environmental protection system. During the Year, the Group invested over RMB5 million in environmental protection, which was mainly used for renovation, upgrade, repair and maintenance of environmental protection facilities, hazardous waste treatment, environmental impact assessment and environmental inspection of development projects, so as to further strengthen the monitoring and control of environmental protection and sewage.

Revenue

For the year ended 31 December 2019, the revenue and sales volume of the Group increased by 13.7% and 18.2% to approximately RMB11,280.8 million and 612,223 tonnes respectively (2018: RMB9,924.5 million and 517,982 tonnes respectively), of which, the sales of construction aluminium profiles and industrial aluminium profiles accounted for 77.4% and 19.6% of the revenue respectively. The gross profit of the Group for the year increased by 10.3% year-on-year to approximately RMB1,489.8 million (2018: RMB1,350.8 million). The gross profit margin was 13.2% (2018: 13.6%), and such a decrease was mainly due to the fierce market competition and the slight decline in product selling price. During the Year, the profit attributable to owners of the Company was approximately RMB606.1 million (2018: RMB495.2 million), representing an increase of 22.4% year-on-year.

Construction aluminium profiles

The construction aluminium profiles are aluminium profiles with surface finishing, which are mainly used for construction and installation of doors and windows, curtain walls, ceilings and blinds and other decorative products.

In 2019, the revenue of construction aluminium profiles increased by 21.0% to approximately RMB8,733.5 million (2018: RMB7,220.3 million), and sales volume increased by 24.2% to 473,305 tonnes (2018: 381,233 tonnes).

Industrial aluminium profiles

The industrial aluminium profiles are mainly plain aluminium profiles, which can be used as container box, such as new conductive profiles of urban railway locomotives and ship components etc. Moreover, the industrial aluminium profiles can also be produced in other different forms and shapes, such as central processing unit (CPU) and display thermal sinks and electronic consumer product frames.

The revenue of industrial aluminium profiles in 2019 decreased by 0.2% to approximately RMB2,210.7 million (2018: RMB2,216.0 million), and sales volumes increased by 1.5% to 136,395 tonnes (2018: 134,406 tonnes).

PROSPECT

Looking forward 2020, the Sino-US trade frictions have gradually reduced, while the outbreak of coronavirus disease 2019 ("**COVID-19**") and slowdown of the economic growth in China will have potential negative impact on our business. As this year is a year of transformation for the Group, we will seize opportunity and focus on internal management reforms. A number of management reform plans that were proposed last year will be implemented one after another in this year, which cover areas on talent training, product standardization, electronic information planning and production base expansion. It is expected that the Group will be able to improve its production processes, strengthen cost control and enhance operating efficiency through those series of reforms, and together with a continuous capacity expansion plan to enhance the competitiveness of the Group.

In the future, the Group will continue to take construction aluminium profiles and industrial aluminium profiles as our dual-engine development direction. The application of industrial aluminium profiles has achieved tremendous progress in recent years, covering fields such as electronic home appliances, printing, transportation and aerospace, which demonstrated its market potential. However, there is still room for improvement in the technical standard and capacity of industrial aluminium profiles. The Group will continue to invest in the industrial aluminum profiles sector, set up the Xingfa Research Institute（興發研究院）, and work with academic institutions to explore new applications of industrial aluminium profiles. It is expected to raise the proportion of revenue derived from the sale of industrial aluminium profiles and deep-processing products to 40% of the Group's total revenue in next three to five years. At the same time, we notice there are different merger and acquisition opportunities in the market, and the Group will first consider our peers in industrial aluminium profiles sector.

In terms of overseas sales, the Group will continue to explore new sales points and expand into more markets. Following the year-on-year increase in sales volume in the Vietnam market, we plan to further expand such market to seize a larger market share. In addition, the Group completed an in-depth survey in Southeast Asia last year. In review of the region has a population of 600 million with strong economic growth and is full of development opportunities, the Group will increase its investment in Southeast Asia.

In the long run, external uncertainties including the Brexit and Sino-US trade frictions will continue to impose more instabilities to the macro economy. The Group will remain cautious and optimistic about the prospects of the aluminium profile markets. As the market becoming gradually matured, smaller-scale peers will be eliminated due to issues relating to pollution treatment, research and development technology standards and industrial chain integration, and leading enterprises will benefit from the continuous capacity integration. Meanwhile, the development of urbanization continues to bring appropriate support to the industry, and the application of industrial aluminium profiles will become more extensive in future, which will have a positive impact on the Group's business. The Group will continue to develop under a balanced approach in both its external business expansion and internal operation efficiency enhancement, so as to bring greater returns to shareholders and stakeholders.

FINANCIAL REVIEW

Revenue

The revenue and sales volume of the Group for the Year were increased by 13.7% and 18.2% year-on-year to approximately RMB11,280.8 million and 612,223 tonnes respectively (2018: RMB9,924.5 million and 517,982 tonnes respectively). The growth was attributable to the increase in sales orders during the Year.

The sales volume of construction aluminium profiles for the Year increased by 24.2% to 473,305 tonnes (2018: 381,233 tonnes). Meanwhile, the sales volume of industrial aluminium profiles for the Year also increased by 1.5% to 136,395 tonnes (2018: 134,406 tonnes).

The following table sets forth the details of our revenue by reportable segments for the years ended 31 December 2019 and 2018:

	2019	2018
	RMB'000	*RMB'000*
Manufacturing and sale of aluminium profiles		
– Construction aluminium profiles	**8,733,486**	7,220,262
– Industrial aluminium profiles	**2,210,691**	2,215,995
	10,944,177	9,436,257
Property development	**81,599**	301,164
Others *(Note)*	**255,072**	187,096
Total	**11,280,848**	9,924,517

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 10.3% year-on-year to approximately RMB1,489.8 million (2018: RMB1,350.8 million).

The overall gross profit margin for the Year of the Group remained stable at 13.2% (2018: 13.6%), while the sales to production ratio increased slightly to 99% (2018: 98%).

The following table sets forth the gross profit margin of our aluminium profiles in 2019 and 2018:

	2019	2018
Construction aluminium profiles	**12.7%**	11.9%
Industrial aluminium profiles	**9.7%**	12.4%

The gross profit margin of construction aluminium profiles increased slightly to 12.7% for the Year as compared to that of 2018. This was mainly attributable to the gross profit margin of certain sales to new customers, being property developers, is comparatively higher than that of the existing customers.

The gross profit margin of industrial aluminium profiles decreased to 9.7% for the Year as compared to that of 2018. Under the intensified market competition, the Group lowered its selling price of certain products in order to maintain its market share. In addition, as the production capacity was fully loaded during the Year, the Group outsourced some of the sales orders to external sub-contractors, which increased the overall production costs.

Other income

The other income of the Group for the Year increased significantly by 92.9% year-on-year to approximately RMB106.0 million (2018: RMB54.9 million), which was mainly attributable to the increase in interest income on accounts receivables and the net foreign exchange gain.

Distribution costs

The distribution costs of the Group for the Year increased by 5.1% to approximately RMB293.1 million (2018: RMB278.9 million), which accounted for 2.6% of the revenue (2018: 2.8%). The increase was due to the significant increase in sales volume which led to the corresponding increase in transportation costs and staff costs.

Administrative expenses

Due to business expansion of the Group, the number of management staff increased, resulting in an increase in staff costs during the Year. The provision for trade and other receivables also increased given the market conditions of the Year in addition to the Group's business expansion. As a result, the administrative expenses of the Group for the Year increased by 19.4% to approximately RMB430.3 million (2018: RMB360.4 million), which accounted for 3.8% of the revenue (2018: 3.6%).

Finance costs

Finance costs decreased by 7.8% to approximately RMB151.5 million for the Year (2018: RMB164.2 million) mainly due to the decrease 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 by 22.4% year-on-year to approximately RMB606.1 million (2018: RMB495.2 million). The increase was primarily attributable to the increase in sales orders 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 2019 and 2018:

	2019	2018
Current ratio *(Note i)*	**1.19**	1.13
Quick ratio *(Note ii)*	**0.93**	0.86

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.

Current ratio increased slightly for the Year as compared to that of 2018 due to the increase in cash balances as at 31 December 2019.

Quick ratio was improved for the Year as compared to that of 2018 which was mainly due to the decrease in bank loan balances as at 31 December 2019 as compared to that as at 31 December 2018.

Gearing ratio

The following table sets out our Group's gearing ratio as at 31 December 2019 and 2018:

	2019	2018
Gearing ratio *(Note)*	**21.9%**	26.0%

Note:

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

The gearing ratio was improved for the Year as compared to that of 2018 which was mainly due to the decrease in bank loan balances as at 31 December 2019.

Inventory turnover days

The following table sets out our Group's inventory turnover days during the years ended 31 December 2019 and 2018:

	2019	2018
Inventory turnover days *(Note)*	**42**	51

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 production efficiency was improved due to better arrangement on production plans, leading to a reduction in inventory backlog and the inventory turnover days for the Year.

Debtors' turnover days

The following table sets out our Group's debtors' turnover days during the years ended 31 December 2019 and 2018:

	2019	2018
Debtors' turnover days *(Note)*	**88**	85

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 2018.

Creditors' turnover days

The following table sets out our Group's creditors' turnover days during the years ended 31 December 2019 and 2018:

	2019	2018
Creditors' turnover days *(Note)*	**75**	63

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 increased as compared to that of 2018. This was mainly because longer credit period was granted by the main suppliers due to better negotiation power of the Group.

Loans and borrowings

As at 31 December 2019, the Group's loans and borrowings amounted to approximately RMB1,698.4 million (31 December 2018: RMB1,845.7 million).

Banking facilities and guarantee

As at 31 December 2019, the banking facilities of the Group amounted to approximately RMB7,690.4 million (31 December 2018: RMB6,151.8 million), of which approximately RMB2,599.1 million were utilised (31 December 2018: RMB2,472.9 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 amounted to approximately RMB560.5 million (2018: RMB345.5 million). The significant capital expenditures during the Year were mainly for the acquisition of equipment and lease prepayment for our production plants.

Capital structure

As at 31 December 2019, the Company had 418,000,000 ordinary shares of HK$0.01 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 2019 and 2018:

	2019	2018
	RMB'000	*RMB'000*
Net cash generated from operating activities	**953,574**	1,253,984
Interest received	**42,734**	7,813
Payment for purchase of property, plant and equipment	**(560,535)**	(345,308)
Interest paid	**(161,264)**	(163,605)
Net decrease in bank borrowings	**(146,619)**	(636,972)
Dividends paid to equity shareholders of the Company	**(73,465)**	(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, 72 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 recognized from such sale for the Year amounted to approximately RMB81.6 million (2018: RMB301.2 million), with gross profit margin at 53.3% (2018: 40.2%).

HUMAN RESOURCES

As at 31 December 2019, our Group employed a total of approximately 7,650 full time employees in the PRC and Hong Kong which included management staff, technicians, salespersons and workers. In 2019, our Group's total expenses on the remuneration of employees were approximately RMB837.6 million, represented approximately 7.4% 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 (according to the PRC rules and regulations for PRC employees), discretionary bonuses and employee share options are also awarded to employees according to the assessment of individual performance. In-house and external training programmes are provided as and when required.

FINAL DIVIDEND

The Directors recommended the payment of a final dividend of HKD0.28 per ordinary share for the Year (2018: HKD0.20) to Shareholders whose name appear on the register of members of the Company on Friday, 12 June 2020.

Subject to the approval of the Shareholders at the forthcoming annual general meeting, the final dividend will be paid in Hong Kong Dollars on or around 26 June 2020.

EVENTS OCCURRED AFTER THE REPORTING PERIOD

The outbreak of COVID-19 since early 2020 has brought about additional uncertainties in the Group's operating environment and has impacted the Group's operations and financial position.

The Group has been closely monitoring the impact of the developments on the Group's businesses and has put in place contingency measures. These contingency measures include but not limited to assessing our suppliers' readiness, improving our production process, negotiating with distributors on delivery schedule, continuously monitoring the operations of distributors of the Group and strengthening cost control. The Group will keep its contingency measures under review as the situation evolves.

As far as the Group's businesses are concerned, the COVID-19 outbreak has caused the delays of production and delivery, and impacted certain debtors' repayment schedules as well as inventory turnover in the first quarter of 2020. The Group's management has set a plan for catching up the delayed schedules above in the remaining financial year ending 2020. As the extent to which the COVID-19 outbreak will continue is uncertain, it is not practicable to estimate the full financial effect that the COVID-19 outbreak may have on the Group's businesses as at the date of this announcement.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the right to attend the forthcoming annual general meeting to be held on Thursday, 28 May 2020, the register of members of the Company will be closed from Monday, 25 May 2020 to Thursday, 28 May 2020 (both days inclusive). During such period, no transfer of the shares of the Company will be registered. In order to qualify for the attendance in the forthcoming 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Friday, 22 May 2020.

For the purpose of determining the entitlement to the final dividend, the register of members of the Company will be closed from Wednesday, 10 June 2020 to Friday, 12 June 2020 (both days inclusive). During such period, no transfer of the shares of 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, 9 June 2020.

CORPORATE GOVERNANCE

In the opinion of the Directors, save as mentioned below, the Company had complied with all the code provisions of the Corporate Governance Code ("**Corporate Governance Code**") as set out in Appendix 14 to the Listing Rules for the Year.

According to the code provision A.1.1 of the Corporate Governance Code, the Board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. During the Year, the Board has held three board meetings. The Company has deviated from this code provision as the Board has discussed matters of the Company matters through exchange of emails and informal meetings among the Directors and has obtained board consent through circulating written resolutions.

According to code provision A.2.7 of the Corporate Governance Code, the chairman should at least annually hold meetings with the independent non-executive directors without the presence of other directors. During the Year, Mr. LIU Libin, the Chairman of the Board, did not hold any meeting with the independent non-executive Directors without the presence of other directors. However, the Chairman held meetings with the independent non-executive Directors with the presence of other Directors periodically during the Year to understand their concerns, to discuss pertinent issues and to ensure that there is access to adequate and complete information. The independent non-executive Directors can have direct contacts with the Chairman after meetings if necessary.

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.

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 of the Company namely, Mr. CHEN Mo, Mr. HO Kwan Yiu and Mr. LAM Ying Hung, Andy ("**Mr. LAM**") and one non-executive Director namely, Ms. XIE Jingyun. Mr. LAM, who has professional qualification and experience in financial management, 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 2019 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 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 2019 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 2019 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

26 March 2020

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